ASX Announcement **19 August 2016**

- **New CEO and CFO have improved capability to execute**
  - **driving growth through organizational and strategic renewal**
- **High proportion of recurring revenue and material reduction of cost base underpinning FY17**
- **$2.35 million cash with positive outlook**

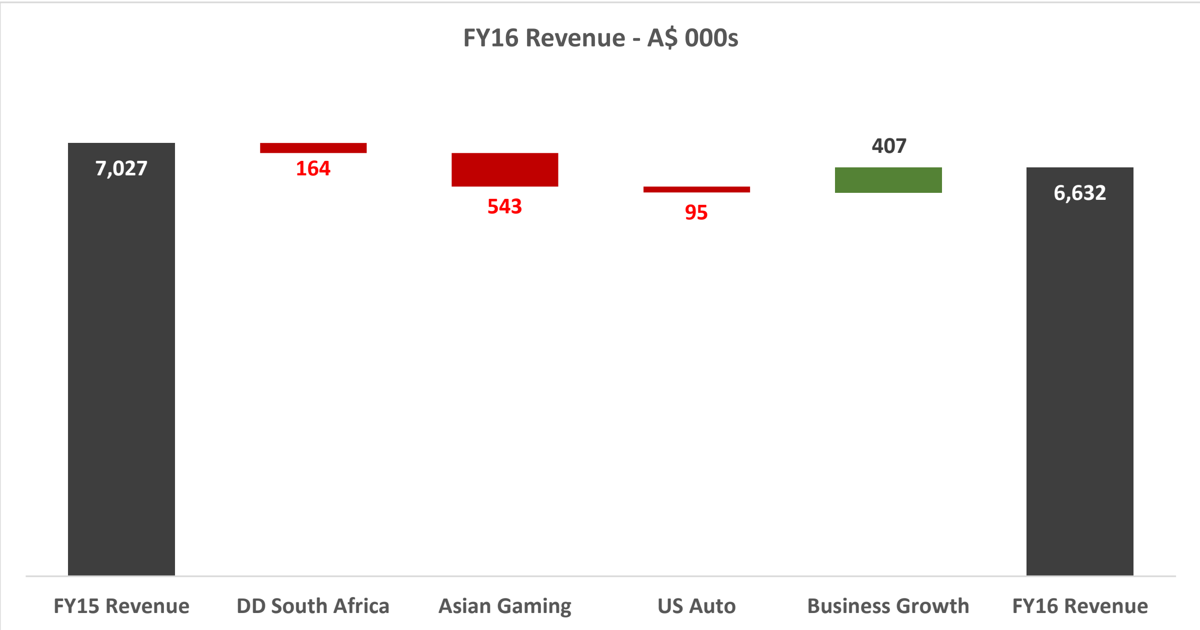
Financial Year Ended June 2016 Performance Commentary

Result Overview

Revenue for the year ended 30 June 2016 was $6,631,371 (2015: $7,026,595) down 5.6%. The key drivers of this were:

1. a decline in Theft Deterrent (DataDotDNA) royalties from DataDot South Africa due to competitive pressures and devaluation of the rand vs the AUD,
2. slowness in the Asian casino/gaming market which impacted sales of our Authentication (DataTraceDNA) solution in that segment, and
3. a slow first half of the year for US Auto Theft Deterrent sales, which has now been turned around.

The aggregate impact of these three drivers of about $800,000 has been partially offset by more than $450,000 of growth in other areas.



The investment in additional sales resources to accelerate sales of the US Industrial Theft Deterrent product did not produce the desired level of revenue uplift during FY16 and so, that investment has been pared back to prudently manage cash reserves and improve earnings in FY17.

The US sales investment along with the cost of additional sales resources for our Authentication solution impacted FY16 EBITDA: ($1,464,261) (2015: ($189,431)).

The incoming management has taken a prudent view across a range of intangible items on the balance sheet and recommended to the Board that – given the challenges of forecasting future cash flows in relation to those items with a sufficient degree of certainty – those balances should be reduced or written off.

These adjustments have materially impacted the FY16 Net Profit After Tax: (FY16 NPAT ($3,264,627) (2015: ($867,354)).

Despite these non-cash accounting adjustments, the Board and management remains comfortable with the overall strength of the Company's IP. Over time, the Company anticipates that new and additional IP will be developed to complement the existing portfolio.

Material reduction in cost base

In addition to the reduction in insufficiently productive sales resource described above, efficiencies have been implemented in most areas. On an annualised basis, expenses have been reduced by $1.26 million (22%) going into FY17. These savings are more than the FY16 decline in EBITDA and NPAT (before the non-cash balance sheet adjustments referred to above.)

Cash

Cash at bank at the end of FY16 was $2,355,153. The reductions in the cost base and high proportion of recurring revenue will have a positive impact on cash generation going forward.

Recurring revenue

Approximately 80% of the FY16 revenue is subject to ongoing contractual arrangements or historically reliable ordering. During FY16, our:

1. Italian distributor dDotDNA Italia S.r.l renewed its major supply contract with FCA Bank (Fiat Chrysler Auto) for Italy. This contract also provides for an expansion of the successful Italian offering into 13 other European countries with an anticipated roll out to commence during FY17,

2. long standing relationship with Subaru Australia was extended for a further three years. Every Subaru sold in Australia will continue to be protected by the DataDot Theft Deterrent System, and

3. agreement for the supply of our Authentication solution to a global pharmaceutical company was renewed for a further three years.

When combined with the reduction in the cost base the high proportion of recurring revenue sets DDT up for a positive 2017.

DataDot TECHNOLOGY LTD

Organizational and strategic renewal

Temogen Hield was appointed CEO by the Board on 26 August 2015 (which role had been vacant since January 2012) to drive the organizational and strategic renewal required to set the company on a path to consistently improved results.

Consequently there have been a number of personnel changes, including the appointment of David Williams as CFO on 14 June 2016. These changes have markedly increased execution and strategic capabilities, whilst also yielding expense efficiencies.

Over the coming year, our enhanced senior management team will continue to improve the strength of our execution capabilities, value propositions and operations.

Importantly they will also focus on a review of, and strengthening (on an on-going basis) our core offerings and other aligned opportunities, to ensure our strategy going forward will maximize shareholder return.

Growth opportunities

The Company has many growth opportunities, in particular that our existing customer/relationship base includes:

- products with proven scalability (for example with more than 140,000 units sold in FY16) and appeal that can be grown by broadening the distribution footprint,
- many blue chip companies who have successfully trialled our solutions,
- sector specific brand equity, and
- compelling case studies and proven results (using hard metrics like reduction in theft losses).

Additionally global trends, such as the growth in counterfeit to a 1.7 trillion dollar problem in 2015[1], the strength of our underlying IP and our overall pipeline provide a sound basis for us to be optimistic about growth in the year ahead.

[1] International Chamber of Commerce, Global Impact Study, 2011

Outlook

The Board is fully aware that the growth foreshadowed in prior periods hasn't been delivered. Consequently steps have been taken through the appointment of a CEO and now CFO to improve our capacity to execute our plans for growth through organizational and strategic renewal.

As this work continues, the Board is confident that capabilities and results will improve.

These improvements when coupled with the high levels of recurring and contracted revenue, material improvements in the cost base and growth opportunities available to the company give the Board reason to be optimistic in its outlook for FY17.

For further details contact:

DataDot Technology Limited
Temogen Hield, CEO
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www.datadotdna.com

About DataDot:

DataDot Technology Limited provides world leading asset identification, management, protection and authentication solutions that deliver great value to customers. For more information please visit www.datadotdna.com.

APPENDIX 4E
Consolidated Financial Report
for the year ended 30 June 2016

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DataDot Technology Limited

ABN : 54 091 908 726

Appendix 4E

Preliminary Financial Report

Reporting period	**Year ended 30 June 2016**
Previous reporting period	Year ended 30 June 2015

Results for announcement to the market	**2016**	2015	Change	Change
	$	$	$	%
Revenues from ordinary activities	**6,631,371**	7,026,595	(395,224)	-5.62%
Gross Margin	**3,763,687**	4,174,323	(410,636)	-9.84%
Expenses	**5,683,982**	4,947,472	(736,510)	-14.89%
EBITDA	**(1,464,261)**	(189,431)	(1,274,830)	-672.98%
Loss from ordinary activities after tax attributable to owners of DataDot Technology Limited	**(3,264,627)**	(867,354)	(2,397,273)	-276.39%
Loss for the year attributable to the owners of DataDot Technology Limited	**(3,264,627)**	(867,354)	(2,397,273)	-276.39%
Net tangible assets per ordinary security	**0.0047**	0.0080	(0.0033)	-41.25%

Dividends

No dividends were paid or made payable during the year ended or since 30 June 2016.

Commentary

Please refer to the attached commentary and consolidated financial statements for the year ended 30 June 2016.

Other information

Control gained over entities having a material effect

Please refer to the attached commentary and consolidated financial statements for the year ended 30 June 2016.

Loss of control over entities having a material effect

N/A

Dividend or distribution reinvestment plans

N/A

Details of associates and joint venture entities

Please refer to the attached controlled entities note in the financial statements for the year ended 30 June 2016.

Audit status

This report is based on audited financial statements.

Attachments

Additional disclosure requirements can be found in the notes to the attached consolidated financial statements.

Signed By

Bruce Rathie - Chairman 19-Aug-16

Financial Report 2016

Financial Year Ended 30 June 2016

ABN 54 091 908 726

Financial Report 2016
Financial Year ended 30 June 2016

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Directors

The Directors present their report, together with the financial statements of the consolidated entity comprising DataDot Technology Limited ("DataDot", "company" or "parent entity") and the entities it controlled (referred to hereafter as the “consolidated entity”) for the financial year ended 30 June 2016.

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

- Bruce Rathie	Alison Coutts	Resigned 1 March 2016
- Gary Flowers	Stephe Wilks	Appointed 26 February 2016

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 DataTraceDNA® authentication solutions,

(c) to develop and distribute customised solutions combining DataDotDNA, DataTraceDNA and asset registration.

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

Revenues for DataDot in 2016 financial year were $6,631,371 (2015: $7,026,595), being 5.6% lower than the previous period.

The key drivers of this were:

1. A decline in Theft Deterrent (DataDotDNA) royalties from DataDot South Africa due to competitive pressures and devaluation of the rand vs the AUD,
2. Slowness in the Asian casino/gaming market which impacted sales of our Authentication (DataTraceDNA) solution in that segment, and
3. A slow first half of the year for US Auto Theft Deterrent sales, which has now been turned around.

The aggregate impact of these three drivers of about $800,000 has been partially offset by more than $400,000 of growth in other areas, especially Europe. During FY16 a number of key global clients were secured under new contractual arrangements which will underpin future revenue earnings including, our:

1. Italian distributor dDotDNA Italia S.r.l renewed its major supply contract with FCA Bank (Fiat Chrysler Auto) for Italy. This contract also provides for an expansion of the successful Italian offering into 13 other European countries with an anticipated roll out to commence during FY17,
2. Long standing relationship with Subaru Australia was extended for a further three years. Every Subaru sold in Australia will continue to be protected by the DataDot Theft Deterrent System, and
3. Agreement for the supply of our Authentication solution to a global pharmaceutical company was renewed for a further three years.

Gross profit for FY2016 was $3,763,687 at 57% of revenue compared to $4,174,323 at 59% of revenue pcp. The main driver of gross margin was adverse movement in foreign currency impacting on production costs and materials. The group's ongoing focus on manufacturing efficiencies, pricing and procurement strategies is expected to improve gross margin in FY17.

Group expenses for FY2016, excluding depreciation and amortisation, was $5,686,615 compared to $4,995,527 pcp. FY 2016 expenses include the additional investment made in sales people and product reflecting the refocussing of resources on growth opportunities. The investment in additional sales resource to accelerate sales of the US Industrial Theft Deterrent product did not produce the desired level of revenue uplift during FY16 and so, that investment has been pared back to prudently manage cash reserves and improve earnings in FY17.

Earnings before interest, tax, depreciation and amortisation ("EBITDA") in 2016 was $1,464,261 loss (2015: $189,431 loss). The aforementioned investment in sales staff had a material bearing on FY16 EBITDA. Expense reduction and efficiency initiatives have been implemented in FY16 that will generate annualised savings of more than $1.1m in FY17.

Net loss after tax attributable to owners in the 2016 financial year was $3,264,627 (2015: $867,354 loss). The FY16 result included a number of non-cash items written down as a result of a balance sheet review, totalling $1.2m.

Net Assets at 30 June 2016 were $6,425,313 (2015: $9,600,934). Assets per share at 30 June 2016 were $0.0085 (2015: $0.0134), being mainly driven by a decline in cash balance.

Significant changes in the state of affairs

- The incoming management has taken a prudent view across a range of intangible items on the balance sheet resulting in writing down non-cash items to the value of $1.2m in FY16 accounts. This had a material one-off impact to FY16 NPAT, however, it provides a future recurring benefit for FY17 and beyond in lower depreciation and amortisation expenses
- A restructuring of the business has resulted in a number of staff redundancies, particularly in the US which delivered some expense savings in 2H of FY16 that will be realised on an annualised basis in FY17 creating significant cost savings
- At the end of June 2016, the company held cash reserves of $2,355,153 compared to $4,065,518 pcp. The FY17 budgeted expenses provide a much improved expense efficiency base.

Matters subsequent to the end of the financial year

On 1 July 2016, 1,000,000 shares were issued on vesting of share rights for a departing employee.

No other matter or circumstance has arisen since 30 June 2016 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.

Likely developments and likely results of operations

Temogen Hield was appointed CEO by the Board on 26 August 2015 to drive the organizational and strategic renewal required to set the company on a path to consistently improved results. Consequently, there have been a number of personnel changes, including the appointment of David Williams as CFO on 14 June 2016. These changes have markedly increased execution and strategic capabilities, whilst also yielding expense efficiencies.

Over the coming year, our enhanced senior management team will continue to improve the strength of our execution capabilities, value propositions and operations. Importantly they will also focus on a review of, and strengthening (on an on-going basis) our core offerings and other aligned opportunities, to ensure our strategy going forward will maximize shareholder return.

Furthermore, our ongoing investment in product development and sales pipeline in both DataTrace and DataDot businesses is expected to realise benefits in FY2017 with many growth opportunities, that our existing customer/relationship base includes:

- Products with proven scalability (for example with more than 140,000 units sold in FY16) and appeal that can be grown by broadening the distribution footprint,
- Many blue chip companies who have successfully trialled our solutions, and
- Compelling case studies and proven results (using hard metrics like reduction in theft losses).

Environmental regulation

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

Information on Directors and Company Secretary

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

Chairman

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

PolyNovo Limited - Appointed February 2010

USCOM Limited - Appointed December 2006: Resigned August 2011

Mungana Goldmines Limited - Appointed September 2010; Resigned August 2013

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

Independent Non-Executive Director

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

Mr Stephe Wilks

Independent Non-Executive Director

Mr Wilks joined the Board as a non-executive Director on 26 February 2016. He has over 25 years' experience in the telecommunications industry both within Australia and overseas. He has been Regional Director (Asia & Japan) – Regulatory Affairs for BT Asia Pacific, Managing Director of XYZed Pty Ltd (an Optus company) as well as Chief Operating Officer of Nextgen Networks and Personal Broadband Australia. Mr Wilks is the Chair of one of Australia's leading IT companies, Interactive, a Non-Executive Director of 3Q Holdings Limited and Aggregato Global Limited and is an Advisory Board Member of the Network Insight Institute. Mr Wilks is also involved with a number of private equity backed businesses in the media and technology industries.
Mr Wilks has experience across a range of commercial and operations disciplines, governance and corporate finance and M&A.
He is Chairman of the Remuneration and Nomination Committee and a member of the Audit and Risk Management 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.
In June 2016 he stepped down from the position of CFO but remains as the Company Secretary. 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 Shares	Interest in Share Options	Interest in Share Rights
Bruce Rathie	30,565,854	2,000,000	-
Gary Flowers	5,487,265	1,000,000	-
Stephe Wilks	-	-	-

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 2016 and the number of meetings attended by each of the directors were :

Director	Board Meetings		Remuneration and Nomination Committee Meetings		Audit and Risk Management Committee Meetings	
	No. eligible to attend	No. attended	No. eligible to attend	No. attended	No. eligible to attend	No. attended
Bruce Rathie	12	12	1	1	2	2
Gary Flowers	12	12	1	1	2	2
Stephe Wilks	5	5	1	1		
Alison Coutts	8	8			2	2

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
1 July 2015	1 July 2022	500,000
		2,500,000

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
27 November 2014	27 November 2017	3,000,000	Each Option will entitle the holder to subscribe for one Share at an exercise price of 5 cents per Share.
26 August 2015	1 July 2018	20,000,000	Each Option will entitle the holder to subscribe for one Share at an exercise price of 2.7 cents per Share
13 June 2016	1 July 2019	9,000,000	Each Option will entitle the holder to subscribe for one Share at an exercise price of 2.7 cents per Share

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

Indemnity and insurance of officers and auditors

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

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

Proceedings on behalf of the Company

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

Non audit services

Details of the amounts paid or payable to the auditor for non-assurance services provided by the auditor during the financial year by the auditors are outlined in note 5 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 5 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.

Officers of the Company who are former audit partners of BDO East Coast Partnership

There are no officers of the Company who are former audit partners of BDO East Coast Partnership.

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 2016 is set out on page 20 of the financial report.

Auditor

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

The following Remuneration Report forms part of the Directors' Report

Remuneration Report (audited)

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

Key management personnel

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

Directors		
Bruce Rathie	Chairman	
Gary Flowers	Non Executive Director	
Alison Coutts	Non Executive Director	Resigned 1 March 2016
Stephe Wilks	Non Executive Director	Appointed 26 February 2016
Executives		
Temogen Hield	Chief Financial Officer	Appointed 26 August 2015
Gunther Schmidt	Managing Director DataTrace DNA	Ceased 9 March 2016
Andrew Winfield	Managing Director DataDot UK	
Patrick Raper	Company Secretary	Ceased as CFO on 14 June 2016
James McCallum	CEO DataDot USA	
David Williams	Chief Financial Officer	Appointed 14 June 2016

Shares and Options Held

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

Shares	**Balance as at 30/6/2015**	**Vesting of Share Rights or Share Issues as part of remuneration**	**Other Additions**	**Disposals**	**Balance as at 30/6/2016**
Directors					
Bruce Rathie	30,565,854	-	-	-	30,565,854
Gary Flowers	5,487,265	-	-	-	5,487,265
Alison Coutts	-	-	-	-	-
Stephe Wilks	-	-	-	-	-
Executives					
Graham Loughlin – Note 1	4,881,708		-	-	4,881,708
Gunther Schmidt – Note 2	1,935,186	2,000,000	-		3,935,186
Andrew Winfield	-	-	-	-	-
Patrick Raper	2,000,000	-	-	-	2,000,000
James McCallum	3,333,333	3,333,333	-	-	6,666,666
Total Shares	**48,203,346**	**5,333,333**	**-**	**-**	**53,536,679**

Share Options *Directors*	Balance as at 30/6/2015	Issue of Options as part of remuneration	Other Additions	Disposals or Cancellations	Balance as at 30/6/2016
Bruce Rathie	2,000,000	-	-	-	2,000,000
Gary Flowers	1,000,000	-	-	-	1,000,000
Alison Coutts	1,000,000	-	-	1,000,000	-
Executives					
Temogen Hield – Note 3		20,000,000			20,000,000
David Williams – Note 4		9,000,000			9,000,000
Total Share Options	**4,000,000**	**29,000,000**	**-**	**1,000,000**	**32,000,000**

Note 1. Employment ceased 2 July 2016. 1,000,000 shares were issued to Graham Loughlin on 1 July 2016 on the vesting of Share Rights issued in July 2015.
Note 2. Dr Schmidt employment ceased on 9 March 2016 and the shares held is as at that date.
Note 3. The CEO options were granted on 26 August 2015 with an expiry date of 1 July 2018. The exercise price is 2.7 cents with the fair value per option being 1 cent.
Note 4. The CFO options were granted on 13 June 2016 with an expiry date of 1 July 2019. The exercise price is 2.7 cents with the fair value per option being 1 cent.

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, company secretary, chief financial officer, and the chief executives of subsidiary companies DataDot Technology (UK) Limited and 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,
- 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 2016.

Remuneration policy (consolidated)

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

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

In relation to non-executive directors, the Constitution of DataDot and ASX Listing Rules specify that aggregate remuneration shall be determined from time to time by a general meeting. The latest determination was at the 2004 AGM when shareholders approved a ceiling on aggregate remuneration of $300,000 per annum. The actual amount paid is currently $50,000 per annum for each non-executive director other than the Chairman of the Audit and Risk Management Committee, who receives $55,000 per annum in that capacity. For the period from 13 January 2014 to 30 November 2014, Mr Flowers received an additional sum of $14,000 per month while also performing the duties of Chief Operating Officer. The Executive Chairman received $185,000 per annum. 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.

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 and maintenance of an efficient cost base.

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

	2012	**2013**	**2014**	**2015**	**2016**
Revenue	7,071,396	7,030,437	7,210,707	7,026,595	6,631,371
EBITDA	(1,212,299)	304,944	(845,825)	(279,228)	(1,464,259)
Net loss after tax	(1,908,913)	(227,905)	(1,285,755)	(867,354)	(3,264,627)
Basic earnings per share (in cents)	(0.40)	(0.05)	(0.22)	(0.12)	(0.43)
Share price at year end (in cents)	1.60	1.70	2.10	1.90	2.00

Performance based remuneration

In 2016 the remuneration of KMP who are directors included a fixed remuneration component and an LTI component.
The LTI component for directors includes share options. Options were granted in FY 2015 to assist in the reward and retention of the Directors of the Company. The grant of Director Options is consistent with the Company's long-term incentive remuneration policy, providing Directors with the opportunity to participate in the future growth of the Company through share ownership. The Board considers the grant of Director Options in FY 2015 to each of Mr Rathie and Mr Flowers is reasonable in the circumstances given the necessity to attract and retain Directors of the highest calibre while preserving the Company's cash reserves. Options issued in FY 2015 to Ms Coutts were cancelled during the year.

In 2016 the remuneration of the KMP who are not directors comprised a fixed element and a performance based STI component and a performance based LTI component. The fixed element and the STI component is payable in cash. In 2015 KMP's have been determined with reference to the updated Group Organisation Chart to include only the Directors and direct reports to the CEO.

The LTI component contains 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. The characteristics of securities issued under this plan are:-

Share Rights

- Each share right converts into one fully paid ordinary share in the Company on completion of the vesting conditions;
- 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 2016	Balance as at 30/06/2015	Granted as Remuneration	Vesting of Share Rights	Expiring or Lapsing Share Rights	Balance as at 30/06/2016
Directors					
Bruce Rathie	-	-	-	-	-
Gary Flowers	-	-	-	-	-
Alison Coutts	-	-	-	-	-
Stephe Wilks	-	-	-	-	-
Executives					
Graham Loughlin – Note 1	-	2,000,000	-	-	2,000,000
Gunther Schmidt – Note 2	1,500,000	-	(1,500,000)	-	-
James McCallum – Note 3	6,666,667	-	(3,333,333)	-	3,333,334
Patrick Raper - Note 4	4,000,000	-		(2,000,000)	2,000,000
Andrew Winfield - Note 5	333,334	-			333,334
	12,500,001	2,000,000	(4,833,333)	(2,000,000)	7,666,668

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

Note 1 – 1,000,000 Share Rights vested on 1 July 2016. Graham Loughlin ceased employment on 2 July 2016 and consequently 1,000,000 Share Rights were cancelled.

Note 2 – 1,500,000 Share Rights held by Dr Gunther Schmidt at 30 June 2015 vested on 1 July 2015. Dr Schmidt ceased employment on 9 March 2016.

Note 3 – 3,333,333 Share Rights held at 30 June 2015 vested on 1 July 2015. 3,333,334 Share Rights due to vest on 1 July 2016 did not vest and were subsequently cancelled.

Note 4 – 2,000,000 Share Rights due to vest on 1 January 2016 did not vest and were rolled to 1 January 2017. New employment arrangements for Mr Raper as Company Secretary saw 2,000,000 Share Rights cancelled, with 2,000,000 Share Rights remaining and due to vest on 1 January 2017.

Note 5 - 333,334 Share Rights due to vest on 1 July 2016 did not vest and were subsequently cancelled.

Remuneration Report (audited) (continued) for the year ended 30 June 2016

For the year ended 30 June 2015	Balance as at 30/06/2014	Granted as Remuneration	Vesting of Share Rights	Expiring or Lapsing Share Rights	Balance as at 30/06/2015
Directors					
Bruce Rathie	-	-	-	-	-
Gary Flowers	-	-	-	-	-
Alison Coutts	-	-	-	-	-
Executives					
Graham Loughlin	1,250,000		(1,250,000)		-
Gunther Schmidt	3,000,000		(1,500,000)	-	1,500,000
Jim McCallum	10,000,000		(3,333,333)	-	6,666,667
Patrick Raper	6,000,000		(2,000,000)	-	4,000,000
Andrew Winfield	1,000,000		-	(666,666)	333,334
	21,250,000	-	(8,083,333)	(666,666)	12,500,001

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

4,833,333 shares were issued on vesting of share rights on 1 July 2015

2,000,000 share right were granted on 1 July 2015

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;
- No 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.

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

For the year ended 30 June 2016	Balance as at 30/06/2015	Granted as Remuneration	Exercise of Share Options	Expiring or Lapsing Share Options	Balance as at 30/06/2016
Directors					
Bruce Rathie	2,000,000	-	-	-	2,000,000
Gary Flowers	1,000,000	-	-	-	1,000,000
Alison Coutts	1,000,000	-	-	(1,000,000)	-
Stephe Wilks	-	-	-	-	-
Executives					
Temogen Hield	-	20,000,000	-	-	20,000,000
David Williams	-	9,000,000	-	-	9,000,000
	4,000,000	29,000,000	-	(1,000,000)	32,000,000

For the year ended 30 June 2015	Balance as at 30/06/2014	Granted as Remuneration	Exercise of Share Options	Expiring or Lapsing Share Options	Balance as at 30/06/2015
Directors					
Bruce Rathie	-	2,000,000	-	-	2,000,000
Gary Flowers	-	1,000,000	-	-	1,000,000
Alison Coutts	-	1,000,000	-	-	1,000,000
	-	4,000,000	-	-	4,000,000

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. In 2015 KMP's have been determined with reference to the updated Group Organisation Chart to include only the Directors and direct reports to the Directors.

	Short-term benefits		**Post employment benefits**		**Long-term benefits**		**Share-based payments**	
2016	**Cash, Salary, allowances & fees $**	**Bonuses $**	**Non cash $**	**Super-annuation $**	**Termination $**	**Long service leave $**	**Share rights and Share Options $**	**Total $**
Directors								
B Rathie	116,034	-	-	11,023	-	-		127,057
G Flowers	34,926	-	-	22,452	-			57,377
A Coutts	32,287	-	-	3,067	-	-		35,354
S Wilks	16,425							16,425
Executives								
T Hield	216,026			16,411	-	-	33,624	266,062
G Loughlin	134,808	-	-	57,308	-	-	18,000	210,115
G Schmidt	151,979	-	-	13,868	19,529	-		185,376
P Raper	171,346	-	-	36,346	-	-	-	207,692
J McCallum	198,009		-	-	-	-	-	198,009
A Winfield	143,434	-	-	2,259	-	-	-	145,692
D Williams	8,430			801	-	-	-	9,231
	1,223,704	-	-	163,535	19,529	-	51,624	1,458,392

2015	Short-term benefits		Post employment benefits		Long-term benefits		Share-based payments	
	Cash, Salary, allowances & fees $	Bonuses $	Non cash $	Super-annuation $	Termination $	Long service leave $	Share rights and Share Options $	Total $
Directors								
B Rathie	169,725	-	-	16,124	-	-	22,000	207,849
G Flowers	71,684	-	-	34,068	-		11,000	116,752
A Coutts	45,872	-	-	4,358	-	-	11,000	61,230
Executives								
G Loughlin	145,475	-	-	35,000	-	-	-	180,475
G Schmidt	179,078	-	-	16,867	-	-	17,500	213,445
P Raper	159,461	-	-	35,000	-	-	85,347	279,808
J McCallum	170,547	65,471	-	-	-	-	119,236	355,254
A Winfield	131,543	-	-	1,973	-	-	2,264	135,780
	1,073,385	65,471	-	143,390	-	-	268,347	1,550,593

	2016 Performance based remuneration		2015 Performance based remuneration	
	Bonus STI %	Share rights / Options LTI %	Bonus STI %	Share rights / Options LTI %
Directors				
Bruce Rathie	0.0%	0.0%	0.0%	10.6%
Gary Flowers	0.0%	0.0%	0.0%	9.4%
Stephe Wilks	0.0%	0.0%	n/a	n/a
Alison Coutts	0.0%	0.0%	0.0%	18.0%
Executives				
Temogen Hield	0.0%	12.63%	n/a	n/a
Graham Loughlin	0.0%	8.5%	0.0%	0.0%
Gunther Schmidt	0.0%	0.0%	0.0%	8.2%
Patrick Raper	0.0%	0.0%	0.0%	30.5%
James McCallum	0.0%	0.0%	18.4%	33.6%
Andrew Winfield	0.0%	0.0%	0.0%	1.7%
David Williams	0.0%	0.0%	n/a	n/a

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

Employment details of members of key management personnel and other executives

(a) Temogen Hield

Mr Hield joined the company in August 2015 as CEO.
Mr Hield's remuneration package includes a base salary of approximately $250,000 plus superannuation; a fixed sum STI for FY2016 payable on achieving revenue, EBITDA and new revenue targets and, for FY2017 and beyond, up to 50% of base salary subject to KPIs to be agreed at the commencement of each year, and an LTI.

The LTI will comprise 20 million share options in the Company which will vest in 3 tranches, subject to continued employment, and a trading restriction after share issue as follows: Tranche 1 – 7.5 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 – 7.5 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 – 5 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 expires on 1 July 2018 and shares issued will be escrowed for 12 months save in the event of takeover, merger or scheme where a 3rd party becomes entitled to greater than 50% of the equity in DDT in which event any escrow will cease.

Mr Hield was paid 0% of the 2016 STI.

(b) Gunther Schmidt

For Dr Schmidt, the STI ceiling was set at 44% of the fixed element. Payment of the full STI was in part dependent on achieving a budgeted sales target and in part on customer relationship management.

These performance targets were chosen because they recognise that both a quantitative sales measure and qualitative customer relationship measure are key performance indicators for this position. Dr Schmidt was paid 0% of the STI ceiling.

On 1st July 2012 Dr Schmidt was granted 4,500,000 share rights. The terms of grant were that, subject to Dr Schmidt's continuous employment and achieving his divisional budget targets over each of the vesting years, 1,500,000 share rights vested on each of 1st July 2013, 2014 and 2015 and a trading restriction applied for a further one year after each vesting date.
As at the date of this report all of the share rights have vested and due to the cessation of Dr Schmidt's employment on 9 March 2016 are no longer subject to any trading restrictions.
On 1st July 2015, 500,000 additional shares were issued as additional remuneration. Due to the cessation of Dr Schmidt's employment on 9 March 2016 these shares are no longer subject to any trading restrictions.

(c) Graham Loughlin

For Mr Loughlin, the STI ceiling was set at 32% of the fixed element. Payment of the full STI was dependent on achieving targets in three different areas of responsibility: governance and secretarial, corporate strategy and distribution management. These performance targets were chosen because they were judged by the Board to be central to this management role and crucial to attainment of DataDot's key financial objectives.

The Remuneration and Nomination Committee measured performance by comparing at year end the quality and standard of management decisions, outputs and processes across the three areas of responsibility. This method was chosen because it is objective and permits accurate pro rated measures of performance. Mr Loughlin was paid 0% of the STI.

Mr Loughlin's remuneration included an LTI comprising 3,750,000 share rights that were granted on 1st January 2011. 1,250,000 share rights vested on each of 1st July 2012, 2013 and 2014, subject to continuous employment. A trading restriction applies for one year after each vesting date. As at the date of this report the share rights are fully vested and are no longer subject to any trading restriction.

On 1 July 2015 an additional 2,000,000 share rights were granted with 1,000,000 share rights due to vest on each of 1 July 2016 and 1 July 2017 subject to the achievement of nominated KPI's. As at the date of this report 1,000,000 share rights due to vest on 1 July 2016 vested and due to the cessation of Mr Loughlin's employment with the company are no longer subject to trading restrictions. 1,000,000 share rights due to vest on 1 July 2017 have been cancelled.

(d) Patrick Raper

For Mr Raper the STI ceiling was set at 50% of the fixed element. Payment of the full STI was tied to achievement of financial targets and non-financial performance measures: performance against budget, quality of financial and management reporting, personnel and IT management and communications. Mr Raper was paid 0% of the STI.

These performance targets were chosen because improved financial performance and management systems were judged by the Board to be essential requirements for DataDot and therefore should be the key performance measures for the CFO.

On 26th March 2014 Mr Raper was granted 6,000,000 share rights. The terms of grant are that, subject to Mr Raper's continuous employment and a defined increase in the market price of DataDot's ordinary shares in each vesting period, 2,000,000 share rights will vest on each of 1st January 2015, 2016 and 2017 and a trading restriction will apply for a further one year after each vesting date. The share rights expire on 26th March 2021. As at the date of this report one-third of the share rights have vested and one third of the share rights have been cancelled.

Employment details of members of key management personnel and other executives (continued)

(e) James McCallum

For Mr McCallum, the STI ceiling was set at 40% of the fixed element and payment of the STI was dependent on achieving budget in the USA.

This performance target was chosen because growth in the US market is central to the company's business development. USD 50,000 was accrued as payment to Mr McCallum of the STI for 2015 once audited results are released. This USD 50,000 bonus was paid to Mr McCallum in FY 2016. No other element of the STI was paid or accrued for 2016.

On 15th April 2014 Mr McCallum was granted 10,000,000 share rights. The terms of grant are that, subject to Mr McCallum's continuous employment and a defined increase in revenue in the US in each vesting period, one-third of the share rights will vest on each of 1st July 2014, 2015 and 2016 and a trading restriction will apply for a further one year after each vesting date. The share rights expire on 15th March 2021. As at the date of this report 6,666,666 of the share rights have vested and 3,333,334 share rights due to vest on 1 July 2016 have been cancelled.

(f) Andrew Winfield

For Mr Winfield, the STI ceiling was set at 42% of the fixed element. Payment of one-half of the STI was dependent on DataDot Technology (UK) Limited achieving financial performance targets and the other half on the DataDot Group achieving financial performance targets.

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.

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.

On 22nd July 2013 Mr Winfield was granted 1,000,000 share rights. The terms of grant are that, subject to Mr Winfield's continuous employment and to DataDot Technology (UK) Limited meeting budget in each vesting year, one-third of the share rights will vest on each of 1st July 2014, 2015 and 2016. As the budget performance target was not met the shares did not vest on 1st July 2014 and 1st July 2015 and 1st July 2016. All the share rights have now been cancelled.

(g) David Williams

Mr Williams joined the Company as the CFO on 14 June 2016.
Mr William’s remuneration package includes a base salary of $182,650 plus superannuation; an STI amount up to 50% of base salary subject to KPIs to be agreed at the commencement of each year; and an LTI. The LTI comprises 9 million share options in the Company which will vest in 3 tranches, subject to continued employment, and a trading restriction after share issue, as follows: Tranche 1 – 3.0 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 – 3.0 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 – 3.0 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 expires on 1 July 2019 and shares issued will be escrowed for 12 months save in the event of takeover, merger or scheme where a 3rd party becomes entitled to greater than 50% of the equity in DDT in which event any escrow will cease.

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 terminations notice period for executive service contracts is between one month and three months.

KMP's have no entitlement to termination payments in the event of removal for misconduct.

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.

Bruce Rathie - Chairman
Dated this 19th day of August, 2016 in Sydney

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www.bdo.com.au

Level 11, 1 Margaret St
Sydney NSW 2000

Australia

DECLARATION OF INDEPENDENCE BY ARTHUR MILNER TO THE DIRECTORS OF DATADOT TECHNOLOGY LIMITED

As lead auditor of Datadot Technology Limited for the year ended 30 June 2016, 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 year.

BDO

Arthur Milner
Partner

BDO East Coast Partnership

Sydney, 19 August 2016

Consolidated Financial Statements
for the year ended 30 June 2016

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Consolidated Statement of Profit or Loss for the year ended 30 June 2016

	Notes	2016 $	2015 $
Revenue			
Sale of goods		**5,985,547**	6,270,632
Service and licence fees		**153,705**	111,876
Royalties		**492,119**	644,087
		6,631,371	7,026,595
Cost of sales		**2,867,684**	2,852,272
Gross Profit		**3,763,687**	4,174,323
Other income	3	**456,034**	583,718
Expenses			
Administrative expenses	4	**4,818,918**	4,120,031
Marketing expenses		**160,040**	241,296
Occupancy expenses		**388,941**	363,030
Travel expenses		**316,083**	223,115
		5,683,982	4,947,472
EBITDA		**(1,464,261)**	(189,431)
Depreciation, Amortisation and Impairment		**1,803,075**	657,469
Finance costs		**2,633**	7,625
Loss before income tax expense		**(3,269,969)**	(854,525)
Income tax (benefit)/expense	5	**(5,342)**	12,829
Loss after income tax expense for the year		**(3,264,627)**	(867,354)
Loss for the year attributable to :-			
Owners of DataDot Technology Limited		**(3,264,627)**	(867,354)
		(3,264,627)	(867,354)
Basic earnings / (loss) per share (cents per share)	8	**(0.43)**	(0.12)
Diluted earnings / (loss) per share (cents per share)	8	**(0.43)**	(0.12)

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 2016

	2016 $	2015 $
Loss after income tax expense for the year	**(3,264,627)**	(867,354)
Other comprehensive income :-		
Items that may be classified subsequently to profit or loss :-		
Exchange difference on translation of foreign operations	**20,627**	**180,929**
Total comprehensive income for the year, net of tax	**(3,244,000)**	(686,425)
Total comprehensive income attributable to :-		
Owners of DataDot Technology Limited	**(3,244,000)**	(686,425)

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

Consolidated Statement of Financial Position as at 30 June 2016

	Notes	2016 $	2015 $
Current Assets			
Cash and cash equivalents	9	**2,355,153**	4,065,518
Trade and other receivables	10	**1,137,160**	1,376,448
Inventories	11	**845,213**	872,000
R&D Grant receivable		**383,000**	498,557
Total Current Assets		**4,720,526**	6,812,523
Non-Current Assets			
Plant and equipment	12	**556,682**	844,666
Intangibles	13	**2,858,647**	3,885,488
Investments		**120**	40
Non-current tax		**60,659**	46,161
Total Non-Current Assets		**3,476,108**	4,776,355
Total Assets		**8,196,634**	11,588,878
Current Liabilities			
Trade and other payables	14	**822,713**	1,007,784
Employee benefits	16	**202,795**	282,883
Provisions	17	**70,740**	71,540
Other current liabilities	18	**144,950**	95,113
Total Current Liabilities		**1,241,198**	1,457,320
Non-Current Liabilities			
Employee benefits	16	**35,010**	35,591
Other non-current liabilities	18	**495,113**	495,033
Total Non-Current Liabilities		**530,123**	530,624
Total Liabilities		**1,771,321**	1,987,944
Net Assets		**6,425,313**	9,600,934
Equity			
Issued capital	19	**39,584,463**	39,388,810
Accumulated losses		**(30,869,416)**	(27,604,789)
Reserves	20	**(2,289,734)**	(2,183,087)
Equity attributed to the owners of DataDot Technology Limited		**6,425,313**	9,600,934
Total Equity		**6,425,313**	9,600,934

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 2016

	Attributable to equity holders of the parent					
	Issued capital $	Accumulated losses $	Foreign currency translation reserve $	Employee equity benefit reserve $	Other reserve $	Total equity $
Balance at 1 July 2014	36,347,640	(26,737,435)	(1,976,057)	275,150	(678,623)	7,230,675
Loss after income tax expense for the year	-	(867,354)	-	-	-	(867,354)
Other comprehensive income for the year, net of tax	-	-	180,929	-	-	180,929
Total comprehensive income for the year	-	(867,354)	180,929	-	-	(686,425)
Transactions with owners in their capacity as owners :-						
Share based payments	-	-	-	268,915	-	268,915
Share rights exercised	243,500	-	-	(243,500)	-	-
Share rights expired	-	-	-	(9,901)	-	(9,901)
Share issues	2,929,357	-	-	-	-	2,929,357
Share issue costs	(131,687)	-	-	-	-	(131,687)
Balance at 30 June 2015	39,388,810	(27,604,789)	(1,795,128)	290,664	(678,623)	9,600,934
Loss after income tax expense for the year	**-**	**(3,264,627)**	**-**	**-**	**-**	**(3,264,627)**
Other comprehensive income for the year, net of tax	**-**	**-**	**20,627**	**-**	**-**	**20,627**
Total comprehensive income for the year	**-**	**(3,264,627)**	**20,627**	**-**	**-**	**(3,244,000)**
Transactions with owners in their capacity as owners :-						
Share based payments	**-**	**-**	**-**	**55,379**	**-**	**55,379**
Share rights exercised	**127,500**	**-**	**-**	**(127,500)**	**-**	**-**
Share rights expired	**-**	**-**	**-**	**(55,153)**	**-**	**(55,153)**
Share issues	**69,807**	**-**	**-**	**-**	**-**	**69,807**
Share issue costs	**(1,654)**	**-**	**-**	**-**	**-**	**(1,654)**
Balance at 30 June 2016	**39,584,463**	**(30,869,416)**	**(1,774,501)**	**163,390**	**(678,623)**	**6,425,313**

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 2016

	Notes	**2016**	2015
		$	$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		**7,615,853**	7,373,191
Payments to suppliers and employees (inclusive of GST)		**(9,410,543)**	(7,914,839)
Interest paid		**(2,633)**	(7,625)
Income tax paid		**(9,156)**	(51,559)
Receipt of government grants		**519,140**	489,856
Net cash used in operating activities	9	**(1,287,339)**	(110,976)
Cash flows from investing activities			
Interest received		**52,276**	89,796
Payments for plant and equipment		**(70,575)**	(217,949)
Payments for development and other intangibles		**(385,084)**	(521,484)
Net cash flows used in investing activities		**(403,383)**	(649,637)
Cash flows from financing activities			
Payment for share issue costs		**(1,654)**	-
Proceeds from share issue (net of share issue costs)		**-**	2,729,313
Repayment of borrowings		-	(611)
Payment of finance lease liabilities		**-**	(51,202)
Net cash (used in)/from financing activities		**(1,654)**	2,677,500
Net increase in cash and cash equivalents		**(1,692,376)**	1,916,887
Cash and cash equivalents at the beginning of the financial year		**4,065,518**	1,957,026
Effects of exchange rate changes on cash and cash equivalents		**(17,989)**	191,605
Cash and cash equivalents at the end of the financial year	9	**2,355,153**	4,065,518

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 19 August 2016. The directors' have the power to amend and reissue the financial statements.

Basis of preparation

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

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

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

2 Segment Information

Operating Segments

Segment descriptions

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

Management has reviewed the segments and determined the group is organised into business units based on their product and services and accordingly has two reportable segments. In prior periods three operating segments were identified by management based on the location of the selling segment and one operating segment was identified by management based on the product offerings. Due to the change in the composition of reportable segments, the segment information for earlier periods has been restated. 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

DataTraceDNA® – a high speed, high security, machine readable system for authenticating materials, products, and assets

Accounting policies and intersegment transactions

The accounting policies used by DataDot in reporting segments internally is 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, profit/(loss) after tax, assets and liabilities information regarding operating segments for years ended 30 June 2016 and 30 June 2015.

Segment performance Year ended 30 June 2016	**DataDot $**	**DataTraceDNA $**	**Intersegment eliminations $**	**Total $**
Revenue from external customers	**5,799,248**	**832,123**	**-**	**6,631,371**
Intersegment sales	**182,500**	**16,164**	**(198,664)**	**-**
Total revenue	**5,981,748**	**848,287**	**(198,664)**	**6,631,371**
Gross profit	**3,467,192**	**478,995**	**(182,500)**	**3,763,687**
EBITDA	**(688,226)**	**(776,035)**	**-**	**(1,464,261)**
Depreciation, amortisation and impairment	**(1,392,443)**	**(410,632)**	**-**	**(1,803,075)**
Finance costs	**(2,633)**	**-**	**-**	**(2,633)**
Profit / (Loss) before income tax	**(2,083,302)**	**(1,186,667)**	**-**	**(3,269,969)**
Income tax (expense) / benefit	**5,342**	**-**	**-**	**5,342**
Net profit / (loss) after income tax	**(2,077,960)**	**(1,186,667)**	**-**	**(3,264,627)**
Segment assets	**8,225,823**	**1,087,112**	**(1,136,352)**	**8,176,583**
Segment liabilities	**1,756,579**	**2,506,075**	**(2,511,384)**	**1,751,270**

Segment performance Year ended 30 June 2015	DataDot $	DataTraceDNA $	Intersegment eliminations $	Total $
Revenue from external customers	5,844,748	1,181,847	-	7,026,595
Intersegment sales	182,500	18,613	(201,113)	-
Total revenue	6,027,248	1,200,460	(201,113)	7,026,595
Gross profit	3,519,609	837,214	(182,500)	4,174,323
EBITDA	(260,339)	70,908	-	(189,431)
Depreciation, amortisation and impairment	(355,576)	(301,893)	-	(657,469)
Finance costs	(7,625)	-	-	(7,625)
Loss before income tax	(623,540)	(230,985)	-	(854,525)
Income tax (expense) / benefit	(12,829)	-	-	(12,829)
Loss after income tax	(636,369)	(230,985)	-	(867,354)
Segment assets	10,620,497	2,104,733	(1,136,352)	11,588,878
Segment liabilities	1,415,306	2,337,030	(1,764,392)	1,987,944

2 Segment Information (continued)

Geographic segments

DataDot has three geographical regions of Australasia, Americas and Europe and each manufacture and distribute the DataDot asset identification system. Excluding intersegment transactions, Australiasia accounts for 28% of total revenue, Americas 20% and Europe 39%. 97% 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 17% of total revenue (2015 : 14%), Europe one customer accounts for 24% of total revenue (2015 : 18%), Americas one customer accounts for 15% of total revenue (2015 : 13%) and in DataTraceDNA one customer accounts for 3% total revenue (2015 : 8%).

3 Other Income

	2016	2015
	$	$
Interest revenue	**52,276**	89,796
Government grants:		
Research and development grants *	**403,583**	492,989
Sundry income	**175**	933
	456,034	583,718

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

Research and development grant

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

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

4 Expenses

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

Cost of sales	**$**	**$**
Inventory	**1,122,115**	1,280,505
Stock obsolescence	**139,677**	150,506
Administration expenses		
Net loss/(gain) on foreign currency	**81,881**	(48,053)
Minimum lease payments	**4,020**	3,954
Employee benefits expenses	**2,949,216**	2,101,763
Employee share based expenses	**229**	259,014
Superannuation expenses	**227,800**	197,299
Research & development expenses	**130,756**	132,998
Administrative expenses	**1,425,016**	1,473,056
	4,818,918	4,120,031
Occupancy expenses		
Minimum lease payments	**252,220**	214,838

5 Income Tax

	2016	2015
	$	$
(a) Major components of tax expenses		
Current income tax expense	**(22,616)**	(13,026)
Withholding tax	**17,274**	25,855
Income tax (benefit)/expense	**(5,342)**	12,829

(b) The prima facie tax on loss before income tax is reconciled to the income tax expense as follows :-

	2016	2015
Loss before income tax expense	**(3,269,969)**	(854,525)
Net loss before income tax expense at the tax at the statutory income tax rate of 30% (2015: 30%)	**(980,991)**	(256,358)
Foreign tax rate adjustment	**(19,314)**	42,719
Income not subject to tax	**(121,075)**	(147,897)
Research and development expenditure added back	**114,900**	149,567
Expenditure not allowable	**352,006**	162,490
Other timing differences	**(39,629)**	(39,827)
Unused tax losses and tax offsets not recognised as deferred tax assets	**671,486**	76,280
Withholding tax	**17,274**	25,855
Aggregate income tax (benefit)/expense	**(5,342)**	12,829

(c) Recognised deferred tax assets and liabilities

	2016	2015
Opening balance	**46,161**	7,431
Deferred tax asset credited to income	**14,497**	38,730
Closing balance	**60,658**	46,161

Deferred tax assets and liabilities

Deferred income tax at 30 June relates to the following :-

	2016	2015
Deferred tax liabilities		
Development costs	**295,442**	427,365
Plant and equipment	**450**	1,350
Patents & Trademarks	**172,190**	259,544
Gross deferred tax liabilities	**468,082**	688,259
Set-off of deferred tax assets	**(468,082)**	(688,259)
Net deferred tax liabilities	**-**	-
Deferred tax assets		
Tax losses	**250,813**	377,475
Goodwill	**-**	78,270
Provisions	**68,774**	91,107
Accruals	**46,317**	60,198
Equity raising costs	**34,485**	34,386
Doubtful debts and obsolescence	**41,627**	25,361
Other timing differences	**26,066**	21,462
Gross deferred tax assets	**468,082**	688,259
Set-off of deferred tax liabilities	(468,082)	(688,259)
Net deferred tax assets not brought to account	-	-

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.

	2016	2015
	$	$
The amount of the potential deferred tax assets attributable to revenue losses not brought to account	**9,350,411**	8,302,101

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.

Tax losses in the USA of $5,853,369 (2015: $5,016,558) will expire in 2021.

Tax consolidation

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

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

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

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

6 Auditors' Remuneration

The auditor of DataDot Technology Limited is BDO East Coast Partnership

	2016	2015
	$	$
Amounts paid or payable for audit services by BDO East Coast Partnership :-		
An audit or review of the financial statements	**104,000**	107,500
Other services :-		
Tax compliance	**20,000**	25,000
Other services	**25,000**	24,001
	149,000	156,501
Amounts paid or payable to BDO network firms :-		
Audit or review of the financial statements	**55,383**	63,645
Tax compliance	**3,539**	7,838
	58,922	71,483
Amounts paid or payable to unrelated firms for:		
Tax compliance	**2,710**	1,027
Other services	**9,162**	14,392
	11,872	15,419

7 Dividends

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

8 Earnings Per Share

	2016	2015
	$	$
Basic earnings / (loss) per share (cents per share)	**(0.43)**	(0.12)
Diluted earnings / (loss) per share (cents per share)	**(0.43)**	(0.12)
Net loss after income tax expense used in calculating earnings / (loss) per share	**(3,264,627)**	(867,354)
Weighted average number of shares :-	**No**	No
Weighted average number of shares used in calculating basic and diluted earnings per share	**759,068,100**	716,756,614
Adjustments for calculation of diluted earnings per share	**-**	-
Adjusted weighted average number of shares	**759,068,100**	716,756,614

Shares and share rights issued subsequent to end of the year :-
1,000,000 shares on 01/07/2016

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

	2016	2015
Reconciliation of cash	**$**	$
Cash at the end of the financial year shown in the consolidated statement of cash flows is reconciled as follows :-		
Cash at bank and on hand	**2,355,153**	4,065,518
	2,355,153	4,065,518

Cash Flow Information

	2016	2015
Reconciliation of loss after tax to net cash from operations :-		
Loss after income tax expense for the year	**(3,264,627)**	(867,354)
Add/(less) items classified as investing/financing activities:		
Interest received	**(52,276)**	(89,796)
Add/(less) non-cash items:		
Depreciation, amortisation and impairment	**1,803,075**	657,468
Share based payments	**229**	259,014
Foreign exchange variance	**81,881**	(48,053)
Impairment for doubtful accounts	**(6,053)**	8,942
Changes in assets and liabilities :-		
Decrease/(Increase) in trade and other receivables	**239,288**	(298,385)
Increase in non-current tax assets	**(14,498)**	(38,730)
Decrease in inventories	**26,787**	191,488
Decrease/(Increase) in grant receivable	**115,557**	(134,860)
(Increase)/Decrease in trade and other payables	**(185,070)**	219,699
Decrease in other liabilities	**49,037**	5,962
(Decrease)/Increase in employee benefits	**(80,669)**	23,629
Net cash used in operating activities	**(1,287,339)**	(110,976)

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. Bank overdrafts are included within interest-bearing loans and borrowings in current liabilities on the statement of financial position.

10 Trade and Other Receivables

	2016	2015
	$	$
Trade receivables	**1,046,488**	1,179,035
Provision for impairment	**(112,371)**	(117,166)
	934,117	1,061,869
Prepayments	**148,452**	186,850
Other receivables	**54,591**	127,729
	1,137,160	1,376,448

(a) Provision for impairment

Trade receivables are non-interest bearing and are generally on 30 day terms. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. A write back amount of $6,053 (2015 impairment: $8,942) has been recognised by DataDot. These amounts have been included in the bad and doubtful debt expense item.

Movement in provision for impairment of receivables is as follows:

	2016	2015
At 1 July	**117,166**	112,125
(Write back)/Charge for the year	**(6,053)**	8,942
Amount written off (included in bad and doubtful debt expense)	**1,258**	(3,901)
At 30 June	**112,371**	117,166

Customers with balances past due but without provision for impairment amounts to $97,458 (2015 : $107,040)

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

	2016	2015
30 days	**56,400**	58,916
60 days	**41,058**	14,985
90 days and over	**-**	33,138
	97,458	107,040

The consolidated entity did not consider a credit risk on the aggregate balance after reviewing credit terms of customers based on recent collection 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, default payments or debts more than 60 days overdue are considered objective evidence of impairment.

11 Inventories

	2016	2015
	$	$
Raw materials	**693,889**	670,821
Finished goods	**151,324**	201,179
	845,213	872,000

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

	2016	2015
	$	$
Plant and equipment - at cost	**2,876,440**	2,848,229
Accumulated depreciation	**(2,411,512)**	(2,157,475)
Total owned plant and equipment	**464,928**	690,754
Plant and equipment under lease	**152,923**	152,923
Accumulated depreciation	**(61,169)**	(45,877)
Total plant and equipment under lease	**91,754**	107,046
Leasehold improvements - at cost	**205,740**	205,740
Accumulated depreciation	**(205,740)**	(158,875)
Total leasehold improvements	**-**	46,866
	556,682	844,666

Movements in carrying amounts

	Plant and equipment	Plant and equipment under lease	Leasehold Improvements	Totals
	$	$	$	$
Balance as at 1 July 2014	646,092	122,338	7,821	776,251
Additions	170,143	-	47,806	217,949
Disposals	(133)	-	-	(133)
Depreciation expense for the year	(136,080)	(15,292)	(8,761)	(160,133)
Exchange adjustments	10,732	-	-	10,732
Balance at 30 June 2015	690,754	107,046	46,866	844,666
Additions	**70,575**	**-**	**-**	**70,575**
Impairment and disposals	**(148,101)**	**-**	**(32,761)**	**(180,862)**
Depreciation expense for the year	**(151,483)**	**(15,292)**	**(14,105)**	**(180,880)**
Exchange adjustments	**3,183**	**-**	**-**	**3,183**
Balance at 30 June 2016	**464,928**	**91,754**	**-**	**556,682**

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.

12 Plant and Equipment (continued)

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 property, 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

	2016	2015
	$	$
Development - at cost	**2,557,413**	2,297,211
Less: Accumulated amortisation	**(1,572,607)**	(872,661)
	984,806	1,424,550
Patent and trademarks - at cost	**1,372,445**	1,445,208
Less: Accumulated amortisation	**(798,479)**	(580,062)
	573,966	865,146
Goodwill	**1,258,862**	1,574,214
Software - at cost	**65,816**	83,133
Less: Accumulated amortisation	**(24,803)**	(61,555)
	41,013	21,578
	2,858,647	3,885,488

Movements in carrying amounts

	Development	Patents and trademarks	Goodwill	Software	Totals
	$	$	$	$	$
Balance as at 1 July 2014	1,297,262	930,075	1,515,155	32,657	3,775,149
Additions	343,768	172,865	-	4,851	521,484
Amortisation expense	(216,480)	(264,925)	-	(15,930)	(497,335)
Exchange adjustments	-	27,131	59,059	-	86,190
Balance at 30 June 2015	1,424,550	865,146	1,574,214	21,578	3,885,488
Additions	**260,202**	**93,794**	**-**	**31,088**	**385,084**
Impairment and disposals	**(442,897)**	**(186,909)**	**(336,402)**	**(48,404)**	**(1,014,612)**
Writeback of accumulated amortisation on disposal	**-**	**-**	**-**	**48,404**	**48,404**
Amortisation expense	**(257,049)**	**(206,425)**	**-**	**(11,653)**	**(475,127)**
Exchange adjustments	**-**	**8,360**	**21,050**	**-**	**29,410**
Balance at 30 June 2016	**984,806**	**573,966**	**1,258,862**	**41,013**	**2,858,647**

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. All intangible assets 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.

13 Intangible Assets (continued)

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 2016, $93,794 (2015: $172,865) of costs associated with the lodging, renewal, and maintenance of patents & trademarks were incurred with $389,710 (2015: $264,925) of associated amortisation being expensed during the period.

Goodwill

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

Impairment testing

DataDot conducts an annual asset impairment test to assess for any indicators of impairment. The group has identified two cash generating units (CGUs); DataDot (with a carrying value of non-current assets of $953,525) and DataTrace (with a carrying value of non-current assets of $2,461,804, including goodwill of $1,258,863). The recoverable value of the CGUs is determined based on value in use calculations. Value in use is calculated based on the present values of cash flow projections over a five year period with the terminal value calculated on the year 5 projected cash flow with growth of 3% per annum, divided by the discount rate less the long-term growth rate.

As part of the annual asset review, management determined that certain assets were considered to be valued at an amount higher than their expected recoverable amount and were subsequently written down. For the DataDots CGU, assets written down included the Goodwill ($336,402), Cop Dots trademark ($111,518) and some capitalised development costs ($310,274) associated with specific Dots projects. For the Trace CGU capitalised development costs of $132,623 associated with specific DataTrace projects were written off.

Management has based the value-in-use calculations on the budgets approved by the DataDot Board. The FY17 budget uses a probability weighted sales pipeline to predict the revenue. Whilst the revenue growth budgeted for FY17 is 28% higher compared to actual revenue in FY2016, the Board has expressed its confidence in the achievement of this growth based on recent market developments and discussions and analysis with relevant parties in the market. Costs are calculated taking into account historical margins as well as estimated inflation rates over the period.

The cash flows are discounted using a pre-tax discount rate of 13.35% (2015: 13.00%). The discount rate of 13.35% reflects management’s assessment of the time value of money and DataDot’s weighted average cost of capital adjusted for the risk free rate and the volatility of the share price relative to market movements, and inherent uncertainty of the business. Cash flows beyond the five year period are extrapolated using an estimated long-term growth rate of 3% and are included in the terminal value calculation. These key assumptions were included within the calculation of both the DataDot and the DataTrace recoverable values.

14 Trade and Other Payables

	2016	2015
	$	$
Trade payables	**313,038**	433,447
Sundry creditors and accruals	**509,675**	574,337
	822,713	1,007,784

Fair value and credit risk

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

Interest rate, foreign exchange and liquidity risk

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

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

15 Borrowings

Financing arrangements

Unrestricted access was available at the reporting date to total credit facilities of $112,006 (2015: $112,612). There are currently no Lines of Credit provided for immediate use. $32,750 (2015: $32,750) was utilised in the provision of bank guarantees against commercial leases on real property. $6,860 (2015: $5,853) was utilised against a corporate credit card facility with $79,256 (2015: $74,009) available for immediate use.

16 Employee Benefits

	2016	2015
Current		
Employee benefits	**202,795**	282,883
Non Current		
Employee benefits	**35,010**	35,591

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.

The following amount reflects leave that is not expected to be taken within the next twelve months:

	2016	2015
Employee benefits obligation expected to be settled after twelve months	**12,240**	147,800

(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

	2016 $	2015 $
Current		
Lease make good	**50,000**	50,000
Other provisions	**20,740**	21,540
	70,740	71,540

Other provisions
A provision of $19,200 (2015 : $20,000) 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.

A provision of $1,540 (2015 : $1,540) estimating potential amounts payable under an agreement with Swann Insurance which DataDot has agreed to remit the insurance excess on behalf of policy holders who have applied DataDots to their vehicles and whose vehicles have been stolen is included in other provisions.

Lease make good
In accordance with the lease agreement with the owner of DataDot's facilities in Frenchs Forest, Australia, DataDot must restore the leased premises to its original condition at the end of the lease term, a provision of $50,000 (2015 : $50,000) is included in other provisions.

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

Provisions are recognised when DataDot has a present obligation (legal or constructive) when, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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

18 Other Liabilities

	2016 $	2015 $
Current		
Deferred income	**80,619**	80,619
Revenue received in advance	**64,331**	14,494
	144,950	95,113
Non-Current		
Other liabilities	**120**	40
Deferred income	**494,993**	494,993
	495,113	495,033

19 Issued capital

	2016 No	2016 $	2015 No	2015 $
Issued capital at beginning of financial period	**751,978,873**	**39,388,810**	634,675,800	36,347,640
Shares issued or under issue during the year :-				
Share placement	**3,328,922**	**69,807**	108,811,407	2,929,357
Share issue costs	**-**	**(1,654)**	-	(131,687)
Vested share rights issued during the year under the ESRP	**5,366,666**	**127,500**	8,491,666	243,500
Issued capital at the end of the financial period	**760,674,461**	**39,584,463**	751,978,873	39,388,810

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 2015 Annual Report.

As disclosed in Note 26, DataDot had no interest bearing liabilities as at 30 June 2016. DataDot is not subject to any externally imposed capital requirements.

Issued capital

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

20 Reserves

	2016 $	2015 $
Foreign currency translation reserve	**(1,774,501)**	(1,795,128)

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

	2016 $	2015 $
Balance at beginning of financial year	**290,664**	275,150
Movement in share-based payments	**(127,274)**	15,514
Employee equity benefits reserve	**163,390**	290,664

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 23.

	2016 $	2015 $
Other reserves	**(678,623)**	(678,623)

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

	2016 $	2015 $
Total Reserves	**(2,289,734)**	(2,183,087)

21 Commitments

	2016 $	2015 $
Operating lease commitments		
Committed at the reporting date and recognised as liabilities, payable:-		
Within one year	**162,531**	145,553
One to five years	**249,514**	83,357
	412,045	228,910

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.

	2016 $	2015 $
Minimum remuneration payments payable:-		
Within one year	**197,824**	218,951

22 Contingent Liabilities

Guarantees

DataDot has issued bank guarantees of $32,750 (2015: $32,750). No liability was recognised by DataDot in relation to the bank guarantee as the fair value of the guarantee is immaterial.

Insurance company initiative

Under a sales agreement with an insurance company, DataDot has agreed to remit the insurance policy excess on behalf of insurance policy holders who have applied dots to their vehicles and whose vehicles have been stolen. A provision has been made (refer Note 17 Provisions). The estimate is based on the probability of 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.

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 Controlled Entities

	Principal place of business/ Country of Incorporation	Ownership interest % 2016	Ownership interest % 2015
Ultimate parent entity			
DataDot Technology Limited	Australia		
Wholly-owned subsidiaries			
DataDot Technology (Australia) Pty Limited	Australia	**100**	100
DataDot Technology USA Inc.	USA	**100**	100
DataDot Security Solutions Inc	USA	**100**	100
DataDot Technology (UK) Limited	UK	**100**	100
DataDot Technology (Europe) Limited	UK	**100**	100
AgTechnix Pty Limited	Australia	**100**	100
DataTraceID Pty Limited	Australia	**100**	100
DataDot N.Z. Pty Limited - Deregistered 18/12/2015	New Zealand	**-**	100
DataDot Solutions (India) Pte Limited	India	**100**	100
Live Data Pty Limited	Australia	**100**	40

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:

	2016	2015
Remuneration of key management personnel :-	**$**	$
Short term employee benefits	**1,256,818**	1,138,856
Post employment benefits	**163,535**	143,390
Share based payments (Note 27)	**55,380**	268,346
	1,475,733	1,550,592

25 Related Party Transactions

Parent entity

DataDot Technology Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in Note 23.

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

Risk Exposures and Responses

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

Interest Rate Risk

There are currently no interest bearing loans.

Foreign exchange risk

As a result of significant investment in wholly‑owned and partly‑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.

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)

DataDot had the following exposure to foreign currency that is not designated in cash flow hedges:

	2016 $	2015 $
Financial Assets		
Cash and cash equivalents	**665,164**	602,181
Trade and other receivables	**873,407**	963,657
	1,538,571	1,565,838
Financial Liabilities		
Trade and other payables	**335,965**	492,795
Net exposure	**1,202,606**	1,073,043

The following sensitivity analysis is based on the foreign currency rate risk exposures in existence at the statement of financial position date. The Australian Dollar moved against the UK Pound and the US Dollar, as illustrated in the table below, with all other variables held constant, post tax loss and equity would have been affected as follows:

Judgements of reasonably possible movements higher / (lower)		Post tax profit/(loss) $	Equity $
Year Ended 30 June 2016			
Plus	5%	**12,620**	**23,279**
Minus	10%	**(32,456)**	**(219,146)**
Year Ended 30 June 2015			
Plus	5%	73,577	65,227
Minus	10%	(172,252)	(152,105)

The effect of volatility of foreign exchange rates within expected reasonable possible movements would not be material.

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

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

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

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

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

26 Financial Risk Management (continued)

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 2016	Within 1 Year **$**
Financial Assets	
Cash and cash equivalents	**2,355,153**
Trade and other receivables	**988,708**
Grant receivable	**383,000**
	3,726,861
Financial Liabilities	
Trade and other payables	**822,713**
Net maturity	**2,904,148**

Consolidated entity 30 June 2015	Within 1 Year $
Financial Assets	
Cash and cash equivalents	4,065,518
Trade and other receivables	1,189,598
Grant receivable	498,557
	5,753,673
Financial Liabilities	
Trade and other payables	580,834
Net maturity	5,172,839

Fair value of financial instruments

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

27 Option and Share Based Payments

	2016	2015
Expenses arising from share based payments :-	**$**	$
Shares and rights issued under Employee Share Rights Plan :-		
Share Rights issued at 1.8c to Graham Loughlin 01/07/2015 vesting 31/07/2015	**18,000**	-
Share Rights issued at 1.8c to John Kraft 01/07/2015 vesting 01/07/2017 & 01/7/2018	**3,756**	-
Share Rights issued at 1.6c to Gunther Schmidt on 01/7/2012 vesting 01/07/2015	**-**	8,000
Ordinary shares issued at 1.9c to Gunther Schmidt on 01/07/2015	**-**	9,500
Share Rights issued at 2.0c to Laura Whetstone 22/07/2013 vesting 01/07/2015 & 01/07/2016	**-**	570
Share Rights issued at 2.0c to Andrew Winfield 22/07/2013 vesting 01/07/2016	**-**	2,264
Share Rights issued at 2.7c to Patrick Raper 26/03/2014 vesting 01/01/2016 & 01/01/2017	**-**	85,347
Share Rights issued at 2.8c to Jim McCallum 15/04/2013 vesting 01/07/2015 & 01/07/2016	**-**	119,236
Share rights expired	**(55,151)**	(9,901)
Share and rights issued	**(33,395)**	215,014
CEO options issued at 1.1c to Temogen Hield 27/08/2015 expiring 01/07/2018	**33,624**	-
Director options issued at 1.1c to Bruce Rathie 27/11/2014 expiring 27/11/2017	**-**	22,000
Director options issued at 1.1c to Gary Flowers 27/11/2014 expiring 27/11/2017	**-**	11,000
Director options issued at 1.1c to Alison Coutts 27/11/2014 cancelled on resignation 01/03/2016	**-**	11,000
Total expense arising from options and share based payments during the period	**229**	259,014

27 Option and Share Based Payments (continued)

Movements in share rights for the financial year	**2016**	**2016**	2015	2015
	No	**Avg issue $**	No	Avg issue $
Balance at the beginning of the period	**12,566,668**	**0.0260**	21,725,000	0.0299
Rights granted	**2,750,000**	**0.0180**	-	-
Shares issued	**(4,866,666)**	**0.0213**	(8,491,666)	0.0287
Rights expired	**(6,950,002)**	**0.0244**	(666,666)	0.0200
Balance at the end of the period	**3,500,000**		12,566,668	

Movements in share options for the financial year	**2016**	**2016**	**2015**	**2015**
	No	**Avg issue $**	No	Avg issue $
Balance at the beginning of the period	**4,000,000**	**0.0110**	-	-
Options issued	**29,000,000**	**0.0110**	4,000,000	0.0110
Options expired	**(1,000,000)**	**0.0110**	-	-
Balance at the end of the period	**32,000,000**		4,000,000	

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

The options are issued for nil consideration.
For the options granted 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
26/08/2015	1/07/2018	$0.02	$0.27	78.75%	0%	2.66%	$0.01
13/06/2016	1/07/2019	$0.02	$0.27	84.16%	0%	1.98%	$0.01

Expected volatility was determined based on share price movements over a 1 year period prior to the grant date.

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.

27 Option and Share Based Payments (continued)

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	**2016**	2015
	$	$
Current assets	**2,328,858**	4,082,182
Non‑current assets	**6,157,140**	6,360,214
Total assets	**8,485,998**	10,442,396
Current liabilities	**558,451**	609,677
Non‑current liabilities	**6,051,686**	6,054,553
Total liabilities	**6,610,137**	6,664,230
Equity		
Issued capital	**39,584,464**	39,388,811
Accumulated losses	**(37,555,317)**	(35,584,631)
Reserves	**(153,285)**	(26,014)
Total equity	**1,875,862**	3,778,166
Statement of profit or loss and other comprehensive income		
Loss after income tax	**(1,970,684)**	(534,206)
Total comprehensive income	**(1,970,684)**	(534,206)

28 Parent Entity Information (continued)

Parent Entity Commitments and Guarantees

DataDot has issued a bank guarantee of $32,750 (2015: $32,750). No liability was recognised by DataDot in relation to the bank guarantee as the fair value of the guarantee is immaterial.

Remuneration commitments	**2016**	2015
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	**138,750**	112,917

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2016 and June 2015.

Capital commitments

The parent entity had no capital commitments for plant and equipment as at 30 June 2016 and 30 June 2015.

Significant accounting policies

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

29 Events after the reporting period

On 1 July 2016, 1,000,000 shares were issued on vesting of share rights.

No other matter or circumstance has arisen since 30 June 2016 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.

Non-controlling interests are allocated their share of net profit after tax in the statement of profit or loss and are presented within equity in the consolidated statement of financial position, separately from the equity of the owners of the parent.

30 Summary of other significant accounting policies (continued)

(b) Principles of consolidation (continued)

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.

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.

30 Summary of other significant accounting policies (continued)

(d) Revenue recognition

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

(i) Sale of goods

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

(ii) Rendering of services

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

(iii) Royalties

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

(iv) Licence fee

Revenue is recognised when DataDot has an unconditional entitlement to the fee.

(v) Interest income

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

(e) Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.
An asset is current when: it is expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within twelve months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.
A liability is current when: it is expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within twelve months after the reporting period; or there is no unconditional right to defer the settlement of the

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

(f) Leases

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

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

30 Summary of other significant accounting policies (continued)

(g) Adoption of new and revised accounting standards

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

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

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

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

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.	Adoption of AASB 9 is only mandatory for the year ending 30 June 2019. We do not anticipate this standard will have a significant impact.

(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.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods. Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

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.

30 Summary of other significant accounting policies (continued)

(h) Critical accounting estimates and judgements (continued)

Taxation

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

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

Impairment of goodwill and intangibles with indefinite useful lives

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

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 2016

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 2015 and of its performance for the financial year ended on that date;

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

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

Bruce Rathie
Chairman
19th August 2016, Sydney

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INDEPENDENT AUDITOR'S REPORT

To the members of DataDot Technology Limited

Report on the Financial Report

We have audited the accompanying financial report of DataDot Technology Limited, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility 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 Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Stat*ements, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Datadot Technology Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

(a) the financial report of DataDot Technology Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 10 to 19 of the directors' report for the year ended 30 June 2016. 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.

Opinion

In our opinion, the Remuneration Report of DataDot Technology Limited for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.

BDO East Coast Partnership

BDO

Arthur Milner
Partner

Sydney, 19 August 2016