DataDot
TECHNOLOGY LTD

2008 Annual Report

Corporate Information

ABN 54 091 908 726

This annual report covers both DataDot Technology Limited as an individual entity and the consolidated entity comprising DataDot Technology Limited and its subsidiaries. The Group's functional and presentation currency is AUD ($).

A description of the Group's operations and of its principal activities is included in the review of operations and activities in the directors' report on pages 5 to 26. The directors' report is not part of the financial report.

Directors	**Company Secretary**	**Registered office**
Mr A. R. Farrar (Chairman) Mr I.P. Allen (Chief Executive Officer) Mr J. F. Richards Ms C. Lo Lin Sye Mr B. Rathie Mr G. Flowers	G.J. Loughlin	Unit 9 19 Rodborough Road Frenchs Forest NSW 2086 Phone (02) 8977 4900 Fax (02) 9975 4700

Auditors	**Bankers**
PKF Level 10 1 Margaret Street Sydney NSW 2000	National Australia Bank 96 High Street Fremantle WA 6160

Share Register	**Stock Exchange**	**Other information**
Ordinary shares and Options Registries Ltd Level 2 28 Margaret St NSW 2000 Phone (02) 9290 9600 Fax (02) 9279 0664	The Company is listed on the Australian Stock Exchange. The Home Exchange is Sydney.	DataDot Technology Ltd, incorporated and domiciled in Australia, is a publicly listed company limited by shares.

Chairman's Letter

Dear Shareholder,

I am pleased to report that in 2008 the Group realised its first annual net profit since its public listing in 2005. The net profit after tax of $1.305 million represents an improvement in the bottom line of $3.329 million. Although nearly half this result was due to an income tax benefit of $630,594 as a result of the recognition of carried forward tax losses in the USA of $886,488, the Group achieved significant improvement in sales and revenue growth and strong cost containment. Each of the Group subsidiary companies and DataTraceDNA Pty Limited, the DataDot Technology- CSIRO joint venture company, improved its performance in 2007. Annual Group sales revenue rose 7 per cent, consolidated revenue rose 9 per cent, gross operating margin increased 3 percentage points, operating expenses declined 14 per cent and EBITDA improved by $2.51 million. The result is pleasing in view of the strong appreciation of the Australian dollar against both the South African Rand and US Dollar, which depressed the effective yield from both regional markets, and in view of the world-wide downturn in motor vehicle sales, which affects the volume of our direct sales to vehicle manufacturers.

In Australasia total revenue rose by 21 per cent to $8.4 million and net profit after tax rose by 41 per cent to $2.310 million due to licence fees, higher product sales and reduced operating costs. In the USA the effect of cost reductions introduced in the June to September 2007 period underpinned a modest operating profit of $15,403 generated by DataDot Technology USA Inc. Directors are confident that the corner has been turned in this market. New management and sales personnel have been appointed, overheads have been significantly reduced, and product sales in the second half of 2008 were 27 per cent higher than the first half. Further growth is expected in sales to major vehicle dealer distributorships and other markets in 2009 with the CEO focusing much of his attention on the generation of revenue in the USA.

In South Africa the sales cycle over the year was the reverse of the USA, with results in the second half lower than the first half. Across the whole year, product sales revenue in the functional currency increased by 34 per cent, which reduced to 15 per cent after conversion into $A. Total revenue rose by 15.7 per cent to $3.546 million and net profit after tax by 56 per cent to $960,811. Although total new vehicle sales in this market have declined sharply in recent months, vehicle theft remains unacceptably high and there is substantial potential for further market penetration of new vehicle brands.

The UK subsidiary increased product sales revenue in sterling by 69 per cent, which reduced to 60 per cent after conversion into $A, and while the bottom line improved by 30 per cent the company recorded a net operating loss of $299,415. Revenue generation in this market remains a high priority for directors in 2009.

The share of the loss from DataTraceDNA Pty Limited attributable to DataDot Technology Limited was $586,430, a reduction of $136,210, or 19 per cent. Management has recently taken steps to reduce DataTraceDNA Pty Limited expenditure by more than $500,000 annually. Even though it is taking longer than anticipated to bring revenue on stream from the sale of product, directors are confident that the operational savings, combined with expected revenue growth in 2009, will improve the trading position of the company in the next period.

It is also pleasing to report that the Group's net operating cash flows have been consistently positive since the June Quarter 2007. Directors expect this trend to gain momentum on the back of stronger revenue growth and disciplined cost control.

During the year commercial prove-out of the DataDot robot was successfully completed across four vehicle brands at the largest vehicle import centre in Australia operated by Prixcar. Although the AusIndustry *Commercial Ready* grant scheme was discontinued in the recent federal Government budget, and funding of this particular project was scheduled to conclude in December 2008, approval has been given to continue funding of the on-line robot development into calendar 2009.

Chairman's Letter (Continued)

The Group's adherence to high governance standards was further strengthened with the formation of a Risk Management & Compliance Committee, comprising non-executive Directors, and two management teams, responsible for product development and sales and marketing respectively, that have lifted standards in key operational areas.

With regard to strategic settings, Directors and management are taking action to reduce the concentration of the motor vehicle industry as principal revenue source for the Group's core product, DataDotDNA. The aim here is not to shrink the size of our vehicle business but to grow the non-vehicle market at a much faster rate by diversifying the application of DataDotDNA across a broader range of market segments. Several such channels - heavy industry, communication infrastructure and plant and equipment in particular – have sought our assistance in curbing the escalating rate and cost of product theft. In response we have developed DataDot Metallic, a microdot metallic marker that is applied using an aerosol container and that, being metal, can withstand the rough and tumble of heavy industry far better than the standard poly substrate DataDot. Given the response of the target markets, including plant and equipment operators and power transmitters who are using DataDot Metallic to mark copper wire, Directors expect significant growth for this new product in 2009.

The Group is also about to launch DataDot i Find, a security solution combining the DataDot Tracker, DataDotDNA and potentially a theft warranty – the tracker will locate and inform owners in real time of the location of their property and the DataDotDNA will verify ownership of the property. DataDot i Find is expected to have application across the motor vehicle, insurance, boating, plant and equipment and motor cycle industries, in addition to home and business.

In March 2008 the New Zealand authorities finally announced that mandatory Whole-of-Vehicle-Marking (WOVM) for all newly imported passenger vehicles under 15 years old would commence in the period between from July 1 and September 1, 2008. This announcement completed the administrative implementation process that commenced in February 2005 when the New Zealand Government announced its mandatory WOVM policy. By the end of March, however, the New Zealand Motor Industry Association launched legal proceedings for an order to set aside the official WOVM Notice on technical legal grounds that relate to the issuance of Rules by Ministers and Notices by administrative officials. The Crown consented to the application for an injunction until the matter is heard and determined. We are advised that the trial is set down for 9 February 2009.

Directors are no less frustrated than shareholders by this latest development as it has prevented the emergence of a significant additional revenue stream from July 2008. The Board has taken advice on the merits of the application and on the course of action that will best serve the interests of shareholders, and has applied for and been granted leave to be joined in the proceedings as a co-respondent with the Government. This will allow the company access to the evidence and, subject to any directions of the court, allow the company to test the evidence and make its own submissions to the court. At this stage it is not possible to be any more precise regarding the detail of the case or the further time that will elapse before final judgment.

Our joint venture company, DataTraceDNA Pty. Limited, continues to develop commercial applications for specific industries in the three market segments identified in 2007:

1. High Security Solutions - companies needing or offering a high degree of covert security for items such as confidential documents and tax stamps.
2. Industry Solutions - especially in industries exhibiting a high degree of vertical integration across product development and distribution.
3. Bulk Material Solutions - the traditional bulk industries of concrete, polymers, paints and explosives.

Chairman's Letter (Continued)

In each of these areas the company is in various stages of discussion or product testing with potential customers. In all cases the engagement timeframes are determined by the potential customers and without exception have proven to be more protracted than our earlier estimates due to extended product testing protocols. In High Security Solutions, agreement has been reached with Gopsons, the largest security printer in India, to make DataTraceDNA their exclusive forensic tracer. Directors expect that applications will extend to include labels and tax stamps requiring a security feature. In Industry Solutions the company has recently launched a new textile product, Verifi TT, with AgResearch of New Zealand, and expects to announce shortly a supply contract with a North American injection moulding company that will use DataTraceDNA in polymer products. In Bulk Materials our joint research work with Orica is continuing, a quality control application for concrete mixing will soon be available to that market and paint manufacturers are subjecting DataTraceDNA to extended durability tests. Owing to the longer than anticipated process of bringing these applications to market and generating revenue, directors and management have reduced the company's annual overhead by $500,000.

In conclusion on behalf of the Board, I would like to express my gratitude to the management team and all employees for their effort and commitment. In particular I would like to thanks John Richards, our Commercial Director, who has been with the company since its inception and who retires shortly.

Allan Farrar
Chairman

29th September 2008.

Directors' Report

Your directors submit their report for the year ended 30 June 2008.

1 Directors and Company Secretary

The name and details of the Company's directors in office during the financial year and until the date of this report is as follows. Directors were in office for this entire period unless otherwise stated.

Mr Allan Farrar B.Sc., Dip.Acc., FAICD
Independent Non-Executive Director and Chairman

Mr Farrar joined the board as a non-executive Director and Chairman on 8 November 2006. He is Principal of WHK Horwath Sydney, accountants and corporate advisers, and a non-executive director of several public companies. In addition to listed directorship below, Mr Farrar is currently Chairman of South Australian Investment Corporation Limited, Rose Property Group Pty Limited, and Chairman of the Advisory Board of Alwyn Private Hospital. Mr Farrar is the Group Chairman, Chairman of the Remuneration & Nomination Committee and a member of the Audit Committee. During the past three years Mr Farrar has also served as a director of the following listed companies:

- LongReach Group Limited * - Appointed 21 November 2006
- Cypress Lakes Group Limited * - Appointed 31 October 2005
- Lasseters Corporation Limited * Appointed 30 June 1998

* denotes current directorship

Mr Ian Allen AICD
Managing Director and Chief Executive Officer

Mr Allen is a joint founder of the Company and is responsible for the commercialisation of the DataDot technology around the world. Mr Allen has over 30 years experience in the management of businesses in Australia, primarily in the insurance field. In 1978, he founded National Credit Union Insurance Brokers, a business which he ran until 1996 and which offered insurance and financial planning services to credit union members throughout Australia. In 1996, he founded the National Asset Register, Australia's first asset identification and asset registration company which became DataDot Technology in 2002. Mr Allen is a member of the Remuneration and Nomination Committee. He was appointed a Director on 9 March 2000**.**

Mr Bruce Rathie B.Com., LL.B., MBA, Grad Dip CSP, SA Fin., FAICD, FAIM
Independent Non-Executive Director

Mr Rathie joined the Board as a non-executive Director on 1 December 2006. 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 currently non-executive Director and Chairman of DataTraceDNA Pty Ltd, PolyNovo Biomaterials Limited, UnitingCare Ageing NSW & ACT and a Director of Capricorn Society Limited. He is Chairman of the Audit Committee a member of the Remuneration & Nomination Committee and a member of the Risk Management & Compliance Committee. During the past three years Mr Rathie has also served as a director of the following listed companies:

- BioLayer Corporation Limited * - Appointed 1 July 2006
- USCOM Limited * – Appointed 1 December 2006
- Compumedics Limited - Appointed 21 October 2004: Resigned 31 December 2006

* denotes current directorship

Directors' Report (Continued)

Mr Gary Flowers B.Comm., LL.B., FAICD
Independent Non-Executive Director

Mr Flowers joined the Board as a non-executive Director on the 27th 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 Advisory Board to Mainbrace Constructions Pty. Ltd and Chief Operating Officer for the Mirvac Group. He is Chairman of the Risk Management & Compliance Committee and a member of the Audit Committee.

Mr John Richards Dip Acc, CA, AICD
Executive Director

Prior to joining the Company Mr Richards was the Managing Partner of Kendalls Chartered Accountants, a position he held for some 40 years. He was appointed a Director on 9 March 2000.

Ms Connie Lo Lin Sye BBA
Executive Director

Ms Lo joined the board as an executive Director on the 7th February 2008. She has been engaged by DDT as a consultant specialising in capital markets and investor relations for a minimum of three years from November 2007. Ms Lo's previous positions include Group Finance Specialist, Corporate Development and Strategic Planning, International SOS Limited; Manager, Investor Relations, M+W Zander Facility Engineering Limited; Trader's Representative, DBS Vickers Securities (Singapore) Pte Ltd; and Assistant Vice-President, Private Client Services, Vickers Ballas & Co Pte Ltd.

The qualifications and experience of the officer holding the position of Company Secretary as at the date of this report is:

Mr Graham Loughlin B.A.(Hons), AICD, ACSA
Company Secretary

Mr Loughlin joined the Company in December 2004 as Manager of Corporate Strategic Development and Company Secretary. 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, a Member of the Australian Payments System Council and Member of the Australian Housing Council. He was for 10 years a non-Executive Director of Data Advantage Ltd and Credit Reference Association of Australia. Mr Loughlin was formerly Executive Assistant to the Premier and Treasurer of South Australia.

Directors' Report (Continued)

2 Directors' Meetings

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of the Company during the financial year are:

	Board Meetings		Audit Committee Meetings		Remuneration & Nomination Committee Meetings		Risk Management & Compliance Committee Meetings	
Director	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**
A Farrar	9	9	3	3	1	1	-	-
I Allen	9	9	-	-	1	1	-	-
B Rathie	9	9	3	3	1	1	2	2
G Flowers	5	5	2	2	-	-	2	2
J Richards	9	9	-	-	-	-	-	-
C Lo Lin Sye	4	4	-	-	-	-	-	-

A – Number of meetings attended. **B** – Number of meetings held during the time frame the director held office during the year.

3 Principal Activities

The principal activities during the year of entities within the consolidated entity were;

- to manufacture and distribute an asset identification system that includes:
  - DataDotDNA - polymer microdots affixed to assets containing etched data that is unique to each asset per asset owner;
  - DataThreadDNA - a continuous strand of DataDotDNA integrated into fine thread; and
  - DataBaseDNA - a global database that records asset identification data and is accessible by law enforcement agencies and insurance investigators;
- management under a management services agreement of the business activities of DataTrace DNA Pty Ltd, a joint venture company owned equally by DataDot Technology Ltd and CSIRO that is exclusively licensed to commercially exploit DataTraceDNA, a product whose property rights are owned by the CSIRO with global patents in brand protection and process control applications.

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

Directors' Report (Continued)

4 Review of Results and Operations

Group Overview

The Earnings before Interest, Tax, Depreciation and Amortisation ("EBITDA") for the year was $1,232,405 (2007: negative $1,281,378). This represents an improvement of $2,513,783.

The group has had a growth of sales of goods of 7% on the previous year (2007: 34%). The decline in the growth rate of the sales of goods is largely attributable to the appreciation of the Australian Dollar against the South African Rand, US Dollar and British Pound.

USA Operations

As a result of a detailed review of the US subsidiary and the corrective action taken to stem the losses incurred by DataDot Technology USA, Inc in the previous year (2007 loss of $622,068), the USA operations have reported a segment result of $15,403. The net operating profit after tax was $891,108 which included the initial recognition of carried forward tax losses of $866,488.

Whilst product sales for the 2008 year were down by $527,621 from $1,700,864 to $1,173,243, a 31% decrease, the product sales for the second half of the 2008 financial year were up by 27% on the first half of the financial year. The appreciation of the Australian Dollar against the US Dollar accounted for 10% of the decline of the reported product sales downturn.

The results included some additional restructuring costs incurred during the 2008 financial year.

Since bedding down the restructuring in the first half of the financial year Management has been focussed on the dual tasks of improving the contribution margin and revenue growth. Part of this strategy has included more open dialogue and communication with customers. The results and revenue growth of the second half of the financial year indicates that the current strategy is working and further revenue growth and improved results are expected.

UK Operations

UK product sales increased by 69% from $382,992 to $647,271. The appreciation of the Australian Dollar against the British Pound deflated the reported growth by 9%.

The loss from operations reduced from $(427,547) to $(299,415), an improvement of 30%.

Although a significant improvement on last year, the results of the UK operations did fall short of internal targets. Management is seeking to realise more revenue growth from this large market segment.

Directors' Report (Continued)

Group Overview (continued)

South African Operations

The South African vehicle market experienced a downturn attributable to global slowdown, interest rates, the National Credit Act and the depreciation of the Rand. The result of these factors has been a decline in business and consumer confidence, which has impacted negatively on vehicle sales, particularly sales of passenger cars. Accordingly whilst revenue from product sales were up by 16% from $ 3,064,914 to $3,538,704 for the full year, the sales for the second of half of the year were down on those obtained in first half of the financial year. The South African motor vehicle industry believes that the slow down in sales will pass in the medium term. The company is seeking additional growth through adding additional customers to its current customer list.

The strong appreciation of the Australian Dollar against the South African Rand during the year affected the translation of South Africa sales and results. The negative effect of the appreciation of the Australian Dollar against the South African Rand on sales was a 19% fall in sales. Therefore whilst South Africa actually experienced a 34% growth in actual sales in its functional currency the translated growth in Australian Dollars was only 15%.

South Africa results increased from $615,774 to $960,811, an improvement of 56%.

Australasian Operations

Australasia total segment revenue increased 21% from $6,944,692 to $8,416,341. The product sales to external customers increased by 10% from $5,354,217 to $5,866,142.

The segment results improved by 41% from $1,640,973 to $2,309,883 due to a combination of higher product sales and reduction of operating costs.

Although pleased with the results, the company is currently seeking to increase its customer base and improve sales through targeting non-automotive sale channels that enable greater sales and sales margins whilst focussing on reducing further operating costs.

DataTrace DNA Pty Limited

The share of the loss from the DataTraceDNA Pty Limited joint venture was $586,430 (2007: loss $722,640). Management has focussed on cost containment with savings to DataTrace DNA Pty Limited exceeding $500,000 per annum having been recently implemented.

Operating Expenses

The Group's operating expenses decreased to $8,338,664 from $9,644,116 in the 2007 financial year, a decrease in operating expenses of $1,305,452 (14%).

Management is continuing its focus on cost reduction into the 2009 year.

Directors' Report (Continued)

Group Overview (continued)

DataDot "Robot"

The DataDot Robot is a fully automated DataDotDNA spray application system that will ultimately replace the time-consuming process of applying DataDotDNA to vehicles manually.

Using the DataDot Robot 7,000 DataDotDNA are applied to a vehicle in under 60 seconds, compared with manual application that takes up to 8 minutes. This allows the DataDot Robot to be introduced on vehicle assembly lines or in import pre-delivery centres for fully-imported cars, so improving significantly the economics of whole-of-vehicle-marking for vehicle manufacturers. This automated function overcomes one of the primary objections of vehicle manufacturers to whole-of-vehicle-marking, namely, the inability to date of DataDotDNA application to fit within the cycle time of the vehicle manufacturing process.

During the year commercial prove-out of the DataDot Robot was successfully completed across four vehicle brands at the largest vehicle import centre in Australia operated by Prixcar. From August 2008 it is being used to apply DataDotDNA to all vehicles imported by Audi Australia.

New Zealand Whole of Vehicle Marking ("WOVM")

Mandatory WOVM did not commence in New Zealand from July 1 2008 due to legal proceedings launched in the New Zealand High Court by the Motor Industry Association challenging the validity of the Rule-making process. The action is being defended by the New Zealand Government. DataDot Technology Limited has been granted leave to join the proceedings as an additional respondent, so ensuring that the company's interests can be directly represented. A trial date has been set for early February 2009.

Operating Results for the year

The Group increase its revenue derived from the sale of DataDotDNA by 7% despite recording a 31% fall in USA revenues. By focussing on costs the USA recorded a maiden profit before tax from its operations. The USA sales in the second half of the financial year were up by 34% on the USA's first 6 months of the financial year.

Consolidated revenue for the year was $13,174,849 (2007: $12,069,743), representing an increase of 9% on the previous year. The growth in current year revenues is attributable to organic growth in 3 of the 4 market segments.

The Group reported a net profit after income tax of $1,305,436 (2007: $2,023,452), an improvement of $3,328,888. The USA recognised income tax revenue of $886,488 which represented the initial recognition of carried forward tax losses. The Group Earnings before Interest, tax, amortisation and depreciation.

	2008	*2007*
	$	*$*
Net profit /(loss) after income tax	**1,305,436**	(2,023,452)
Addback:		
Interest expense	**87,047**	210,907
Income tax revenue /(expense)	**(630,594)**	82,663
Earnings before interest and tax (EBIT)	**761,889**	(1,729,882)
Addback:		
Depreciation and amortisation	**470,516**	448,504
Earning before interest, tax, depreciation and amortisation (EBITDA)	**1,232,405**	(1,281,378)

The EBITDA is $1,232,405 for the 2008 financial year, an improvement of $2,513,783. The Group has therefore increased its revenue and significantly improved its EBITDA on the previous year.

Directors' Report (Continued)

Operating Results for the year (continued)

Summarised operating results are as follows:

	2008 Total Revenues $	***2008*** Results $	*2007* Total Revenues $	*2007* Results $
Geographic segments				
Australasia	**8,416,341**	**2,309,883**	6,944,692	1,640,973
South Africa	**3,546,331**	**960,811**	3,064,914	615,774
USA	**1,427,312**	**15,403**	1,854,093	(622,068)
Europe	**653,487**	**(299,415)**	426,114	(427,547)
Consolidated entity adjustments	**(1,019,654)**	**-**	(511,284)	**-**
Non-segment unallocated revenues and expenses	**151,032**	**(1,638,363)**	291,214	(2,214,374)
Finance costs	**-**	**(87,047)**	**-**	(210,907)
Share of loss of joint venture	**-**	**(586,430)**	**-**	(722,640)
Income tax benefit /(expense)	**-**	**630,594**	**-**	(82,663)
Consolidated entity sales and loss	**13,174,849**	**1,305,436**	12,069,743	(2,023,452)

The Group's Gross Profit Sales Margin improved 3% from 64% to 67% and is mainly attributable to improved production efficiencies.

The Group's operating expenses decreased by $1,236,707 (13% improvement) to $8,407,409 from $9,644,116. The following table compares the (decreases) /increases in expenditure by function:

Consolidated Expenditure , by function	***2008*** $	*2007* $	***Movt*** $	***Movt*** %
Employee benefits expense	**(4,568,354)**	(5,810,253)	1,241,899	(21)%
Administrative expenses	**(1,944,066)**	(1,736,399)	207,667	12%
Advertising and promotional expenses	**(417,470)**	(417,152)	318	0%
Occupancy expenses	**(478,631)**	(472,048)	6,583	1%
Travel expenses	**(438,074)**	(535,297)	(97,223)	(18)%
Finance costs	**(87,047)**	(210,907)	(123,860)	(59)%
Depreciation and amortisation expense	**(470,516)**	(448,504)	(46,733)	5%
Bad and doubtful debts	**(3,251)**	(13,556)	10,035	(76)%
Total operating expenses	(8,407,409)	(9,644,116)	1,236,707	(13)%

Excluding the $195,478 in share-based payments and termination payments of $220,430 during the 2007 financial year, there has been a net decrease in employee benefits expenditure of $825,991. The restructuring of the USA operations accounted for 67% of the net improvement with the majority of the residual savings arising from savings in Australasia.

Administrative expenses increased during the year due to legal costs incurred, a large portion of which should be of a non-recurring nature.

Finance costs principally declined due to conversion of convertible notes on or before 30 June 2007, so eliminating any interest payment requirement and, to a much lesser extent, the decline was due to the repayment of lease and chattel mortgages.

Directors' Report (Continued)

Review of Financial Conditions

Liquidity and Capital Resources

There was a decrease in cash in the year ended 30 June 2008 of $2,090,686 (2007: increase of $3,575,487). There was a significant increase in cash flows from financing activities for the year ended 30 June 2007 due to share placement and exercise of options during the year.

Operating activities generated $748,962 (2007: consumed $958,259). This improvement is a result of a combination of costs reductions and increased revenues.

Cash outflows from financing activities totalled $226,442 (2007 inflow of $7,809,630). This movement is because of the share placement and exercise of options in the 2007 year.

Cash outflows from investing activities during the year ended 30 June 2008 decreased to $2,553,626 (2007: $3,275,884), which was mainly attributable to investing in the joint venture DataTrace DNA Pty Ltd and to a lesser extent the DataDot Robot.

Asset and capital structure

The asset and capital structure is provided below:

	2008	*2007*
	$	*$*
Debts:		
Interest bearing loans and borrowings	**334,617**	680,766
Other loans – non interest bearing	**351,871**	367,398
Cash and short term deposits	**(2,639,463)**	(4,730,149)
Net Debt	**(1,952,975)**	(3,681,985)
Total equity	**11,373,072**	10,398,936
Total equity employed	**9,420,097**	6,716,951
Gearing	**-**	-

Shares issued during the year

There were no shares issued during the year (2007: 18,250,000 ordinary shares at $0.42 per share). There were no shares issued on the exercise of options during the year (2007: 5,750,000 ordinary shares).

Profile of Debts

	2008	*2007*
	$	*$*
Current		
Obligations under finance leases and hire purchase contracts	**119,744**	192,522
Bank loan	**72,182**	104,912
	191,926	297,434
Non-current		
Obligations under finance leases and hire purchase contracts	**122,780**	252,118
Bank loan	**19,911**	131,214
Other loans – non interest bearing	**351,871**	367,938
	494,562	751,270
Total Debt	**686,488**	1,048,704

Directors' Report (Continued)

Review of Financial Conditions (continued)

Profile of Debts (continued)
The amount of the Group's debt has decreased by $362,216 due to repayment of chattel mortgage and repayment of finance leases.

Capital expenditure

There has been a decrease in cash used to purchase plant and equipment for 30 June 2008 to $252,942 from $453,952 in 2007.

5 Significant changes in the state of affairs

Total equity increased to $11,373,071 from $10,398,936, an increase of $974,135. This movement was largely the results of increased profits. Over the course of the year, the Group has capitalised $870,054 in intangible assets for costs incurred mainly on the development of the DataDot Robot, Laser X and for Patent costs. The Laser X project is a new more efficient dry manufacturing process using a new substrate. Approximately 94% of these costs were external to the Group.

6 Dividends

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

7 Events Subsequent to Reporting Date

In September 2008 $326,472 of the $457,061 of the advance to an outside equity interest (refer note 12) was repaid leaving a balance owing $130,588. This amount is secured by a mortgage of shares and is repayable on or before 31 March 2009.

Between 1 July 2008 and the date of this report, other than mentioned above, no material transactions have occurred. There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity, in subsequent financial years.

8 Likely Developments

It is expected that the principal activities of the consolidated entity will remain unchanged.

Although market conditions in the motor vehicle industry have contracted globally, there remains substantial potential for greater market penetration of DataDotDNA, especially in aftermarket sales and in the large markets of the USA and Europe. Directors expect increased sales revenue in this market channel in the year ahead. The Company also expects to broaden its revenue base by diversifying the application of DataDotDNA across other asset classes.

In relation to DataTraceDNA the Company continues to work closely with leading international companies in field testing commercial applications of the product. While the timing of these developments is almost exclusively in the hands of potential customers, directors are confident that several significant sales will crystallise in 2009.

Directors' Report (Continued)

9 Corporate Governance Statement

This statement outlines the main corporate governance policies of the Company. These policies comply with the ASX Corporate Governance Council recommendations – March 2003, unless otherwise stated. The policies are published on the Company's website.

The Company will be adopting the ASX Revised Corporate Governance Council's Principles of good Corporate Governance and Best Practice Recommendations – 2nd Edition 2007 from 1 July 2008.

9.1 Board of Directors

Role of the Board
The board's primary role is the protection and enhancement of long-term shareholder value.

To fulfil this role, the board is responsible for the overall corporate governance of the consolidated entity including formulating its strategic direction, approving and monitoring capital expenditure, setting remuneration, appointing, removing and creating succession policies for directors and senior executives, establishing and monitoring the achievement of management's goals and ensuring the integrity of internal control and management information systems. It is also responsible for approving and monitoring financial and other reporting.

The board has delegated responsibility for operation and administration of the Company to the Chief Executive Officer and executive management. Responsibilities are delineated by formal authority delegations.

These roles are documented in board-approved policy statements.

Board processes
To assist in the execution of its responsibilities, the board has established an Audit Committee, a Remuneration and Nomination Committee and a Risk Management and Compliance Committee. These three committees have written mandates and operating procedures, which are reviewed annually.

The board has also established a framework for the management of the consolidated entity including a system of internal control, a business risk management process and the establishment of appropriate ethical standards.

Independent professional advice and access to company information
Under the Company's Board Charter, each director has the right of access to all relevant company information and to the Company's executives and, subject to prior consultation with the Chairman, may seek independent professional advice from a suitably qualified adviser at the consolidated entity's expense.

Composition of the board
The names of the directors of the Company in office at the date of this report are disclosed in the Directors' Report on pages 5 & 6.

The Constitution of the Company specifies the number of directors shall be not less than three nor more than ten. The board may at any time appoint a director to fill a casual vacancy and at each annual general meeting, one-third of directors, not including the managing director, together with any director appointed since the last annual general meeting, retire from office and may stand for re-election.

The composition of the board is reviewed regularly by the Remuneration and Nomination Committee to ensure that the range of expertise and experience of board members is appropriate for the activities and operations of the consolidated entity. Where, through whatever cause, it is considered that the board would benefit from the services of a new director with particular skills, the board would then appoint the most suitable candidate who must stand for re-election at a general meeting of shareholders.

Directors' Report (Continued)

9 Corporate Governance Statement (continued)

9.1 Board of Directors (continued)

Composition of the board (continued)
The board currently consists of six directors of whom three, Mr B. Rathie, Mr G Flowers and the Chairman, Mr A. Farrar, are independent. None of these independent directors is a substantial shareholder of the Company, or a former or current executive or customer of the Company, or adviser or supplier to the Company, and has no material contractual relationship with the Company or consolidated entity other than as a director of the Company.

The board considers that its composition serves the interests of shareholders because the combined knowledge, skills and experience of directors is adequate, having regard to:

- the demands of the Company's size, market knowledge and board responsibilities;
- the integrity and transparency of the Company's documented governance policies;
- the fact that independent directors comprise the whole membership of the Audit Committee and Risk Management and Compliance Committees; and
- the fact that independent directors constitute a majority of the members of the Remuneration and Nomination Committee.

Board evaluation
Under the Company's policy of Board and Director Evaluation, both individual and collective performance evaluations are conducted annually. Evaluation is made against the criteria of personal contribution, collective efficacy and procedural adequacy that are specified in the policy.

9.2 Remuneration Report

For the purposes of this report Key Management Personnel (KMP) have authority and responsibility for planning, directing and controlling the activities of the Company and the Group. KMP comprise the directors of the Company and executives of the Company and the Group and include executives who are not among the five most highly remunerated Company and Group executives.

Remuneration levels of KMP are determined by a Remuneration and Nomination Committee comprising three directors, two of whom are independent directors. 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 obtains independent advice on remuneration strategy, appropriate remuneration levels and market trends in remuneration.

Directors' Report (Continued)

9.2 Remuneration Report (continued)

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 the Group'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, the Company and the Group;
- Variable component payment to be subject to the Group's financial capacity;
- This policy to apply uniformly across the Group.

As a Company still in transition from private to publicly listed ownership this policy is being implemented progressively across the Group. At present two KMP receive compensation that includes a performance-related component. The remuneration of other KMP and the balance of remuneration of one of the two KMP with a performance-related component is fixed, with some KMP receiving motor vehicle costs on top of the fixed amount. Fixed remuneration consists of salary and for some, but not all KMP, Superannuation Guarantee Contributions, additional superannuation contributions by way of salary sacrifice and health insurance premiums.

At the next stage of policy implementation, the remuneration of all existing KMP will be re-structured into fixed and variable components. Transition will occur as speedily as possible, having regard to legacy agreements. In relation to new KMP, for whom there are no legacy or transition issues, the policy will apply in full measure from commencement of employment. The Board's policy objective, based on independent expert advice, is for the variable component of executive remuneration to be set between 30 and 50 per cent of total remuneration, depending on the position held.

Performance-Related Compensation
During the year a consultancy agreement was executed with Ms Connie Lo Lin Sye. Under the terms of the three-year consultancy agreement Ms Lo will receive consultancy fees and an initial grant of 500,000 ordinary share options that shall vest on and be exercisable from April 30, 2008, or, if shareholder approval has not been sought and obtained by then, on the date when shareholder approval is obtained. These initial options are not subject to performance conditions as they are in the nature of a sign-on payment. The exercise price of these initial options is $0.25 and they will expire 5 years from the date of vesting.

Ms Lo will also be entitled on the completion of three years' continuous service to a further 1,500,000 share options, subject to shareholder approval and to meeting performance criteria. The performance criteria require Ms Lo to meet targets in relation to capital raising, investor relations, implementation of corporate strategy and execution of action plans as determined by the Board.

Mr G George, the executive primarily responsible for developing the Company's patented spray application method, receives a contracted royalty payment, expressed as a proportion of gross sales of spray units, to a maximum value of $250,000 annually. This contract, executed in March 2001, terminates on the executive's resignation. While this royalty payment is a performance-related remuneration payment in the broader sense, it is contingent on Group sales performance rather than the executive's attaining individual performance targets.

Directors' Report (Continued)

9.2 Remuneration Report (continued)

Remuneration, Group Performance and Shareholder Wealth
It is the Company's objective to increase shareholder wealth by way of higher market capitalisation and dividend payments. In 2008 the price at which the company's shares traded declined from 33 cents per share on July 1 to 14 cents per share on June 30, and in the period since the Company listed publicly in 2005 it has not declared a dividend. Accordingly, the effect of remuneration policy on the Group's financial performance and on shareholder wealth 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 more closely to financial performance, both by increasing the number of personnel whose remuneration contains a variable performance-related component and by ensuring that between 30 and 50 per cent of the total remuneration of KMP is at risk. Specifically, this will translate into short-term incentives for variable remuneration being tied closely to net profit targets, and long-term incentives for variable remuneration being tied closely to growth in earnings per share.

Executive Service Contracts
It is the Board's policy that executive service contracts are progressively executed with all key management personnel. At present three KMP, AMB Blew, DL Menday and PB Kibler do not have such contracts, though all three have a shareholding interest in the Group. Messrs Blew and Menday are shareholders in DataDot Technology (South Africa) (Proprietary) Limited and Mr Kibler is a shareholder in DataDot Technology (UK) Limited. Ms Connie Lo Lin Sye has been engaged on a three-year contract commencing 1 November 2007, which may be terminated thereafter by either party on three months' notice. All other contracts are on a rolling basis. In relation to the Chief Executive Officer and Commercial Director, contracts may be terminated on twelve months' notice. The Chief Financial Officer's contract may be terminated on three months' notice and also provides for twelve months' remuneration if he elects to resign following a takeover of the Company. Other KMP contracts require three months' notice. The Company may make a payment equal to the notice period in lieu of giving notice of termination. No executive has an entitlement to termination payment in the event of removal for misconduct.

Securities
Options over ordinary shares in the Company may be granted to executives and other employees in accordance with terms of the Employee Share Option Plan that was most recently approved by shareholders at the 2006 AGM.

During the year a consultancy agreement was executed with Ms Connie Lo Lin Sye under which options over ordinary shares will be granted in two tranches, both of which are subject to shareholder approval and one of which is also subject to performance conditions. Full details are provided earlier in the Remuneration Report.

During the reporting period the Board did not have in place a policy requiring executives not to enter into share option hedging arrangements prior to vesting of their options. Such a policy has been adopted since the reporting date.

Non-Executive Directors
The Constitution of the Company and ASX Listing Rules specify that the aggregate remuneration of non-executive directors 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 $43,000 per annum for each of the two non-executive directors other than the Chairman and $64,500 per annum for the Chairman. Non-executive Company 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.

Directors' Report (Continued)

9.2 Remuneration Report (continued)

Loan to KMP

Mr Ian Allen received a loan of $112,724 in the 2004 financial year. As at 30 June 2008 $106,196 is outstanding. This advance is repayable within 6 years. Interest is charged at 9%p.a..

Advances to KMP

An advance was made to a shareholder of DataDot Technology South Africa (Pty) Ltd, repayable on or before 31 March 2009 and secured by mortgage of shares in DataDot Technology South Africa (Pty) Ltd. The shareholder, A.M.B. Blew is a director of DataDot Technology South Africa (Pty) Ltd.

In September 2008 $326,472 of the $457,061 of the advance to Mr A.M. Blew in his capacity as a shareholder of DataDot Technology South Africa (Pty) Ltd was repaid leaving a balance owing of $130,589. This amount is secured by a mortgage of shares and is repayable on or before 31 March 2009. Interest is charged at 8.5% p.a.

Tables
Details of the nature and amount of each major element of remuneration of each director of the Company, each of the five named Company and Group executives who receive the highest remuneration and other KMP are disclosed in the following Tables:

Directors' Report (Continued)

9.2 Remuneration Report (continued)

Remuneration of directors and named executives

Table 1: Remuneration for the year ended 30 June 2008

	Short-term				Post employment		Long-term	Termination benefits	Share-based Payment	Total	performance related
	Salary & Fees	Cash bonus	Non monetary benefits	Other	Superannuation	Retirement benefits	Incentive Plans		Options		
	$	$	$	$	$	$	$	$	$	$	%
Non-executive directors											
A. Farrar – Chairman	**60,000**	**-**	**-**	**-**	**4,500**	**-**	**-**	**-**	**-**	**64,500**	**-**
B. Rathie	**40,000**	**-**	**-**	**-**	**3,600**	**-**	**-**	**-**	**-**	**43,600**	**-**
G Flowers *	**23,939**	**-**	**-**	**-**	**2,155**	**-**	**-**	**-**	**-**	**26,094**	**-**
Sub-total non-executive directors	**123,939**	**-**	**-**	**-**	**10,255**	**-**	**-**	**-**	**-**	**134,194**	
Executive Directors											
I.P. Allen - Chief executive	**400,000**	**-**	**64,887**	**-**	**36,000**	**-**	**-**	**-**	**-**	**500,887**	**-**
J.F. Richards - Commercial director	**85,085**	**-**	**68,464**	**-**	**111,115**	**-**	**-**	**-**	**-**	**264,664**	**-**
C Lo Lin Sye **	**146,667**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**146,667**	**-**
Other key-management personnel											
M.S. James - Chief financial officer	**150,000**	**-**	**-**	**-**	**13,500**	**-**	**-**	**-**	**-**	**163,500**	**-**
G.J. Loughlin - Company secretary and strategic dev mgr	**134,667**	**-**	**-**	**-**	**83,333**	**-**	**-**	**-**	**-**	**218,000**	**-**
G. Twemlow -General Manager, Global Sales & Marketing	**183,486**	**-**	**-**	**-**	**16,514**	**-**	**-**	**-**	**-**	**200,000**	**-**
A.M.B. Blew - Managing Director, DataDot Technology (S.A) (Pty) Ltd ****	**182,793**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**182,793**	**-**
D.L. Menday - Sales Director, DataDot Technology (S.A.) (Pty) Ltd	**182,793**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**182,793**	**-**
P.B. Kibler - Managing Director, DataDot Technology (UK) Limited	**111,697**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**111,697**	**-**
R. Sherman – General Manager, DataDot Technology USA, Inc. ***	**142,433**	**-**	**13,948**	**-**	**-**	**-**	**-**	**-**	**-**	**156,381**	**-**
S. Cutler - President - Finance & operations, DataDot Technology USA, Inc. @	**38,485**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**38,485**	**-**
G. George - R&D manager @@	**88,911**	**220,442**	**-**	**-**	**7,875**	**-**	**-**	**-**	**-**	**317,228**	**69.49%**
Sub-total executive KPM	**1,847,017**	**220,442**	**147,299**	**-**	**268,337**	**-**	**-**	**-**	**-**	**2,483,095**	
Totals	**1,970,956**	**220,442**	**147,299**	**-**	**278,592**	**-**	**-**	**-**	**-**	**2,617,289**	

* Appointed 27 November 2007

** Appointed 7 February 2008 (refer to Note 27 (c) for options to be issued subject to shareholder approval)

*** Appointed 1 October 2007

**** Mr Blew is a shareholder of DataDot Technology (S.A) Pty Ltd. Refer to Note 12 (b) for details of advance to OEI.

@ Resigned 1 August 2007, S. Cutler provided consultancy services for the two months to 30 September 2007.

@@ Cash STI for G George are paid under a royalty agreement and are paid to a related entity of G George. The royalty agreement terminates on G George ceasing employment with the parent company and is capped at $250,000 per annum.

Directors' Report (Continued)

9.2 Remuneration Report (continued)

Remuneration of key management personnel

Table 2: Remuneration for the year ended 30 June 2007

	Short-term				Post employment		Long-term	Termination benefits	Share-based Payment	Total	Options issued as % of total remuneration	Performance related
	Salary & Fees	Cash bonus	Non monetary benefits	Other	Superannuation	Retirement benefits		Incentive Plans	Options			
	$	$	$	$	$	$		$	$	$	%	%
Non-executive directors												
A. Farrar - Chairman *	38,864	-	-	-	3,498	-	-	-	-	42,362	-	-
B. Rathie **	23,333	-	-	-	2,100	-	-	-	-	25,433	-	-
I. Brown - Chairman ***	18,349	-	-	-	1,651	-	-	-	-	20,000	-	-
A. Grant ***	-	-	-	-	13,333	-	-	-	-	13,333	-	-
P. Housden #	3,058	-	-	-	275	-	-	-	-	3,333	-	-
Sub-total non-executive directors	83,604	-	-	-	20,857	-	-	-	-	104,461		
Executive Directors												
I.P. Allen - Chief executive	400,000	-	60,459	-	36,000	-	-		-	496,459	-	-
J.F. Richards - Commercial director	205,359	-	63,018	-	-	-	-		-	268,377	-	-
B.D. McLaws - President, DataDot Technology USA Inc. ##	206,764	-	24,652	-	-	-	-	95,430	-	326,846	-	-
C. Stott - Chief operating officer ###	166,667	-	23,291	-	15,000		-	125,000	-	329,958	-	-
Other key-management personnel												
M.S. James - Chief financial officer	150,000	-	-	-	13,500	-	-		48,870	212,370	23.01%	-
G.J. Loughlin - Company secretary and strategic dev mgr	118,000	-	-	-	100,000	-	-		97,739	315,739	30.96%	-
S. Cutler - President - Finance & operations, DataDot Technology USA, Inc. @	213,672	-	27,754	-	-	-	-	-	48,870	290,296	16.83%	-
G. George - R&D manager @@	84,159	205,205	16,571	-	7,574	-	-		-	313,509	-	65.45%
A.M.B. Blew - Managing Director, DataDot Technology (S.A) (Pty) Ltd	135,779	-	-	-	-	-	-	-	-	135,779	-	-
D.L. Menday - Sales Director, DataDot Technology (S.A.) (Pty) Ltd	135,779	-	-	-	-	-	-	-	-	135,779	-	-
P.B. Kibler - Managing Director, DataDot Technology (UK) Limited	122,926	-	-	-	-	-	-	-	-	122,926	-	-
G. Twemlow - Vice President, DataTrace DNA Business Development	183,486	-	-	-	16,514	-	-	-	-	200,000	-	-
Sub-total executive KPM	2,122,591	205,205	215,745	-	188,588	-	-	220,430	195,479	3,148,038		
Totals	2,208,195	205,205	215,745	-	209,445	-	-	220,430	195,479	3,252,499		

*	Appointed 8 November 2006.
**	Appointed 1 December 2006.
***	Retired 26 October 2006.
#	Resigned 31 October 2006.
##	Appointed 27 October 2006, resigned 22 June 2007; see note 31 for details of consulting agreement.
###	Resigned 31 October 2006, a related party entity of Mr. C. Stott earned consulting and IT fees – see note 31 for details.
@	Resigned 1 August 2007, a related party entity of Mr. S. Cutler earned commissions on sales – see note 31 for details.
@@	Cash STI for G George are paid under a royalty agreement and are paid to a related entity of G George. The royalty agreement terminates on G George ceasing employment with the parent company.

Directors' Report (Continued)

9.2 Remuneration Report (continued)

Table 3: Compensation options: Granted and vested during the year (Consolidated)

No options were issued during or since the end of the financial year. During the year a consultancy agreement was signed with Connie Lo Lin Sye. Under the terms of the three year consultancy agreement Ms Lo will receive consultancy fees and an initial grant of 500,000 ordinary share options which shall vest on and be exercisable from April 30, 2008 or, if shareholder approval has not been sought and obtained by then, on the date which shareholder approval is obtained. The strike price of these initial options is $0.25 and they will expire 5 years from the date of vesting. The value of the 500,000 options is $32,323. These options will be expensed in the 2009 financial year.

Ms Lo will also be entitled, on the completion of three years' continuous service, to a further 1,500,000 share options subject to shareholder approval and to meeting performance criteria. The current value of the 1,500,000 share options is $97,905 of which $54,392 will be expensed in the 2009 financial year.

The value of Ms Lo's options will be adjusted on grant date which does not occur until shareholder approval is obtained.

30 June 2007	Vested	Granted	*Grant date*	Terms and Conditions for each Grant *Fair Value per option at grant date ($) (note 19)*	*Exercise price per option ($) (note 19)*	*Expiry date*	*First Exercise date*	*Last Exercise date*
Executives								
G.J. Loughlin	500,000	500,000	7 Aug 2006	0.1955	0.42	7 Aug 2011	7 Aug 2006	7 Aug 2011
M.S. James	250,000	250,000	7 Aug 2006	0.1955	0.42	7 Aug 2011	7 Aug 2006	7 Aug 2011
S. Cutler	250,000	250,000	7 Aug 2006	0.1955	0.42	7 Aug 2011	7 Aug 2006	7 Aug 2011
Total	1,000,000	1,000,000						

Shares issued on Exercise of Compensation Options (Consolidated)

No shares were issued on the exercise of compensation options during the financial year ended 30 June 2008.

9.3 Audit Committee

The Audit Committee has a documented charter, approved by the board. All members must be independent non-executive directors. The Chairman may not be Chairman of the board. The committee advises on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the consolidated entity. All members of the Audit Committee are non-executive directors.

The members of the Audit Committee during the year were:

- Mr B Rathie, B.Comm., LL.B., MBA, Grad Dip CSP, SA Fin., FAICD, FAIM. (Member since 25 January 2007 and Chairman since 5 March 2007) – Independent Non-Executive;
- Mr A Farrar, B.Sc., Dip.Acc. (Member since 25 January 2007) - Independent Non-Executive;
- Mr G Flowers, B.Comm., LL.B., FAICD. (Member since 20 December 2007) – Independent Non-Executive.

The external auditors and the Chief Financial Officer are invited to Audit Committee meetings at the discretion of the committee. The committee met three times during the year and committee members' attendance record is disclosed in the table of Directors' meetings on page 7. The Chief Executive Officer and the Chief Financial Officer declared in writing to the board that the Company's financial reports for the year ended 30 June 2008 present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards. This statement is required annually.

Directors' Report (Continued)

9.4 Risk Management and Compliance

In 2008 the Board established a Risk Management and Compliance Committee under a documented charter that will be reviewed annually. The Committee's role is to review and monitor the Group's risk profile, risk management and compliance, having regard to the ASX Corporate Governance Guidelines on risk management and to the Australian-New Zealand Standards for Risk Management and Compliance. Its specific tasks are to:

- identify, analyse and assess internal and external risks;
- establish appropriate levels of acceptable business risk;
- establish and review risk management and mitigation strategies;
- monitor the effectiveness of internal controls and reporting systems;
- monitor compliance with regulatory, listing and internal policy obligations;
- review cover and scope of Group insurances; and
- report to the Board on the level of risk exposure and risk management.

The members of the Risk Management and Compliance Committee during the year were:

- Mr G Flowers, B.Comm., LL.B., FAICD. (Member since 20 December 2007) – Independent Non-Executive and Chairman since 20 December 2007;
- Mr B Rathie, B.Comm., LL.B., MBA, Grad Dip CSP, SA Fin., FAICD, FAIM. (Member since 20 December 2007 – Independent Non-Executive;

The Committee has engaged an external risk management specialist to advise on reviewing the Group's risk profile and has acquired a dedicated risk management software system to facilitate the execution of both risk and compliance controls.

Management has established and implemented the Risk Management System for assessing, monitoring and managing strategic, operational, financial reporting and compliance risks for the consolidated entity, taking into account the consolidated entity's stage of development. All risk assessments covered the whole financial year and the period up to the signing of the annual financial report for all material operations in the consolidated entity.

Internal control framework
The board acknowledges that it is responsible for the overall internal control framework and accordingly has implemented a cost effective internal control system. The system is based upon policies, guidelines, delegations and reporting as well as the selection and training of qualified personnel. The board believes the current control framework to be suitable for the Company's current operations. There is no internal audit function as the cost would significantly outweigh the benefits given the size of the current operations.

Environmental regulation
The consolidated entity's operations are not subject to any significant environmental regulations under Commonwealth or State legislation. However, the board believes that the consolidated entity has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the consolidated entity.

Directors' Report (Continued)

9.5 Ethical standards

All directors, managers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the consolidated entity. Every employee has a nominated supervisor to whom they may refer any issues arising from their employment. The board reviews the Company's published Code of Conduct annually and processes are in place to promote and communicate these policies.

In accordance with the Corporations Act 2001 and the Company's constitution, directors must keep the board advised of any interest that could potentially conflict with those of the Company. The Company's Related Party Transactions Policy applies throughout the Group the same standards of disclosure that apply under statute to the parent as a listed company. Any transactions with directors are formally approved by the board. The Director concerned does not participate in discussion or approval of the transaction. Details of director related entity transactions with the Company and consolidated entity are set out in Note 30.

Director Dealings in Company Shares

Directors and employees may acquire shares in the Company, but are prohibited from dealing in Company shares whilst in the possession of price sensitive information that has not been made public. The Company's published Share Trading policy requires that trading be restricted to specified trading windows and requires disclosure of trading activity.

Code of Conduct

The Company's published Code of Conduct sets out the Company's responsibilities to shareholders, customers, suppliers, employees, other stakeholders and the wider community. It prescribes minimum principles and standards of conduct that the Company expects of directors, employees, contractors and consultants engaged in its service.

9.6 Continuous and periodic disclosure to ASX

The Company's published Disclosure Compliance policy prescribes the Company's disclosure obligations under the ASX Listing Rules and establishes the procedures and individual responsibilities that will ensure compliance.

The policy adopts five per cent of the base amount (e.g. total revenue, total expenses, and total assets) as the threshold for materiality where it can be measured quantitatively, and requires consideration of strategic position, reputation, ability to carry on business and legal compliance as qualitative criteria for determining materiality under the Listing Rules governing continuous disclosure.

The Company Secretary is responsible for all communications with the ASX.

9.7 Communication with shareholders

The board provides shareholders with information under a comprehensive Shareholder Communication Policy. Within that policy:

- periodic disclosure of financial results is achieved by announcing them to the ASX, posting them on the Company's website and issuing media releases;
- continuous disclosure of all material matters that may affect the price of the Company's securities is achieved by announcing them to the ASX, posting them on the Company's website, and issuing media releases;
- the annual report is available to all shareholders either in electronic format or hard copy. The board ensures that the annual report includes relevant information about the operations of the consolidated entity during the year, changes in the state of affairs of the consolidated entity and details of future developments, in addition to the other disclosures required by the Corporations Act 2001;

Directors' Report (Continued)

9.7 Communication with shareholders (continued)

- the half-yearly report contains summarised financial information and a review of the operations of the consolidated entity during the period. Half-year financial statements prepared in accordance with the requirements of Accounting Standards in Australia and the Corporations Act 2001 are lodged with the Australian Securities and Investments Commission and the Australian Stock Exchange Ltd. The financial statements are sent to any shareholder who requests them;
- the Board encourages full participation of shareholders at the annual general meeting to ensure a high level of accountability and identification with the consolidated entity's strategy and goals;
- the external auditor is requested to attend the annual general meeting to answer any questions concerning the audit and the content of the auditor's report.

10 Unissued Shares Under Option

At the date of this report unissued ordinary shares of the Company under option are:

Expiry Date	Exercise price	Number of shares
31/12/2009	$0.15	4,495,000
23/07/2009	$0.20	3,500,000
31/12/2009	$0.25	11,423,000
7/08/2011	$0.42	750,000
		20,168,000

Of these, 7,350,000 options were granted to nominees of KTM Capital Pty Ltd, the underwriter of the Company's initial public offering. These options have an exercise price of $0.25 and expire on 31 December 2009. 4,495,000 transferable options originally granted to Christopher Stott at an exercise price of $0.15 also expire on 31 December 2009. The balance of options, issued variously at $0.20, $0.25 and $0.42, expire on the earlier of their expiry date and a date referable to the date the director or employee ceases to be employed by the Company.

The holders of such options do not have the right, by virtue of the option, to participate in any share issue or interest issue.

No ordinary shares were issued during or since the end of the financial year as a result of exercise of an option.

During the year 250,000 options lapsed as a result of an employee ceasing to be employed by the company. No options have lapsed since the end of the financial year. The options that lapsed during the financial year had a value of $48,870.

Directors' Report (Continued)

11 Directors' Interests

The relevant interest of each director in the shares and options over shares issued by the Company, 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:

Name of Director	Interest in Shares	Interest in Options
I Allen	14,931,300	2,685,000
A Farrar	500,000	Nil
B Rathie	250,000	Nil
G Flowers	Nil	Nil
J Richards	4,595,000	238,000
C Lo Lin Sye	Nil	* 2,000,000

* Options to C Lo Lin Sye were announced to the market on the 7th of February 2008 of which 500,000 vest on the date shareholder approval is obtained and 1,500,000 options vest after 3 year service again subject to shareholder approval.

12 Indemnification 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 group.

During the year, the Company has 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.

13 Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

The lead auditor's independence declaration is set out on page 27 and forms part of the Directors' Report for the year.

Directors' Report (Continued)

14 Payments to auditor for non-audit services

During the year ended 30 June 2008, the following payments were made to the Company's auditor, PKF, as remuneration for services other than audit services:

Taxation services	$ 47,781
Other services	$ 32,961
Total tax and other non-audit services	$80,742

The directors are satisfied that the provision of non-audit services during the year by the auditor is compatible with the general standard of independence for auditors imposed by the Corporations Act.

The directors are satisfied that the provision of the non-audit services did not compromise the auditor independence requirements of the Corporations Act because the services provided were compliance assurance services only and as such did not involve the auditor in company direction or management.

Dated at Sydney this 29th day of September 2008.

Signed in accordance with a resolution of the Directors:

I.P Allen
Managing Director

Chartered Accountants
& Business Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of DataDot Technology Limited for the year ended 30 June 2008, I declare that, to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

The declaration is in respect of DataDot Technology Limited and the entities it controlled during the year.

PKF

Grant Saxon
Partner
Sydney, 29th September 2008

Tel: 61 2 9251 4100 | Fax: 61 2 9240 9821 | www.pkf.com.au
PKF | ABN 83 236 985 726
Level 10, 1 Margaret Street | Sydney | New South Wales 2000 | Australia
DX 10173 | Sydney Stock Exchange | New South Wales

Income Statement

FOR THE YEAR ENDED 30 JUNE 2008

		CONSOLIDATED		PARENT	
		2008	2007	**2008**	2007
	Note	$	$	$	$
Continuing operations					
Sale of goods		**11,225,360**	10,502,986	**-**	-
Rendering of services		**1,381,469**	1,219,218	**1,370,990**	1,219,218
Licence fees		**416,989**	56,325	**391,890**	-
Royalties		**-**	-	**528,096**	498,722
Finance revenue		**151,031**	291,214	**121,297**	285,393
Revenue		**13,174,849**	12,069,743	**2,412,273**	2,003,333
Cost of sales	7(c), (d)	**(3,668,683)**	(3,816,137)	**(232,096)**	(108,303)
Gross profit		**9,506,166**	8,253,606	**2,180,176**	1,895,030
Other income	6	**162,515**	172,361	**153,056**	84,749
Employee benefits expense	7(e)	**(4,568,354)**	(5,810,253)	**(2,162,534)**	(2,843,606)
Administrative expenses	7(d), (f)	**(1,944,066)**	(1,736,399)	**(1,268,890)**	(898,963)
Advertising and promotional expenses		**(417,470)**	(417,152)	**(59,523)**	(69,111)
Occupancy expenses	7(d)	**(478,631)**	(472,048)	**(37,185)**	7,915
Travel expenses		**(438,074)**	(535,297)	**(267,205)**	(277,272)
Finance costs	7(a)	**(87,047)**	(210,907)	**(10,998)**	(109,538)
Depreciation and amortisation expense	7(b)	**(470,516)**	(448,504)	**(247,936)**	(191,745)
Bad and doubtful debts		**(3,251)**	(13,556)	**759,486**	1,707,968
Share of loss of joint venture	16	**(586,430)**	(722,640)	**-**	-
Profit /(Loss) from continuing operations before income tax expense		**674,842**	(1,940,788)	**(961,552)**	(694,573)
Income tax (expense) / benefit	8	**630,594**	(82,663)	**-**	-
Profit /(Loss) from continuing operations after income tax		**1,305,436**	(2,023,452)	**(961,552)**	(694,573)
Attributable to:					
Minority interest		**280,452**	189,921	**-**	-
Members of the Parent		**1,024,984**	(2,213,373)	**(961,552)**	(694,573)
Total		**1,305,436**	(2,023,452)	**(961,552)**	(694,573)
		Cents	Cents		
Earnings per share for profit /(loss) from continuing operations attributable to the ordinary equity holders of the company	10				
Basic earnings per share		0.69	(1.56)		
Diluted earnings per share		0.65			

Diluted earnings per share for the year ended 30 June 2007 are not disclosed because the options were not dilutive and therefore were not classified as potential ordinary shares.

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

Balance Sheet

AS AT 30 JUNE 2008

		CONSOLIDATED		PARENT	
		2008	2007	**2008**	2007
	Note	**$**	$	**$**	$
ASSETS					
Current Assets					
Cash and cash equivalents	11	**2,639,463**	4,730,149	**1,707,693**	3,136,599
Trade and other receivables	12	**3,275,780**	3,406,552	**1,181,896**	3,467,620
Inventories	13	**537,237**	513,360	**-**	-
Total Current Assets		**6,452,480**	8,650,061	**2,889,589**	6,604,219
Non-Current Assets					
Receivables	14	**97,134**	86,196	**97,134**	86,196
Investment in subsidiaries	15	**-**	-	**183,250**	183,250
Investment accounted for using the equity method	16	**4,350,431**	2,983,344	**5,504,610**	3,551,093
Plant and equipment	17	**1,096,344**	1,219,356	**590,535**	539,370
Intangible assets	18	**2,799,022**	2,045,641	**2,794,060**	2,045,641
Deferred tax assets	8	**924,695**	39,677	**-**	-
Total Non-Current Assets		**9,267,626**	6,374,214	**9,169,589**	6,405,550
TOTAL ASSETS		**15,720,106**	15,024,275	**12,059,178**	13,009,769
LIABILITIES					
Current Liabilities					
Trade and other payables	20	**2,143,291**	1,871,398	**1,145,688**	969,187
Interest bearing loans and borrowings	21	**191,926**	297,434	**27,252**	71,518
Income tax payable		**41,652**	117,726	**-**	-
Provisions	22	**501,493**	592,795	**340,308**	371,692
Total Current Liabilities		**2,878,362**	2,879,353	**1,513,249**	1,412,397
Non-Current Liabilities					
Interest bearing loans and borrowings	21	**142,691**	383,332	**78,161**	138,674
Other non-current liabilities	23	**1,316,883**	1,337,004	**1,007,064**	1,033,925
Provisions	22	**33,113**	25,650	**5,791**	8,309
Total Non-Current liabilities		**1,492,687**	1,745,986	**1,091,016**	1,180,908
TOTAL LIABILITIES		**4,347,035**	4,625,339	**2,604,265**	2,593,305
NET ASSETS		**11,373,071**	10,398,936	**9,454,913**	10,416,464
EQUITY					
Equity attributable to equity holders of the parent					
Contributed equity	24	**26,456,519**	26,456,519	**26,456,519**	26,456,519
Accumulated losses	24	**(15,185,063)**	(16,210,047)	**(17,001,606)**	(16,040,055)
Reserves	24	**(368,758)**	(37,457)	**-**	-
Parent interests		**10,902,698**	10,209,015	**9,454,913**	10,416,464
Minority interests	24	**470,373**	189,921	**-**	-
TOTAL EQUITY		**11,373,071**	10,398,936	**9,454,913**	10,416,464

The above balance sheet should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2008

	Attributable to equity holders of the parent				*Minority interest*	*Total equity*
	Issued Capital	*Accumulated losses*	*Foreign currency translation reserve*	*Total*		
CONSOLIDATED	$	$	$	$	$	$
At 1 July 2006	16,695,271	(13,996,674)	27,397	2,725,994	-	2,725,994
Currency translation differences	-	-	(64,854)	(64,854)	-	(64,854)
Total income and expense for period recognised directly in equity	-	-	(64,854)	(64,854)	-	(64,854)
Profit / (loss) for the period	-	(2,213,373)	-	(2,213,373)	189,921	(2,023,452)
Total income / (expense) for the period	-	(2,213,373)	(64,854)	(2,278,227)	189,921	(2,088,306)
Issue of share capital	9,897,500	-	-	9,897,500	-	9,897,500
Transaction costs on shares issued	(331,730)	-	-	(331,730)	-	(331,730)
Cost of share-based payments	195,478	-	-	195,478	-	195,478
At 30 June 2007	26,456,519	(16,210,047)	(37,457)	10,209,015	189,921	10,398,936
Currency translation differences	**-**	**-**	**(331,301)**	**(331,301)**	**-**	**(331,301)**
Total income and expense for period recognised directly in equity	**-**	**-**	**(331,301)**	**(331,301)**	**-**	**(331,301)**
Profit / (loss) for the period	**-**	**1,024,984**	**-**	**1,024,984**	**280,453**	**1,305,436**
Total income / (expense) for the period	**-**	**1,024,984**	**(331,301)**	**693,683**	**280,453**	**974,135**
At 30 June 2008	**26,456,519**	**(15,185,063)**	**(368,758)**	**10,902,698**	**470,374**	**11,373,071**

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

Statement of Changes in Equity (continued)

FOR THE YEAR ENDED 30 JUNE 2008

	Attributable to equity holders of the parent				*Minority interest*	*Total equity*
	Issued Capital	*Accumulated losses*	*Foreign currency translation reserve*	*Total*		
PARENT	*$*	*$*	*$*	*$*	*$*	*$*
At 1 July 2006	16,695,271	(15,345,482)	-	1,349,789	-	1,349,789
Currency translation differences	-	-	-	-	-	-
Total income and expense for period recognised directly in equity	-	-	-	-	-	-
(Loss) for the period	-	(694,573)	-	(694,573)	-	(694,573)
Total income / (expense) for the period	-	(694,573)	-	(694,573)	-	(694,573)
Issue of share capital	9,897,500	-	-	9,897,500	-	9,897,500
Transaction costs on shares issued	(331,730)	-	-	(331,730)	-	(331,730)
Cost of share-based payments	195,478	-	-	195,478	-	195,478
At 30 June 2007	26,456,519	(16,040,054)	-	10,416,464	-	10,416,464
Currency translation differences	-	-	-	-	-	-
Total income and expense for period recognised directly in equity	-	-	-	-	-	-
(Loss) for the period	-	**(961,552)**	-	**(961,552)**	-	**(961,552)**
Total income / (expense) for the period	-	**(961,552)**	-	**(961,552)**	-	**(961,552)**
At 30 June 2008	**26,456,519**	**(17,001,606)**	-	**9,454,913**	-	**9,454,913**

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

Cash Flow Statement

FOR THE YEAR ENDED 30 JUNE 2008

		CONSOLIDATED		***PARENT***	
		2008	*2007*	***2008***	*2007*
	Note	***$***	*$*	***$***	*$*
Cash flows from operating activities					
Receipts from customers (inclusive of GST)		**14,470,129**	12,266,842	**2,541,167**	1,828,283
Payments to suppliers and employees (inclusive of GST)		**(13,425,303)**	(13,186,555)	**(4,166,245)**	(4,122,203)
Interest paid		**(55,756)**	(210,907)	**(10,998)**	(109,538)
Income tax paid		**(330,498)**	-	**-**	-
Receipt of government grant		**90,390**	172,361	**148,462**	84,749
Net cash provided by /(used in) operating activities	11	**748,962**	(958,259)	**(1,487,614)**	(2,318,709)
Cash flows from investing activities					
Proceeds from sale of plant and equipment		**22,111**	-	**-**	-
Interest received		**138,235**	291,214	**110,358**	285,393
Purchase of plant and equipment		**(252,942)**	(453,952)	**(182,427)**	(248,536)
Purchase of intangible assets		**(507,513)**	(1,239,946)	**(865,091)**	(1,239,946)
Purchase of investment accounted for using the equity method		**(1,953,517)**	(2,495,186)	**(1,953,518)**	(2,495,987)
Receipt of government grant		**-**	621,986	**-**	347,620
Net cash (used in) investing activities		**(2,553,626)**	(3,275,884)	**(2,890,678)**	(3,351,456)
Cash flows from financing activities					
Proceeds from issue of shares	24	**-**	9,052,500	**-**	9,052,500
Transaction costs from issue of shares	24	**-**	(331,730)	**-**	(331,730)
Proceeds from borrowings		**-**	-	**-**	217,930
Repayment of borrowings		**(204,294)**	(135,914)	**(95,709)**	-
Proceeds from Joint Venture Loan repayment		**528,103**	-	**528,103**	-
Loans to Joint Venture	12	**-**	(501,455)	**-**	(501,455)
Advance to minority interest		**(457,044)**	-	**-**	-
Proceeds/(payments) from/(to) related party loans	12,14	**108,928**	(47,254)	**2,548,328**	-
Payment of finance lease liabilities		**(202,115)**	(226,517)	**(31,337)**	(26,608)
Net cash provided by / (used in) financing activities		**(226,422)**	7,809,630	**2,949,385**	8,410,637
Net increase / (decrease) in cash held		**(2,031,086)**	3,575,487	**(1,428,906)**	2,740,472
Cash at beginning of year		**4,730,149**	1,169,581	**3,136,599**	396,127
Effect of exchange rate on cash holdings in foreign currencies		**(59,600)**	(14,919)	**-**	-
Cash at end of year	11	**2,639,463**	4,730,149	**1,707,693**	3,136,599

The above cash flow statement should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008

1 CORPORATE INFORMATION

The financial report of DataDot Technology Limited (the Company) for the year ended 30 June 2008 was authorised for issue in accordance with a resolution of the directors on 26th September 2008.

DataDot Technology Limited (the parent) is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian stock exchange.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis, except for derivative financial instruments which have been measured at fair value.

The financial report is presented in Australian Dollars.

(a) Compliance with IFRS

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS).

(b) New accounting standards and interpretations

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ending 30 June 2008. These are outlined in the table below.

Reference	Affected Standard(s)	Application date of standard*	Nature of change to accounting policy	Application date for Group
AASB 8	Operating Segments	1 January 2009	Segment note disclosure impact only, no material change from current disclosure.	1 July 2009
AASB 101	Presentation of Financial Statements (Amended)	1 January 2009	No material impact on the amounts presented within the financial statement but it likely to result in a substantial change in the presentation and terminology of the primary financial statements.	1 July 2009
AASB 123	Borrowing Costs (Amended)	1 January 2009	Requires capitalisation of all interest expense on qualifying assets. No material impact as currently no qualifying assets.	1 July 2009
AASB 3	Business combinations (Amended)	1 July 2009	Adoption is likely to result in substantial changes in the way in which the entity accounts for business combinations. The Group has been unable to assess (as at authorisation of this financial report) the financial impact of this change on the entity's financial report in the period of initial application.	1 July 2009

* Application date is for the annual reporting periods beginning on or after the date shown in the above table.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) New accounting standards and interpretations (continued)

Reference	Affected Standard(s)	Application date of standard*	Nature of change to accounting policy	Application date for Group
AASB 127	Consolidated and Separate Financial Statements(Amended)	1 July 2009	On adoption of this revised standard it will result in the minority interest recognised in both the Balance Sheet and Income Statement to be reduced by approximately $250,000 so as to attribute the total loss of the UK subsidiary to the minority interest. Under current standards excess losses could only be allocated to the owners of the parent, except to the extent that the minority interests had a binding obligation wand were able to make an additional investment to cover the losses. Other than the above, there is no material impact expected but it will result in changes in the way in which the entity accounts for changes Consolidated and Separate Financial Statements.	1 July 2009
AASB 2008-1	Amendments to Australian Accounting Standard - Share-based Payments: Vesting Conditions and Cancellations	1 January 2009	Adoption will not result in a change in accounting policy for the entity as AASB 2008-1 only clarifies an existing treatment the entity had already complied with.	1 July 2009
AASB 2008-2	Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations arising on Liquidation	1 January 2009	No impact as the Group does not have any puttable financial instruments.	1 July 2009
2008-5	Amendments to Australian Accounting Standards arising from the Annual Improvements Project	1 January 2009	The amendments to some Standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes. These amendments are expected to have no or minimal effect on accounting.	1 July 2009
2008-6	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	1 July 2009	Amends AASB 1 and AASB 5 to include requirements relating to a sale plan involving the loss of control of a subsidiary. The amendments require all the assets and liabilities of such a subsidiary to be classified as held for sale and clarify the disclosures required when the subsidiary is part of a disposal group that meets the definition of a discontinued operation.	1 July 2009

* Application date is for the annual reporting periods beginning on or after the date shown in the above table.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) New accounting standards and interpretations (continued)

Reference	Affected Standard(s)	Application date of standard*	Nature of change to accounting policy	Application date for Group
2008-7	Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2009	Amends AASB 127 Consolidated and Separate Financial Statements, AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards, AASB 118 Revenue, AASB 121 The Effects of Changes in Foreign Exchange Rates and AASB 136 Impairment of Assets. The amendments allow first-time adopters to use a deemed cost of either fair value or the carrying amount under a previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. Other amendments to note include the removal of the cost method definition from AASB 127, replacing it with a requirement to present dividends as income in the separate financial statements of the investor. These amendments are expected to have no or minimal effect on accounting.	1 July 2009
Interpretation 4 (revised)		1 January 2008	Provides criteria for determining whether an arrangement is, or contains, a lease. Adoption of Interpretation 4 (revised) is unlikely to have a material impact on the entity's financial report as the entity has no current or expected arrangements which would fall within the scope of this interpretation.	1 July 2008
IFRIC Interpretation 16	Hedges of a Net Investment in a Foreign Operation	1 October 2008	Provides guidance on identifying the foreign currency risks that qualify as a hedged risk in the hedge of a net investment in a foreign operation. IAS 21 and IAS 39 require cumulative amounts recognised in other comprehensive income relating to both the foreign exchange differences arising on translation of the results and financial position of the foreign operation and the gain or loss on the hedging instrument that is determined to be an effective hedge of the net investment to be reclassified from equity to profit or loss as a reclassification adjustment when the parent disposes of the foreign operation. Adoption of Interpretation 16 is unlikely to have a material impact on the entity's financial report as the entity has no current or expected arrangements which would fall within the scope of this interpretation.	1 July 2009

* Application date is for the annual reporting periods beginning on or after the date shown in the above table.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) New accounting standards and interpretations (continued)

The Group has adopted AASB 7 Financial Instruments: Disclosures and all consequential amendments which became applicable on 1 January 2007. The adoption of this standard has only affected the disclosure in these financial statements. There has been no affect on profit and loss or to the financial position of the entity.

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of DataDot Technology Limited and its subsidiaries (as outlined in note 27 (a)) as at 30 June each year (the Group). Joint ventures are equity accounted and are not part of the Consolidated Group.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another 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 transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Investment in subsidiaries held DataDot Technology Limited is accounted for at cost in the separate financial statements of the parent entity.

Minority interests represent the portion of profit or loss and net assets in DataDot Technology (UK) Ltd, DataDot Technology (Asia) Pty Ltd and DataDot Technology South Africa (Pty) Ltd not held by the Group and are presented separately in the income statement and within equity in the consolidated balance sheet, separately from parent shareholder’s equity.

The excess of accumulated losses over equity attributable to minority interests is to be adjusted against the Company’s ownership interest unless the minority interest has a binding obligation to, and is able to, make good the losses.

(d) Segment reporting

A business segment is a distinguishable component of the entity that is engaged in providing products or services that are subject to risks and returns that are different to those of other operating business segments. Management has assessed the reportable business segments under AASB 114 Segment Reporting and have determined that on adoption of AASB 8 Segment Reporting (applicable from 1 July 2009), it is unlikely that any additional operating segments will be reported. A geographical segment is a distinguishable component of the entity that is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different than those of segments operating in other economic environments.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Foreign currency translation (continued)

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

The functional currencies of the overseas subsidiaries are:

Name of overseas subsidiaries	*Functional currency*
DataDot Technology USA Inc	United States Dollars (US$)
DataDot Technology (UK) Ltd	Great Britain Pound (GBP£)
DataDot Technology South Africa (Pty) Ltd	South African Rand (ZAR)

(ii) 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 the balance sheet 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.

(ii) Translation of Group Companies functional currency to presentation currency

The results of the overseas subsidiaries are translated into Australian Dollars as at the date of each transaction. Assets and liabilities are translated at exchange rates prevailing at balance 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 balance sheet date and their income statements are translated at the weighted 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 income statement in the period in which the subsidiary is disposed.

(f) Cash and cash equivalents

Cash and cash equivalents in the balance sheet 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 Cash Flow Statement, 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 balance sheet.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) 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 the Group 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.

(h) 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 is 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 but excluding borrowing 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.

(i) Investments and other financial assets

Investments and 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 investments, as appropriate. The classification depends on the purpose for which the investments were acquired. 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 investments 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 the Group commits to purchase the asset. Regular way 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 have expired or been transferred.

(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. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in profit or loss and the related assets are classified as current assets in the balance sheet.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Investments and other financial assets (continued)

(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 profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process. Loans that have been fully impaired are not carried at amortised costs.

(j) Interest in a jointly controlled entity

The Group 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.

The Group'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 the Group to apply the equity method. The reporting dates of the joint venture and the Group are identical and both use consistent accounting policies.

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

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

(k) 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 the plant and equipment are over 2 to 20 years.

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

(i) Impairment
The carrying values of plant and equipment are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Plant and equipment (continued)

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

Impairment exists when the carrying value of an asset or cash-generating units exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

For plant and equipment, impairment losses are recognised in the income statement.

(iii) Derecognition and disposal
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.

(l) 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 substantially transfer to the Group 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 property 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 the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Operating lease incentives are recognised in the income statement as an integral part of the total lease expense.

(m) Impairment of financial assets

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

(i) Financial assets carried at amortised cost
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.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Impairment of financial assets (continued)

The Group 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.

(ii) Financial assets carried at cost
If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value (because its fair value cannot be reliably measured), or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, 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, discounted at the current market rate of return for a similar financial asset.

(n) Impairment of non-financial assets

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. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

DataDot technology Limited 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.

(o) Intangible assets

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. 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 charged against profits in the year in which the expenditure is incurred.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Intangible assets (continued)

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 are 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 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.

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 the Group 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 the Group's intangible assets is as follows:

Development Costs
Useful lives
Finite (2007: Finite)
Amortisation method used
Amortised over the period of expected future benefit from the related project 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.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Intangible assets (continued)

Patent Costs
Useful lives
Finite (2007: Finite)
Amortisation method used
Amortised over the period of the patent on a straight-line basis (2007: Amortised over the period of the patent on a straight-line basis).
Internally generated or acquired
Acquired
Impairment testing
Annually and more frequently when an indication of impairment exists

The patents 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.

(p) Trade and other payables

Trade and other payables are carried at amortised cost due to their short term nature they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group 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.

(q) Interest-bearing loans and borrowings

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

After initial recognition, interest-bearing loans and 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.

Gains and losses are recognised in profit or loss when the liabilities are derecognised.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs
Borrowing costs are recognised as an expense when incurred. DataDot Technology Limited does not currently hold qualifying assets with any borrowing costs 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 borrowing).

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Provisions and employee benefits

Provisions are recognised when the Group has a present obligation (legal or constructive) 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 balance sheet 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.

Employee leave benefits

(i) Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables 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. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using 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.

(s) Share-based payment transactions

Equity settled transactions:

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

The Employee Share Option Plan (ESOP) provides benefits to directors and all employees.

The cost of these equity-settled transactions with directors and employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value for shares issued during or since the end of the 2008 financial year has been determined by an external valuer using a binomial model, further details of which are given in note 19.

In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of DataDot Technology Limited (market conditions) if applicable.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Share-based payment transactions (continued)

At each subsequent reporting date until vesting, the cumulative charge to the income statement 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; and
(iii) the expired portion of the vesting period.

The charge to the income statement 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 more or fewer awards vest than were originally anticipated to do so. 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.

Equity settled transactions (continued):
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.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (see note 10).

(t) Contributed equity

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.

(u) Revenue recognition

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

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

(ii) Rendering of services
Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

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

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Revenue recognition (continued)

vi) 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.

(v) Income tax

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 balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet 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; or

- 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; or

- 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 balance sheet 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 balance sheet 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 balance sheet date.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Income tax (continued)

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

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 2004. 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 the Group is in a cumulative tax loss position, the Group has not applied the group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, DataDot Technology Limited also recognises the current 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; and

- 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 balance sheet.

Cash flows are included in the Cash Flow Statement 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, are classified as operating cash flows.

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be met.

When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

When the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

(x) Earnings per share

Basic earnings per share is calculated as net profit 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; and
- 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.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group’s principal financial instruments comprise bank loans, convertible notes, finance leases and hire purchase contracts, and cash and short-term deposits.

The main purpose of these financial instruments is to raise finance for the Group’s operations. The Group 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, the Group’s policy that no trading in financial instruments shall be undertaken. The main risks arising from the Group’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 Exposure and Responses

Interest rate risk

The Group’s exposure to cash flow interest rate risk is minimal due to the Group not having any long-term debt obligations with a floating interest rate.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk

As a result of significant investment in wholly-owned and partly-owned controlled entities in the United States, the United Kingdom and South Africa, the Group's balance sheet can be affected significantly by movements in the exchange rates. The Group does not seek to hedge this exposure.

The Group 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.

The Group 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 the Group has entered into a firm commitment for a sale or purchase. There has been no such transaction during the year.

It is the Group'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.

Foreign currency risk (continued)

At 30 June 2008 the Group had the following exposure to foreign currency that is not designated in cash flow hedges:

	Consolidated		***Parent***	
	2008	*2007*	***2008***	*2007*
	$	*$*	***$***	*$*
Financial Assets				
Cash and cash equivalents	**425,405**	328,876	**-**	-
Trade and other receivables	**1,741,027**	1,228,158	**980,799**	2,207,814
	2,166,432	1,557,034	**980,799**	2,207,814
Financial Liabilities				
Trade and other payables	**490,682**	572,471	**14,990**	-
Interest bearing loans and borrowings	**61,826**	414,323	**-**	-
	552,508	986,794	**14,990**	-
Net exposure	**1,613,924**	570,240	**965,809**	2,207,814

The following sensitivity analysis is based on the foreign currency rate risk exposures in existence at the balance sheet date. At 30 June 2008, if the Australian dollar moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk (continued)

Judgements of reasonably possible movements:	***Post Tax Profit***		***Equity***	
	Higher/(Lower)		***Higher/(Lower)***	
	2008	*2007*	***2008***	*2007*
	$	*$*	***$***	*$*
Consolidated				
+ 5%	**(72,220)**	15,790	**130,315**	235,084
- 10 %	**168,516**	(36,827)	**(304,068)**	(548,532)
Parent				
+ 5%	**(10,910)**	(9,715)	**(10,910)**	(9,715)
- 10 %	**25,456**	22,669	**25,456**	22,669

The effect of volatility of foreign exchange rates within expected reasonable possible movements would be material.

Price risk

The Group's exposure to commodity price risk is minimal.

Credit risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables. The Group'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 balance date is addressed in each applicable note.

The Group does not hold any credit derivatives to offset its credit exposure.

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

It is the Group'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 the Group's exposure to bad debts is not significant.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

The Group'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. The Group manages liquidity risk by monitoring cash flow and maturity profiles of financial assets and liabilities.

The remaining contractual maturities of the Group's and parent entity's financial liabilities are:

	CONSOLIDATED		***PARENT***	
	2008	*2007*	***2008***	*2007*
	$	*$*	***$***	*$*
6 months or less	**113,109**	113,946	**13,354**	38,029
6-12 months	**79,244**	201,759	**13,898**	33,489
1-5 years	**494,136**	732,549	**78,161**	138,674
	688,497	1,050,261	**107,421**	210,192

Year ended 30 June 2008	***≤ 6 months $***	***6-12 months $***	***1-5 years $***	***> 5 years $***	***Total $***
Consolidated Financial assets					
Cash & cash equivalents	**2,639,463**	**-**	**-**	**-**	**2,639,463**
Trade & other receivables	**2,570,717**	**-**	**-**	**-**	**2,570,717**
	5,210,180	**-**	**-**	**-**	**5,210,180**
Consolidated Financial liabilities					
Trade & other payables	**2,003,533**	**-**	**-**	**-**	**2,003,533**
Interest bearing loans & borrowings	**113,109**	**79,244**	**494,136**	**-**	**686,488**
	2,116,642	**79,244**	**494,136**	**-**	**2,690,021**
Net maturity	**3,093,538**	**(79,244)**	**(494,136)**	**-**	**2,520,159**

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

Year ended 30 June 2008	***≤ 6 months $***	***6-12 months $***	***1-5 years $***	***> 5 years $***	***Total $***
Parent					
Financial assets					
Cash & cash equivalents	**1,707,693**	**-**	**-**	**-**	**1,707,693**
Trade & other receivables	**568,357**	**-**	**-**	**-**	**568,357**
	2,276,050	**-**	**-**	**-**	**2,276,050**
Parent					
Financial liabilities					
Trade & other payables	**1,117,077**	**-**	**-**	**-**	**1,117,077**
Interest bearing loans & borrowings	**13,354**	**13,898**	**78,161**	**-**	**105,413**
	1,130,431	**13,898**	**78,161**	**-**	**1,222,490**
Net maturity	**1,145,619**	**(13,898)**	**(78,161)**	**-**	**1,053,560**

No impairment loss was recognised in the 2008 financial year for either the DAAC or Laser X Project. The recoverable amount of the DAAC and Laser X Project has been determined based on value in use calculations using cash flow projections based on financial budgets approved by senior management covering a five-year period. The value in use calculations includes assumptions regarding the number of vehicle manufactures that will apply the technology both in Australia and overseas over that period. The average discount rate applied to cash flow projections is 30% for the DAAC and 8.5% for the Laser X Project.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

(i) Significant accounting judgements

Recovery of deferred tax assets
Deferred tax assets are recognised in the Group's accounts for the carried forward tax losses of DataDot Technology (USA), Inc as management considers that it is probable that future taxable profits will be available to utilise those tax losses. No deferred tax assets are recognised in the Group's accounts for the carried forward tax losses for the Parent entity, DataDot Technology (Australia) Pty Limited or DataDot Technology (UK) Limited. As at 30 June 2008 the amount of deferred tax assets attributable to revenue losses not brought to account was $3,075,396 (2007: $3,267,857).

Impairment of non-financial assets other than goodwill
The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group 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. Management do not consider that the triggers for impairment testing have been significant enough and as such these assets have not been tested for impairment in this financial period.

Capitalised development costs
Development costs are only capitalised by the Group 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
The Group'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 balance sheet. 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 balance sheet 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 income statement.

(ii) Significant accounting estimates and assumptions

Impairment of intangibles with indefinite useful lives
The Group determines whether intangibles with indefinite useful lives are impaired at least on an annual basis. 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 and the carrying amount of intangibles with indefinite useful lives are discussed in note 18.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

(ii) Significant accounting estimates and assumptions (continued)

Share-based payment transactions
The Group 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 fair value of options granted during or since the end of the financial year is determined by an external valuer using a binomial model, using the assumptions detailed in note 19. 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.

Estimation of useful lives of assets
The estimation of the useful lives of 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. Depreciation charges are included in note 17.

5. SEGMENT INFORMATION

The Group's primary segment reporting format is geographical segments as the Group's risks and rates of return are affected predominantly by differences arising from operating in other economic environments.

The Group's geographical segments are determined based on the location of the Group's assets.

Inter-segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Non segment revenues and unallocated items mainly comprise interest-earning assets and revenue, interest-bearing liabilities and expenses and corporate assets and expenses.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets. The consolidated entity's business segment operates geographically as follows:

- Manufacturing facilities and sales offices in Australia, United States of America, United Kingdom and South Africa.
- Distributors appointed in various countries in North and Central America, Europe, Asia and New Zealand.

The table on the following page presents revenue, expenditure and certain asset information regarding geographical segments for the years ended 30 June 2008 and 30 June 2007.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008

5. SEGMENT INFORMATION (continued)

Year ended 30 June 2008	*Australasia* $	*USA* $	*Europe* $	*South Africa* $	*Total* $
Revenue					
Sales to external customers	5,866,142	1,173,243	647,271	3,538,704	11,225,360
Other revenues from external customers	1,762,880	35,578	-	-	1,798,458
Inter-segment sales	787,319	218,491	6,216	7,627	1,019,654
Total segment revenue	8,416,341	1,427,312	653,487	3,546,331	14,043,471
Inter-segment elimination					(1,019,654)
Non segment revenue					151,032
Total consolidated revenue					13,174,849
Result					
Segment Results	2,309,883	15,403	(299,415)	960,811	2,986,682
Unallocated expenses					(1,638,363)
Profit before tax and finance costs					1,348,319
Finance costs					(87,047)
Share of loss of joint venture					(586,430)
Profit before income tax					674,842
Income tax benefit					630,594
Net profit for the year					1,305,436
Assets and liabilities					
Segment Assets	1,742,752	1,649,134	490,515	1,529,487	5,411,888
Investment in joint venture					4,350,431
Unallocated assets					5,957,787
Total assets					15,720,106
Segment liabilities	833,175	225,650	475,936	208,008	1,742,769
Unallocated liabilities					2,604,266
Total liabilities					4,347,035
Other segment information					
Capital expenditure	219,776	2,105	6,833	63,709	292,423
Depreciation	253,096	70,986	11,670	18,092	353,844
Amortisation	-	-	-	-	116,672
Allowance for doubtful debts	-	3,098	-	152	3,250

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008

5. SEGMENT INFORMATION (continued)

Year ended 30 June 2007	*Australasia* $	*USA* $	*Europe* $	*South Africa* $	*Total* $
Revenue					
Sales to external customers	5,354,217	1,700,864	382,992	3,064,914	10,502,986
Other revenues from external customers	1,219,218	56,325	-	-	1,275,543
Inter-segment sales	371,257	96,904	43,122	-	511,283
Total segment revenue	6,944,692	1,854,093	426,114	3,064,914	12,289,813
Inter-segment elimination					(511,284)
Non segment revenue					291,214
Total consolidated revenue					12,069,743
Result					
Segment Results	1,640,973	(622,068)	(427,547)	615,774	1,207,132
Unallocated expenses					(2,214,374)
Loss before tax and finance costs					(1,007,242)
Finance costs					(210,907)
Share of loss of joint venture					(722,640)
Loss before income tax					(1,940,789)
Income tax expense					(82,663)
Net loss for the year					(2,023,452)
Assets and liabilities					
Segment Assets	3,824,140	665,542	196,327	1,125,387	5,811,396
Investment in joint venture					2,983,344
Unallocated assets					6,229,535
Total assets					15,024,275
Segment liabilities	830,452	286,505	479,650	435,426	2,032,034
Unallocated liabilities					2,593,305
Total liabilities					4,625,339
Other segment information					
Capital expenditure	469,663	133,567	1,759	19,580	624,569
Depreciation	234,579	73,605	11,208	26,975	346,367
Amortisation	-	-	-	-	102,136
Allowance for doubtful debts	-	13,378	-	178	13,556
Share-based payments	-	48,870	-	-	195,478

Secondary Reporting – Business Segment

The Group operates in one business segment being the development, manufacture and distribution of asset-based identification technologies, principally microdots, which allow assets, and their component parts, to be uniquely marked and identified.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008

	CONSOLIDATED		PARENT	
	2008	*2007*	**2008**	*2007*
	$	*$*	**$**	*$*
6. OTHER INCOME				
Government grants:				
- AusIndustry commercial ready grant	**77,334**	84,749	**70,000**	84,749
- Export market development grant	**83,056**	87,612	**83,056**	-
Net gains on disposal of plant and equipment	**2,125**	-	-	-
	162,515	172,361	**153,056**	84,749

The AusIndustry Commercial Ready grant has been awarded for the development of a robotic cell applicator.

The Export market development grant is receivable to assist the development of export sales.

There are no unfulfilled conditions or contingencies attaching to the grants.

7. EXPENSES

	CONSOLIDATED 2008 $	CONSOLIDATED 2007 $	PARENT 2008 $	PARENT 2007 $
(a) Finance costs				
Bank loans and overdrafts	**23,031**	23,026	**7,104**	9,605
Other loans (including convertible note interest)	**35,064**	122,096	**77**	85,573
Finance charges payable under finance leases and hire purchase contracts	**28,952**	65,785	**3,817**	14,360
Total finance costs (on historical cost basis)	**87,047**	210,907	**10,998**	109,538
(b) Depreciation and amortisation included in the income statement				
Included in Depreciation and Amortisation expense:				
Depreciation	**353,844**	346,368	**131,264**	89,609
Amortisation of Development costs (see note 18)	**116,672**	102,136	**116,672**	102,136
Total depreciation and amortisation	**470,516**	448,504	**247,936**	191,745
(c) Foreign exchange differences and allowance for impairment of inventories included in income statement				
Included in cost of sales:				
Net foreign exchange differences (gain)/ loss	**17,954**	24,120	**(10,638)**	2,059
Allowance for impairment of inventories	**(9,213)**	7,171	-	-

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008

	CONSOLIDATED		PARENT	
	2008	2007	**2008**	2007
	$	$	**$**	$
7. EXPENSES (continued)				
(d) Lease payments included in income statement				
Included in occupancy expenses:				
Minimum lease payments – operating lease	**293,246**	306,206	**-**	-
Included in administrative expenses:				
Minimum lease payments – operating lease	**23,199**	23,423	**-**	-
Included in cost of sales				
Minimum lease payments – operating lease	**31,142**	26,720	**-**	-
	347,587	356,349	**-**	-
(e) Employee benefits expense				
Wages and salaries	**3,770,792**	4,459,393	**1,763,049**	2,028,704
Workers compensation costs	**75,099**	63,054	**33,577**	35,368
Superannuation	**250,560**	197,852	**150,837**	108,628
Long service leave provision	**23,120**	44,204	**230**	32,836
Annual leave provision	**(30,017)**	108,161	**(34,132)**	76,211
Payroll tax	**220,620**	269,723	**105,860**	140,458
Other employee benefits	**258,180**	472,388	**143,113**	225,924
Share-based payments (note 19)	**-**	195,478	**-**	195,477
	4,568,354	5,810,253	**2,162,534**	2,843,606
(f) Research and development costs				
Research and development costs charged directly to administrative expenses in the income statement	**27,612**	23,133	**23,122**	16,889
(g) Bad and doubtful debts	**3,251**	13,556	**759,486**	1,707,968
8. INCOME TAX				
(a) Income tax expense				
The major components of income tax expense are:				
Income Statement				
Current income tax				
Current income benefit	**(123,542)**	(972,143)	562,942	(499,074)
Unused tax losses and tax offsets not recognised as deferred tax assets	**396,210**	1,015,139	**562,942**	499,074
Deferred income tax				
Relating to origination and reversal of temporary differences	**1,470**	39,667	**-**	-
Tax losses recognised as deferred tax assets during the year	**(886,488)**	-	**-**	-
Income tax expense / (benefit) reported in the income statement	**(630,594)**	82,663	**-**	-

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008

8. INCOME TAX (continued)

	CONSOLIDATED		PARENT	
	2008	2007	**2008**	2007
	$	$	**$**	$
(b) Numerical reconciliation between aggregate tax expense recognised in the income statement and tax expense calculated per the statutory income tax rate				
A reconciliation between tax expense and the product of accounting profit / (loss) before income tax multiplied by the Group's applicable income tax rate is as follows:				
Accounting profit / (loss) before tax from continuing operations	**674,842**	(1,940,789)	**(961,552)**	(694,573)
At the Parent Entity's statutory income tax rate of 30% (2007: 30%)	**202,453**	(641,177)	**(288,465)**	(208,372)
Research and development deduction	**(297,287)**	(365,883)	**(296,477)**	(371,983)
Expenditure / (revenue) not allowable / (assessable) for income tax purposes	**3,385**	74,282	**18,654**	78,460
Other	**(66,867)**	302	**3,346**	2,821
Tax losses recognised as deferred tax assets during the year	**(868,488)**	-	-	-
Unused tax losses and tax offsets not recognised as deferred tax assets	**396,210**	1,015,139	**562,942**	499,074
Income tax expense / (benefit)	**(630,594)**	82,663	-	-
(c) Recognised deferred tax assets				
Opening balance	**39,677**	-	-	-
Charge to income	**885,018**	39,677	-	-
Closing balance	**924,695**	39,677	-	-
The balance comprise temporary differences attributable to:				
Tax losses	**868,488**	-	-	-
Other	**56,207**	39,677	-	-
	921,695	39,677	-	-

Deferred tax assets not taken to account

The potential deferred tax assets arising from unused tax losses 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 deferred tax assets attributable to revenue losses not brought to account	**3,075,396**	3,267,857	**2,776,844**	2,827,607

The potential deferred tax asset will only be obtained if:

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

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

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008

8. INCOME TAX (continued)

Tax consolidation

DataDot Technology Limited and its 100% owned Australian resident subsidiaries have formed a tax consolidated group with effect from 1 July 2003. DataDot Technology Limited is the head entity of the tax consolidated group. Members of the group have not entered into a tax sharing arrangement in order to allocate income tax expense to the wholly owned subsidiaries on a pro-rata basis. There is no agreement for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. At the balance date, the possibility of default is remote.

9. DIVIDENDS PAID AND PROPOSED

No dividends were declared or paid during the year (2007: Nil).

The Company has no franking credits available.

10. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit / (loss) for the year attributable to ordinary equity holders of the parent (after deducting interest on the convertible redeemable preference shares) by the weighted average number of ordinary shares outstanding during the year.

The following reflects the income and share data used in the basic earnings per share computations:

	CONSOLIDATED	
	2008	*2007*
	$	*$*
Net profit /(loss) attributable to ordinary equity holders of the parent from continuing operations	**1,029,984**	(2,213,373)
	Number	*Number*
Weighted average number of ordinary shares for basic earnings per share	**149,577,480**	142,322,122
Effect of dilution:		
Share options	**7,995,000**	-
Weighted average number of ordinary shares adjusted for the effect of dilution	**157,572,480**	142,322,122
The following potential ordinary shares are not dilutive and are therefore excluded from the weighted average number of ordinary shares for the purposes of diluted earnings per share:		
Share options	**-**	19,418,000
The following options are not treated as potential ordinary shares as their exercise price exceeds current market price	**12,173,000**	1,000,000

There have been no transactions involving ordinary shares or potential ordinary shares that would significantly change the number of ordinary shares or potential ordinary shares outstanding between the reporting date and the date of completion of these financial statements.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008

11. CURRENT ASSETS - CASH AND CASH EQUIVALENTS

	CONSOLIDATED		PARENT	
	2008	2007	**2008**	2007
	$	$	**$**	$
Cash at bank and on hand	**2,639,463**	4,730,149	**1,707,693**	3,136,599

Cash at bank earns interest at floating rates based on daily bank deposits.

Reconciliation to Cash Flow Statement				
For the purposes of the Cash Flow Statement, cash and cash equivalents comprise the following at 30 June:				
Cash on hand and at bank	**2,639,463**	4,730,149	**1,707,693**	3,136,599
Reconciliation of net profit/(loss) after tax to net cash flows from operations				
Profit /(loss) after income tax	**1,305,436**	(2,023,452)	**(961,552)**	(694,573)
Add / (less) items classified as investing / financing activities:				
Share of joint venture loss	**586,430**	722,640	**-**	-
Interest received	**(138,235)**	(291,214)	**(121,297)**	(285,393)
Add / (less) non-cash items:				
Depreciation and amortisation	**470,515**	448,504	**247,936**	191,745
Share options expensed	**-**	195,478	**-**	195,478
Inventory impairment	**(16,149)**	7,170	**-**	-
Impairment for (write back of impairment):				
– loans to controlled entities	**-**	-	**(759,487)**	(1,707,967)
– doubtful debts	**(3,841)**	7,835	**-**	-
Net cash used in operating activities before change in assets and liabilities	**2,204,156**	(933,039)	**(1,594,400)**	(2,300,710)
(Increase) / decrease in trade and other receivables	**(131,011)**	(423,966)	**78,279**	(202,173)
(Increase) / decrease in other assets	**(20,878)**	9,387	**-**	20,000
(Increase) / decrease in inventories	**(7,728)**	(125,469)	**-**	-
(Increase) / decrease in deferred tax assets	**(885,018)**	(39,677)	**-**	-
(Decrease) / increase in trade and other payables	**(226,902)**	195,282	**158,410**	55,127
(Decrease) / increase in current tax liabilities	**(76,074)**	122,340	**-**	-
(Decrease) / increase in provisions	**(107,853)**	236,883	**(33,902)**	109,047
Net cash provided by/(used) in operating activities	**748,962**	(958,259)	**(1,487,614)**	(2,318,709)

Disclosure of non-cash financing and investing activities

Refer to note 17 and 21

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008

12. CURRENT ASSETs - TRADE AND OTHER RECEIVABLES

	CONSOLIDATED		PARENT	
	2008	2007	**2008**	2007
	$	$	**$**	$
Trade receivables	**2,427,914**	2,594,470	**540,556**	623,429
Allowance for impairment loss (a)	**(3,994)**	(7,835)	**-**	-
	2,423,920	2,586,635	**540,556**	623,429
Prepayments	**191,979**	127,598	**104,565**	86,474
Government grant receivable	**84,792**	70,000	**70,000**	-
Other	**98,028**	74,216	**27,801**	1,800
Related party receivables				
Advance to outside equity interest (b)	**457,061**	-	**-**	-
Loans to key management personnel (c)	**20,000**	20,000	**20,000**	20,000
Loans to subsidiaries	**-**	-	**980,799**	2,668,247
Allowance for impairment	**-**	-	**(561,825)**	(460,433)
Other related party (d)	**-**	528,103	**-**	528,103
	3,275,780	3,406,552	**1,181,896**	3,467,620

(a) Allowance for impairment loss

Trade receivables are non-interest bearing and are generally on 30-60 day terms. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. An allowance for impairment loss of $3,251 (2007: $7,835) has been recognised by the Group and $Nil (2007: $Nil) by the Company in the current year. These amounts have been included in the bad and doubtful debt expense item.

Movements in the provision for impairment loss were as follows:

At 1 July	**7,835**	140,960	**-**	136,966
Charge for the year	**3,251**	7,835	**-**	-
Amount written off (included in bad and doubtful debt expense)	**(7,092)**	(140,960)	**-**	(136,966)
At 30 June	**3,994**	7,835	**-**	-

At 30 June, the ageing analysis of trade receivables is as follows:

		Total	0-30 days	31-60 days	61-90 days PDNI*	61-90 days CI*	+91 Days PDNI*	+91 days CI*
2008	**Consolidated**	**2,427,914**	**1,631,772**	**479,629**	**83,566**	**-**	**228,953**	**3,994**
	Parent	**540,556**	**534,935**	**-**	**5,621**	**-**	**-**	**-**
2007	Consolidated	2,594,470	1,201,640	796,884	139,392	-	448,719	7,835
	Parent	623,429	258,068	365,361	-	-	-	-

* Past due not impaired (“PDNI”)

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008

Considered impaired (“CI”)

12. CURRENT ASSETS - TRADE AND OTHER RECEIVABLES (continued)

(a) Allowance for impairment loss (continued)

Receivables past due but not considered impaired are: Consolidated $312,519 (2006: $588,111); Parent $5,621 (2006: $Nil). Each operating unit has been in direct contact with the relevant debtor and is satisfied that payment will be received in full.

With the exception of loans to subsidiaries, other balances within trade and other receivables do not contain impaired assets and are not past due. It is expected that these other balances will be received when due.

An allowance for impairment of $561,825 (2007: $460,433) has been recognised for some of the subsidiaries loans. These allowances eliminate on consolidation.

(b) Advance to outside equity interest

The advance to outside equity interest is an advance to a shareholder of DataDot Technology South Africa (Pty) Ltd which is repayable on or before 31 March 2009 and is secured by mortgage of shares in DataDot Technology South Africa (Pty) Ltd. The shareholder, A.M.B. Blew is a director of DataDot Technology South Africa (Pty) Ltd.

In September 2008 $326,472 of the $457,061 of the advance to an outside equity interest (refer note 12) was repaid leaving a balance owing $130,588. This amount is secured by a mortgage of shares and is repayable on or before 31 March 2009.

(c) Loans to key management personnel

Refer to note 14 for the non-current portion of this receivable. For terms and conditions of loans to key management personnel refer to note 30(e).

(d) Other related party

Other related party relates to an interest-free loan provided to the Joint Venture entity, DataTrace DNA Pty Limited, which was repaid before the end of the 2008 financial year.

(e) 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 the Group's policy to transfer (on-sell) receivables to special purpose entities.

(f) Foreign exchange and interest rate risk

Details regarding foreign exchange and interest rate risk exposure are disclosed in note 3.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008

13. CURRENT ASSETS - INVENTORIES

	CONSOLIDATED		*PARENT*	
	2008	*2007*	***2008***	*2007*
	$	*$*	***$***	*$*
Raw materials (at cost)	**505,270**	489,421	**-**	-
Work-in-progress	**18,790**	10,988	**-**	-
Finished goods (at cost)	**13,177**	12,951	**-**	-
Total inventories at the lower of costs and net realisable value	**537,237**	513,360	**-**	-

(a) Inventory expense

Inventories recognised as an expense for the year totalled $1,431,813 (2007: $1,955,022) for the Group and $Nil (2007: $Nil) for the Company. This expense has been included in the cost of sales line item. Inventory write-downs (write-ups) recognised as an expense (revenue) totalled ($9,213) (2007: $7,170) for the Group and $Nil (2007: $Nil) for the Company. This expense is included in the cost of sales line item as a cost of inventories. See note 7(c).

14. NON-CURRENT ASSETS - RECEIVABLES

Loans to subsidiaries	**-**	-	**4,340,510**	5,201,389
Allowance for impairment	**-**	-	**(4,340,510)**	(5,201,389)
Loans to key management personnel	**97,134**	86,196	**97,134**	86,196
	97,134	86,196	**97,134**	86,196

(a) Related party receivables

All but £100,000 of the loans to DataDot Technology (UK) Ltd is charged interest at 9.5% per annum and is unsecured. All other loans to subsidiaries are interest free and are unsecured. The loans are repayable once the subsidiaries have sufficient positive cash flow to allow repayment. The loans are not based on discounting to present value on initial recognition as all non-current subsidiary loans are impaired.

Refer to note 12 for the current portion of this receivable. For terms and conditions of loans to key management personnel refer to note 30.

The allowance for impairment loss represents the provision for impairment on the loans to subsidiaries. An impairment loss of $139,121 (2007: $389,400) for loans to DataDot Technology USA, Inc has been recognised by the Company and $Nil (2006: $Nil) by the Group in the current year. A write back of impairment of the loans to DataDot Technology (Australia) Pty Ltd of $1,000,000 (2007: $2,424,960) has been recognised by the Company and $Nil (2007: $Nil) by the Group. These amounts have been included in the bad and doubtful debt expense item of the Company.

Movements in the provision for impairment of receivables (non-current) are as follows:

At 1 July	**-**	-	**5,201,389**	7,236,949
Charge for the year	**-**	-	**139,121**	389,400
Amount written off / (back) included in bad and doubtful debt expense	**-**	-	**(1,000,000)**	(2,424,960)
At 30 June	**-**	-	**4,340,510**	5,201,389

Notes to the Financial Statements

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14. NON-CURRENT ASSETS - RECEIVABLES (continued)

(b) Interest rate risk

Details regarding the interest rate are disclosed in note 3.

(c) Credit risk

The maximum exposure to credit risk at the reporting date is the carrying value of the loans to key management personnel. No collateral is held as security.

15. NON-CURRENT ASSETS – INVESTMENTS IN SUBSIDIARIES

	CONSOLIDATED		***PARENT***	
	2008	*2007*	***2008***	*2007*
	$	*$*	***$***	*$*
Shares in controlled entities (note 27) at cost	**-**	-	**183,250**	183,250
	-	-	**183,250**	183,250

16. NON-CURRENT ASSETS - INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD

(a) Investment details				
DataTrace DNA Pty Ltd	**4,350,431**	2,983,344	**5,504,610**	3,551,093

The Company has a 50% interest in DataTrace DNA Pty Ltd, which is involved in the high security authentication solutions. DataTrace DNA Pty Ltd is a small proprietary company incorporated in Australia. Pursuant to a shareholder agreement the company has the right to cast 50% of the votes at shareholder meetings. There were no impairment losses relating to the investment in the joint venture.

(b) Summarised financial information

The following table illustrates summarised financial information relating to the Group's investment in DataTrace DNA Pty Ltd:

	CONSOLIDATED	
	2008	*2007*
	$	*$*
Extract from the joint venture balance sheet:		
Current assets	**1,102,090**	2,328,355
Non-current assets	**3,086,304**	2,426,783
Total assets	**4,188,394**	4,755,138
Current liabilities	**(449,916)**	(1,931,775)
Non-current liabilities	**-**	-
Total liabilities	**(449,916)**	(1,931,775)
Net assets	**3,738,478**	2,823,363
Share of joint venture net assets	**1,869,239**	1,411,682

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16. NON-CURRENT ASSETS - INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD (continued)

	CONSOLIDATED	
	2008	*2007*
	$	*$*
Extract from the joint venture income statement:		
Revenue	**905,745**	256,725
Expenses	**(2,078,606)**	(1,702,005)
Net loss	**(1,172,861)**	(1,445,280)
Share of the jointly controlled entity's loss:	**(586,430)**	(722,640)

(a) Contingent liabilities and capital commitments

The consolidated entity's share of the capital commitments and contingent liabilities of the joint venture entity are disclosed in note 25 and 26 respectively.

(b) Dividends

No dividends were received by the Company during the year from the joint venture entity.

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FOR THE YEAR ENDED 30 JUNE 2008

17. NON-CURRENT ASSETS – PLANT AND EQUIPMENT

(a) Reconciliation of carrying amounts at the beginning and end of the period

	Plant and equipment $	*Leased plant and equipment* $	*Leasehold Improvements* $	*Total* $
Year ended 30 June 2008				
Consolidated:				
At 1 July 2007, net of accumulated depreciation	**823,823**	**327,027**	**68,506**	**1,219,356**
Additions	**283,247**	**-**	**9,176**	**292,423**
Disposals	**(6,378)**	**(15,734)**	**-**	**(22,112)**
Depreciation charge for the year	**(256,432)**	**(64,691)**	**(32,721)**	**(353,844)**
Exchange adjustments	**(39,479)**	**-**	**-**	**(39,479)**
At 30 June 2008, net of accumulated depreciation	**804,781**	**246,602**	**44,961**	**1,096,344**
At 1 July 2007				
Cost	**1,583,474**	**645,312**	**134,548**	**2,363,334**
Accumulated depreciation	**(759,651)**	**(318,285)**	**(66,042)**	**(1,143,978)**
Net carrying amount	**823,823**	**327,027**	**68,506**	**1,219,356**
At 30 June 2008				
Cost	**1,796,770**	**444,536**	**143,724**	**2,385,030**
Accumulated depreciation	**(991,987)**	**(197,935)**	**(98,764)**	**(1,288,686)**
Net carrying amount	**804,783**	**246,601**	**44,960**	**1,096,344**
Parent:				
At 1 July 2007, net of accumulated depreciation	**418,172**	**121,198**	**-**	**539,370**
Additions	**182,427**	**-**	**-**	**182,427**
Disposals	**-**	**-**	**-**	**-**
Depreciation and amortisation	**(109,539)**	**(21,725)**	**-**	**(131,264)**
At 30 June 2008, net of accumulated depreciation	**491,060**	**99,473**	**-**	**590,533**
At 1 July 2007				
Cost	**622,907**	**160,844**	**-**	**783,751**
Accumulated depreciation	**(204,735)**	**(39,646)**	**-**	**(244,381)**
Net carrying amount	**418,172**	**121,198**	**-**	**539,370**
At 30 June 2008				
Cost	**794,675**	**160,844**	**-**	**955,519**
Accumulated depreciation	**(303,613)**	**(61,371)**	**-**	**(364,984)**
Net carrying amount	**491,062**	**99,473**	**-**	**590,535**

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FOR THE YEAR ENDED 30 JUNE 2008

17. NON-CURRENT ASSETS – PLANT AND EQUIPMENT(continued)

(a) Reconciliation of carrying amounts at the beginning and end of the period (continued)

	Plant and equipment *$*	*Leased plant and equipment* *$*	*Leasehold Improvements* *$*	*Total* *$*
Year ended 30 June 2007				
Consolidated:				
At 1 July 2006, net of accumulated depreciation	592,340	265,776	106,971	965,087
Additions	455,773	168,796	-	624,569
Disposals	-	(5,506)	-	(5,506)
Depreciation charge for the year	(205,863)	(102,039)	(38,465)	(346,367)
Exchange adjustments	(18,427)	-	-	(18,427)
At 30 June 2007, net of accumulated depreciation	823,823	327,027	68,506	1,219,356
At 1 July 2006				
Cost	1,212,541	500,335	422,624	2,135,500
Accumulated depreciation	(620,201)	(234,559)	(315,653)	(1,170,413)
Net carrying amount	592,340	265,776	106,971	965,087
At 30 June 2007				
Cost	1,583,474	645,312	134,548	2,363,334
Accumulated depreciation	(759,651)	(318,285)	(66,042)	(1,143,978)
Net carrying amount	823,823	327,027	68,506	1,219,356
Parent:				
At 1 July 2006, net of accumulated depreciation	236,143	144,301	-	380,444
Additions	248,535	-	-	248,535
Disposals	-	-	-	-
Depreciation and amortisation	(66,506)	(23,103)	-	(89,609)
At 30 June 2007, net of accumulated depreciation	418,172	121,198	-	539,370
At 1 July 2006				
Cost	374,372	160,844	-	535,216
Accumulated depreciation	(138,229)	(16,543)	-	(154,772)
Net carrying amount	236,143	144,301	-	380,444
At 30 June 2007				
Cost	622,907	160,844	-	783,751
Accumulated depreciation	(204,735)	(39,646)	-	(244,381)
Net carrying amount	418,172	121,198	-	539,370

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008

17. NON-CURRENT ASSETS – PLANT AND EQUIPMENT (continued)

(b) Plant and equipment pledged as security for liabilities

Leased assets and assets under hire purchase contracts are pledged as security for the related finance lease and hire purchase liabilities.

Plant and equipment with a carrying amount of $36,392 (2007: $135,675) for the Group and $Nil (2007: $73,665) for the parent are pledged as securities for current and non-current liabilities as disclosed in note 21.

During the year, the Group acquired plant and equipment and leasehold improvements with an aggregate value of $Nil (2007: $38,593) by means of finance leases.

(c) Plant and equipment in the course of construction

Included in plant and equipment at 30 June 2008 is an amount of $194,068 (2007: $42,736) relating to expenditures for a plant and equipment in the course of construction.

18. NON-CURRENT ASSETS - INTANGIBLE ASSETS

(a) Reconciliation of carrying amounts at the beginning and end of the period

	CONSOLIDATED			***PARENT***		
	Development costs	*Patent costs*	*Total*	*Development costs*	*Patent costs*	*Total*
	$	*$*	*$*	*$*	*$*	*$*
At 1 July 2007						
Cost	2,109,530	98,633	2,208,163	2,109,530	98,633	2,208,163
Accumulated depreciation	(158,595)	(3,927)	(162,522)	(158,595)	(3,927)	(162,522)
Net carrying amount	1,950,935	94,706	2,045,641	1,950,935	94,706	2,045,641
Year ended 30 June 2008						
At 1 July 2007, net of accumulated amortisation	**1,950,935**	**94,706**	**2,045,641**	**1,950,935**	**94,706**	**2,045,641**
Additions	**676,982**	**136,820**	**813,802**	**672,020**	**136,820**	**808,840**
Additions – internal development	**56,251**	**-**	**56,251**	**56,251**	**-**	**56,251**
Disposals	-	-	-	-	-	-
Amortisation	**(108,635)**	**(8,037)**	**(116,672)**	**(108,635)**	**(8,037)**	**(116,672)**
At 30 June 2008, net of accumulated amortisation	**2,575,533**	**223,489**	**2,799,022**	**2,570,571**	**223,489**	**2,794,060**
At 30 June 2008						
Cost	**2,842,763**	**235,453**	**3,078,216**	**2,837,801**	**235,453**	**3,073,254**
Accumulated depreciation	**(267,230)**	**(11,964)**	**(279,194)**	**(267,230)**	**(11,964)**	**(279,194)**
Net carrying amount	**2,575,533**	**223,489**	**2,799,022**	**2,570,571**	**223,489**	**2,794,060**

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FOR THE YEAR ENDED 30 JUNE 2008

18. NON-CURRENT ASSETS - INTANGIBLE ASSETS (continued)

	CONSOLIDATED			***PARENT***		
	Development costs	*Patent costs*	*Total*	*Development costs*	*Patent costs*	*Total*
	$	*$*	*$*	*$*	*$*	*$*
At 1 July 2006						
Cost	968,217	-	968,217	968,217	-	968,217
Accumulated depreciation	(60,386)	-	(60,386)	(60,386)	-	(60,386)
Net carrying amount	907,831	-	907,831	907,831	-	907,831
Year ended 30 June 2007						
At 1 July 2006, net of accumulated amortisation	907,831	-	907,831	907,831	-	907,831
Additions	1,055,202	98,633	1,153,835	1,055,202	98,633	1,535,835
Additions – internal development	86,111	-	86,111	86,111	-	86,111
Disposals	-	-	-	-	-	-
Amortisation	(98,209)	(3,927)	(102,136)	(98,209)	(3,927)	(102,136)
At 30 June 2007, net of accumulated amortisation	1,950,935	94,706	2,045,641	1,950,935	94,706	2,045,641
At 30 June 2007						
Cost	2,109,530	98,633	2,208,163	2,109,530	98,633	2,208,163
Accumulated depreciation	(158,595)	(3,927)	(162,522)	(158,595)	(3,927)	(162,522)
Net carrying amount	1,950,935	94,706	2,045,641	1,950,935	94,706	2,045,641

(b) Description of the Group's intangible asset

i) 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. Development costs relating to the DataDot Automated Applicator Cell (DAAC) of $ 2,305,997 and the Laser X Project of $185,374 will be amortised once the projects have been completed. All other intangible assets are amortised using the straight line method over a period of 3 to 5 years. The amortisation has been recognised in the income statement 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.

ii) Patents

Patent costs are carried at cost less accumulated amortisation and accumulated impairment losses. This intangible asset has been assessed as having a finite life and is amortised using the straight line method over the period of the patent. The amortisation has been recognised in the income statement 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.

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18. NON-CURRENT ASSETS - INTANGIBLE ASSETS (continued)

(c) Impairment losses

No impairment loss was recognised in the 2008 financial year for either the DAAC or Laser X Project. The recoverable amount of the DAAC and Laser X Project has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management covering a five-year period. The average discount rate applied to cash flow projections is 30% for the DAAC and 8.5% for the Laser X Project.

There were no indicators that the patent costs are impaired.

19. SHARE-BASED PAYMENT PLANS

(a) Employee share option plan, 'ESOP'

The Company has an employee share option plan approved at the 2006 annual general meeting. The plan currently provides for directors and employees to receive a number of options over ordinary shares as determined by the Board, for no consideration.

Each option is convertible into one ordinary share. The exercise price of the options is determined by the board, but in respect of options to be granted from 1 July 2005, can be no less than $0.25.

The options expire on the earlier of their expiry date and a date referable to the date the director or employee ceases to be employed by the Company.

The expense recognised in the income statement is disclosed in note 7(e).

(b) Summaries of options granted under ESOP and Options issued not under the ESOP

The following table illustrates the number (No.) and weighted average exercise price (WAEP) of and movements in share options issued during the year:

	2008 No.	***2008 WAEP***	*2007 No.*		*2007 WAEP*
Outstanding at beginning of the year	**13,068,000**	**0.22**	18,445,000		0.22
Granted during the year	**-**	**-**	1,000,000		0.42
Forfeited during the year	**(250,000)**	**0.42**	(627,000)		0.25
Exercised during the year	**-**	**-**	(5,750,000)	(i)	0.24
Expired during the year	**-**	**-**	-		
Outstanding at the end of the year	**12,818,000**	**0.21**	13,068,000		0.22
Share options issued 22 November 2004 to KTM Capital Pty Ltd and related parties	**7,350,000**	**0.25**	7,350,000		0.25
Total share options outstanding at the end of the year	**20,168,000**	**0.23**	20,418,000		0.23
Exercisable at the end of the year	**20,168,000**	**0.23**	20,418,000		0.23

The outstanding balance as at 30 June 2008 is represented by:

- 4,495,000 options over ordinary shares with an exercise price of $0.15 each with an expiry date of 31 Dec 2009;
- 3,500,000 options over ordinary shares with an exercise price of $0.20 each with an expiry date of 23 July 2009;
- 11,423,000 options over ordinary shares with an exercise price of $0.25 each with an expiry date of 31 Dec 2009;
- 750,000 options over ordinary shares with an exercise price of $0.42 each with an expiry date of 7 Aug 2011;

(i) The weighted average share price at the date of exercise $0.365

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19. SHARE-BASED PAYMENT PLANS (continued)

(c) Weighted average remaining contractual life

The weighted average remaining contractual life for the share options outstanding as at 30 June 2008 is 1.48 years (2007: 2.94 years).

(d) Range of exercise price

The range of exercise prices for options outstanding as at 30 June 2008 was $0.15 - $0.42 (2007: $0.15 - $0.42).

As the range of exercise prices is wide, refer to the section (b) above for further information in assessing the number and timing of additional shares that may be issued and the cash that may be received upon exercise of those options.

(e) Weighted average fair value

No options were granted during the year. The weighted average fair value of options granted during the 2007 year was $0.1955.

(f) ESOP pricing model

The fair value of the equity-settled options is calculated at the date of grant using a Binomial Model and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed above is the portion of the fair value of the options allocated to this reporting period.

As there was no options granted during the year and all options vested in previous years the following table only lists the inputs to the module used for the years ended 30 June 2007:

	ESOP 2007
Dividend yield (%)	4.16-5.12
Expected volatility (%)	66.5
Risk-free interest rate (%)	5.81
Expected life of options (years)	2.8
Option exercise price ($)	0.42
Weighted average share price at measurement date ($)	0.42
Model used	Binomial

The effects of early exercise have been incorporated into the calculations by using the expected life for the options that is shorter than the contractual life based on historical exercise behaviour, which is not necessarily indicative of exercise patterns that may occur in the future. The expected volatility was determined using historical share price information of the Company from the commencement of listing. The resulting expected volatility therefore reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

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20. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

		CONSOLIDATED		PARENT	
		2008	*2007*	***2008***	*2007*
	Note	***$***	*$*	***$***	*$*
Trade payables		**1,149,614**	931,094	**648,852**	470,422
Sundry creditors and accruals		**936,060**	874,730	**481,846**	485,181
Unearned revenue		**-**	-	**14,990**	13,584
Amounts payable to other parties	(b)	**57,617**	65,574	**-**	-
		2,143,291	1,871,398	**1,145,688**	969,187

(a) Fair Value

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

(b) Amounts payable to other parties

In accordance with the DataDot Technology (UK) Ltd ("DDUK") shareholders agreement DDUK has borrowed funds from a minority shareholder of DDUK on an interest free basis.

(c) Interest rate, foreign exchange and liquidity risk

Information regarding interest rate, foreign exchange and liquidity risk exposure is set out in note 3.

21. INTEREST BEARING LOANS AND BORROWINGS

	Maturity				
Current					
Secured:					
Obligations under finance leases and hire purchase contracts (note 26)	*2009*	**119,744**	192,522	**27,252**	31,337
Bank loan	*2009*	**72,182**	104,912	**-**	40,181
		191,926	297,434	**27,252**	71,518
Non-current					
Secured:					
Lease liabilities	*2010*	**122,780**	252,118	**78,161**	105,413
Bank loan	*2010*	**19,911**	131,214	**-**	33,261
		142,691	383,332	**78,161**	138,674

(a) Fair Value

The carrying amounts of the Group's current and non-current borrowings approximate their fair value.

(b) Interest rate, foreign exchange and liquidity risk

Information regarding interest rate, foreign exchange and liquidity risk exposure is set out in note 3.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008

21. INTEREST BEARING LOANS AND BORROWINGS (continued)

(c) Assets pledged as security

Lease liabilities are effectively secured as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default.

The bank loan is in the form of a chattel mortgage. Plant and equipment with a carrying amount of $36,392 (2007: $135,675) for the Group and $Nil (2007: $73,665) for the parent are pledged as securities for current and non-current liabilities. The mortgage is repayable over 36 monthly periods.

(d) Defaults and breaches

During the current and prior years, there were no defaults or breaches on any of the loans.

22. PROVISIONS

	CONSOLIDATED		*PARENT*	
	2008	*2007*	***2008***	*2007*
	$	*$*	***$***	*$*
Current				
Long service leave	**161,196**	123,330	**100,814**	98,067
Annual leave	**339,279**	419,851	**239,494**	273,625
Provision for fitment expenses	**1,018**	49,614	**-**	-
	501,493	592,795	**340,308**	371,692
Non-current				
Long service leave	**33,113**	25,650	**5,791**	8,309

(a) Nature and timing of provisions

(i) Long service leave

Refer to note 2(r) for the relevant accounting policy and a discussion of the significant estimations and assumptions applied in the measurement of this provision.

(ii) Fitment expenses

The provision for fitment expenses is raised based upon fitments done on vehicles during the year that has not been invoiced by the supplier. The provision is raised as the company can not readily determine when these will be invoiced by the fitment centres.

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23. OTHER NON-CURRENT LIABILITIES

		CONSOLIDATED		PARENT	
		2008	*2007*	***2008***	*2007*
		$	*$*	***$***	*$*
Unearned revenue		**-**	-	**42,052**	64,319
Unsecured loans from:					
Amounts payable to other parties	(a)	**351,871**	367,398	**-**	-
Government grant	(b)	**965,012**	969,606	**965,012**	969,606
		1,316,883	1,337,004	**1,007,064**	1,033,925

(a) Amounts payable to other parties

Included in payables to other parties is an amount of £169,637 ($351,871) which DataDot Technology (UK) Ltd (DDUK) has borrowed on an interest free basis. The loan, which is guaranteed by the Company, is repayable on the earlier of the termination of the DDUK shareholders agreement, the DDUK licence agreement and 15 December 2012. This financial liability is carried at amortised cost using the effective interest method.

(b) Government grant

The grant relates to the development of an asset and will be released to the income statement over the expected useful life of the relevant asset by equal annual instalments upon completion of the grant project.

24. CONTRIBUTED EQUITY AND RESERVES

(a) Ordinary Shares

Issued and fully paid	**26,456,519**	26,456,519	**26,456,519**	26,456,519

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

	Number	$	*Number*	$
Movement in ordinary shares on issue				
At 1 July 2006	121,985,832	16,695,271	121,985,832	16,695,271
Shares issued:				
For cash at $0.42 per share	18,250,000	7,665,000	18,250,000	7,665,000
Less :cost of capital raisings	-	(331,730)	-	(331,730)
Conversion of convertible notes	3,591,648	845,000	3,591,648	845,000
Exercise of share options	5,750,000	1,387,500	5,750,000	1,387,500
Cost of share-based payments	-	195,478	-	195,478
At 1 July 2007	**149,577,480**	**26,456,519**	**149,577,480**	**26,456,519**
Shares issued	-	-	-	-
At 30 June 2008	**149,577,480**	**26,456,519**	**149,577,480**	**26,456,519**

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008

24. CONTRIBUTED EQUITY AND RESERVES (continued)

(b) 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.

As disclosed in Note 21, the Group had total interest bearing liabilities $334,617 as at 30 June 2008 (2007: $680,766). The Group is not subject to any externally imposed capital requirements.

(c) Accumulated losses

Movements in accumulated losses were as follows:

	CONSOLIDATED		***PARENT***	
	2008	*2007*	***2008***	*2007*
	$	*$*	***$***	*$*
Balance 1 July	**(16,210,047)**	(13,996,674)	**(16,040,055)**	(15,345,482)
Net profit / (loss) for the year	**1,024,984**	(2,213,373)	**(961,552)**	(694,573)
Balance 30 June	**(15,185,063)**	(16,210,047)	**(17,001,606)**	(16,040,055)

(d) Reserves

Foreign currency translation reserves				
Balance at beginning of financial year	**(37,457)**	27,397	-	-
Currency translation differences arising during the year	**(331,301)**	(64,854)	-	-
Balance at end of financial year	**(368,758)**	(37,457)	-	-

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

(e) Minority interests

Interest in:				
Contributed equity	**18**	**18**	-	-
Retained profits	**470,355**	**189,903**	-	-
	470,373	**189,921**	-	-

Under AIFRS, the excess of accumulated losses over equity attributable to minority interests is to be adjusted against the Company’s ownership interest unless the minority interest has a binding obligation to, and is able to, make good the losses.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008

25. COMMITMENTS

(i) Leasing commitments

Finance lease and hire purchase commitments **-** *Group as lessee*

The Group has finance leases and hire purchase contracts for various items of plant and machinery with a carrying amount of $238,962 (2007: $333,987) for the Group and $98,561 (2007: $121,949) for the Company. These lease contracts expire within 1 to 2 years. The leases have terms of renewal but no purchase options and escalation clauses. Renewals are at the option of the specific entity that holds the lease.

Finance lease and hire purchase commitments **-** *Group as lessee (continued)*

	CONSOLIDATED		***PARENT***	
	2008	*2007*	***2008***	*2007*
	$	*$*	*$*	*$*
CONSOLIDATED				
Within one year	119,743	192,522	27,252	31,337
One year or later and no later than five years	122,781	252,118	78,161	105,413
Total minimum lease payments	242,524	444,640	105,413	136,750

Operating lease commitments – Group as lessee

The Group leases property under non-cancellable leases expiring from 4 month to 48 months. Lease payments comprise a base amount plus an incremental allowance for inflation.

Operating lease commitments – Group as lessee

The Group has entered into commercial leases on real property and items of plant and equipment. These leases have an average life of between 1 and 3 years with no renewal option included in the contracts.

Future minimum rentals payable under non-cancellable operating leases as at 30 June are as follows:

	CONSOLIDATED		***PARENT***	
	2008	*2007*	***2008***	*2007*
	$	*$*	***$***	*$*
Within one year	**291,598**	352,704	**-**	-
Later than one year but not later than five years	**145,335**	576,830	**-**	-
	436,933	929,534	**-**	-

(ii) Property, plant and equipment commitments

At 30 June 2008 the Parent has commitments of $410,000 (2007: $1,883,831) relating to the development of the DataDot Robot. The Parent has been awarded an AusIndustry *Commercial Ready* grant to assist in the development of the DataDot Robot and expects to receive grant funding of $941,916. The DAAC completion milestone is currently 31 December 2008.

(iii) Commitments relating to joint venture

At 30 June 2008, the Group has commitments of $Nil (2007: $Nil) relating to the DataTrace DNA Pty Limited joint venture (see note 26 re contingent liabilities).

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008

25. COMMITMENTS (continued)

(iv) Remuneration commitments

	CONSOLIDATED		PARENT	
	2008	*2007*	**2008**	*2007*
	$	*$*	**$**	*$*
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, payable:				
Within one year	**1,358,519**	1,048,945	**1,212,192**	910,211
After one year but not more than 5 years	**342,875**	-	**342,875**	-
	1,701,394	1,048,945	**1,555,067**	910,211

Amounts disclosed as remuneration commitments include commitments arising from the service contracts of directors and executives referred to in the Remuneration Report of the Directors Report that are not recognised as liabilities and are not included in the compensation of KMP.

26. CONTINGENT LIABILITIES

(i) Joint Venture

On the 31st of October, 2005 the Parent entered into a number of agreements with the CSIRO establishing DataTrace DNA Pty Ltd as a jointly controlled entity. Under the terms of the agreement, the Parent is required to contribute working capital until the Board of the Directors of DataTrace DNA Pty Ltd determines that the joint venture entity has consistent positive cash flows to support itself. Based on the forecasts approved by the Board of Directors of DataTrace DNA, further investments are currently estimated to be $489,129.

(ii) Guarantees

Included in payables to other parties is an amount of £169,637 ($351,871) which DataDot Technology (UK) Ltd (DDUK) has borrowed on an interest free basis. The loan, which is guaranteed by the Company, is repayable on the earlier of the termination of the DDUK shareholders agreement, the DDUK licence agreement and 15 December 2012.

(iii) Tax related contingencies

Ongoing transactions **-** *transfer pricing*

The Group has offshore operations in the United States, South Africa and the United Kingdom. As disclosed in note 27, there are intra Group transactions, which include the Company and its subsidiaries. These transactions are on an arm's length basis and are conducted at normal market prices and on normal commercial terms.

Whilst there are no investigations currently in progress, such transactions are not subject to any statutory limit in Australia. Transfer pricing is an area of focus for the United States Internal Revenue Service, the South African Revenue Service, the United Kingdom Inland Revenue Service and the ATO. At present, it is expected that any impact of an investigation if and when held would not be material to the Group.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008

27. RELATED PARTY DISCLOSURES

(a) Subsidiaries

The consolidated financial statements include the financial statements of DataDot Technology Limited and the subsidiaries listed in the following table.

Name		Country of incorporation	% Equity interest *2008*	*2007*	Investment $ *2008*	*2007*
DataDot Technology (Australia) Pty Ltd		Australia	100	100	100	100
DataDot Technology USA Inc		United States	100	100	181,818	181,818
DataDot Technology (UK) Ltd		United Kingdom	72	72	846	846
DataDot Technology (Asia) Pty Ltd		Australia	50	50	50	50
DataDot Technology South Africa (Pty) Ltd	(i)	South Africa	42.5	42.5	32	32
Identify Australasia Pty Ltd		Australia	100	100	402	402
Identify New Zealand Pty Limited		New Zealand	100	100	2	2
DataDot Technology (Europe) Ltd	(ii)	United Kingdom	100	100	-	-
					183,250	183,250

(i) This company is a controlled entity by virtue of common directorships and restrictive agreements which give effective control to the Company.
(ii) This company is a subsidiary of DataDot Technology (UK) Ltd.

(b) Ultimate parent

DataDot Technology Limited is the ultimate parent entity of the Group.

(c) Key management personnel

Details regarding key management personnel, including remuneration paid are included in note 30.

During the year a consultancy agreement was signed with Connie Lo Lin Sye. Under the terms of the three year consultancy agreement Ms Lo will receive consultancy fees and an initial grant of 500,000 ordinary share options which shall vest on and be exercisable from April 30, 2008 or, if shareholder approval has not been sought and obtained by then, on the date which shareholder approval is obtained. The strike price of these initial options is $0.25 and they will expire 5 years from the date of vesting. The value of the 500,000 options is $32,323. These options will be expensed in the 2009 financial year upon shareholder approval.

Ms Lo will also be entitled, on the completion of three years’ continuous service, to a further 1,500,000 share options subject to shareholder approval and to meeting performance criteria. The current value of the 1,500,000 share options is $97,905 of which $54,392 will be expensed in the 2009 financial year upon shareholder approval.

The value of Ms Lo’s options will be adjusted on grant date which does not occur until shareholder approval is obtained.

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Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008

27. RELATED PARTY DISCLOSURES (continued)

(d) Transactions with related parties

The following table provides the total amount of transactions that were entered into with related parties for the relevant financial year.

Inventory is sold between these entities to a limited degree, on normal terms and conditions.

Non-current loans to these entities are interest free, are unsecured and are required to be repaid once sufficient operating cash flows permit repayment.

	CONSOLIDATED		***PARENT***	
Aggregate amount of other transactions with non-director related parties:	***2008*** ***$***	*2007* *$*	***2008*** ***$***	*2007* *$*
Revenue from sale of goods				
Wholly-owned controlled entities	**-**	-	**-**	-
Partly-owned controlled entities	**-**	-	**-**	-
Revenue from royalties				
Wholly-owned controlled entities	**-**	-	**361,151**	294,699
Partly-owned controlled entities	**-**	-	**166,944**	204,023
Revenue from management fees				
Wholly-owned controlled entities	**-**	-	**-**	-
Partly-owned controlled entities	**-**	-	**-**	-
Joint Venture entity	**1,370,990**	1,219,218	**1,370,990**	1,219,218
Purchases of inventory				
Wholly-owned controlled entities	**-**	-	**-**	-
Partly-owned controlled entities	**-**	-	**-**	-
Management fees paid				
Wholly-owned controlled entities	**-**	-	**168,076**	95,034
Current loans receivable				
Wholly-owned controlled entities	**-**	-	**157,872**	2,079,216
Partly-owned controlled entities	**-**	-	**822,926**	589,031
Less : provision for doubtful debt	**-**	-	**(561,825)**	(460,433)
Joint Venture entity	**-**	528,103	**-**	528,103
Non-current loans receivable				
Wholly-owned controlled entities	**-**	-	**4,316,721**	5,177,600
Less : provision for doubtful debt	**-**	-	**(4,316,721)**	(5,177,600)
Partly-owned controlled entities	**-**	-	**23,789**	23,789
Less : allowance for impairment	**-**	-	**(23,789)**	(23,789)

28. EVENTS SUBSEQUENT TO BALANCE DATE

In September 2008 $326,472 of the $457,061 of the advance to an outside equity interest (refer note 12) was repaid leaving a balance owing $130,588. This amount is secured by a mortgage of shares and is repayable on or before 31 March 2009.

Between 1 July 2008 and the date of this report, other than mentioned above, no material transactions have occurred. There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity, in subsequent financial years.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008

29. AUDITORS' REMUNERATION

The auditor of DataDot Technology Limited is PKF.

	CONSOLIDATED		PARENT	
	2008	2007	**2008**	2007
	$	$	**$**	$
Amounts received or due and receivable for audit services by PKF:				
• an audit or review of the financial report of the entity and any other entity in the consolidated group	**103,666**	80,183	**103,666**	80,183
• other services in relation to the entity and any other entity in the consolidated group				
- tax compliance	**47,781**	68,392	**45,781**	60,634
- other services	**32,961**	8,761	**32,961**	1,761
	184,408	157,336	**182,408**	142,578
Amounts received or due and receivable by non PKF audit firms for:				
• an audit or review of the financial report of subsidiaries	**46,453**	49,924	**-**	-
• taxation services	**3,194**	4,131	**-**	-
• other	**1,117**	345	**-**	-
	50,764	54,400	**-**	-

30. KEY MANAGEMENT PERSONNEL

(a) Details of Key Management Personnel

(i) Directors

A.R. Farrar	Chairman (non-executive)
I.P. Allen	Chief Executive
B. Rathie	Director (non-executive)
G. Flowers	Director (non-executive) – appointed 27 November 2007
C. Lo Lin Sye	Director (executive) – appointed 7 February 2008
J.F. Richards	Commercial Director

(ii) Executives

M. S. James	Chief Financial Officer
G. Loughlin	Company Secretary and Strategic Development Manager
G. Twemlow	General Manager, Global Sales and Marketing
R. Sherman	General Manager - DataDot Technology USA Inc.
S. Cutler	President – Finance and operations - DataDot Technology USA Inc. – resigned 1 August 2007
P. Kibler	Managing Director - DataDot Technology (UK) Ltd
A. Blew	Managing Director - DataDot Technology South Africa (Pty) Ltd
D. Menday	Marketing Director - DataDot Technology South Africa (Pty) Ltd
G. George	Research and Development Manager

There were no other changes of key management personnel after reporting date and the date the financial report was authorised for issue.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008

30. DIRECTOR AND EXECUTIVE DISCLOSURES (continued)

(b) Compensation of Key Management Personnel

	CONSOLIDATED		***PARENT***	
	2008	*2007*	***2008***	*2007*
	$	*$*	*$*	*$*
Short-term employee benefits	**2,338,697**	2,627,145	**1,617,657**	1,576,333
Post-employment benefits	**278,592**	209,445	**270,716**	209,445
Other long-tem benefits	**-**	-	**-**	-
Termination benefits	**-**	220,430	**-**	125,000
Share-based payments	**-**	195,479	**-**	146,609
	2,617,289	3,252,499	**1,888,373**	2,040,873

(c) Option holdings of Key Management Personnel (Consolidated))

30 June 2008	*Balance at beginning of period 01 Jul 07*	*Granted as remuneration*	*Options exercised*	*Net change Other #*	*Balance at end of period 30 Jun 08*	*Vested at 30 June 2008 Total*	*Vested at 30 June 2008 Exercisable*	*Vested at 30 June 2008 Not - Exercisable*
Directors								
I.P. Allen	**2,685,000**	**-**	**-**	**-**	**2,685,000**	**2,685,000**	**2,685,000**	**-**
J.F. Richards	**238,000**	**-**	**-**	**-**	**238,000**	**238,000**	**238,000**	**-**
Executives								
G.J. Loughlin	**1,000,000**	**-**	**-**	**-**	**1,000,000**	**1,000,000**	**1,000,000**	**-**
M.S James	**250,000**	**-**	**-**	**-**	**250,000**	**250,000**	**250,000**	**-**
S. Cutler	**250,000**	**-**	**-**	**(250,000)**	**-**	**-**	**-**	**--**
G. George	**150,000**	**-**	**-**	**-**	**150,000**	**150,000**	**150,000**	**-**
Total	**4,573,000**	**-**	**-**	**(250,000)**	**4,323,000**	**4,323,000**	**4,323,000**	**-**

 # Includes forfeiture

No options were issued during or since the end of the financial year. During the year a consultancy agreement was signed with Connie Lo Lin Sye. Under the terms of the three year consultancy agreement Ms Lo will receive consultancy fees and an initial grant of 500,000 ordinary share options which shall vest on and be exercisable from April 30, 2008 or, if shareholder approval has not been sought and obtained by then, on the date which shareholder approval is obtained. The strike price of these initial options is $0.25 and they will expire 5 years from the date of vesting. The value of the 500,000 options is $32,323. These options will be expensed in the 2009 financial year.

Ms Lo will also be entitled, on the completion of three years' continuous service, to a further 1,500,000 share options subject to shareholder approval and to meeting performance criteria. The current value of the 1,500,000 share options is $97,905 of which $54,392 will be expensed in the 2009 financial year. The value of Ms Lo's options will be adjusted on grant date which does not occur until shareholder approval is obtained.

The advance to outside equity interest is an advance to a shareholder of DataDot Technology South Africa (Pty) Ltd which is repayable on or before 31 March 2009 and is secured by mortgage of shares in DataDot Technology South Africa (Pty) Ltd. The shareholder, A.M.B. Blew is a director of DataDot Technology South Africa (Pty) Ltd.

In September 2008 $326,472 of the $457,061 of the advance to an outside equity interest (refer note 12) was repaid leaving a balance owing $130.588. This amount is secured by a mortgage of shares and is repayable on or before 31 March 2009.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008

30. DIRECTOR AND EXECUTIVE DISCLOSURES (continued)

(c) Option holdings of Key Management Personnel (Consolidated)) – (Continued)

30 June 2007	*Balance at beginning of period 01 Jul 06*	*Granted as remuneration*	*Options exercised*	*Net change Other #*	*Balance at end of period 30 Jun 07*	*Vested at 30 June 2007*		
						Total	*Exercisable*	*Not - Exercisable*
Directors								
I.P. Allen	3,685,000	-	(1,000,000)	-	2,685,000	2,685,000	2,685,000	-
J.F. Richards	1,238,000	-	(1,000,000)	-	238,000	238,000	-	-
B.D. McLaws	1,238,000	-	(1,000,000)	(238,000)	-	-	-	-
C. Stott	6,584,000	-	(2,000,000)	(89,000)	4,495,000	4,495,000	4,495,000	
P. Housden	300,000	-		(300,000)	-	-	-	-
A. Grant	250,000	-	(250,000)	-	-	-	-	-
Executives								
G.J. Loughlin	500,000	500,000	-	-	1,000,000	1,000,000	1,000,000	-
M.S James	-	250,000	-	-	250,000	250,000	250,000	-
S. Cutler	-	250,000	-	-	250,000	250,000	250,000	-
Total	13,795,000	1,000,000	(5,250,000)	(627,000)	8,918,000	8,918,000	8,918,000	-

 # Includes forfeiture

(d) Shareholdings of Key Management Personnel (Consolidated)

Shares held in DataDot Technology Limited (number)

30 June 2008	*Balance at beginning of year*	*Purchased on market*	*On Exercise of Options*	*Received on conversion of notes*	*Sales on market*	*Balance at end of year*
Directors						
I.P. Allen	**14,735,000**	**-**	**-**	**-**	**-**	**14,735,000**
A.R. Farrar	**500,000**	**-**	**-**	**-**	**-**	**500,000**
B. Rathie	**150,000**	**-**	**-**	**-**	**-**	**150,000**
J.F. Richards	**4,595,000**	**-**	**-**	**-**	**-**	**4,595,000**
C. Lo Lin Sye *	**100,000**	**-**	**-**	**-**	**-**	**100,000**
Executives						
G.J Loughlin	**200,000**	**-**	**-**	**-**	**-**	**200,000**
M.S James	**300,000**	**-**	**-**	**-**	**-**	**300,000**
	20,580,000	**-**	**-**	**-**	**-**	**20,580,000**

* Appointed 7 February 2008.

Directors' Declaration

FOR THE YEAR ENDED 30 JUNE 2008

30. DIRECTOR AND EXECUTIVE DISCLOSURES (continued)

30 June 2007	*Balance at beginning of year*	*Purchased on market*	*On Exercise of Options*	*Received on conversion of notes*	*Sales on market*	*Balance at end of year*
Directors						
I.P. Allen	18,431,300	-	1,000,000	-	(4,500,000)	14,931,300
A.R. Farrar	-	500,000	-	-	-	500,000
B Rathie	-	150,000	-	-	-	150,000
P Housden	120,000	-	-	-	(120,000)	-
B.D. McLaws	20,235,000	-	1,000,000	-	(3,500,000)	17,735,000
A Grant	40,000	-	250,000		(290,000)	-
J.F. Richards	4,545,000	50,000	1,000,000	-	(1,000,000)	4,595,000
C Stott	120,000	-	2,000,000	-	(2,000,000)	120,000
Executives						
G.J Loughlin	200,000	-		-	-	200,000
M.S James	-	300,000		-	-	300,000
S Cutler	2,000,000	-		-	(250,000)	1,750,000
A Blew	-	-		-	-	-
P Kibler	-	-		-	-	-
	45,691,300	1,000,000	5,250,000	-	(11,660,000)	40,281,300

All equity transactions with key management personnel other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the Group would have adopted if dealing at arm's length.

(e) Loans to Key Management Personnel (Consolidated)

(i) Details regarding the aggregate of loans to key management personnel are as follows:

	Opening balance $	*Closing balance $*	*Interest charged $*	*Number in group at 30 June*
Total				
2008	**106,196**	**117,134**	**10,938**	**1**
2007	153,171	106,196	7,947	1

(ii) Details of individuals with loans above $100,000 in the reporting period are as follows:

30 June 2008	*Opening balance* $	*Closing balance* $	*Interest charged* $	*Highest owing in period* $
Directors				
I. Allen	**106,196**	**117,134**	**10,938**	**117,134**

30 June 2007	$	$	$	$
Directors				
I. Allen	120,671	106,196	7,947	126,196

(iii) Terms and conditions of loans to key management personnel.
Executives are charged interest at 9% per annum. The loan is repayable within 7 years.

Directors' Declaration

FOR THE YEAR ENDED 30 JUNE 2008

30. DIRECTOR AND EXECUTIVE DISCLOSURES (continued)

(iii) Details regarding advance to outside equity interest are as follows:

The advance to outside equity interest is an advance to a shareholder of DataDot Technology South Africa (Pty) Ltd which is repayable on or before 31 March 2009 and is secured by mortgage of shares in DataDot Technology South Africa (Pty) Ltd. The shareholder, A.M.B. Blew is a director of DataDot Technology South Africa (Pty) Ltd.

On 11th September 2008 $306,873 of the $457,061 of the advance to an outside equity interest (refer note 12) was repaid leaving a balance owing $150,188. This amount is secured by a mortgage of shares and is repayable on or before 31 March 2009.

(f) Other transactions with Key Management Personnel and their related parties

Sales

During the year, sales totalling $825,000 (2007: $258,000) at normal market prices have been made by DataDot Technology USA, Inc. ("DDUSA") to DataDot Dealer Services, Inc. ("DDDS") of which S. Cutler was a director and a 33% minority shareholder. During the year Mr Cutler ceased being a director and shareholder of DDDS. DDUSA paid sales commissions to DDDS of $Nil (2007: $104,000). At 30 June 2008 DDDS, Inc. owed $324,493 (2007: $67,000) to DDUSA.

During the year, sales totalling $Nil (2007: $11,450) at normal market prices have been made by DDUSA to DNA Distribution, an entity owned by S. Cutler. DNA Distribution earned commissions of $Nil (2007: $17,813).

During the year sales totalling $Nil (2007: 12,700) at normal market prices have been made by DDUSA to DDS Canada LLC, an entity partly owned by S. Cutler.

Consulting Services

(i) .The parent company signed an agreement with Mr. McLaws to perform project work for a consulting fee of US$10,000 per month. The contract may be terminated with 6 months notice before the first anniversary of the agreement and thereafter 3 months notice. The contract includes provision for a project success fee of US$100,000 to be paid on successful delivery within a prescribed timeframe of a more highly efficient method of producing DataDots. The agreement is effective from 1 July 2007.

Amounts recognised at the reporting date in relation to other transactions with Key Management Personnel

	2008 ***$***	*2007* *$*
Assets and Liabilities		
Current Assets		
Trade and other receivables	-	67,000
Non-current assets	-	-
Total assets	-	67,000
Current liabilities		
Trade and other payables	-	410
Non-current liabilities	-	-
Total liabilities	-	410
Revenue	**825,000**	282,150
Total revenue	**825,000**	282,150
Purchases / Cost of Goods Sold	-	170,923
Total expenses	-	170,923

Directors' Declaration

FOR THE YEAR ENDED 30 JUNE 2008

In accordance with a resolution of the directors of DataDot Technology Limited, I state that:

In the opinion of the directors:

(a) the financial statements and notes of the company and the consolidated entity are in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and Corporations Regulations 2001; and

(b) the financial report also complies with the International Financial Reporting Standards as disclosed in note 2(a); and

(c) the remuneration disclosures that are contained in the Remuneration report in the Directors' report comply with Australian Accounting Standard AASB 124 *Related Party Disclosures*, the Corporations Act 2001 and the Corporations Regulations 2001; and

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

The directors have been given the declarations by the chief executive officer and chief financial officer for the financial year ended 30 June 2008, required by Section 295A of the *Corporations Act 2001*.

On behalf of the Board

Signed in accordance with a resolution of the directors:

I Allen
Director

Sydney, 29th September 2008.

Chartered Accountants
& Business Advisers

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 balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising DataDot Technology Limited (the company) and the entities it controlled (the consolidated entity) at the year end.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 entity's preparation and fair presentation of the financial report 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 entity'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.

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Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's 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 company's and the consolidated entity's financial position as at 30 June 2008 and of its performance for the year ended on that date; and

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

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2(a).

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 13 to 18 of the directors' report for the year ended 30 June 2008. 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.

Auditor's Opinion

In our opinion the Remuneration Report of DataDot Technology Limited for the year ended 30 June 2008, complies with section 300A of the *Corporations Acts 2001*.

PKF

Grant Saxon
Partner
Sydney, 29th September 2008

SHAREHOLDER INFORMATION
AS AT 5 SEPTEMBER 2008

A. STATEMENT OF ISSUED SHARES

The total number of shareholders is 1,588. There are 149,577,480 ordinary fully paid shares listed on the Australian Stock Exchange Ltd (ASX). The twenty largest shareholders hold 63.047% of the Company's issued capital.

B. DISTRIBUTION OF SECURITIES

Holdings Ranges	Number of Shareholders	Number of Option holders
1-1,000	32	-
1,001-5,000	445	-
5,001-10,000	344	-
10,001-100,000	651	5
100,001 and over	116	13
Totals	1,588	18

The number of shareholders holding less than a marketable parcel of ordinary shares is 231.

C. ON-MARKET BUYBACK

There is no current on-market buyback.

D. SUBSTANTIAL SHAREHOLDERS

Substantial shareholders are as follows:

Mr Brent McLaws	17,735,000 shares
Valkyrie Nominees Pty Ltd	14,735,000 shares

E. VOTING RIGHTS

Ordinary shares – each ordinary share has one vote.
Options over ordinary shares – there are no voting rights attached to the options over ordinary shares.

F. UNQUOTED SECURITIES

The Company has on issue 20,168,000 options over ordinary shares. These options are held by 18 persons. Details of holders with more than 20% of the class of securities are: Collin Hwang holds 4,495,000 options.

G. TOP 20 SHAREHOLDERS APPEARING ON THE REGISTER

Shareholder's Name	No. of Shares held	% of capital held
Mr Brent McLaws	17,735,000	11.857
Valkyrie Nominees Pty Ltd <The Allen Family A/C>	14,735,000	9.851
Merrill Lynch (Australia) Nominees Pty Limited <Berndale A/C>	13,675,489	9.143
Mr Kevin Tay Hak Leong	7,450,000	4.981
Mr William Cleugh	7,200,000	4.814
Mrs Lim Gek Kuan	5,929,005	3.928
ANZ Nominees Limited <Cash Income A/C>	5,211,000	3.484
Taveanti Pty Ltd <Richards Family S/Fund A/C>	4,495,000	3.005
Invia Custodian Pty Limited <Black A/C>	1,800,000	1.203
Boulder Super Company Pty Ltd <Malley Family Super Fund A/C>	1,750,000	1.190
Irrewarra Investments Pty Ltd <ST A/C>	1,748,550	1.170
House Of Maister Services Limited	1,600,000	1.070
Lloyds & Casanove Investment Partners Limited	1,440,000	0.963
Apollo Solutions Limited	1,400,000	0.936
G Harvey Nominees Pty Ltd <Harvey 1995 Discretionary Ac>	1,400,000	0.936
City & Westminster Limited	1,400,000	0.936
Mr Erick Adriaanse	1,400,000	0.936
Bannaby Investments Pty Ltd	1,400,000	0.936
Renlyn Bell Investments Pty Ltd <G & R Bonaccorso Family Acc>	1,400,000	0.936
Mr Kian Giap Teo	1,135,000	0.759
Top 20 Total	94,304,044	63.047

SHAREHOLDER INFORMATION
AS AT 5 SEPTEMBER 2008