



APPENDIX 4D
Half Yearly Report
for the half year ended 31 December 2014

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Reporting period **Half year ended 31 December 2014**
 Previous reporting period Half year ended 31 December 2013

| Results for announcement to the market | 31 Dec 14 | 31 Dec 13 | Change | Change |
|---|------------------|------------------|---------------|---------------|
| | \$ | \$ | \$ | % |
| Revenue | 3,364,550 | 3,558,717 | (194,167) | (5.46)% |
| Gross Profit | 2,024,834 | 1,874,418 | 150,416 | 8.02% |
| Expenses | 2,491,480 | 2,737,340 | 245,860 | 8.98% |
| EBITDA | 108,931 | (381,648) | 490,579 | 128.54% |
| Loss from ordinary activities after tax attributable to members | (129,636) | (636,398) | 506,762 | 79.63% |
| Net loss attributable to members | (129,636) | (636,398) | 506,762 | 79.63% |
| Net tangible asset backing per ordinary share shown in cents | 0.0082 | 0.0054 | 0.0028 | 51.85% |

Dividends

No dividends were paid or made payable during the half year ended or since 31 December 2014.

Commentary

Please refer to the attached Directors report which does not form part of the financial report for the half year ended 31 December 2014.

Other information

Control gained over entities having a material effect
N/A

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

N/A

Audit status

This report is based on accounts that have been subject to review.

Attachments

Additional disclosure requirements can be found in the notes to the attached half year financial report.

Signed By



Bruce Rathie - Executive Chairman

20-Feb-15



Financial Report for the half year ended 31 December 2014

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Directors' Report

for the half year ended 31 December 2014

Your directors submit their report, together with the financial statements of the consolidated entity (referred to hereafter as "DataDot") consisting of DataDot Technology Limited and the entities it controlled at the end of or during the half year ended 31 December 2014.

Directors

The directors of the Company at any time during or since the end of the half-year are as follows:-

Mr B Rathie (Executive Chairman)
Mr G Flowers
Ms A Coutts

Directors were in office for this entire period.

Principal activities

The principal activities of DataDot during the year were:-

- (a) to manufacture and distribute asset identification solutions that include:-
 - (i) DataDotDNA[®] and CopDots[®] - polymer and metallic microdots containing etched data that is unique to the assets to which the microdots are attached;
 - (ii) 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.

Review of operations

The Directors are very pleased with the financial performance of the business during the first 6 months of the financial year. Although only a small increase in revenue was recorded after normalising for changed operations in Taiwan, the profitability of the Company has improved strongly as compared to the prior comparative period ("pcp"). EBITDA for the first 6 months of the financial year is a positive \$109k being an increase of 129% compared to pcp and Net Profit After Tax (NPAT) was a loss of \$130k as compared to a loss of \$636k in the pcp, an improvement of 80%. Further, after strong investment in business development initiatives during the first 6 months of the financial year, the business pipeline in all major markets has firmed materially, auguring well for the second half of the 2015 financial year and 2016.

Total revenues were \$3,365k compared to \$3,559k in pcp (less adjustment for Taiwan normalisation \$209k to \$3,350k).

Gross profit was \$2,025k at 60.2% of revenue compared to \$1,874k at 52.7% of revenue in the pcp. This improvement in our Gross profit margin is very pleasing and reflects our renewed focus on manufacturing efficiencies, pricing strategies and procurement policies.

The group expenses were \$2,491k compared to \$2,737k in the pcp. This improvement reflects greater disciplines and focus of resources towards profitable outcomes.

Net loss after income tax was \$130k, a significant improvement compared to a loss of \$636k in the pcp, reflecting the combination of the above factors.

As at 31 December 2014, cash balances held by the company amounted to \$4,182k compared to \$1,994k in the pcp.

Our focus for the remainder of financial year 2015 and financial year 2016 is to consolidate the improvements in gross profit margins and the reduced expense base while at the same time aggressively yet prudently investing in revenue growth in a number of markets.

Australasia

In Australasia, total revenue was \$1,796k which represents a decrease of 5% compared to pcp after adjustment for the change in the status of the Taiwan branch.

Improvements in the gross profit margin, together with expenditure efficiencies, have resulted in an improved net loss of \$49k compared to a net loss of \$267k in the pcp.

The business continues to be predominantly in the auto industry with OEM providing a significant percentage of the total revenue.

There are also opportunities in the non auto Industrial markets which started to improve during the first 6 months of the financial year. Also towards the end of the period, we appointed an additional sales management resource to further develop these opportunities.

Our National Equipment Register, National Marine Register and National Bike Register have been further developed with greater functionality and market acceptability which will lead to further revenue opportunities during the course of this financial year.

Americas

Our US operations have been a major focus of the Company during the first 6 months of the financial year and are now showing the benefit of investments and efficiencies made. The US economy including the auto and non auto industrial sectors are growing strongly. The US\$ is firming against the A\$ giving a further boost to our US\$ earnings in \$A.

Although revenue for the first 6 months of the financial year was down against the pcp, profitability was materially improved from a net loss after tax of \$218k in the pcp to a net loss after tax of \$83k for the six months. The company has a business pipeline which is growing strongly. We built sales capacity by adding an industry veteran sales person to our team towards the end of the half year as well as a consultant to help gain traction by bringing us into industry organisations and additional prospective customers to expedite revenue growth. We expect the addition of these sales resources to materially boost revenues for the remainder of the financial year and going forward.

In the industrial sector the business has had a strong first 6 months of the financial year. Revenue from this business was up 125% from a low base, compared to pcp. The Company has now rolled product out to customers including Ericsson, Excel Energy, CNX Gas, Con Edison, Westar Energy and others from the Utility, Oil & Gas and Telco markets where the solution is receiving strong reviews. Typically these industrial customers will commence engagement with product trials and testing and then placing larger orders as they roll out the solution through their network.

In the auto industry, the Company successfully rolled its product out to Harley Davidson during the first 6 months of the financial year and is now in 400 dealerships. DataDot product is Harley Davidson's preferred security solution and is sold at the dealership in conjunction with a theft warranty. This is gaining early momentum and positive feedback from Harley Davidson. We continue to pursue large auto distributors as well as dealerships so as to grow this segment of our business.

The Company continues to sell the CopDot retail product to home improvement stores with a growing number of stores carrying the product. Sales through these stores, however, continue to be low. The Company is extending its retail reach by repackaging the CopDot product into a smaller application to appeal to a wider potential customer set. This revised product will be rolled out in the second half of the financial year through independent distributors. We are also continuing our efforts in pursuit of the insurance sector and other markets outside the US are being evaluated.

The Trace ID consumer pen launched in Canada and is being distributed through Home Hardware stores throughout the region.

Europe

Revenue in our European operations was \$941k reflecting growth of 20% on the pcp. Profitability also improved materially from a loss of \$132k in pcp to a loss of \$43k the first 6 months of the financial year, an improvement of 67%.

The large car marking project in Italy has been confirmed following a major restructuring of the Fiat Chrysler Automobiles group, demonstrating the strong value proposition acknowledged to be of benefit in times of continuing national economic crisis.

The UK insurance product continues to expand its customer base with two new customers during the first 6 months of the financial year and with larger customers in the pipeline. At the end of the first 6 months of the financial year, the first UK

broker who originally pioneered the use of the DataDot technology product in this sector, has confirmed renewal of their initial 3 year contract following the proven success in growing their business.

In October 2014, DataDot UK officially launched its new brand dDotDNA into the European market. This update of the brand, sets up a new opportunity to re-promote the product into industrial and automotive markets

DataTrace DNA Pty Limited

Results for the first 6 months of the financial year have shown a continuing growth path in revenue and profitability. DataTraceDNA revenue was \$666k an increase of over 21% compared to pcp. Net Profit After Tax increased to \$81k compared to a loss of \$19k in the pcp.

Existing business with key clients is growing and we are strengthening our cooperative relationship with them.

A major focus region is Asia where we are experiencing continuous growth in the Chinese market. In addition, we have progressed with major opportunities in Indonesia. To strengthen our presence in that region, we have recently signed a distribution agreement in South Korea and are in the final stages of signing an agreement for the Vietnamese market which is heavily impacted by counterfeits.

In the US, DataTraceDNA has secured its first contract with a US government authority. In addition, we are currently running a paid pilot project at a major US food company which is expected to be rolled out during next financial year. We have opened a DataTraceDNA dedicated facility at our US headquarters in Spokane to better serve our North American clients.

We are expecting continued strong growth during the balance of the financial year and into the 2016 financial year. Our expectations are based on the existing project pipeline, the market introduction of new developments in our DataTraceDNA core technology, the enhancement of our solution portfolio with the introduction of complementary technologies and the increase in our business development and sales forces on the ground, particularly in the US.

Outlook

The Company is very pleased with the traction achieved during the first 6 months of the financial year. The Company has been focused on improving the profitability of its existing business and initiatives which will deliver material growth in Company revenues going forward. The first of these objectives has been firmly met with the Company returning to profitable trading at the EBITDA line for the first 6 months of the financial year. Investments and growth initiatives taken during the first 6 months of the financial year gives us confidence that we will deliver against the second objective of material revenue growth this year. The basis of this confidence includes the sales resources already added in the US in the Industrial Solution business, the pipeline built in that and other businesses, the additional sales resources planned to be added to the DataTrace business, the additional sales resources already added in Australia, the growth expected in the US economy more generally and product innovations to be brought on line during the second half of the financial year.

The Company has now traded profitably during the first 6 months of the financial year with positive EBITDA being recorded for that period and is budgeted to be profitable for the 2015 financial year.

Auditor's independence declaration

The lead auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001*, for the half year ended 31 December 2014 has been received and can be found on page 7 of the financial report.

Signed in accordance with a resolution of the Board of Directors, pursuant to section 306(3)(a) of the Corporation Act 2001.



B Rathie
Executive Chairman
Sydney
20 February 2015

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

As lead auditor for the review of DataDot Technology Limited for the half-year ended 31 December 2014, 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 review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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, 20 February 2015

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Consolidated Statement of Profit or Loss

for the half year ended 31 December 2014

| | Notes | 31 Dec 2014 \$ | 31 Dec 2013 Restated \$ |
|---|-------|-------------------|----------------------------|
| Revenue | | | |
| Sale of goods | | 2,983,871 | 3,250,163 |
| Service and licence fees | | 56,708 | 61,725 |
| Royalties | | 323,971 | 246,829 |
| | | <u>3,364,550</u> | <u>3,558,717</u> |
| Cost of sales | | <u>1,339,716</u> | <u>1,684,299</u> |
| Gross Profit | | <u>2,024,834</u> | <u>1,874,418</u> |
| Other income | 2 | <u>350,193</u> | <u>248,672</u> |
| Expenses | | | |
| Administrative expenses | | 2,085,738 | 2,007,809 |
| Marketing expenses | | 133,075 | 298,814 |
| Occupancy expenses | | 176,224 | 225,812 |
| Travel expenses | | 91,231 | 193,776 |
| Finance costs | | 5,212 | 11,129 |
| | | <u>2,491,480</u> | <u>2,737,340</u> |
| Loss before income tax expense | | <u>(116,453)</u> | <u>(614,250)</u> |
| Income tax expense | 6 | <u>13,183</u> | <u>22,148</u> |
| Loss after income tax expense for the period | | <u>(129,636)</u> | <u>(636,398)</u> |
| Loss for the period attributable to :- | | | |
| Owners of DataDot Technology Limited | | (129,636) | (636,398) |
| Non controlling interest | | - | - |
| | | <u>(129,636)</u> | <u>(636,398)</u> |
| Basic earnings / (loss) per share (cents per share) | | <u>(0.02)</u> | <u>(0.12)</u> |
| Diluted earnings / (loss) per share (cents per share) | | <u>(0.02)</u> | <u>(0.12)</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 half year ended 31 December 2014

| | 31 Dec 2014 | 31 Dec 2013 |
|--|-----------------|------------------|
| | \$ | Restated \$ |
| Loss after income tax expense for the period | (129,636) | (636,398) |
| Other comprehensive income :- | | |
| Items that may be classified subsequently to profit or loss :- | | |
| Exchange difference on translation of foreign operations | <u>111,593</u> | <u>(20,107)</u> |
| Total comprehensive income for the period net of tax | <u>(18,043)</u> | <u>(656,505)</u> |
| Total comprehensive income attributable to :- | | |
| Owners of DataDot Technology Limited | (18,043) | (656,505) |
| Non controlling interest | - | - |
| | <u>(18,043)</u> | <u>(656,505)</u> |

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

Consolidated Statement of Financial Position

as at 31 December 2014

| | Notes | 31 Dec 2014 \$ | 30 Jun 2014 \$ |
|--------------------------------------|-------|-------------------|-------------------|
| Current Assets | | | |
| Cash and cash equivalents | 5 | 4,182,213 | 1,994,185 |
| Trade and other receivables | | 1,639,081 | 1,078,063 |
| Inventories | | 954,921 | 1,063,488 |
| Grant receivable | | 259,705 | 363,697 |
| Current tax | | 30,439 | 7,431 |
| Total Current Assets | | 7,066,359 | 4,506,864 |
| Non-Current Assets | | | |
| Plant and equipment | | 834,850 | 776,251 |
| Intangibles | | 3,916,103 | 3,775,149 |
| Total Non-Current Assets | | 4,750,953 | 4,551,400 |
| Total Assets | | 11,817,312 | 9,058,264 |
| Current Liabilities | | | |
| Trade and other payables | | 804,340 | 788,085 |
| Borrowings | | 32,988 | 88,972 |
| Employee benefits | | 238,494 | 292,649 |
| Provisions | | 71,540 | 71,540 |
| Other current liabilities | | 134,288 | 210,282 |
| Total Current Liabilities | | 1,281,650 | 1,451,528 |
| Non-Current Liabilities | | | |
| Employee benefits | | 30,310 | 2,196 |
| Other non-current liabilities | | 442,207 | 373,865 |
| Total Non-Current Liabilities | | 472,517 | 376,061 |
| Total Liabilities | | 1,754,167 | 1,827,589 |
| Net Assets | | 10,063,145 | 7,230,675 |
| Equity | | | |
| Issued capital | 7 | 39,266,453 | 36,347,640 |
| Accumulated losses | | (26,867,071) | (26,737,435) |
| Reserves | | (2,336,237) | (2,379,530) |
| Total Equity | | 10,063,145 | 7,230,675 |

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

Consolidated Statement of Changes in Equity for the half year ended 31 December 2014

| | Attributable to equity holders of the parent | | | | | Total equity \$ |
|---|--|-----------------------|---|------------------------------------|------------------|-------------------|
| | Issued capital \$ | Accumulated losses \$ | Foreign currency translation reserve \$ | Employee equity benefit reserve \$ | Other reserve \$ | |
| Balance at 1 July 2013 | 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 | - | (636,398) | - | - | - | (636,398) |
| Other comprehensive income for the year, net of tax | - | - | (20,107) | - | - | (20,107) |
| Total comprehensive income for the year | - | (636,398) | (20,107) | - | - | (656,505) |
| Transactions with owners in their capacity as owners :- | | | | | | |
| Share based payments | - | - | - | 75,017 | - | 75,017 |
| Share rights exercised | 128,500 | - | - | (128,500) | - | - |
| Share Issues | 3,000,000 | - | - | - | - | 3,000,000 |
| Share Issue Costs | (157,241) | - | - | - | - | (157,241) |
| Balance at 31 December 2013 | 36,347,641 | (26,088,078) | (1,898,560) | 192,667 | (678,623) | 7,875,047 |
| Balance at 1 July 2014 | 36,347,640 | (26,737,435) | (1,976,057) | 275,150 | (678,623) | 7,230,675 |
| Loss after income tax expense for the year | - | (129,636) | - | - | - | (129,636) |
| Other comprehensive income for the year, net of tax | - | - | 111,593 | - | - | 111,593 |
| Total comprehensive income for the year | - | (129,636) | 111,593 | - | - | (18,043) |
| Transactions with owners in their capacity as owners :- | | | | | | |
| Share based payments | - | - | - | 121,200 | - | 121,200 |
| Share rights exercised | 189,500 | - | - | (189,500) | - | - |
| Share Issues | 2,861,000 | - | - | - | - | 2,861,000 |
| Share Issue Costs | (131,687) | - | - | - | - | (131,687) |
| Balance at 31 December 2014 | 39,266,453 | (26,867,071) | (1,864,464) | 206,850 | (678,623) | 10,063,145 |

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

Consolidated Statement Cash Flows

for the half year ended 31 December 2014

| | Notes | 31 Dec 2014 \$ | 31 Dec 2013 \$ |
|--|-------|-------------------|-------------------|
| Cash from operating activities | | | |
| Receipts from customers (inclusive of GST) | | 3,075,836 | 3,917,715 |
| Payments to suppliers and employees (inclusive of GST) | | (3,789,610) | (4,213,878) |
| Interest paid | | (5,212) | (11,129) |
| Income tax paid | | (36,191) | (15,514) |
| Receipt of government grant | | 489,856 | 408,550 |
| Net cash flows (used in) / from operating activities | | (265,321) | 85,744 |
| Cash flows from investing activities | | | |
| Interest received | | 33,872 | 5,730 |
| Purchase of plant and equipment | | (125,128) | (35,383) |
| Payments for development and other intangibles | | (267,472) | (257,876) |
| Net cash flows used in investing activities | | (358,728) | (287,529) |
| Cash flows from financing activities | | | |
| Net proceeds from capital raising | | 2,729,313 | 2,842,759 |
| Repayment of borrowings | | (611) | (514,446) |
| Repayment of finance lease liabilities | | (21,231) | (24,838) |
| Net cash flows from financing activities | | 2,707,471 | 2,303,475 |
| Net increase in cash and cash equivalents | | | |
| Cash and cash equivalents at the beginning of the financial year | | 1,957,026 | 864,523 |
| Effect of exchange rate changes on cash and cash equivalents | | 141,765 | (17,301) |
| Cash and cash equivalents at end of year | 5 | 4,182,213 | 2,948,912 |

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

1 Summary of significant accounting policies

The financial statements cover DataDot Technology Limited as a consolidated entity consisting of DataDot Technology Limited and its subsidiaries. The financial statements are presented in Australian dollars, which is DataDot Technology's functional and presentation currency.

DataDot Technology Limited is a listed public company limited by shares, incorporated and domiciled in 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 20 February 2015.

Basis of preparation

These general purpose financial statements for the interim half-year reporting period ended 31 December 2014 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2014 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New, revised or amending Accounting Standards and Interpretations adopted

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.

Notes to the Financial Statements

for the half year ended 31 December 2014

2 Other Income

| | 31 Dec 2014 | 31 Dec 2013 |
|--|----------------|----------------|
| | \$ | \$ |
| Interest income | 33,872 | 5,730 |
| Gain on revaluation of acquisition | - | 60,718 |
| Government grant: Research and development grant * | 315,389 | 181,028 |
| Sundry income | 932 | 1,196 |
| | 350,193 | 248,672 |

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

3 Expenses

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

| | | |
|--------------------------------|------------------|------------------|
| <i>Cost of sales</i> | | |
| Stock obsolescence | 75,070 | 78,334 |
| <i>Administrative expenses</i> | | |
| Net gain on foreign currency | (62,949) | (3,123) |
| Employee benefits | 882,080 | 777,934 |
| Employee share based expenses | 121,200 | 75,013 |
| Superannuation expenses | 101,175 | 104,670 |
| Depreciation | 73,625 | 80,535 |
| Amortisation | 180,419 | 146,668 |
| | 1,295,550 | 1,181,697 |

4 Fair values of financial instruments

Unless otherwise stated, carrying amounts of financial instruments reflect their fair value. The carrying amounts of trade receivables and trade payables assume to approximate their fair values due to their short term nature. The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial instruments.

5 Cash and cash equivalents

| | 31 Dec 2014 | 31 Dec 2013 |
|---|------------------|------------------|
| <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 | 4,182,213 | 2,988,358 |
| Bank overdraft | - | (39,446) |
| Balance as per statement of cash flows | 4,182,213 | 2,948,912 |

| | 31 Dec 2014 | 30 Jun 2014 |
|--------------------------|------------------|------------------|
| | \$ | \$ |
| Cash at bank and on hand | 4,182,213 | 1,994,185 |

6 Income Tax

| | 31 Dec 2014 | 31 Dec 2013 |
|---------------------------------|---------------|---------------|
| Major components of tax expense | \$ | Restated \$ |
| Current income tax expense | - | 3,936 |
| Withholding Tax | 13,183 | 18,212 |
| Income tax expense | 13,183 | 22,148 |

Notes to the Financial Statements

for the half year ended 31 December 2014

7 Equity - Contributed equity

| | 31 Dec 2014 | 31 Dec 2013 | 31 Dec 2014 | 31 Dec 2013 |
|-----------------------------------|-------------------|--------------------|-------------|-------------------|
| | Shares | Shares | \$ | \$ |
| Ordinary shares | 747,130,667 | 634,675,800 | 39,266,453 | 36,347,641 |
| | Date | No of Shares | Issue Price | \$ |
| Balance 1 July 2014 | 1/07/2014 | 634,675,800 | | 36,347,640 |
| Issue of Shares - Share Rights | 1/07/2014 | 6,491,666 | 0.029 | 189,500 |
| Issue of Shares - Share Placement | 14/10/2014 | 70,000,000 | 0.027 | 1,890,000 |
| Share Issue transactions costs | 14/10/2014 | | | (106,691) |
| Issue of Shares - Share Placement | 30/10/2014 | 30,963,201 | 0.027 | 836,006 |
| Share Issue transactions costs | 30/10/2014 | | | (23,229) |
| Issue of Shares - Share Placement | 27/11/2014 | 5,000,000 | 0.027 | 135,000 |
| Share Issue transactions costs | 27/11/2014 | | | (1,773) |
| Balance 31 December 2014 | 31/12/2014 | 747,130,667 | | 39,266,453 |

8 Segment Information

Segment descriptions

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

Three of the operating segments are identified by management based on the location of the selling segment. One of the operating segments are identified by management 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.

Products and services by segment

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 intersegment transactions

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

The following tables present the revenue, profit/(loss) before tax, assets and liabilities information regarding operating segments for half years ended 31 December 2014 and 31 December 2013.

Notes to the Financial Statements

for the half year ended 31 December 2014

8 Segment Information (continued)

| Segment performance | Australasia | Americas | Europe | DataTraceDNA | Eliminations | Total |
|---|--------------------|------------------|------------------|---------------------|---------------------|-------------------|
| Year ended 31 December 2014 | \$ | \$ | \$ | \$ | \$ | \$ |
| Revenue from external customers | 1,046,583 | 726,341 | 939,302 | 652,324 | - | 3,364,550 |
| Intersegment revenue | 749,596 | 152,742 | 1,257 | 13,190 | (916,785) | - |
| Total revenue | 1,796,179 | 879,083 | 940,559 | 665,514 | (916,785) | 3,364,550 |
| Depreciation, amortisation and disposals | (129,462) | (14,885) | (2,702) | (106,995) | - | (254,044) |
| Finance revenue | 33,872 | - | - | - | - | 33,872 |
| Finance costs | (3,615) | (1,592) | (5) | - | - | (5,212) |
| Net profit / (loss) after income tax | (49,792) | (82,536) | (43,497) | 80,509 | (34,320) | (129,636) |
| Segment assets | 17,090,810 | 1,216,254 | 1,000,449 | 2,385,644 | (9,875,845) | 11,817,312 |
| Segment liabilities | 6,785,697 | 6,477,089 | 1,144,948 | 1,944,503 | (14,598,070) | 1,754,167 |
| | Australasia | Americas | Europe | DataTraceDNA | Eliminations | Total |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Year ended 31 December 2013 | | | | | | |
| Revenue from external customers | 1,366,549 | 873,220 | 783,853 | 535,095 | - | 3,558,717 |
| Intersegment revenue | 735,079 | 123,683 | 1,000 | 14,038 | (873,800) | - |
| Total revenue | 2,101,628 | 996,903 | 784,853 | 549,133 | (873,800) | 3,558,717 |
| Depreciation, amortisation and disposals | (118,170) | (9,004) | (2,592) | (97,437) | - | (227,203) |
| Finance revenue | 5,335 | 11 | 13 | 371 | - | 5,730 |
| Finance costs | (1,282) | (3,439) | (6,408) | - | - | (11,129) |
| Loss after income tax | (267,219) | (218,101) | (132,330) | (18,748) | - | (636,398) |
| Segment assets | 16,605,336 | 1,148,395 | 780,119 | 1,984,714 | (10,661,214) | 9,857,350 |
| Segment liabilities | 8,378,847 | 6,021,597 | 849,588 | 1,631,619 | (14,899,348) | 1,982,303 |

9 Restatement of Comparatives

The research and development grant receivable of \$181,028 from the Australian government in the December 2013 financial statements have been classified as other income. A grant amount of \$278,150 was classified as an income tax benefit in the December 2013 financial statements.

| | 2013 Reported \$ | Adjustment \$ | 2013 Restated \$ |
|--|---------------------|------------------|---------------------|
| Consolidated statement of profit or loss and other comprehensive income - extract | | | |
| Other income | 67,644 | 181,028 | 248,672 |
| Loss before income tax expense | (795,278) | 181,028 | (614,250) |
| Income tax (benefit)/expense | (256,002) | 278,150 | 22,148 |
| Loss after income tax expense | (539,276) | (97,122) | (636,398) |
| Loss for the period attributable to owners of DataDot Technology Limited | (539,276) | (97,122) | (636,398) |

10 Events after the reporting period

On 1 January 2015 2,000,000 shares were issued on vesting of share rights.

On 6 January 2015 2,848,206 shares were issued to R B Milestone Group as consideration for induction to their Group portfolio and associated research and analysis by their Group for twelve months.

Directors' Declaration

In the directors' opinion:

- (a) the attached financial statements and notes thereto comply with the Corporations Act 2001, Australia Accounting Standard AASB 134 "Interim Financial Reporting", the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- (b) the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the financial half-year ended on that date; and
- (c) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors made pursuant to section 303(5) of the Corporations Act 2001.

On behalf of the Board



B Rathie
Executive Chairman
20 February 2015

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of DataDot Technology Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of DataDot Technology Limited, which comprises the consolidated statement of financial position as at 31 December 2014, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of DataDot Technology Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, 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 review report.

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of DataDot Technology Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

BDO East Coast Partnership

A handwritten signature in black ink, appearing to read 'AM', is written over the printed name of Arthur Milner.

Arthur Milner
Partner

Sydney, 20 February 2015

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