

# DataDot Technology Limited

ABN 54 091 908 726

## Financial Year Ended June 2015 Performance Commentary

### FY2015 Financial Results

- Solid revenue and much improved profitability
- Strong cash position \$4,066k
- 6 sales staff added in the US, 1 in Australia during the year and now, 1 in Europe starting September
- Poised for significant growth in FY2016.

The Company put in a solid performance in FY2015 which has been a turning point in its development and repositioning. Having employed numerous sales staff in the US, Australia and now Europe and deployed new products, the Company is now poised for growth. Revenue for FY2015 was \$7,026k being slightly better than the \$7,210k revenue in the prior corresponding period (pcp) after adjusting for changed operations in Taiwan.

Positively, revenue was up against pcp in Europe, Taiwan, South Africa and in DataTrace with Australia now stabilised. In the US, industrial product sales were up a pleasing nearly 90% off a low base, but auto and CopDot sales were down.

EBITDA for FY2015 improved materially to a loss of \$279k as against the EBITDA loss in the pcp of \$845k even after major new investments in people and product during the year. Had those investments totalling \$200k not been made, the Company would have had a close to profitable FY2015 at the EBITDA line.

Additional investment in growth was made in the 2H2015 particularly in the US where 5 new sales people were added in the last half year in the DataDot and DataTrace businesses and further investment in product development also took place. The Directors have been frustrated with the length of the sales cycle across its businesses with customers in both DataTrace and DataDot businesses requiring extensive trialling invariably followed by a long approval process. This long sales cycle together with the delay of a number of projects due to protracted approval processes and roll out schedules has prevented the company from recording material revenue growth during the latter part of FY2015. This revenue growth is however expected to emerge in FY2016.

There have been many positives aspects to FY2015.

Gross profit for FY2015 was \$4,174k at 59% of revenue compared to \$3,805k at 53% of revenue pcp. This improvement in gross profit is most pleasing and reflects ongoing focus on manufacturing efficiencies, pricing strategies and procurement strategies.

Group expenses (excluding depreciation) were \$4,995k compared to \$5,041k pcp. This is after the additional investment made in people and product of \$200k during the FY2015 reflecting the refocussing of resources on growth opportunities.

Net loss after income tax was a loss of \$867k a material improvement against the loss of \$1,286k pcp.

As at 30 June 2015, cash balances held by the company totalled \$4,066k.

Sales in Australia were in line with pcp with increasing traction from our new sales initiatives. In the auto sector, both Subaru and HSV apply DataDotDNA to all their vehicles in this market. We see additional opportunity for growth in auto with the switch from local manufacture to imports over the next couple of years. Sales into industrial applications continue to be encouraging particularly within the sectors of focus being mining, utilities and telecommunications. The Company is investigating how it might evolve our National Marine Register, National Equipment Register and National Bike Register so as to offer digital or ecommerce functionality.

In conjunction with the company's distributor, DataDot Technology Asia, we continue to grow our relationship with one of China's leading alcohol beverages manufacturers, with the inclusion of our DataTraceDNA anti-counterfeit system on their 3 most popular brands of liquor and rice wine, amounting to some 58 million bottles annually, up 20 million on the previous 12 months.

Similarly, our supply of DataTraceDNA to a Chinese government controlled tobacco products manufacturer has expanded, along with increasing sales of that company's premium cigarette brand. This trend is being bolstered by customers now being assured that they are buying genuine product and not an inferior copy, which could have been the case prior to the manufacturer adopting our protection system.

Production trials continue with a range of other products including spectacle frames and batteries for laptop computers, PDAs and smart-phones.

A new agent has been appointed to provide additional coverage in previously untapped markets in Jilin, Heilongjiang, Gansu, Xinjiang, Ningxia and Inner Mongolia.

## **India**

The Indian Government is presently steering a Road Transport and Safety Bill through the national Parliament. Among its many provisions for reforming Indian transport, the Bill will require all vehicles to be individually marked in a way that will be determined by the National Road Safety and Vehicle Regulation Authority of India, which will also be formed under the Bill. The Company has made submissions on the availability of vehicle marking options and is closely monitoring developments. An opportunity resulting from this will depend on the passage of the legislation.

## **Chile**

In April 2015 the Chamber of Deputies in Chile voted 97-0 in favour of a Bill to make Whole-of-Vehicle-Marking (WOVM) mandatory for all new vehicles. The Bill is substantially a copy of the equivalent Act in South Africa under which WOVM has been compulsory since 2012. Although the Bill received unanimous support in the Lower House it is not a government-sponsored bill and so there is a risk the Bill may not get into the Upper House. Both the Company and its Chilean distributor have made representations to the authorities to have this initiative enacted.

### **Europe**

Sales in Europe were \$2,486k up 3.5% pcp, with gross margin also up 3%. Auto sales, particularly to Fiat in Italy has gathered strength and we expect this momentum to continue to build as fleet and second hand cars are also now being marked. This is expected to materially increase volumes and sales into FY2016. New clients in the industrial sector were acquired during the year and a business development resource is being added at the beginning of September to exploit additional opportunities in Europe. With the appointment of our distributor in France, we now have visibility on opportunities in that market which we expect to contribute in FY2016. In addition, new direct sales initiatives were implemented in the last year to give potential for further growth in the coming 12 months – we are augmenting our distributor network in Europe with direct business development capability.

### **North America**

Sales in North America were \$1,233kUSD down approximately 6% pcp predominantly due to unexpected weakness in auto sales in 2H2015 and reduced sales of CopDots which did not receive sufficient sales support within the large box home improvement and hardware channel the product was introduced through. Our distributor for auto is addressing the auto sector weakness and has now hired a veteran sales person to pursue the growth of this sector and we are already seeing opportunities arise. For FY2016 we expect a much improved performance from the auto sector.

The Company has now added 3 senior business development staff – 2 in the last 3 months- to pursue the significant opportunities we see in the Industrial sector. The focus is on developing revenue opportunities in the utilities, oil & gas, transport and telecommunications markets where all 3 staff members have extensive selling experience. Our strategy is to continue selling directly to end user customers as well as developing our sales channel through third party service providers to potential big corporate customers where we can get greater scale of our solution into our target markets. Revenue opportunities from industrial sales are quickly growing with an increasing number now in the sales funnel. The CopDot product is being reformulated and we are looking at different models and channels to market in both the US and Australia.

### **DataTrace**

Sales of DataTrace DNA product was \$1,200k up over 20% pcp. This is a very strong result.

In the USA, DataTraceDNA was successfully piloted by a major food brand and a Government agency. Both projects are expected to be rolled out in FY2016 to provide substantial revenue. To push its market penetration in that region, DataTraceDNA hired three experienced brand protection experts in the last quarter of F2015 thereby contributing their extensive experience in the market and bringing existing customer networks. This investment has already yielded a significantly increased project pipeline of major global players.

In Europe, DataTraceDNA has extended the supply contract with our existing major client in the pharmaceutical segment. This will create increased revenue in FY2016.

In the Asia-Pacific region, DataTraceDNA experienced strong growth in the gaming industry (gaming chips) in FY2015. We continue to progress our market activities specifically in China and Indonesia

which have been identified as regional core markets. In addition and as announced previously, we have signed new distribution and channel partner agreements in South Korea and Vietnam to increase our market presence in the region.

**Outlook**

The Company expects revenue to grow materially during the course of FY2016 based on the additional business development resources deployed in US, Europe and Australia and product developments made in FY2015.



## **APPENDIX 4E**

### **Preliminary Financial Report**

### **for the year ended 30 June 2015**

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

[www.datadotdna.com](http://www.datadotdna.com)

Reporting period Year ended 30 June 2015

Previous reporting period Year ended 30 June 2014

Results for announcement to the market	2015	2014	Change	Change
	\$	\$	\$	%
Revenues from ordinary activities	7,026,595	7,210,707	(184,112)	-2.55%
Gross Margin	4,174,323	3,805,084	369,239	9.70%
Expenses	5,612,566	5,509,842	(102,724)	-1.86%
EBITDA	(279,228)	(845,825)	566,598	66.98%
Loss from ordinary activities after tax attributable to owners of DataDot Technology Limited	(867,354)	(1,285,755)	418,401	32.54%
Loss for the year attributable to the owners of DataDot Technology Limited	(867,354)	(1,285,755)	418,401	32.54%
Net tangible assets per ordinary security	0.0080	0.0059	0.0021	35.59%

**Dividends**

No dividends were paid or made payable during the year ended or since 30 June 2015.

**Commentary**

Please refer to the attached commentary and consolidated financial statements for the year ended 30 June 2015.

**Other information**

2015

2014

*Control gained over entities having a material effect*

Please refer to the attached commentary and consolidated financial statements for the year ended 30 June 2015.

*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 2015.

*Audit status*

This report is based on audited financial statements.

*Attachments*

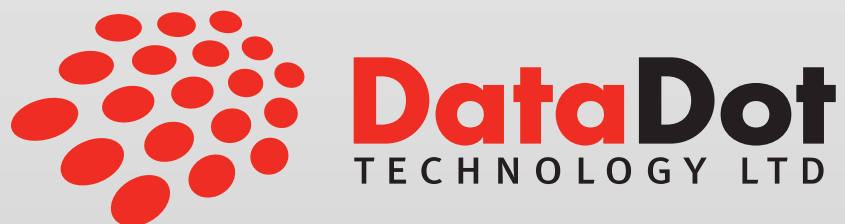
Additional disclosure requirements can be found in the notes to the attached consolidated financial statements.

Signed By

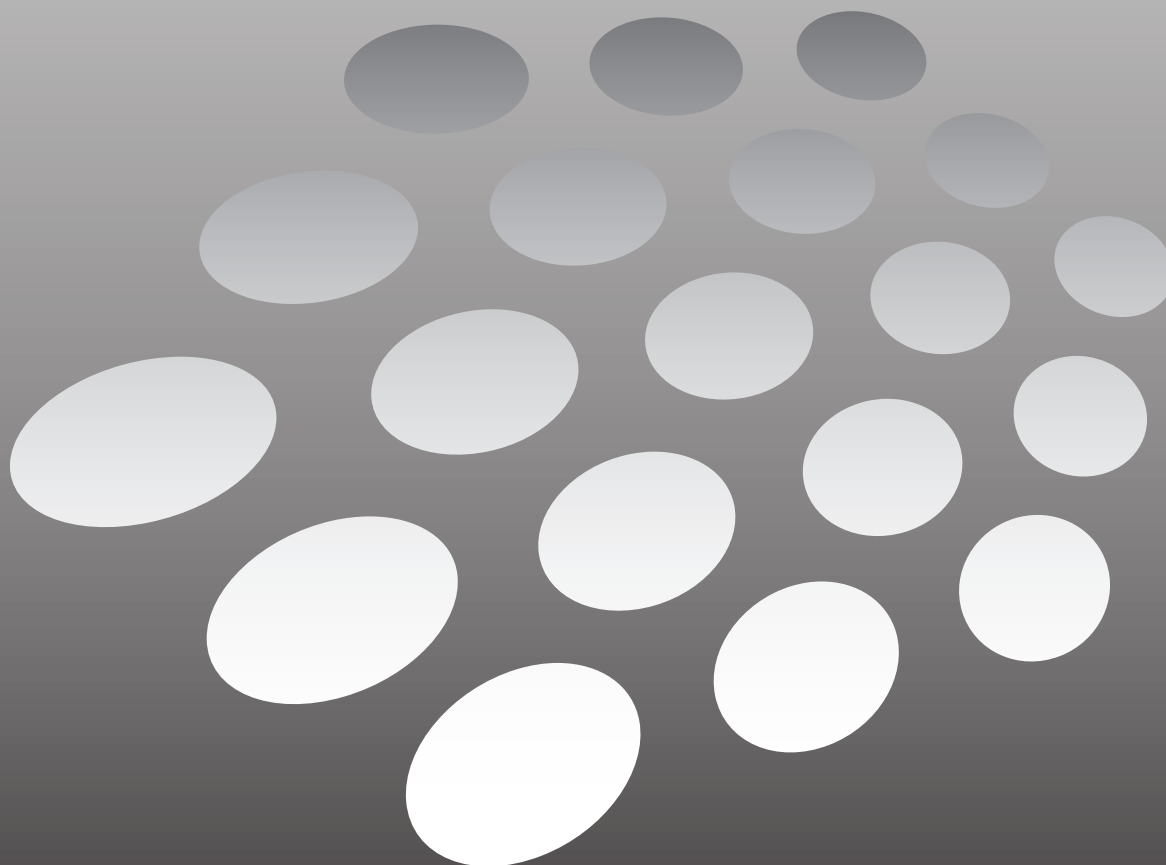


Bruce Rathie - Executive Chairman

24-Aug-15



**Financial Report 2015**  
*Financial Year Ended 30 June 2015*  
ABN 54 091 908 726





<p style="text-align: center;"><b>Financial Report</b> <b>for the year ended 30 June 2015</b></p>
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## Directors' Report

for the year ended 30 June 2015

### Directors

The Directors present their report, together with the financial statements of the consolidated entity consisting DataDot Technology Limited (referred to hereafter as "DataDot", "company" or "parent entity") and the entities it controlled (referred to hereafter as the "consolidated entity") for the financial year ended 30 June 2015.

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

- Bruce Rathie
- Gary Flowers
- Alison Coutts

### 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 etched 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 the 2015 financial year were \$7,026,595 (2014: \$7,210,707), being 2.6% lower than the previous period.

Revenue was up against pcip in Europe, Australia, South Africa and in DataTrace. In the US, industrial product sales were up a pleasing 88% off a low base, but auto and CopDot sales were down.

Gross profit for FY2015 was \$4,174k at 59% of revenue compared to \$3,805k at 53% of revenue pcip. This improvement in gross profit of 9.7% is most pleasing and reflects the group's ongoing focus on manufacturing efficiencies, pricing strategies and procurement strategies.

Group expenses for FY2015, excluding depreciation and amortisation, were \$4,955k compared to \$5,041k pcip. FY 2015 expenses includes the additional investment made in people and product of approximately \$200k reflecting the refocussing of resources on growth opportunities.

Earnings before interest, tax, depreciation and amortisation ("EBITDA") in 2015 were \$279,228 loss (2014: \$845,825 loss), an improvement of 67.0% on the previous period.

Had the company not made the additional investments in people and products of \$200k then the Company would have had a very close to profitable FY2015 at the EBITDA line.

Net loss after tax attributable to owners in the 2015 financial year was \$867,354 (2014: \$1,285,755 loss).

Net Assets at 30 June 2015 were \$9,600,934 (2014: \$7,230,675), being 32.8% higher than the previous period. Net Assets per share at 30 June 2015 were \$0.0128 (2014: \$0.0114), being 12.1% higher than the previous period.

**Significant changes in the state of affairs**

- During the year, the company raised \$2,929,357 in additional capital by issuing 108,811,407 shares at \$0.027.
- At the end of June 2015, the company held cash reserves of \$4,065,518 compared to \$1,994,185 pcp.

**Matters subsequent to the end of the financial year**

On 1 July 2015, 4,866,666 shares were issued on vesting of share rights.

On 19 August 2015, the company signed a joint venture agreement with Beston Pacific Group relating to opportunities in the export food and wine authentication market.

No other matter or circumstance has arisen since 30 June 2015 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**

During the year additional investment in growth was made in the 2H2015 particularly in the US where 5 new sales people were added in the DataDot and DataTrace businesses and further investment in product development also took place. The Directors have been frustrated with the length of the sales cycle across its businesses with customers in both DataTrace and DataDot businesses requiring extensive trialling, invariably followed by a long approval process. This long sales cycle together with the delay of a number of projects due to protracted approval processes and roll out schedules has prevented the company from recording material revenue growth during the latter part of FY2015. This growth is however expected to emerge in FY2016.

**Environmental regulation**

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

**Information on Directors and Company Secretaries*****Mr Bruce Rathie B.Com., LL.B., MBA, Grad Dip CSP, SA Fin., FAICD, FAIM******Executive 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. He 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 eftpos Payments Australia Limited and a Director of Capricorn Society Limited. He is Chairman of the Remuneration and Nomination Committee and 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, Chairman of SkyFii Limited and a Director of Sparke Helmore Lawyers. He is Chairman of the Audit and Risk Management Committee and a member of the Remuneration and Nomination Committee.

**Ms Alison Coutts B.E (Chem), MBA, Grad Dip Biotech***Independent Non-Executive Director*

Ms Coutts joined the Board as a non-executive Director on 1 July 2010. Ms Coutts has degrees in Chemical Engineering and Business Administration, a Graduate Diploma in Biotechnology and extensive experience across a number of industry sectors and disciplines. This includes international engineering project management with Bechtel Corporation in the UK, USA and NZ, strategy consulting, management training and organisational structuring with Boston Consulting Group, and executive search with Egon Zehnder. Ms Coutts is Executive Chairman of NuSep Holdings Limited and formerly Chair of CSIRO's Health Sector Advisory Council. She is a member of the Audit and Risk Management Committee and a member of the Remuneration and Nomination Committee. During the past four years Ms Coutts has served as a director of the following listed companies :

Clean Global Energy Limited – Appointed October 2009; Resigned April 2012.

NuSep Holdings Limited - Appointed December 2013.

Lanka Graphite Limited (formerly Viculus Limited) - Appointed May 2014

**Mr Graham Loughlin B.A. (Hons), Grad. Cert. Mgt., FAIM, FAICD***Company Secretary*

Mr Loughlin joined DataDot in December 2004 as Manager of Corporate Strategic Development and was appointed Company Secretary in January 2005. He was previously General Manager, Strategy and Business Development, of Credit Union Services Corporation (Australia) Ltd and a director of several of its subsidiary companies. He has been a Member of the Australian Payments System Council and Australian Housing Council and a non Executive Director of JetSet Tours (SA) Limited, Data Advantage Limited and Police Bank Limited. Mr Loughlin was formerly Executive Assistant to the Premier and Treasurer of South Australia.

**Mr Patrick Raper FCPA, FAICD***Joint Company Secretary*

Mr Raper joined DataDot in March 2014 as Group CFO and was appointed as Joint Company Secretary on 22 December 2014. 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	Interest in	Interest in
	Shares	Share Options	Share Rights
Bruce Rathie	30,565,854	2,000,000	-
Gary Flowers	5,487,265	1,000,000	-
Alison Coutts	-	1,000,000	-

**Meetings of Directors**

The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2015 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	15	15	2	2	3	3
Gary Flowers	15	13	2	2	3	2
Alison Coutts	15	13	2	2	3	3

**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
22 July 2013	22 July 2020	366,668
26 March 2014	26 March 2021	4,000,000
15 April 2014	15 April 2021	3,333,334
1 July 2015	1 July 2022	2,750,000
		10,450,002

**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	4,000,000	Each Option will entitle the holder to subscribe for one Share at an exercise price of 5 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 2015 is set out on page 16 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 consisted of the following directors and persons of DataDot Technology Limited:

**Directors**

Bruce Rathie	Executive Chairman
Gary Flowers	Non Executive Director
Alison Coutts	Non Executive Director

**Executives**

Graham Loughlin	Strategic Development and Distribution Manager & Company Secretary	
Gunther Schmidt	Managing Director DataTrace DNA	
Andrew Winfield	Managing Director DataDot UK	
Patrick Raper	Group Chief Financial Officer	Appointed 21/3/2014
James McCallum	CEO DataDot USA	Appointed 1/1/2014

**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:

	Balance as at 30/6/2014	Vesting of Share Rights or Share Issues as part of remuneration	Other Additions	Disposals	Balance as at 30/6/2015
<b>Shares</b>					
<b>Directors</b>					
Bruce Rathie	25,565,854	-	5,000,000	-	30,565,854
Gary Flowers	7,119,672	-	92,593	1,725,000	5,487,265
Alison Coutts	-	-	-	-	-
<b>Executives</b>					
Graham Loughlin	3,631,708	1,250,000	-	-	4,881,708
Gunther Schmidt	1,500,000	1,500,000	185,186	1,250,000	1,935,186
Patrick Raper	-	2,000,000	-	-	2,000,000
James McCallum	-	3,333,333	-	-	3,333,333
<b>Total Shares</b>	<b>37,817,234</b>	<b>8,083,333</b>	<b>5,277,779</b>	<b>2,975,000</b>	<b>48,203,346</b>
	Balance as at 30/6/2014	Issue of Options as part of remuneration	Other Additions	Disposals	Balance as at 30/6/2015
<b>Directors – Share Options</b>					
Bruce Rathie	-	2,000,000	-	-	2,000,000
Gary Flowers	-	1,000,000	-	-	1,000,000
Alison Coutts	-	1,000,000	-	-	1,000,000
<b>Total Share Options</b>	<b>-</b>	<b>4,000,000</b>	<b>-</b>	<b>-</b>	<b>4,000,000</b>

The options were granted on 27 November 2014 with an expiry date of 27 November 2017. The exercise price is 5 cents with the fair value per option 1.1 cents

***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, company secretary, chief financial officer, and chief executives of subsidiary companies DataTrace DNA Pty Limited, 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 2015.

***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 receives \$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.

## Remuneration Report (audited) (continued)

for the year ended 30 June 2015

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

	2011	2012	2013	2014	2015
Revenue	7,487,425	7,071,396	7,030,437	7,210,707	7,026,595
EBITDA	(188,517)	(1,212,299)	304,944	(845,825)	(279,228)
Net loss after tax	(583,399)	(1,908,913)	(227,905)	(1,285,755)	(867,354)
Basic earnings per share (in cents)	(0.12)	(0.40)	(0.05)	(0.22)	(0.12)
Share price at year end (in cents)	3.20	1.60	1.7	2.1	1.9

### Performance based remuneration

In 2015 the remuneration of the KMP who are not directors included a performance-based component. For four of these KMP, total remuneration comprised a fixed element and a performance-based STI component, both payable in cash, and a performance-based LTI. For the remaining non-director KMP, total remuneration comprised a fixed element and a performance-based STI component, both payable in cash, and a tenure-based LTI component. The three KMP who are directors received only fixed remuneration.

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.

The LTI component for directors includes share options. Options were granted 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 to each of Mr Rathie, Mr Flowers and Ms Coutts reasonable in the circumstances given the necessity to attract and retain Directors of the highest calibre while preserving the Company's cash reserves.

The LTI component contains share rights 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:-

- 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 :-

	Balance as at 30/06/2014	Granted as Remuneration	Vesting of Share Rights	Expiring or Lapsing Share Rights	Balance as at 30/06/2015
<b>For the year ended 30 June 2015</b>					
<b>Directors</b>					
Bruce Rathie	-	-	-	-	-
Gary Flowers	-	-	-	-	-
Alison Coutts	-	-	-	-	-
<b>Executives</b>					
Graham Loughlin	1,250,000	-	(1,250,000)	-	-
Gunther Schmidt	3,000,000	-	(1,500,000)	-	1,500,000
James 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

**Remuneration Report (audited) (continued)**
**for the year ended 30 June 2015**

For the year ended 30 June 2014	Balance as at 30/06/2013	Granted as Remuneration	Vesting of Share Rights	Expiring Share Rights	Balance as at 30/06/2014
<b>Directors</b>					
Bruce Rathie	-	-	-	-	-
Gary Flowers	-	-	-	-	-
Alison Coutts	-	-	-	-	-
<b>Executives</b>					
Richard Standen	-	100,000	-	(100,000)	-
Graham Loughlin	2,500,000	-	(1,250,000)	-	1,250,000
Gunther Schmidt	4,500,000	-	(1,500,000)	-	3,000,000
Jim McCallum	-	10,000,000	-	-	10,000,000
Patrick Raper	-	6,000,000	-	-	6,000,000
Andrew Winfield	-	1,000,000	-	-	1,000,000
	7,000,000	17,100,000	(2,750,000)	(100,000)	21,250,000

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 rights were granted on 1 July 2015

**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.

2015	Short-term benefits		Post employment benefits		Long-term benefits		Share-based payments	Total \$
	Cash, Salary, allowances & fees \$	Bonuses \$	Non cash \$	Super-annuation \$	Termination \$	Long service leave \$	Share rights and Share Options \$	
<b>Directors</b>								
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
<b>Executives</b>								
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



**Remuneration Report (audited) (continued)**
**for the year ended 30 June 2015**

2014	Short-term benefits		Post employment benefits		Long-term benefits		Share-based payments	Total \$
	Cash, Salary, allowances & fees \$	Bonuses \$	Non cash \$	Super-annuation \$	Termination \$	Long service leave \$	Share rights and Share Options \$	
<b>Directors</b>								
B Rathie	169,725	-	-	15,700	-	-	-	185,425
G Flowers	115,104	-	-	17,022	-	-	-	132,126
A Coutts	45,872	-	-	4,243	-	-	-	50,115
<b>Executives</b>								
R Standen	119,379	-	-	15,076	54,141	-	-	188,596
G Loughlin	130,210	-	-	35,000	-	-	15,720	180,930
G Schmidt	161,925	-	-	14,851	-	-	20,000	196,776
P Raper	35,692	-	-	8,615	-	-	31,925	76,232
J McCallum	78,573	-	-	-	-	-	118,487	197,060
A Winfield	126,697	-	-	1,900	-	-	12,035	140,632
	983,177	-	-	112,407	54,141	-	198,167	1,347,892

	2015 Performance based remuneration		2014 Performance based remuneration	
	Bonus STI %	Share rights LTI %	Bonus STI %	Share rights LTI %
<b>Directors</b>				
Bruce Rathie	0.0%	10.6%	0.0%	0.0%
Gary Flowers	0.0%	9.4%	0.0%	0.0%
Alison Coutts	0.0%	18.0%	0.0%	0.0%
<b>Executives</b>				
Graham Loughlin	0.0%	0.0%	0.0%	8.7%
Gunther Schmidt	0.0%	8.2%	0.0%	10.2%
Patrick Raper	0.0%	30.5%	0.0%	41.9%
James McCallum	18.4%	33.6%	0.0%	60.1%
Andrew Winfield	0.0%	1.7%	0.0%	8.6%

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) 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 are 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 will vest on each of 1st July 2013, 2014 and 2015 and a trading restriction will apply for a further one year after each vesting date. The share rights expire on 1st July 2019. As at the date of this report all of the share rights have vested.

On 1<sup>st</sup> July 2015, 500,000 additional shares were issued as additional remuneration.

***(b) 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 includes 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.

On 1 July 2015 an additional 2,000,000 share rights were granted with 1,000,000 rights vesting on each of 1 July 2016 and 1 July 2017.

***(c) 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.

## Remuneration Report (audited) (continued)

for the year ended 30 June 2015

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

#### *(d) 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 has been accrued as payment to Mr McCallum of the STI once audited results are released.

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 two-thirds of the share rights have vested.

#### *(e) 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 first two tranches did not vest on 1st July 2014 and 1st July 2015. The share rights expire on 22nd July 2020.

### **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 - Executive Chairman**

Dated this 24<sup>th</sup> day of August, 2015 in Sydney

**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 2015, I declare that, to the best of my knowledge and belief, there have been:

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

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



Arthur Milner  
Partner

**BDO East Coast Partnership**

Sydney, 24 August 2015



## **Consolidated Financial Statements for the year ended 30 June 2015**

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## Consolidated Statement of Profit or Loss

for the year ended 30 June 2015

	Notes	2015 \$	2014 \$
<b>Revenue</b>			
Sale of goods		6,270,632	6,541,643
Service and licence fees		111,876	135,629
Royalties		644,087	533,435
		<u>7,026,595</u>	<u>7,210,707</u>
Cost of sales		<u>2,852,272</u>	<u>3,405,623</u>
<b>Gross Profit</b>		<u>4,174,323</u>	<u>3,805,084</u>
Other income	2	<u>583,718</u>	<u>414,414</u>
<b>Expenses</b>			
Administrative expenses		4,777,500	4,257,573
Marketing expenses		241,296	523,959
Occupancy expenses		363,030	401,459
Travel expenses		223,115	309,923
Finance costs	3	7,625	16,928
		<u>5,612,566</u>	<u>5,509,842</u>
<b>Loss before income tax expense</b>		<u>(854,525)</u>	<u>(1,290,344)</u>
Income tax expense/ (benefit)	4	<u>12,829</u>	<u>(4,589)</u>
<b>Loss after income tax expense for the year</b>		<u>(867,354)</u>	<u>(1,285,755)</u>
<b>Loss for the year attributable to :-</b>			
Owners of DataDot Technology Limited		<u>(867,354)</u>	<u>(1,285,755)</u>
		<u>(867,354)</u>	<u>(1,285,755)</u>
Basic earnings / (loss) per share (cents per share)	7	<u>(0.12)</u>	<u>(0.22)</u>
Diluted earnings / (loss) per share (cents per share)	7	<u>(0.12)</u>	<u>(0.22)</u>

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 2015

	2015 \$	2014 \$
Loss after income tax expense for the year	(867,354)	(1,285,755)
Other comprehensive income :-		
Items that may be classified subsequently to profit or loss :-		
Exchange difference on translation of foreign operations	<u>180,929</u>	<u>(97,604)</u>
Total comprehensive income for the year, net of tax	<u>(686,425)</u>	<u>(1,383,359)</u>
Total comprehensive income attributable to :-		
Owners of DataDot Technology Limited	<u>(686,425)</u>	<u>(1,383,359)</u>

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

# Consolidated Statement of Financial Position

for the year ended 30 June 2015

	Notes	2015 \$	2014 \$
<b>Current Assets</b>			
Cash and cash equivalents	8	4,065,518	1,994,185
Trade and other receivables	9	1,376,448	1,078,063
Inventories	10	872,000	1,063,488
Grant receivable	11	498,557	363,697
<b>Total Current Assets</b>		<b>6,812,523</b>	<b>4,499,433</b>
<b>Non-Current Assets</b>			
Plant and equipment	12	844,666	776,251
Intangibles	13	3,885,488	3,775,149
Investments		40	-
Non-current tax		46,161	7,431.00
<b>Total Non-Current Assets</b>		<b>4,776,355</b>	<b>4,558,831</b>
<b>Total Assets</b>		<b>11,588,878</b>	<b>9,058,264</b>
<b>Current Liabilities</b>			
Trade and other payables	14	1,007,784	788,085
Borrowings	15	-	88,972
Employee benefits	16	282,883	292,649
Provisions	17	71,540	71,540
Other current liabilities	18	95,113	210,282
<b>Total Current Liabilities</b>		<b>1,457,320</b>	<b>1,451,528</b>
<b>Non-Current Liabilities</b>			
Employee benefits	16	35,591	2,196
Other non-current liabilities	18	495,033	373,865
<b>Total Non-Current Liabilities</b>		<b>530,624</b>	<b>376,061</b>
<b>Total Liabilities</b>		<b>1,987,944</b>	<b>1,827,589</b>
<b>Net Assets</b>		<b>9,600,934</b>	<b>7,230,675</b>
<b>Equity</b>			
Issued capital	19	39,388,810	36,347,640
Accumulated losses		(27,604,789)	(26,737,435)
Reserves	20	(2,183,087)	(2,379,530)
Equity attributed to the owners of DataDot Technology Limited		<b>9,600,934</b>	<b>7,230,675</b>
<b>Total Equity</b>		<b>9,600,934</b>	<b>7,230,675</b>

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 2015

	Attributable to equity holders of the parent						Total equity \$
	Issued capital \$	Accumulated losses \$	Foreign currency translation reserve \$	Employee equity benefit reserve \$	Other reserve \$	Non controlling interests \$	
<b>Balance at 1 July 2013</b>	33,376,382	(25,451,680)	(1,878,453)	246,150	(678,623)	-	5,613,776
Loss after income tax expense for the year restated	-	(1,285,755)	-	-	-	-	(1,285,755)
Other comprehensive income for the year, net of tax	-	-	(97,604)	-	-	-	(97,604)
Total comprehensive income for the year	-	(1,285,755)	(97,604)	-	-	-	(1,383,359)
Transactions with owners in their capacity as owners :-							
Share based payments	-	-	-	204,089	-	-	204,089
Share rights exercised	128,500	-	-	(128,500)	-	-	-
Share rights expired	-	-	-	(46,589)	-	-	(46,589)
Share issues	3,000,000	-	-	-	-	-	3,000,000
Share issue costs	(157,242)	-	-	-	-	-	(157,242)
<b>Balance at 30 June 2014</b>	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)
<b>Balance at 30 June 2015</b>	<b>39,388,810</b>	<b>(27,604,789)</b>	<b>(1,795,128)</b>	<b>290,664</b>	<b>(678,623)</b>	<b>-</b>	<b>9,600,934</b>

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 2015

	Notes	2015 \$	2014 \$
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		7,373,191	8,269,879
Payments to suppliers and employees (inclusive of GST)		(7,914,839)	(9,055,400)
Interest paid		(7,625)	(16,928)
Income tax paid		(51,559)	(10,300)
Receipt of government grants		489,856	408,550
Net cash used in operating activities	8	(110,976)	(404,199)
<b>Cash flows from investing activities</b>			
Interest received		89,796	40,308
Payments for plant and equipment		(217,949)	(52,374)
Payments for development and other intangibles		(521,484)	(791,204)
Net cash flows used in investing activities		(649,637)	(803,270)
<b>Cash flows from financing activities</b>			
Payment for acquisition of non controlling interest		-	(1)
Proceeds from share issue (net of share issue costs)		2,729,313	2,842,758
Repayment of borrowings		(611)	(354,203)
Payment of finance lease liabilities		(51,202)	(51,579)
Net cash from financing activities		2,677,500	2,436,975
<b>Net increase in cash and cash equivalents</b>		1,916,887	1,229,506
Cash and cash equivalents at the beginning of the financial year		1,957,026	864,523
Effects of exchange rate changes on cash and cash equivalents		191,605	(137,003)
<b>Cash and cash equivalents at the end of the financial year</b>	8	4,065,518	1,957,026

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

**1 Summary of significant accounting policies**

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 the consolidated entity'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 21 August 2015. The directors' have the power to amend and reissue the financial statements.

**(a) Basis of preparation**

These general purpose financial statements 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').

The principal accounting policies adopted in the preparation of the financial statements are presented below and have been consistently applied to all years presented, unless otherwise stated.

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets at fair value through profit or loss.

**(b) 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 24.

**(c) Principles of consolidation**

The consolidated financial statements comprise the financial statements of DataDot Technology Limited and its subsidiaries (hereafter referred to as 'DataDot', 'the consolidated entity' and 'the Group') (as outlined in note 24) as at and for the period ended 30 June each year. Interests in associates and joint ventures are equity accounted and are not part of the Consolidated Group (see note (i) below).

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.

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.

## 1 Summary of significant accounting policies (continued)

### (c) Principles of consolidation (continued)

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.

### (d) 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:

<i>Name of overseas subsidiaries</i>	<i>Functional currency</i>
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.

### (e) Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

### (f) Research and development grant

The research and development grants received and receivable 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.

**1 Summary of significant accounting policies (continued)****(g) Cash and cash equivalents**

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.

**(h) Trade and other receivables**

Trade receivables, which generally have 30-60 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment.

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. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

**(i) Inventories**

Inventories including raw materials, work in progress 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 and work-in-progress* – 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.

**(j) Investments and other financial assets**

Investments and other financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are categorised as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired or originated. Designation is re-evaluated at each financial year end, but there are restrictions on reclassifying to other categories.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of assets not at fair value through profit or loss, directly attributable transactions costs.

***Recognition and derecognition***

All regular purchases and sales of financial assets are recognised on the trade date i.e. the date that DataDot commits to purchase the asset. Regular purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace. Financial assets are derecognised when the right to receive cash flows from the financial assets has expired or when the entity transfers substantially all the risks and rewards of the financial assets. If the entity neither retains nor transfers substantially all of the risks and rewards, it derecognises the asset if it has transferred control of the assets.

**1 Summary of significant accounting policies (continued)****(j) Investments and other financial assets (continued)***Subsequent measurement**(i) Financial assets at fair value through profit or loss*

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term with the intention of making a profit. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on financial assets held for trading are recognised in profit or loss and the related assets are classified as current assets in the statement of financial position.

*(ii) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the statement of comprehensive income when the loans and receivables are derecognised or impaired. These are included in current assets, except those with maturities greater than 12 months after reporting date, which are classified as non-current.

**(k) 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

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

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

**(l) Interest in a jointly controlled entity**

DataDot has an interest in a joint venture that is a jointly controlled entity. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. A jointly controlled entity involves the establishment of a separate entity.

DataDot's investment in its jointly controlled entity is accounted for under the equity method of accounting in the consolidated financial statements. The financial statements of the joint venture are used by DataDot to apply the equity method. The reporting dates of the joint venture and DataDot are identical and both use consistent accounting policies.

The investment in the joint venture is carried in the consolidated statement of financial position at cost plus post-acquisition changes in DataDot's share of net assets of the joint venture, less any impairment in value. The consolidated statement of comprehensive income reflects DataDot's share of the results of operations of the joint venture.

Where there has been a change recognised directly in the joint venture equity, DataDot recognises its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity.

**(m) Plant and equipment**

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

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

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

## 1 Summary of significant accounting policies (continued)

### (m) Plant and equipment (continued)

#### *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.

### (n) 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.

#### *Group as a lessee*

Finance leases, which transfer to DataDot substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss.

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.

Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

### (o) Impairment of financial assets

DataDot assesses at each balance date whether a financial asset or group of financial assets is impaired.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of the loss is recognised in profit or loss.

DataDot first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

## 1 Summary of significant accounting policies (continued)

### (p) Impairment of non-financial assets other than intangibles

Non-financial assets other than intangibles are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

DataDot conducts an annual internal review of asset values, which is used as a source of information to assess for any indicators of impairment. External factors, such as changes in expected future processes, technology and economic conditions, are also monitored to assess for indicators of impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

### (q) Goodwill and intangibles

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired.

Intangible assets acquired separately are initially measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

#### *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.



## 1 Summary of significant accounting policies (continued)

### (q) Goodwill and intangibles (continued)

#### *Research and development costs*

Research costs are expensed as incurred. An intangible asset arising from development expenditure on an internal project is recognised only when DataDot can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure so capitalised is amortised over the period of expected benefits from the related project.

The carrying value of an intangible asset arising from development expenditure is tested for impairment annually when the asset is not yet available for use, or more frequently when an indication of impairment arises during the reporting period.

A summary of the policies applied to DataDot's intangible assets is as follows:

#### *Development costs:-*

Useful lives	Finite
Amortisation method used	Amortised for a period of 5-10 years on a straight-line basis.
Internally generated or acquired	Internally generated
Impairment testing	Annually for assets not yet available for use and more frequently when an indication of impairment exists. The amortisation method is reviewed at each financial year-end.

#### *Patent and trademark costs :-*

Useful lives	Finite
Amortisation method used	Amortised for a period of 10 years on a straight-line basis.
Internally generated or acquired	Acquired
Impairment testing	Annually for assets not yet available for use and more frequently when an indication of impairment exists. The amortisation method is reviewed at each financial year-end.

The patents and trademarks have been granted for a minimum of 10 years.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

### (r) Trade and other payables

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.

**1 Summary of significant accounting policies (continued)****(s) Borrowings**

All borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

Borrowings are classified as current liabilities unless DataDot has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

*Borrowing costs*

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) are capitalised as part of the cost of that asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. DataDot Technology Limited does not currently hold qualifying assets but, if it did, the borrowing costs directly associated with this asset would be capitalised (including any other associated costs directly attributable to the borrowing and temporary investment income earned on the borrowings).

**(t) Provisions**

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.

**(u) Employee benefits***(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 national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

**1 Summary of significant accounting policies (continued)****(v) 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.

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 7).

**(w) 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.

**1 Summary of significant accounting policies (continued)****(x) 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 DataDot 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.

*(vi) Government grants*

Government grants are recognised in the statement of financial position as an asset when the grant is reasonably certain.

The grant is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

**(y) Income tax and other taxes**

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the statement of financial position date.

Deferred income tax is provided on all temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- When the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

## 1 Summary of significant accounting policies (continued)

### (y) Income tax and other taxes (continued)

- When the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each statement of financial position date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

#### *Tax consolidation*

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

In addition, DataTrace DNA Pty Limited became part of the tax consolidation group in December 2010 when it became a wholly owned subsidiary of DataDot Technology Limited. 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.

AgTechnix Pty Limited became a wholly owned subsidiary of DataDot Technology Limited on 29 June 2012 and is now part 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.

#### *Other taxes*

Revenues, expenses and assets are recognised net of the amount of GST except:

- When the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.
- Receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, is classified as part of operating cash flows.

**1 Summary of significant accounting policies (continued)****(y) Income tax and other taxes (continued)**

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

**(z) Earnings per share**

Basic earnings per share is calculated as net profit or loss attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share are calculated as net profit attributable to members of the parent, adjusted for:

- Costs of servicing equity (other than dividends) and preference share dividends.
- The after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses.
- Other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares.

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

**(aa) Goods and Services Tax ('GST') and other similar taxes**

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

**(ab) 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.

**1 Summary of significant accounting policies (continued)****(ac) New accounting standards for application in future periods**

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 2012-6 Amendments to Australian Accounting Standards - Mandatory Effective Date of AASB 9 and Transition Disclosures (issued September 2012)	30-Jun-16	Defers the effective date of AASB 9 to 1 January 2015. Entities are no longer required to restate comparatives on first time adoption. Instead, additional disclosures on the effects of transition are required.	As comparatives are no longer required to be restated, there will be no impact on amounts recognised in the financial statements. However, additional disclosures will be required on transition, including the quantitative effects of reclassifying financial assets on transition.
AASB 15 Revenue from Contracts with Customers	30-Jun-18	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 groups significant revenue streams. The consolidated entity will adopt this standard from 1 July 2017 but the impact of its adoption is yet to be assessed by the consolidated entity.

## 1 Summary of significant accounting policies (continued)

### (ac) New accounting standards for application in future periods (continued)

Standard name	Effective date for entity	Requirements	Impact
AASB 9 Financial Instruments (issued December 2009 and amended December 2014)	30-Jun-19	<p>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:</p> <ul style="list-style-type: none"> <li>• Amortised cost</li> <li>• Fair value through profit or loss</li> <li>• Fair value through other comprehensive income.</li> </ul> <p>The following requirements have generally been carried forward unchanged from AASB 139 Financial Instruments: Recognition and Measurement into AASB 9:</p> <ul style="list-style-type: none"> <li>• Classification and measurement of financial liabilities; and</li> <li>• Derecognition requirements for financial assets and liabilities.</li> </ul> <p>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.</p>	Adoption of AASB 9 is only mandatory for the year ending 30 June 2019. The entity has not yet made an assessment of the impact of these amendments. The entity has financial liabilities measured at fair value through profit or loss. The amendments require that any changes in fair value attributable to the liability's credit risk be recognised in other comprehensive income instead of profit or loss. There will be no impact on the financial statements when these amendments are first adopted because they apply prospectively from 1 January 2018.

### (ad) Critical accounting estimates and judgments

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.



## 1 Summary of significant accounting policies (continued)

### (ad) Critical accounting estimates and judgments (continued)

#### *Capitalised development costs*

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

#### *Taxation*

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

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

#### *Impairment of goodwill and intangibles with indefinite useful lives*

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

#### *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 1 (t), 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.

## Notes to the Financial Statements

for the year ended 30 June 2015

	2015	2014
	\$	\$
<b>2 Other Income</b>		
Interest revenue	89,796	40,308
Government grants:		
Research and development grants *	492,989	310,831
Sundry income	933	63,275
	<b>583,718</b>	<b>414,414</b>

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

## 3 Expenses

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

### *Cost of sales*

Inventory	1,280,505	1,501,453
Stock obsolescence	150,506	160,235

### *Administration expenses*

Net (gain)/loss on foreign currency	(48,053)	70,778
Minimum lease payments	3,954	5,076
Employee benefits expenses	2,101,763	1,657,746
Employee share based expenses	259,014	157,500
Superannuation expenses	197,299	203,206
Research & development expenses	132,998	83,386
Depreciation, amortisation and disposal expenses	657,469	467,899

### *Occupancy expenses*

Minimum lease payments	214,838	250,649
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### *Finance costs*

Bank loans and overdrafts	-	1,191
Other borrowings	5,440	10,786
Finance charges payable under finance leases and hire purchase contracts	2,185	4,951
Total finance costs	7,625	16,928

## 4 Income Tax

### (a) Major components of tax expenses

Current income tax expense	(13,026)	(34,520)
Withholding tax	25,855	29,931
Income tax expense/(benefit)	<b>12,829</b>	<b>(4,589)</b>

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

Loss before income tax expense	(854,525)	(1,290,344)
Net loss before income tax expense at the tax at the statutory income tax rate of 30% (2014: 30%)	(256,358)	(387,103)
Foreign tax rate adjustment	42,719	6,163
Income not subject to tax	(147,897)	(93,249)
Research and development expenditure added back	149,567	144,000
Expenditure not allowable	162,490	85,278
Other timing differences	(39,827)	(22,885)
Unused tax losses and tax offsets not recognised as deferred tax assets	76,280	233,276
Withholding tax	25,855	29,931
Aggregate income tax (benefit)/expense	<b>12,829</b>	<b>(4,589)</b>

## Notes to the Financial Statements

for the year ended 30 June 2015

### 4 Income Tax (continued)

#### (c) Recognised deferred tax assets and liabilities

	2015 \$	2014 \$
Opening balance	-	-
Deferred tax asset credited to income	13,026	38,457
Deferred tax liability charged to income	(13,026)	(38,457)
Closing balance	-	-

#### Deferred tax assets and liabilities

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

#### Deferred tax liabilities

Development costs	427,365	389,179
Plant and equipment	1,350	1,350
Patents & Trademarks	259,544	279,023
Gross deferred tax liabilities	688,259	669,552
Set-off of deferred tax assets	(688,259)	(669,552)
Net deferred tax liabilities	-	-

#### Deferred tax assets

Tax losses	377,475	351,825
Goodwill	78,270	78,270
Provisions	91,107	82,207
Accruals	60,198	64,349
Equity raising costs	34,386	54,788
Doubtful debts and obsolescence	25,361	16,651
Other timing differences	21,462	21,462
Gross deferred tax assets	688,259	669,552
Set-off of deferred tax liabilities	(688,259)	(669,552)
Net deferred tax assets not brought to account	-	-

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.

The amount of the potential deferred tax assets attributable to revenue losses not brought to account **8,302,101** 8,225,821

The potential deferred tax asset will only be obtained if:

- the relevant company derives future assessable income of a nature and an amount sufficient to enable the benefit to be realised;
- the relevant company continues to comply with the conditions for deductibility imposed by law; and
- no changes in tax legislation adversely affect the relevant company in realising the benefit.

Tax losses of \$5,016,558 (2014: \$3,843,873) will expire in 2021.

## Notes to the Financial Statements

for the year ended 30 June 2015

### 5 Auditors' Remuneration

The auditor of DataDot Technology Limited is BDO East Coast Partnership

*Amounts paid or payable for audit services by BDO East Coast Partnership :-*

	2015 \$	2014 \$
An audit or review of the financial statements	107,500	114,270
Other services :-		
Tax compliance	25,000	23,000
Other services	24,001	26,615
	<b>156,501</b>	<b>163,885</b>

*Amounts paid or payable to BDO network firms :-*

Audit or review of the financial statements	63,645	24,768
Tax compliance	7,838	5,637
	<b>71,483</b>	<b>30,405</b>

*Amounts paid or payable to unrelated firms for:*

Tax compliance	1,027	8,704
Other services	14,392	39,463
	<b>15,419</b>	<b>48,167</b>

### 6 Dividends

Dividends declared or paid during the year

-	-
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Franking credits available for subsequent financial years based on a tax rate of 30%

-	-
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### 7 Earnings Per Share

	\$	\$
Basic earnings / (loss) per share (cents per share)	(0.12)	(0.22)
Diluted earnings / (loss) per share (cents per share)	(0.12)	(0.22)
Net loss after income tax expense used in calculating earnings / (loss) per share	(867,354)	(1,285,755)

Weighted average number of shares :-

	No	No
Weighted average number of shares used in calculating basic and diluted earnings per share	716,756,614	583,073,677
Adjustments for calculation of diluted earnings per share	-	-
Adjusted weighted average number of shares	<b>716,756,614</b>	<b>583,073,677</b>

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

500,000 shares on 01/07/2015

4,866,666 shares on vesting from share rights 01/07/2015

2,750,000 share rights issued vesting 1/07/2016, 01/07/2017, and 1/7/2018

*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.

## Notes to the Financial Statements

for the year ended 30 June 2015

### 8 Cash and Cash Equivalents

	2015	2014
	\$	\$
<i>Reconciliation of cash</i>		
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	4,065,518	1,994,185
Bank overdraft	-	(37,159)
	<b>4,065,518</b>	<b>1,957,026</b>

#### Cash Flow Information

*Reconciliation of loss after tax to net cash from operations :-*

Loss after income tax expense for the year	(867,354)	(1,285,755)
Add/(less) items classified as investing/financing activities:		
Interest received	(89,796)	(40,308)
Add/(less) non-cash items:		
Depreciation and amortisation	657,468	467,900
Share based payments	259,014	157,500
Foreign exchange variance	(48,053)	70,779
Impairment for doubtful accounts	8,942	(6,171)

*Changes in assets and liabilities :-*

(Increase)/Decrease in trade and other receivables	(298,385)	95,146
Increase in current tax assets	0	(3,395)
Decrease in inventories	191,488	73,094
Increase in grant receivable	(134,860)	(55,697)
Increase/(Decrease) in trade and other payables	219,699	(126,065)
(Decrease) in current tax liabilities	-	(11,494)
Increase in other liabilities	5,962	262,316
Increase/ (Decrease) in employee benefits	23,629	(2,049)

<b>Net cash used in operating activities</b>	<b>(72,246)</b>	<b>(404,199)</b>
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### 9 Trade and Other Receivables

Trade receivables	1,179,035	978,230
Provision for impairment	(117,166)	(112,125)
	<b>1,061,869</b>	<b>866,105</b>
Prepayments	186,850	133,228
Other receivables	127,729	78,730
	<b>1,376,448</b>	<b>1,078,063</b>

#### (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. An impairment charge of \$8,943 (2014 write back: \$6,171) has been recognised by DataDot. These amounts have been included in the bad and doubtful debt expense item.

Movement in provision for impairment of receivables is as follows:

At 1 July	112,125	144,603
Charge/(write back) for the year	8,942	(6,171)
Amount written off (included in bad and doubtful debt expense)	(3,901)	(26,307)
<b>At 30 June</b>	<b>117,166</b>	<b>112,125</b>

## Notes to the Financial Statements

for the year ended 30 June 2015

	2015	2014
	\$	\$

### 9 Trade and Other Receivables (continued)

Customers with balances past due but without provision for impairment amounts to \$107,040 (2014 : \$108,154)

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

30 days	58,916	85,421
60 days	14,985	10,956
90 days and over	33,138	11,776
	<b>107,040</b>	<b>108,154</b>

The consolidated entity did not consider a credit risk on the aggregate balance after reviewing credit terms of customers based on recent collection practices.

#### (b) Fair value and credit risk

Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value. The maximum exposure to credit risk is the fair value of receivables. Collateral is not held as security, nor is it DataDot's policy to transfer (on-sell) receivables to special purpose entities.

Refer to note 27 for more information on the risk management policy of DataDot and the credit quality of DataDot's trade receivables.

#### (c) Foreign exchange and interest rate risk

Details regarding foreign exchange and interest rate risk exposure are disclosed in note 27.

### 10 Inventories

Raw materials	670,821	851,176
Finished goods	201,179	212,312
	<b>872,000</b>	<b>1,063,488</b>

### 11 Grant Receivable

Research and development grant	498,557	363,697
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### 12 Plant and Equipment

Plant and equipment - at cost	2,848,229	2,609,196
Accumulated depreciation	(2,157,475)	(1,963,104)
Total owned plant and equipment	<b>690,754</b>	<b>646,092</b>
Plant and equipment under lease	152,923	152,923
Accumulated depreciation	(45,877)	(30,585)
Total plant and equipment under lease	<b>107,046</b>	<b>122,338</b>
Leasehold improvements - at cost	205,740	157,934
Accumulated depreciation	(158,875)	(150,113)
Total leasehold improvements	<b>46,866</b>	<b>7,821</b>
	<b>844,666</b>	<b>776,251</b>

## Notes to the Financial Statements

for the year ended 30 June 2015

### 13 Plant and Equipment (continued)

*Movements in carrying amounts*

	Plant and equipment \$	Plant and equipment under lease \$	Leasehold Improvements \$	Totals \$
Balance as at 1 July 2013	755,413	137,631	12,918	905,962
Additions	44,781	-	7,593	52,374
Disposals	(17,877)	-	(7,708)	(25,585)
Depreciation expense for the year	(136,432)	(15,293)	(4,982)	(156,707)
Exchange adjustments	207	-	-	207
Balance at 30 June 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

Refer to note 15 for further information on plant and equipment secured under finance leases.

### 13 Intangible Assets

	2015 \$	2014 \$
Development - at cost	2,297,211	1,953,443
Less: Accumulated amortisation	(872,661)	(656,181)
	1,424,550	1,297,262
Patent and trademarks - at cost	1,445,208	1,241,151
Less: Accumulated amortisation	(580,062)	(311,076)
	865,146	930,075
Goodwill	1,574,214	1,515,155
Software - at cost	83,133	78,282
Less: Accumulated amortisation	(61,555)	(45,625)
	21,578	32,657
	3,885,488	3,775,149

*Movements in carrying amounts*

	Development \$	Patents and trademarks \$	Goodwill \$	Software \$	Totals \$
Balance as at 1 July 2013	1,226,789	772,565	1,258,863	36,750	3,294,967
Additions	255,011	267,202	256,292	12,699	791,204
Amortisation expense	(184,538)	(109,861)	-	(16,792)	(311,191)
Exchange adjustments	-	169	-	-	169
Balance at 30 June 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

### 13 Intangible Assets (continued)

#### *Development costs*

Development costs are carried at cost less accumulated amortisation and accumulated impairment losses. The intangible assets have been assessed as having finite lives. 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 and amortisation expense". If an impairment indication arises, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying amount.

#### *Patents and trademarks*

Patent costs are carried at cost less accumulated amortisation and accumulated impairment losses. These intangible assets have been assessed as having a finite life and are amortised using the straight line method over the period of the patent. The amortisation has been recognised in the statement of profit or loss in the line item 'administrative 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.

#### *Patents and trademarks*

In 2015, \$172,865 (2014: \$267,202) of costs associated with the lodging, renewal, and maintenance of patents & trademarks were incurred with \$264,925 (2014: \$109,861) of associated amortisation being expensed during the period.

#### *Goodwill*

After initial recognition, goodwill acquired in a business combination is measured at cost less any accumulated impairment losses. Goodwill is not amortised but is subject to impairment testing on at least an annual basis or whenever there is an indication of impairment.

#### **Impairment testing**

The group has identified two cash generating units (CGUs); DataDot (with a carrying value of non-current assets of \$2,022,500, including goodwill of \$315,351) and DataTrace (with a carrying value of non-current assets of \$2,707,654, 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 5% per annum, divided by the discount rate less the long-term growth rate.

Management has based the value-in-use calculations on the budgets approved by the DataDot Board. The budget uses estimated growth rates to predict the revenue and whilst the revenue growth budgeted for Europe of 30% is high compared to actual growth in FY2015 (4%), 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 13.00% (2014: 13.00%). The discount rate of 13.00% reflects management's assessment of the time value of money and DataDot's weighted average cost of capital adjusted for the risk free rate and the volatility of the share price relative to market movements, and inherent uncertainty of the business. Cash flows beyond the five year period are extrapolated using an estimated long-term growth rate of 5% 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.

There were no other key assumptions for the CGU's.



## Notes to the Financial Statements

for the year ended 30 June 2015

### 14 Trade and Other Payables

	2015	2014
	\$	\$
Trade payables	433,447	223,913
Sundry creditors and accruals	574,337	564,172
	<b>1,007,784</b>	<b>788,085</b>

#### *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 27.

### 15 Borrowings

#### **Current**

Bank overdraft	-	37,159
Lease liability	-	51,202
	-	<b>88,361</b>

Loans payable to other parties	-	611
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Total current borrowings	-	<b>88,972</b>
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#### *Total secured liabilities*

The total secured liabilities (current and non-current) are as follows:

Bank overdraft	-	37,159
Lease liability	-	51,202
	-	<b>88,361</b>

#### *Assets pledged as security*

There are currently no current or non-current lease liabilities at 30 June 2015 (2014: \$88,361)

#### *Financing arrangements*

Unrestricted access was available at the reporting date to total credit facilities of \$112,612 (2014: \$139,576). There are currently no Lines of Credit provided for immediate use (2014: \$37,159). \$32,750 (2014: \$32,750) was utilised in the provision of bank guarantees against commercial leases on real property. \$5,853 (2014: \$7,896) was utilised against a corporate credit card facility with \$74,009 (2014: \$61,771) available for immediate use.

### 16 Employee Benefits

#### **Current**

Employee benefits	<b>282,883</b>	292,649
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#### **Non Current**

Employee benefits	<b>35,591</b>	2,196
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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:

Employee benefits obligation expected to be settled after twelve months	<b>147,800</b>	<b>136,173</b>
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## Notes to the Financial Statements

for the year ended 30 June 2015

### 17 Provisions

#### Current

Lease make good

Other provisions

2015	2014
\$	\$
50,000	50,000
21,540	21,540
<b>71,540</b>	<b>71,540</b>

#### Other provisions

A provision of \$20,000 (2014 : \$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 (2014 : \$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 (2014 : \$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.

### 18 Other Liabilities

#### Current

Deferred income

Revenue received in advance

80,619	61,523
14,494	148,759
<b>95,113</b>	<b>210,282</b>

#### Non-Current

Other liabilities

Deferred income

40	-
494,993	373,865
<b>495,033</b>	<b>373,865</b>

### 19 Issued capital

	2015 No	2015 \$	2014 No	2014 \$
Issued capital at beginning of financial period	634,675,800	36,347,640	480,800,800	33,376,382
Shares issued or under issue during the year :-				
Share placement	108,811,407	2,929,357	150,000,000	3,000,000
Share issue costs	-	(131,687)	-	(157,242)
Vested share rights issued during the year under the ESRP	8,491,666	243,500	3,875,000	128,500
Issued capital at the end of the financial period	<b>751,978,873</b>	<b>39,388,810</b>	634,675,800	36,347,640

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

**19 Issued capital (continued)***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 2014 Annual Report.

As disclosed in Note 15, DataDot had no interest bearing liabilities as at 30 June 2015 (2014: \$88,361). DataDot is not subject to any externally imposed capital requirements.

**20 Reserves***Foreign currency translation reserve*

	2015	2014
	\$	\$
	<b>(1,795,128)</b>	<b>(1,976,057)</b>

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

*Employee equity benefits reserve*

	<b>290,664</b>	<b>275,150</b>
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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 28.

*Other reserves*

	<b>(678,623)</b>	<b>(678,623)</b>
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This reserve is used to record the differences which may arise as a result of transactions with non-controlling interests that do not result in a loss of control.

*Total Reserves*

	<b>(2,183,087)</b>	<b>(2,379,530)</b>
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**21 Operating Segments****Identification of reportable operating segments**

DataDot has identified its operating segments based on the internal reports that are reviewed and used by the executive management team who are the chief operating decision makers ('CODM') in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

Three of the operating segments are identified by the CODM based on the location of the selling segment. One operating segment is identified by the CODM based on the product offerings. Discrete financial information about each of these operating businesses is reported to the executive management team on at least a monthly basis.

**21 Operating Segments (continued)****Types of products and services**

The three geographical regions of Asia Pacific, Americas and Europe each manufacture and distribute an asset identification system that includes :-

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

**DataBaseDNA** - a global database that records asset identification data and is accessible by law enforcement agencies and insurance investigators.

The only operating segment that is identified by product offerings managed on a global basis is :-

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

**Accounting policies and inter-segment transactions**

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

**Major customers**

DataDot has a number of customers to which it provides both products and services. In Australasia, one customer accounts for 14% of total revenue (2014 : 13%), Europe one customer accounts for 18% of total revenue (2014 : 15%), Americas one customer accounts for 13% of total revenue (2014 : 13%) and in DataTraceDNA one customer accounts for 8% total revenue (2014 : 7%).

The following tables present the revenue, profit/(loss) after tax, assets and liabilities information regarding operating segments for years ended 30 June 2015 and 30 June 2014.

<b>Segment performance</b>	<b>Australasia</b>	<b>Americas</b>	<b>Europe</b>	<b>DataTraceDNA</b>	<b>Intersegment eliminations</b>	<b>Total</b>
<b>Year ended 30 June 2015</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Revenue from external customers	2,127,073	1,493,956	2,223,720	1,181,847	-	7,026,596
Intersegment sales	1,514,317	336,526	1,257	18,613	(1,870,713)	-
Total revenue	3,641,391	1,830,482	2,224,977	1,200,460	(1,870,713)	7,026,596
Gross profit	2,828,734	875,253	693,495	837,214	(1,060,371)	4,174,325
EBITDA	3,044	(256,135)	(40,484)	70,908	(56,561)	(279,228)
Depreciation, amortisation and disposals	(316,501)	(32,516)	(6,559)	(301,893)	-	(657,469)
Impairment	(436,539)	-	-	-	436,539	-
Finance revenue	106,730	-	1	-	(16,935)	89,796
Finance costs	(5,435)	(2,185)	(16,940)	-	16,935	(7,625)
Profit / (Loss) before income tax	(648,701)	(290,836)	(63,982)	(230,985)	379,978	(854,526)
Income tax (expense) / benefit	(23,476)	(2,380)	13,026	-	-	(12,830)
Net profit / (loss) after income tax	(672,177)	(293,216)	(50,956)	(230,985)	379,978	(867,356)
Segment assets	16,984,480	1,076,218	1,323,991	2,104,733	(9,900,544)	11,588,878
Segment liabilities	6,918,788	6,513,208	1,488,228	2,337,030	(15,269,310)	1,987,944

**21 Segment Information (continued)**

<b>Segment performance (continued)</b> <b>Year ended 30 June 2014</b>	Australasia \$	Americas \$	Europe \$	DataTraceDNA \$	Intersegment eliminations \$	Total \$
Revenue from external customers	2,558,083	1,635,714	2,034,835	982,075	-	7,210,707
Intersegment sales	1,526,551	303,478	2,128	25,278	(1,857,435)	-
Total revenue	4,084,634	1,939,192	2,036,963	1,007,353	(1,857,435)	7,210,707
Gross profit	2,885,209	739,455	580,439	657,514	(1,057,533)	3,805,084
EBITDA	(394,228)	(476,089)	(164,707)	186,616	2,583	(845,825)
Depreciation, amortisation and disposals	(244,648)	(20,173)	(4,880)	(198,198)	-	(467,899)
Impairment	(822,768)	-	-	-	822,768	-
Finance revenue	52,472	11	16	371	(12,562)	40,308
Finance costs	(1,283)	(6,132)	(22,118)	-	12,605	(16,928)
Loss before income tax	(1,410,455)	(502,383)	(191,689)	(11,211)	825,394	(1,290,344)
Income tax (expense) / benefit	(27,009)	(6,859)	38,457	-	-	4,589
Loss after income tax	(1,437,464)	(509,242)	(153,232)	(11,211)	825,394	(1,285,755)
Segment assets	15,765,467	951,994	940,646	2,176,278	(10,776,121)	9,058,264
Segment liabilities	8,008,389	6,241,488	1,036,426	2,177,590	(15,636,304)	1,827,589

**22 Commitments**

**2015**      **2014**  
**\$**           **\$**

**Finance lease commitments**

Committed at the reporting date and recognised as liabilities, payable:-

Within one year	-	52,740
One to five years	-	-
Total commitment	-	52,740
Less: Future finance charges	-	1,538
Net commitment recognised as liabilities	-	51,202

**Operating lease commitments**

Committed at the reporting date and recognised as liabilities, payable:-

Within one year	145,553	222,963
One to five years	83,357	198,423
	228,910	421,386

**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.

Minimum remuneration payments payable

Within one year	218,951	180,126
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**23 Contingent Liabilities****Guarantees**

DataDot has issued bank guarantees of \$32,750 (2014: \$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. As disclosed in note 24, 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.

**24 Controlled Entities**

	Principal place of business/ Country of Incorporation	Ownership interest %	
		2015	2014
<i>Ultimate parent entity</i>			
DataDot Technology Limited	Australia		
<i>Wholly-owned subsidiaries</i>			
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
DataTrace DNA Pty Limited	Australia	100	100
DataDot N.Z. Pty Limited	New Zealand	100	100
DataDot Solutions (India) Pte Limited	India	100	100
Live Data Pty Limited	Australia	40	0

Live Data was set up during 2015 in partnership with HAAT Enterprises Pty Ltd, but not traded as at year end.

**25 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:

	2015	2014
	\$	\$
<i>Remuneration of key management personnel :-</i>		
Short term employee benefits	1,138,856	983,177
Post employment benefits	143,390	112,407
Long-term benefits	-	54,141
Share based payments (Note 28)	268,346	198,167
	<b>1,550,592</b>	<b>1,347,892</b>

There were no related party transactions.

## 26 Related Party Transactions

### *Parent entity*

DataDot Technology Limited is the parent entity.

### *Subsidiaries*

Interests in subsidiaries are set out in note 24.

### *Key management personnel*

Disclosures relating to key management personnel are set out in note 25 and the remuneration report in the directors' report.

## 27 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 and commodity and equity price 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.

	\$	\$
DataDot had the following exposure to foreign currency that is not designated in cash flow hedges:		
<b>Financial Assets</b>		
Cash and cash equivalents	602,181	312,531
Trade and other receivables	963,657	818,636
	<b>1,565,838</b>	<b>1,131,167</b>
<b>Financial Liabilities</b>		
Trade and other payables	492,795	378,514
Borrowings	-	88,972
	<b>492,795</b>	<b>467,486</b>
<b>Net exposure</b>	<b>1,073,043</b>	<b>663,681</b>

**27 Financial Risk Management (continued)**

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 \$
<b>Year Ended 30 June 2015</b>			
Plus	5%	73,577	65,227
Minus	10%	(172,252)	(152,105)
<b>Year Ended 30 June 2014</b>			
Plus	5%	9,784	54,900
Minus	10%	(21,078)	(128,111)

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*

Credit risk arises from the financial assets of DataDot, which comprise cash and cash equivalents, trade and other receivables.

DataDot's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Exposure at reporting date is addressed in each applicable note.

DataDot does not hold any credit derivatives to offset its credit exposure.

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.

*Remaining contractual maturities*

The table below details the consolidated entity's remaining contractual maturities for its financial liabilities. For all obligations shown the respective undiscounted cash flows for the respective upcoming fiscal years are presented. Cash flows for financial assets and liabilities without fixed amount of timing are based on the conditions existing at the respective year end.

	2015 \$	2014 \$
6 months or less	-	63,371
6 - 12 months	-	25,601
1 - 5 years	-	-
	-	88,972



**27 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 property, plant, 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 2015**

	Within 1 Year \$	1 to 5 Years \$	Over 5 Years \$	Total \$
<b>Financial Assets</b>				
Cash and cash equivalents	4,065,518	-	-	4,065,518
Trade and other receivables	1,189,598	-	-	1,189,598
Grant receivable	498,557	-	-	498,557
	<b>5,753,673</b>	-	-	<b>5,753,673</b>
<b>Financial Liabilities</b>				
Trade and other payables	580,834	-	-	580,834
Borrowings	-	-	-	-
	<b>580,834</b>	-	-	<b>580,834</b>
<b>Net maturity</b>	<b>5,172,839</b>	-	-	<b>5,172,839</b>

**Consolidated entity 30 June 2014**

	Within 1 Year \$	1 to 5 Years \$	Over 5 Years \$	Total \$
<b>Financial Assets</b>				
Cash and cash equivalents	1,994,185	-	-	1,994,185
Trade and other receivables	944,835	-	-	944,835
Grant receivable	363,697	-	-	363,697
	<b>3,302,717</b>	-	-	<b>3,302,717</b>
<b>Financial Liabilities</b>				
Trade and other payables	410,783	-	-	410,783
Interest bearing loans & borrowings	88,972	-	-	88,972
	<b>499,755</b>	-	-	<b>499,755</b>
<b>Net maturity</b>	<b>2,802,962</b>	-	-	<b>2,802,962</b>

*Fair value of financial instruments*

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

**28 Option and Share Based Payments**

	2015 \$	2014 \$
Expenses arising from share based payments :-		
<i>Shares and rights issued under Employee Share Rights Plan :-</i>		
Share Rights issued at 4.4c to Graham Loughlin 01/01/2011 vesting 01/07/2014	-	15,720
Share Rights issued at 4.4c to Geoff George 01/01/2011 vesting 01/07/2014	-	1,572
Share Rights issued at 4.4c to John Kraft 01/01/2011 vesting 01/07/2014	-	3,144
Share Rights issued at 1.6c to Gunther Schmidt on 01/7/2012 vesting 01/07/2015	8,000	20,000
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	1,202
Share Rights issued at 2.0c to Andrew Winfield 22/07/2013 vesting 01/07/2016	2,264	12,035
Share Rights issued at 2.7c to Patrick Raper 26/03/2014 vesting 01/01/2016 & 01/01/2017	85,347	31,925
Share Rights issued at 2.8c to Jim McCallum 15/04/2013 vesting 01/07/2015 & 01/07/2016	119,236	118,490
Share rights expired	(9,901)	(46,589)
<b>Share and rights issued</b>	<b>215,014</b>	<b>157,500</b>
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 expiring 27/11/2017	11,000	-
<b>Total expense arising from options and share based payments during the period</b>	<b>259,014</b>	<b>157,500</b>

**28 Option and Share Based Payments (continued)**

Movements in share rights for the financial year

	2015 No	2015 Avg issue \$	2014 No	2014 Avg issue \$
Balance at the beginning of the period	21,725,000	0.0299	16,500,000	0.0690
Rights granted	-	-	17,300,000	0.0271
Shares issued	(8,491,666)	0.0287	(3,875,000)	0.0332
Rights expired	(666,666)	0.0200	(8,200,000)	0.0259
Balance at the end of the period	12,566,668	0.0260	21,725,000	0.0299

Movements in share options for the financial year

	2015 No	2015 Avg issue \$	2014 No	2014 Avg issue \$
Balance at the beginning of the period	-	-	-	-
Options issued	4,000,000	0.0110	-	-
Balance at the end of the period	4,000,000	0.0110	-	-

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
27/11/2014	27/11/2017	\$0.03	\$0.05	86.50%	0%	3.15%	\$0.01

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

**29 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**

	2015 \$	2014 \$
Current assets	4,082,182	1,992,007
Non-current assets	6,360,214	6,139,683
Total assets	10,442,396	8,131,690
Current liabilities	609,677	632,516
Non-current liabilities	6,054,553	6,243,484
Total liabilities	6,664,230	6,876,000

**Equity**

Issued capital	39,388,811	36,347,641
Accumulated losses	(35,584,631)	(35,050,423)
Reserves	(26,014)	(41,528)
Total equity	3,778,166	1,255,690

**Statement of profit or loss and other comprehensive income**

Loss after income tax	(534,206)	(1,274,399)
Total comprehensive income	(534,206)	(1,274,399)

**29 Parent Entity Information (continued)****Parent Entity Commitments and Guarantees**

DataDot has issued a bank guarantee of \$32,750 (2014: \$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**

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.

Minimum remuneration payments payable

Within one year

<b>112,917</b>	<b>105,867</b>
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**Contingent liabilities**

The parent entity had no contingent liabilities as at 30 June 2015 and June 2014.

**Capital commitments**

The parent entity had no capital commitments for plant and equipment as at 30 June 2015 and 30 June 2014.

**Significant accounting policies**

The accounting policies of the parent entity are consistent with those of the consolidated entity as disclosed in note 1.

**30 Events after the reporting period**

On 1 July 2015, 4,866,666 shares were issued on vesting of share rights and 500,000 shares were issued as remuneration.

On 19 August 2015, the company signed a joint venture agreement with Beston Pacific Group relating to opportunities in the export food and wine authentication market.

No other matter or circumstance has arisen since 30 June 2015 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.

## Directors' Declaration

for the year ended 30 June 2015

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

A handwritten signature in dark ink, appearing to read 'Bruce Rathie', with a large, stylized initial 'B'.

**Bruce Rathie**  
**Executive Chairman**  
**24<sup>th</sup> August 2015, Sydney**

## 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 2015, the consolidated statement of profit or loss, the consolidated statement of other 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 Statements*, 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 2015 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.

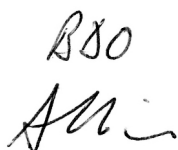
## Report on the Remuneration Report

We have audited the Remuneration Report included in pages 9 to 15 of the directors' report for the year ended 30 June 2015. 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 2015 complies with section 300A of the *Corporations Act 2001*.

## BDO East Coast Partnership



Arthur Milner  
Partner

Sydney, 24 August 2015