DataDot TECHNOLOGY LTD

2009 Annual Report

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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 6 to 24. The directors' report is not part of the financial report.

Directors	**Company Secretary**	**Registered office**
Mr A. R. Farrar (Chairman) Mr B. Bootle (Chief Executive Officer) Mr G. Flowers Ms C. Lo Lin Sye Mr M. George	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 Northern Beaches BBC Level 1, 818 Pittwater Road Dee Why NSW 2099

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

Chairman's Letter

Dear Shareholder,

The 2009 financial year has been a difficult year for the Group with both the global financial crisis and the need for a very significant restructuring of management impacting the Company's activities.

During the year the DataDot Technology Limited (DataDot) Group generated a loss from total operations of $10,985,322 compared to a profit of $1,305,436 in 2008.

The majority of these losses arose from:

(i) impairment of the Automated Application Cell;
(ii) impairment of the Laser X project;
(iii) impairment of the DataTrace development costs together with;
(iv) writing down our DataTrace investment; and
(v) writing off the carrying value of tax losses in the United States.

Our net loss from continuing operations, after removing the restructuring and impairment impacts as outlined in this letter, was $914,493 compared to $349,550 in 2008.

The impact of the severe deterioration in global trading conditions, particularly in the motor vehicle sector, caused a decline in product sales and revenue from the motor vehicle related channel, reflected in the revenues of continuing operations being $8,159,972 compared to $9,563,244 in the prior financial year - a decrease of $1,403,272 (15%).

During the year DataDot's 42.5% equity interest in DataDot Technology South Africa (Proprietary) Limited (DDSA) was sold via a put and call agreement to the two South African shareholders who manage DDSA. The call (buy) side of the agreement allows progressive payment and disposal of DataDot's shares in DDSA. The put (sell) side of the agreement allows DataDot to force DDSA to complete the sale in 18 months from the date of execution. DDSA is now reflected in the financial statements as a discontinued operation with prior year income statements and segment information having been restated accordingly. The results shown in discontinued operations are for the period from 1 July 2008 to 11 March 2009, after which time only royalty revenue is received from South Africa. The royalty was renegotiated up by 50% from 5% to 7.5% of ex-factory prices.

As the likelihood of an Original Equipment Manufacturer (OEM) taking on production-line fitment of DataDots in the present market was determined to be low, the Board determined that the DataDot Automated Application Cell (DAAC) should be impaired, resulting in an impairment loss of $2,607,394, offset to the extent of $1,357,797 by recognising related deferred income. The Board also considered it prudent to fully impair the Laser X Project, which incurred an impairment loss of $385,840.

Consistent with the decision of the DataTraceDNA Pty Limited (DataTrace) Board to fully impair the capitalised development costs of DataTrace, the Board of DataDot determined that the investment in DataTrace was fully impaired, incurring an impairment loss of $3,217,088 (2008:$Nil). In addition, the full impairment of DataTrace capitalised development led to a full year loss after tax in DataTrace of $4,192,691, of which DataDot's 50% share of the joint venture equated to $2,096,345.

During the year the Board and management also undertook a major organisational restructure to significantly reduce costs, improve the efficiencies of cost of goods sold and diversify the revenue base. This will reduce the Group's reliance on auto OEM customers and re-focus the effort on revenue generated in non-vehicle channels.

Chairman's Letter (continued)

The restructure focused on changing the remuneration structure of sales staff to performance-based pay and so transitioning to an NPAT-driven culture. It involved the cessation of employment for several senior executives. A restructuring charge of $930,748 was incurred in the second half of the year in relation to these changes.

As to the individual geographical and business units:

In Australasia, product sales decreased by $1,015,741 (17.3%) from $5,866,142 to $4,850,401, primarily due to the global downturn in the automotive industry. DataDot ceased supplying BMW Group Australia as an OEM customer during the first half of the year. Increased sales in the heavy machinery and commercial market segments helped to offset this decline. Net profit decreased by $911,475 (39.4%) from $2,315,836 to $1,404,361.

In the United States, product sales decreased by $433,703 (37.0%) from $1,173,243 to $739,540 and the net profit decreased by $377,868 to a net loss of $362,465 (2008: profit of $15,403).

At 31 December 2008, in recognition of the half year performance and the significant downturn in the US auto industry, the Board no longer considered it probable that the United States subsidiary would generate sufficient current period taxable profits against which tax losses could be utilised in the short term and determined that the carried forward tax losses would be derecognised.

In Europe, product sales increased by $1,106,651 (171%) from $647,271 to $1,753,922 and the net profit increased by $397,524 from a loss of $299,374 in 2008 to a profit of $98,150 in 2009. The increase in sales was due mainly to a new agreement executed in March 2009 with Federperiti Gest S.r.l, (a service provider for insurance companies), to supply DataDot microdots as a security measure to mark motor vehicles insured with insurance policies sold on the Italian market by Assimoco Assicurazioni S.p.A in partnership with Fiat Sava, a subsidiary of FGA Capital. It should be noted that as this contract commenced in March 2009 there are only four months of sales included in the 2009 results.

The company has expectations that this relationship will strengthen and result in further revenues flowing from other parts of Europe in the foreseeable future.

With regard to South Africa, as stated earlier, the Group decided to progressively dispose of DataDot's 42.5% equity interest in DataDot Technology South Africa (Proprietary) Limited (DDSA) to the two South African shareholders who manage DDSA. Effective 11 March 2009, DDSA became a deconsolidated entity and DDSA results are shown as a discontinued operation. For the period from 1 July 2008 to 11 March 2009, product sales decreased by $1,791,122 (50.6%) from $3,538,704 to $1,747,582. Net profit before loss on disposal decreased $595,427 (77.5%) from $768,498 to $173,071.

Our joint venture vehicle, DataTraceDNA Pty Limited, decided to fully impair the capitalised development costs of DataTrace which led the Board of DataDot to further review the impairment loss that had been recognised in December 2008. The DataDot Board determined that the investment in DataTrace should be fully impaired, reducing the carrying value of the investment to $Nil and incurring an impairment loss of $3,217,088 (2008:$Nil). In addition, the full impairment of DataTrace capitalised development led to a full year loss after tax in DataTrace of $4,192,691, of which DataDot's 50% share of the joint venture equated to $2,096,345.

During the past six months management has taken significant steps towards ensuring that these losses are substantially reduced and that the Group starts receiving some benefit from the extensive investment made to date.

Chairman's Letter (continued)

As to New Zealand, as outlined in DataDot's December 2008 Financial Report for the Half Year, in early February 2009 the New Zealand Government gave notice that it would revoke the Vehicle Standards Compliance (Whole-of-Vehicle-Marking) (WOVM) Rule and WOVM Notice, which together formed the regulatory framework establishing mandatory whole-of-vehicle marking. The immediate effect of this decision was to terminate the judicial review proceedings in the NZ High Court, under which the Motor Industry Association had challenged the validity of the Rule and Notice. DataDot had successfully applied to be jointed as a respondent in the proceedings.

The NZ Government has since confirmed that it does not intend to retain the mandatory WOVM policy.

DataDot's New Zealand Distributor will continue to be actively seeking additional sales in channels similar to that made in Australia. A particular focus in the next 12 months will be in commercial equipment and tools and also business to business asset protection solutions.

As stated, Operating Expenses have been a focus on Board and Management attention during the year.

The Group's operating expenses (on a restated basis and excluding restructuring expenses and impairment losses) decreased to $6,602,389 from $7,023,394, a decrease in operating expenses of $421,005 (6%).

Management is continuing its focus on cost control into the 2010 year through further reviews of staffing requirements as well as assessment of more efficient and cost effective manufacturing processes.

In addition, the Board and Management have implemented major cost reductions in the past seven months and as a result of the Group's restructure expect significant additional sustained savings. The major cost components of the restructuring are termination payments associated with cessation of employment together with legal and accounting fees.

As I alluded, in light of the global downturn in auto sales and particularly the auto industry's focus on cost reduction, a number of impairment indicators are reflected in the Financial Accounts. These include a reducing number of auto sales and there being no present customer for the DataDot Automated Applicator Cell (DAAC). As a consequence, the Board assessed that the future income potential for this technology was uncertain and the Board therefore determined to fully impair the project, effective 31 December 2008.

The impairment losses (net of government grants) of $1,249,597 represents impairment, in full, of capitalised development costs of $2,607,394 for the DAAC net of government grants of $1,357,797 received. These Government grants provided to the Group to assist with the development of the DAAC technology were to be released to the income statement over the expected useful life of the asset upon completion of the development. The total value of the deferred grant income was fully recognised at 31 December 2008.

There were also a number of impairment indicators being present to create sufficient uncertainty as to the future commercial potential to the Laser X Project, such that the Board has assessed that the commercialisation of the period is not certain. As a consequence, the Board decided to fully impair the project, effective 31 December 2008, incurring an impairment loss of $385,840.

As to liquidity and cash resources there was a decrease in cash in the year ended 30 June 2009 of $1,886,425 compared to $2,031,086 in 2008. There was an increase in cash flows from financing activities for the year ended 30 June 2009 due to a share placement and a rights issue during the year.

Operating activities consumed $2,383,349 (2008: generated $748,962). This decease is a result of lower sales to customers along with restructuring costs.

Cash inflows from financing activities totalled $1,506,733 (compared to an outflow of $406,409 in 2008). This movement resulted from the share placement and 1:1 rights issue in the 2009 year.

Chairman's Letter (continued)

Cash outflows from investing activities during the year ended 30 June 2009 deceased to $1,009,809 compared to $2,373,639 in 2008. The cash outflows were mainly attributed to investing in the joint venture DataTrace DNA Pty Ltd and to a lesser extent the DAAC.

As shareholders are aware, a 1:1 rights issue was undertaken during the year to accommodate the financing requirements of the Group.

Consequently, the Financial Accounts for 2009 have been prepared on the basis of a going concern, as Directors believe that funds will be available to finance future operations, expenditure commitments and repay liabilities and that the realisation of assets and settlement of liabilities will occur in the normal course of business. The Directors believe that the Consolidated Entity can continue to meet its debts as and when they become due and payable, but if Directors consider that a strengthening of the working capital position of the Consolidated Entity is necessary, if the release of provisions that have been made in the current period are required in a more accelerated time-frame than budgeted, or if the Consolidated Entity seeks to make any acquisitions in the 2009/2001 financial year, then additional funds from debt facilities or the issue of new shares may be required during the year.

The Directors were greatly concerned about the declaration that all reasonable steps to minimise the potential control effect of the rights issue were not taken, particularly given that the company had relied upon legal advice in relation to both the placement and the rights issue and clearly the documents prepared in relation to the rights issue, in particular, were deficient.

I wish to inform shareholders that I shall not be seeking re-election as a director of the company at the 2009 AGM due to business and other commitments and the heavy demands required of the role of Chairman. I ask that shareholders give the Board and the new management team, led by Ben Bootle, support to bring about the changes and results that we expect from them during the next two years. Significant steps have already been taken to drive performance and profits and I expect shareholders to see the benefits of this activity in the foreseeable future.

In conclusion, I would like to take this opportunity to thank the staff of the company for their support standing behind the Company and enduring some of the financial constraints placed on the company in recent months.

I would also like to thank Directors for the support and assistance they have provided during these extremely difficult times.

I take this opportunity to thank shareholders for their support and look forward to the positive results I expect to flow from the efforts undertaken during the last nine months.

Allan Farrar
Chairman

2nd September 2009

Directors' Report

Your directors submit their report for the year ended 30 June 2009.

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. In addition to being Chairman of the Board, Mr Farrar was a member of the former Audit Committee, is Chairman of the Remuneration & Nomination Committee, and a member of the Audit & Risk Management Committee. During the past four years Mr Farrar has also served as a Director of the following listed companies:

- Cypress Lakes Group Limited * - Appointed 31 October 2005
- Lasseters Corporation Limited * Appointed 30 June 1998
- LongReach Group Limited (formerly Hartec Limited) - Appointed 11 February 1999: Resigned 21 November 2008.
- LongReach Group Limited (formerly Allied Technologies Limited) - Appointed 21 November 2006: Resigned 24 November 2008.

* denotes current directorship

Mr Ben Bootle, B.Agr.Ec., M.Agr.Ec, Nuffield Scholar, MAICD.
Managing Director and Chief Executive Officer (appointed 27 April 2009)

Mr Bootle holds Bachelor and Master Degrees in Agricultural Economics and was a Nuffield Scholar in 2001. He was previously Chief Executive Officer of the Perich Group of Companies, whose business interests cover agriculture, mining, manufacturing, medical research, motor racing circuit operation and property development. Mr Bootle was previously a Director of Gargaloo Pty Ltd and has held the following positions: Chairman of Macquarie River Food & Fibre Association Inc.; Chairman of Macquarie Valley Riparian Irrigator's Association; Economic Consultant (1994 to 2000) and Research Economist with the Department of Agriculture. Mr. Bootle has previous ASX listed company experience as an Alternate Director of Freedom Nutritional Products Limited.

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 the Advisory Board to Mainbrace Constructions Pty. Ltd and Chief Operating Officer for the Mirvac Group. He was Chairman of the former Audit Committee, is Chairman of the Audit & Risk Management Committee and is a member of the Remuneration & Nomination Committee.

Directors' Report (Continued)

1 Directors and Company Secretary (continued)

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. Ms Lo was a member of the former Audit Committee, is a member of the Audit & Risk Management Committee and a member of the Remuneration & Nomination Committee.

Mr Michael George, BA, LLB, LLM
Independent Non-Executive Director (appointed 26 November 2008)

Mr George is a partner in the national legal firm Thomson Playford Cutlers, specialising in commercial law, corporate finance, corporate restructuring, venture capital and management buyouts.

Mr Bruce Rathie B.Com., LL.B., MBA, Grad Dip CSP, SA Fin., FAICD, FAIM
Independent Non-Executive Director (resigned 5 January 2009)

Mr Rathie joined the Board as a non-executive Director on 1 December 2006 and resigned on 5 January 2009. 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 was Chairman of the former Audit Committee a member of the Remuneration & Nomination Committee and a member of the former Risk Management & Compliance Committee until 5 January 2009. During the past four 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

Mr Ian Allen MAICD
Managing Director and Chief Executive Officer (ceased 4 February 2009)

Mr Allen was a joint founder of the Company. He was appointed Managing Director on 9 March 2000 and ceased as a Director on 4 February 2009.

Mr John Richards Dip Acc, CA, MAICD
Executive Director (resigned 26 November 2008)

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 and resigned on 26 November 2008.

Directors' Report (Continued)

1 Directors and Company Secretary (continued)

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), MAICD, 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**.**

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		Audit and Risk Management Committee Meetings	
Director	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**
A Farrar	20	21	4	4	3	3	-	-	1	1
B Bootle	3	3	-	-	-	-	-	-	-	-
G Flowers	21	21	3	4	-	-	1	1	1	1
M George	16	16	-	-	1	1	-	-	-	-
C Lo Lin Sye	21	21	2	2	1	1	-	-	1	1
B Rathie	7	7	2	2	-	-	1	1	-	-
J Richards	5	5	-	-	-	-	-	-	-	-
I Allen	7	10	-	-	1	2	-	-	-	-

(The Audit Committee and the Risk Management & Compliance Committee were merged to form the Audit & Risk Management Committee in April 2009)

A – Number of meetings attended.
B – Number of meetings held while the director held office during the year.

Directors' Report (Continued)

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 and metallic microdots containing etched data that is unique to the assets to which the microdots are attached;
    - 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.

4 Review of Results and Operations

Group Overview

Global trading conditions deteriorated significantly over the reporting period, impacting all areas of the economy. For DataDot Technology Limited (DataDot) the impact from the global financial crisis has significantly reduced the sales of motor vehicles in the company's major markets. This has caused a decline in product sales and revenue from the motor vehicle related channel, reflected in the revenues of continuing operations being lower than the prior financial year; a decrease of $1,403,272 (15%) from $9,563,244 in 2008 to $8,159,972.

During the year DataDot's 42.5% equity interest in DataDot Technology South Africa (Proprietary) Limited (DDSA) was sold via a put and call agreement to the two South African shareholders who manage DDSA. The put and call agreement allows progressive payment and disposal of DataDot's shares in DDSA. The put side of the agreement allows DataDot to force DDSA to complete the sale in 18 months from the date of execution. DDSA is now reflected in the financial statements as a discontinued operation and prior year income statements and segment information have been restated accordingly. The results shown in discontinued operations are for the period from 1 July 2008 to 11 March 2009, after which time only royalty revenue is received from South Africa.

As the likelihood of an Original Equipment Manufacturer (OEM) taking on production-line fitment of DataDots in the present market was determined to be low, the Board determined that the DataDot Automated Applicator Cell (DAAC) was fully impaired, resulting in an impairment loss of $2,607,394, which was offset to the extent of $1,357,797 of deferred income which was recognised. The Board also considered it prudent to fully impair the Laser X Project which incurred an impairment loss of $385,840.

Consistent with the decision of the DataTraceDNA Pty Limited (DataTrace) Board to fully impair the capitalised development costs of DataTrace, the Board of DataDot determined that the investment in DataTrace was fully impaired, incurring an impairment loss of $3,217,088 (2008: $Nil). In addition, the full impairment of DataTrace capitalised development led to a full year loss after tax in DataTrace of $4,192,691 of which DataDot's 50% share of the joint venture equated to $2,096,345.

Directors' Report (Continued)

4 Review of Results and Operations (continued)

Group Overview (continued)

During the second half of the year, the Board and management undertook a major restructure to significantly reduce costs, improve the efficiencies of cost of goods sold and diversify the revenue base. This will reduce the Group's reliance on auto OEM customers and re-focus the effort on revenue generated in non-vehicle channels.

The restructure focused on changing the remuneration structure of sales staff to performance based pay, transitioning to an NPAT-driven culture. It involved the cessation of employment for several senior executives and a restructuring charge of $930,748 was incurred in the second half of the year.

At 31 December 2008, in recognition of the poor financial performance of the United States subsidiary and the significant downturn in the US auto industry, the Board decided to write-down the carrying value of tax losses in the US operations. These carried forward tax losses had previously been recognised as a deferred tax asset during the 2008 financial year.

Table 1 below illustrates the underlying business operations after removing the restructuring impacts detailed above. After excluding discontinued operations (South Africa), the restructuring impacts and brought forward tax benefits from the 2008 results (so comparing like with like between 2008 and 2009) the real impact in the underlying net profit of the business has been a reduction of $564,943.

Table 1

	2009	*2008*	*Change*
	$	*$*	*%*
Net profit /(loss) from total operations	**(10,985,322)**	1,305,436	n/a
Profits (before disposal) from discontinued operations – South Africa	**173,071**	(768,498)	n/a
Impairment losses (DAAC, Laser X)	**2,993,234**	-	n/a
Impairment losses (write down of DataTrace investment)	**3,217,088**	-	n/a
Impairment of DataTrace capitalised development (included in share of loss of joint venture)	**1,617,218**	-	n/a
Restructuring charges	**930,748**	-	n/a
Write-down of carrying value of tax losses in US operations	**1,139,470**	(886,488)	n/a
Pro forma net loss from continuing operations	**(914,493)**	(349,550)	(162%)

Directors' Report (Continued)

4 *Review of Results and Operations (continued)*

Operating Results for the year

Summarised operating results are as follows:

Table 2	***2009***		*2008 (restated)*	
	Total Revenues	***Results***	*Total Revenues*	*Results*
	$	***$***	*$*	*$*
Geographic segments				
Australasia	**6,423,961**	**1,404,361**	8,416,341	2,315,836
USA	**1,136,057**	**(362,465)**	1,427,312	15,403
Europe	**1,753,922**	**98,150**	653,487	(299,374)
Discontinued Operations (South Africa)	**1,871,155**	**(319,227)**	3,611,605	1,026,085
	11,185,095	**820,819**	14,108,745	3,057,949
Consolidated entity adjustments	**(1,183,640)**	**-**	(1,019,654)	**-**
Non-segment unallocated revenues and expenses	**29,672**	**(8,392,441)**	85,758	(1,709,630)
Finance costs	**-**	**(66,012)**	**-**	(87,047)
Share of loss of joint venture	**-**	**(2,096,345)**	**-**	(586,430)
Income tax benefit /(expense)	**-**	**(1,251,343)**	**-**	630,594
Consolidated entity sales and loss	**10,031,127**	**(10,985,322)**	13,174,849	1,305,436

Going concern

The Parent Entity and Consolidated Entity incurred net losses for the year ended 30 June 2009 of $12,722,510 (2008: $961,552) and $10,985,322 (2008: profit of $1,305,436) respectively.

At 30 June 2009, the Parent Entity had net liabilities of $1,573,010 (2008: net assets of $9,454,913) and net current liabilities of $2,534,834 (2008: net current assets of $1,376,340).

These matters give rise to a material uncertainty that may cast significant doubt whether the Parent Entity and Consolidated Entity can continue as a going concern and realise their assets and extinguish their liabilities in the ordinary course of business and at amounts stated in the consolidated financial report.

The Parent Entity and Consolidated Entity's ability to continue as a going concern and develop and operate its asset identification, protection and authentication solutions is dependent upon:

(a) its ability to further expand both its vehicle and non-vehicle revenue base;
(b) increasing revenues from existing and new distributorships;
(c) the ability of management to control costs and increase production efficiencies; and
(d) the ability to raise additional funds from the issue of new shares if required.

With regard to point (a), the Directors have put in place actions that have increased the value-proposition for OEM clients to use, or continue to use, DataDot protection systems. The Directors have also placed a greater emphasis on non-automotive revenue particularly in heavy machinery, equipment, tools, retail and commercial market segments.

Directors' Report (Continued)

4 Review of Results and Operations (continued)

Operating Results for the year (continued)

Going concern (continued)

With regard to point (b), the Directors have instructed management to work on expanding DataDot's overseas distribution network, with a particular focus on selecting, training and supporting new Distributors. The Directors expect that by selecting quality distributors in new, targeted countries, and by better management and support of existing distributors, the Company will have greater success in securing new automotive and non-automotive clients.

With regard to point (c), the Directors and Management have implemented major cost reductions in the past seven months and as a result of the Group's restructure expect significant additional sustained savings to result.

Cash flow forecasts that extend 12 months from date of signature of the Directors' Report that take into account the above actions have been assessed and on this basis the Directors have prepared the consolidated financial report on a going concern basis. This basis presumes that funds will be available to finance future operations, expenditure commitments and repay liabilities and that the realisation of assets and settlement of liabilities will occur in the normal course of business. The Directors believe that the Parent Entity and Consolidated Entity can continue to meet their debts as and when they become due and payable.

With regard to point (d), if the Directors at any time consider that a strengthening of the working capital position of the Parent Entity or Consolidated Entity is necessary or if the Consolidated Entity seeks to make any acquisitions in the 2009/2010 financial year, then additional funds from debt facilities or the issue of new shares may be required during the year. The Directors believe that they would be successful in making such arrangements if the need arises.

Australasia

Product sales decreased by $1,015,741 (17.3%) from $5,866,142 to $4,850,401, primarily due to the global downturn in the automotive industry. DataDot ceased to supply BMW Group Australia as an OEM customer during the first half of the year. Increased sales in the heavy machinery and commercial market segments helped to offset this decline. Net profit decreased by $911,475 (39.4%) from $2,315,836 to $1,404,361.

United States

Product sales decreased by $433,703 (37.0%) from $1,173,243 to $739,540 and the net profit of $15,403 decreased by $377,868 to a net loss of $362,465.

At 31 December 2008, in recognition of the half year performance and the significant downturn in the US auto industry, the Board no longer considered it was probable that the United States subsidiary would generate sufficient current period taxable profits against which tax losses could be utilised and determined that the carried forward tax losses would be derecognised.

Europe

Product sales increased by $1,106,651 (171%) from $647,271 to $1,753,922, due mainly to a new agreement executed in March 2009 with Federperiti Gest S.r.l, (a service provider for insurance companies), to supply DataDot microdots as a security measure to mark motor vehicles insured with insurance policies sold on the Italian market by Assimoco Assicurazioni S.p.A. in partnership with Fiat Sava, a subsidiary of FGA Capital.

Directors' Report (Continued)

4 *Review of Results and Operations (continued)*

Operating Results for the year (continued)

South Africa

As stated above, the Group decided to progressively dispose of DataDot's 42.5% equity interest in DataDot Technology South Africa (Proprietary) Limited (DDSA) to the two South African shareholders who manage DDSA. Effective 11 March 2009, DDSA became a deconsolidated entity and DDSA results are shown as a discontinued operation.

For the period from 1 July 2008 to 11 March 2009, product sales decreased by $1,791,122 (50.6%) from $3,538,704 to $1,747,582. Net profit before loss on disposal decreased $595,427 (77.5%) from $768,498 to $173,071.

Joint Venture – DataTraceDNA Pty Limited

The decision of the DataTraceDNA Pty Limited (DataTrace) Board to fully impair the capitalised development costs of DataTrace led the Board of DataDot to further review the impairment loss that had been recognised in December 2008. The DataDot Board determined that the investment in DataTrace should be fully impaired, reducing the carrying value of the investment to $Nil and incurring an impairment loss of $3,217,088 (2008: $Nil). In addition, the full impairment of DataTrace capitalised development led to a full year loss after tax in DataTrace of $4,192,691 of which DataDot's 50% share of the joint venture equated to $2,096,345.

New Zealand

As outlined in DataDot's December 2008 Financial Report for the Half Year, in early February 2009 the New Zealand Government gave notice that it would revoke the Vehicle Standards Compliance (Whole-of-Vehicle-Marking) (WOVM) Rule and the WOVM Notice, which together formed the regulatory framework establishing mandatory whole-of-vehicle-marking. The immediate effect of this decision was to terminate the judicial review proceedings in the NZ High Court, under which the Motor Industry Association had challenged the validity of the Rule and Notice. DataDot had successfully applied to be joined as a respondent in these proceedings.

The NZ Government has since confirmed that it does not intend to retain the mandatory WOVM policy.

However, DataDot's New Zealand Distributor will continue to be actively seeking additional sales in channels similar to that made in Australia. A particular focus in the next 12 months will be in commercial equipment and tools and also business to business asset protection solutions.

Operating Expenses

The Group's operating expenses (on a restated basis and excluding restructuring expenses and impairment losses) decreased to $6,602,389 from $7,023,394, a decrease in operating expenses of $421,005 (6%).

Management is continuing its focus on cost control into the 2010 year through further reviews of staffing requirements as well as assessment of more efficient and cost effective manufacturing processes.

Table 3 below compares the decreases /(increases) in expenditure by function (excluding restructuring items) and highlights the reduction in expenditure of $421,005 (6%) over the previous year:

Directors' Report (Continued)

4 *Review of Results and Operations (continued)*

Operating Results for the year (continued)

Table 3

Consolidated Expenditure, by function	***2009*** ***$***	*2008* *$*	***Movt*** ***$***	***Movt*** ***%***
Employee benefits expense	**3,005,901**	3,645,622	639,721	18%
Administrative expenses	**1,684,522**	1,662,276	(22,246)	(1%)
Advertising and promotional expenses	**513,256**	358,115	(155,141)	(43%)
Occupancy expenses	**464,013**	416,129	(47,884)	(12%)
Travel expenses	**274,631**	400,376	125,745	31%
Finance costs	**65,212**	85,354	20,142	24%
Depreciation and amortisation expense	**388,736**	452,423	63,687	14%
Bad and doubtful debts	**206,118**	3,099	(203,019)	(6,551%)
Total operating expenses	**6,602,389**	7,023,394	421,005	6%

Restructuring

The Board and Management have implemented major cost reductions in the past seven months and as a result of the Group's restructure expect significant additional sustained savings. The major cost components of the restructuring are termination payments associated with cessation of employment together with legal and accounting fees.

Impairment Losses

In light of the global downturn in auto sales and particularly the auto industry's focus on cost reduction, a number of impairment indicators are present. These include a reducing number of auto sales and there being no present customer for the DataDot Automated Applicator Cell (DAAC). As a consequence, the Board assessed that the future income potential for this technology was uncertain and the Board therefore determined to fully impair the project, effective 31 December 2008.

The impairment losses (net of government grants) of $1,249,597 represented impairment, in full, of capitalised development costs of $2,607,394 for the DAAC net of government grants of $1,357,797 received in relation to the development of the DAAC. Government grants provided to the Group to assist with the development of the DAAC technology were to be released to the income statement over the expected useful life of the asset upon completion of the development. The total value of the deferred grant income was fully recognised at 31 December 2008 given the Group's decision over the commercialisation of the DAAC.

There were also a number of impairment indicators being present to create sufficient uncertainty as to the future commercial potential of the Laser X Project, such that the Board has assessed that the commercialisation of the project is not certain. As a consequence, the Board decided to fully impair the project, effective 31 December 2008, incurring an impairment loss of $385,840.

Directors' Report (Continued)

4 *Review of Results and Operations (continued)*

Review of Financial Conditions

Liquidity and Capital Resources

There was a decrease in cash in the year ended 30 June 2009 of $1,886,425 (2008: decrease of $2,031,086). There was an increase in cash flows from financing activities for the year ended 30 June 2009 due to a share placement and a rights issue during the year.

Operating activities consumed $2,383,349 (2008: generated $748,962). This decrease is a result of lower sales to customers along with restructuring costs.

Cash inflows from financing activities totalled $1,506,733 (2008 outflow of $406,409). This movement is a result of a share placement and a 1:1 rights issue in the 2009 year.

Cash outflows from investing activities during the year ended 30 June 2009 decreased to $1,009,809 (2008: $2,373,639). The cash outflows were mainly attributable to investing in the joint venture DataTraceDNA Pty Ltd and to a lesser extent the DataDot Robot.

Asset and capital structure

The asset and capital structure is provided in table 4 below:

Table 4	***2009***	*2008*
	$	*$*
Debts:		
Interest bearing loans and borrowings	**236,796**	334,617
Other loans – non interest bearing	**379,446**	351,871
Cash and short term deposits	**(761,490)**	(2,639,463)
Net Debt / (Cash)	**(145,248)**	(1,952,975)
Total equity	**2,251,569**	11,373,071
Total equity employed	**2,106,321**	9,420,096
Gearing	**-**	-

Shares issued during the year

There were 194,450,724 shares issued during the year (2008: Nil shares issued). 22,436,622 shares were issued through a share placement and 172,014,102 shares were issued through a rights issue. There were no shares issued on the exercise of options during the year (2008: Nil option exercises).

Directors' Report (Continued)

4 *Review of Results and Operations (continued)*

Review of Financial Conditions (continued)

Profile of Debts

Table 5	***2009*** ***$***	*2008* *$*
Current		
Obligations under finance leases and hire purchase contracts	**128,562**	119,744
Bank loan	**19,484**	72,182
Deferred GST liability	**84,017**	-
	232,063	191,926
Non-current		
Obligations under finance leases and hire purchase contracts	**4,733**	122,780
Bank loan	**-**	19,911
Other loans – non interest bearing	**379,446**	351,871
	384,179	494,562
Total Debt	**616,242**	686,488

The amount of the Group's debt has decreased by $70,246 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 2009 to $103,706 from $252,942 in 2008.

5 *Significant Changes in the State of Affairs*

Total equity decreased to $2,251,569 from $11,373,071, a decrease of $9,121,502. As detailed above, this movement was the result of the significant deterioration in global trading conditions, the impairment of capitalised development costs in both DataDot and DataTrace, and the impact of the organisational restructure. This decrease in total equity through increased accumulated losses was offset by an increase in contributed equity of $1,694,587 through the share placement and rights issue that occurred during 2009.

On 11 March 2009, DataDot's 42.5% equity interest in DataDot Technology South Africa (Proprietary) Limited (DDSA) was sold to the two South African shareholders who manage DDSA.

6 *Dividends*

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

Directors' Report (Continued)

7 Significant Events after the Balance Date

Between 1 July 2009 and the date of this report 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. The Directors anticipate that the 2010 financial year will see an increase in sales through:

(a) further expansion of both the vehicle and non-vehicle revenue base;
(b) increased revenues from existing and new distributorships;
(c) a return to normal levels of motor vehicle sales in the automotive market; and
(d) an increased focus in diversified revenue streams.

9 Environmental Regulation

The Group's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation.

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
31/12/2009	$0.25	8,250,000
7/08/2011	$0.42	500,000
		13,245,000

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 1,400,000 options, with exercise prices of $0.25 and $0.42, were issued under the terms of the Employee Share Option Plan and expire on the earlier of their expiry date and a date referable to the date the employee ceases to be employed by the Company. All options granted have fully vested. 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 5,873,000 options lapsed as a result of employees ceasing to be employed by the company. A further 1,050,000 options have lapsed since the end of the financial year. The options that lapsed during the financial year had a value of $958,277.

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
A Farrar	1,150,883	Nil
M. George	Nil	Nil
G Flowers	954,872	Nil
B. Bootle	231,036	Nil
C Lo Lin Sye	217,570	Nil

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 Corporation Act 2001

The lead auditor's independence declaration is set out on page 29 and forms part of the Directors' Report for the year.

14 Non-audit Services

During the year ended 30 June 2009, the following payments were made to the Company's auditor, PKF, as remuneration for services other than audit services:

Taxation services	$36,975
Agreed upon procedures review	$49,313
Total tax and other non-audit services	$86,288

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.

Directors' Report (Continued)

15 Remuneration Report (Audited)

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, including 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, a majority of whose members 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.

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.

Mid-Year Remuneration Review and Second-Half Staff Reductions

At the beginning of November 2008 action was taken to reduce operating overheads by more than $1.5 million per annum. A significant component of this reduction was achieved by the decision of a number of KMP to accept substantial pay reductions and by adopting a more performance-based remuneration framework for the sales team. In the seven months to 30 June 2009 this initiative reduced the company's remuneration costs by more than $1 million (on an annualised basis) and reduced the income of affected personnel by an average of approximately 40%.

Directors' Report (Continued)

15 Remuneration Report (Audited) (continued)

Mid-Year Remuneration Review and Second-Half Staff Reductions (continued)

In the second-half of the year further necessary savings were achieved by retrenching some staff and not replacing others who resigned. At 30 June 2009 the annualised remuneration costs of permanent employees were 25% lower than at the high point in October 2008.

Performance-Related Compensation

In 2009 the remuneration of three KMP depended on the satisfaction of a performance condition. The three are: Mr Benjamin Bootle, appointed Chief Operating Officer on 16 December 2008 and Chief Executive Officer on 27 April 2009; Mr Ross Hawkey, appointed Chief Financial Officer on 1 June 2009 and Mr Geoff George, R&D Manager.

For Mr Bootle and Mr Hawkey, total remuneration comprises both a fixed element payable in cash and variable elements that include both short-term (STI) and long-term (LTI) incentive components. For both KMP the STI ceiling is set at 45% of the fixed element, is payable in cash and is dependent on achieving targets relating to annual revenue, cost and profitability. For both KMP the LTI element is tied to measures of shareholder wealth that are defined in each KMP's employment contract and is payable in the form of share options that vest after 12 months and are exercisable over a three-year period commencing three years after their grant.

At the 2009 Annual General Meeting, the Board will not seek shareholder approval for a new Employee Share Option Plan or seek approval to issue options to Mr Bootle, and will not, at present, issue options to any other KMP, due to the uncertainty surrounding the taxation of employee equity grants. These matters will be re-visited after the enactment of legislation clarifying the present situation. Undertakings have been given to KMP, whose contractual entitlements include options, that they will not be adversely affected by this delay.

Mr Geoff 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 $120,000 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.

In the 2008 Annual Report it was disclosed that the remuneration of a fourth KMP, Ms Connie Lo Lin Sye, depended on the satisfaction of a performance condition. This referred to the proposed grant of 1,500,000 share options to Ms Lo that could be exercised only on attaining performance targets relating to capital raising, investor relations, implementation of corporate strategy and execution of action plans as determined by the Board. As Ms Lo is an Executive Director of the company the grant of options was subject to shareholder approval, which was denied at the 2008 Annual General Meeting.

In 2009 the remuneration of other KMP was 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.

In 2010 the remuneration of all KMP, except Independent Non-Executive Directors, will include fixed and variable components. The Board's policy objective, based on independent expert advice, is for the variable component of executive remuneration to be between 30 and 50 per cent of total remuneration. Actual proportions will vary depending on the KMP position held and on the exercise price of the options granted.

Directors' Report (Continued)

15 Remuneration Report (Audited) (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 2009 the price at which the company's shares traded declined from 16.5 cents per share on July 1 to 1.7 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, by ensuring that a significant proportion 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 shareholder wealth.

Executive Service Contracts

It is the Board's policy to establish executive service contracts with all KMP. In 2008 four KMP did not have such contracts. Of these, AMB Blew and DL Menday are executives of DataDot Technology (South Africa) (Proprietary) Limited and so ceased to be KMP in March 2009 when that company was de-consolidated from the Group. The others are PB Kibler, Managing Director of and a shareholder in DataDot Technology (UK) Limited and D Barnes, Managing Director of DataDot Technology (USA) Inc. Ms Connie Lo Lin Sye is contractually engaged for a minimum period of three years from 1 November 2007, which may be terminated thereafter by either party on three months' notice.

All other contracts are on a rolling basis and may be terminated on three months' notice. The CEO's and CFO's contracts also provide for twelve months' notice in the event of a change in the company's control. 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 the terms of the Employee Share Option Plan that was most recently approved by shareholders at the 2006 AGM. However, as the minimum exercise price for options granted under this Plan is 25 cents, it has been of no practical benefit for some time as a means of providing incentive to KMP or of reducing the cash component of total remuneration. A new Employee Share Option Plan will be submitted to shareholders for approval at the next Annual General Meeting.

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 $43,600 per annum for each of the two non-executive directors other than the Chairman and $60,000 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.

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 key management personnel are disclosed in the following Tables:

Directors’ Report (Continued)

15 Remuneration Report (Audited) (continued)

Remuneration of directors and named executives

Table 1: Remuneration for the year ended 30 June 2009

	Short-term				Post employment		Long-term	Termination benefits	Share-based Payment	Total	Performance related
	Salary & Fees	Cash bonus	Non monetary benefits	Other	Super-annuation	Retirement benefit	Incentive Plans		Options		
	$	$	$	$	$	$	$	$	$	$	%
Non-executive directors											
A. Farrar – Chairman	**60,000**									**60,000**	
G. Flowers	**40,000**				**3,600**					**43,600**	
M. George *	**24,773**									**24,773**	
B. Rathie **	**20,769**				**1,869**					**22,638**	
Sub-total non-executive directors	**145,542**				**5,469**					**151,011**	
Executive directors											
B. Bootle – Chief Executive ***	**135,192**				**27,167**					**162,359**	
C Lo Lin Sye	**175,000**									**175,000**	
I.P. Allen ****	**354,568**		**48,842**		**21,415**					**424,825**	
J.F. Richards #	**49,050**		**44,618**					**95,333**		**189,001**	
Other key management personnel											
R. Hawkey – Chief Financial Officer ##	**12,232**				**1,101**					**13,333**	
M. James – Chief Financial Officer ###	**87,532**				**6,065**					**93,597**	
G. Loughlin - Company Secretary and Strategic Development Manager	**64,938**				**89,063**					**154,001**	
G. Twemlow - General Manager, Global Sales & Marketing @	**7,290**									**7,290**	
P. Kibler - Managing Director, DataDot Technology (UK) Limited	**108,001**									**108,001**	
D. Barnes – President, DataDot Technology USA, Inc. @@	**120,316**		**18,849**							**139,165**	
R. Sherman – General Manager, Global IT @@@	**131,546**		**18,849**							**150,395**	
A.M.B. Blew - Managing Director, DataDot Technology (S.A) (Pty) Ltd	**123,646**									**123,646**	
D.L. Menday - Sales Director, DataDot Technology (S.A.) (Pty) Ltd	**123,646**									**123,646**	
G. George - R&D manager ^	**104,826**	**149,619**			**9,414**					**263,859**	**56.70%**
Sub-total executive KMP	**1,597,783**	**149,619**	**131,158**		**154,225**			**95,333**		**2,128,118**	
Totals	**1,743,325**	**149,619**	**131,158**		**159,694**			**95,333**		**2,279,129**	

*	Appointed 26 November 2008	**	Ceased 5 January 2009
***	Appointed 16 December 2008 as Chief Operating Officer and 27 April 2009 as Chief Executive Officer		
****	Ceased 4 February 2009	#	Ceased 26 November 2008
##	Appointed 1 June 2009	###	Resigned 31 January 2009

@ Resigned 30 June 2008, a related party entity of Mr. G Twemlow earning consulting fees for 12 months of the financial year to 30 June 2009.

@@ Appointed 28 November 2008.

@@@ Appointed General Manager, Global IT and ceased to be KMP on 28 November 2008.

^ Cash STI for G George is paid under a royalty agreement to a related entity of G George. The royalty agreement terminates on G George ceasing employment with the parent company and was capped at $250,000 per annum. Effective 1 November 2008, the royalty agreement was varied and is now capped at $120,000 per annum.

Directors' Report (Continued)

15 Remuneration Report (Audited) (continued)

Remuneration of directors and named executives (continued)

Table 2: Remuneration for the year ended 30 June 2008

	Short-term				Post employment		Long-term	Termina-tion benefits	Share-based Payment	Total	Perform-ance related
	Salary & Fees	Cash bonus	Non monetary benefits	Other	Super-annuation	Retire-ment 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 KMP	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)

15 Remuneration Report (Audited) (continued)

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

No options were issued during or since the end of the financial year ended 30 June 2009 or the preceding financial year.

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 2009.

Dated at Sydney this 2nd day of September 2009.

Signed in accordance with a resolution of the Directors:

Allan Farrar
Chairman

Corporate Governance Statement

This statement outlines the main corporate governance policies of the Company. These policies comply with the ASX Revised Corporate Governance Principles and Recommendations. The Company's Corporate Governance policies, together with the Board Charter, the Audit & Risk Management Committee Charter and the Remuneration Committee Charter, are published on our website:

www.datadotdna.com/dtl_company_corporate_governance.htm

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 & Risk Management Committee and a Remuneration and Nomination Committee. These 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 6 and 7.

The Constitution of the Company specifies the number of directors shall be not less than three or 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, and any director appointed since the last annual general meeting, retire from office and may stand for re-election.

Corporate Governance Statement (continued)

1 Board of Directors (continued)

The composition of the board is reviewed periodically 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 it is considered that the board would benefit from the services of a new director with particular skills, the board may appoint the most suitable candidate whose appointment must be confirmed by shareholders at the next general meeting.

The board currently consists of five directors of whom three, Mr G Flowers, Mr M George 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. Mr Farrar is a principal of WHK Horwath and Mr George is a partner of solicitors Thomson Playford Cutlers, both of which firms provided arm's length professional services to the company in 2009. Otherwise, none of these independent directors is an 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 & Risk Management Committee; and
- the fact that independent directors constitute a majority of the members of the Remuneration & Nomination Committee.

<u>*Board evaluation*</u>

Under the Company's policy of Board and Director Evaluation, both individual and collective performance evaluations are conducted annually, the last such assessment having been conducted in August 2008. Evaluation is made against the criteria of personal contribution, collective efficacy and procedural adequacy that are specified in the policy.

2 Audit and Risk Management Committee

In 2008 the Board consolidated the Audit Committee and Risk Management & Compliance Committee into a single Audit & Risk Management Committee. In relation to audit, this Committee oversees the financial reporting process to ensure balance, transparency and integrity of published financial information and monitors the effectiveness of internal financial controls. In relation to risk management, the Committee's role is to identify and assess business risks, establish risk mitigation strategies and monitor the effectiveness of control and reporting systems. In relation to compliance, the Committee monitors the Group's compliance obligations arising under the law, ASX Listing Rules, contracts and internal policies.

The Audit & Risk Management Committee has a documented charter, approved by the board. The Chairman may not be Chairman of the board. A majority of members of the Audit & Risk Management Committee are independent, non-executive directors.

Corporate Governance Statement (continued)

2 Audit and Risk Management Committee (continued)

The members of the Audit Committee, Risk Management & Compliance Committee and consolidated Audit & Risk Management Committee during the year were:

- Mr B Rathie, B.Comm., LL.B., MBA, Grad Dip CSP, SA Fin., FAICD, FAIM. (Member of Audit Committee from 25 January 2007 and Chairman from 5 March 2007 until 5 January 2009; Member of Risk Management & Compliance Committee from 20 December 2007 until 5 January 2009 – Independent Non-Executive;
- Mr A Farrar, B.Sc., Dip.Acc., FAICD (Member of Audit Committee from 25 January 2007 and Audit & Risk Management Committee from 21 May 2009) **-** Independent Non-Executive;
- Mr G Flowers, B.Comm., LL.B., FAICD. (Member of Audit Committee from 20 December 2007; Member and Chairman of Risk Management & Compliance Committee from 20 December 2007; Member and Chairman of Audit & Risk Management Committee from 21 May 2009) – Independent Non- Executive;
- Ms Connie Lo Lin Sye, BBA, (Member of Audit & Risk Management Committee from 21 May 2009) – Executive Director.

The external auditors and the Chief Financial Officer are invited to Audit & Risk Management Committee meetings at the discretion of the committee. The Audit, Risk Management & Compliance and Audit & Risk Management Committees met six times during the year. Committee members' attendance record is disclosed in the table of Directors' meetings on page 8. 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 2009 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.

Management has established and implemented a risk management and internal control system for assessing, monitoring and managing strategic, operational, financial reporting and compliance risks for the consolidated entity. 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 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.

3 Ethical Standards

All directors, managers and employees are expected to act with integrity and objectivity, striving at all times to enhance the reputation and performance of the consolidated entity. The Company's Code of Conduct and operating policies are published internally for all employees and on the company's website.

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 across 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 31.

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 director and employee trading be restricted to specified trading windows and requires disclosure of trading activity.

Corporate Governance Statement (continued)

3 Ethical Standards (continued)

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.

4 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.

5 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;
- 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.

Chartered Accountants
& Business Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of DataDot Technology Limited for the year ended 30 June 2009, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of 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.

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

PKF

Grant Saxon
Partner

2 September 2009
Sydney

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Income Statements

For the Year Ended 30 June 2009

	Note	*CONSOLIDATED* 2009 $	2008 $	*PARENT* 2009 $	2008 $
Continuing operations					
Sale of goods		**7,343,862**	7,679,029	**-**	-
Rendering of services		**707,223**	1,381,469	**695,307**	1,370,990
Licence fees		**79,215**	416,989	**5,000**	391,890
Royalties		**-**	-	**318,651**	528,096
Finance revenue		**29,672**	85,757	**73,846**	121,297
Revenue		**8,159,972**	9,563,244	**1,092,804**	2,412,273
Cost of sales	7(c), (d)	**(3,371,570)**	(2,463,360)	**(150,634)**	(232,096)
Gross profit		**4,788,402**	7,099,884	**942,170**	2,180,176
Other income	6	**1,410,551**	160,390	**1,373,223**	153,056
Employee benefits expense	7(e)	**(3,005,901)**	(3,645,622)	**(1,613,892)**	(2,162,534)
Administrative expenses	7(d), (f)	**(1,684,522)**	(1,662,276)	**(1,475,478)**	(1,268,890)
Advertising and promotional expenses		**(513,256)**	(358,115)	**(45,576)**	(59,523)
Occupancy expenses	7(d)	**(464,013)**	(416,129)	**(39,616)**	(37,185)
Travel expenses		**(274,631)**	(400,376)	**(193,138)**	(267,205)
Finance costs	7(a)	**(65,212)**	(85,354)	**(11,247)**	(10,998)
Depreciation and amortisation expense	7(b)	**(388,736)**	(452,423)	**(199,531)**	(247,936)
Bad and doubtful debts	7(g)	**(206,118)**	(3,099)	**(1,257,913)**	759,486
Restructuring expenses	7(h)	**(930,748)**	-	**(930,748)**	-
Impairment losses		**(6,210,322)**	-	**(9,460,847)**	-
Gain on disposal of subsidiary		**-**	-	**226,898**	-
Share of loss of joint venture	17	**(2,096,345)**	(586,430)	**-**	-
(Loss) / Profit from continuing operations before income tax expense		**(9,640,851)**	(349,550)	**(12,685,695)**	(961,552)
Income tax (expense) / benefit	8	**(1,176,285)**	886,488	**(36,815)**	-
(Loss) / Profit from continuing operations after income tax		**(10,817,136)**	536,938	**(12,722,510)**	(961,552)
Discontinued operations					
(Loss)/Profit from discontinued operations after income tax	9	**(168,186)**	768,498	**-**	-
Net (Loss) / Profit for the period		**(10,985,322)**	1,305,436	**(12,722,510)**	(961,552)
Attributable to:					
Minority interest		**129,007**	280,452	**-**	-
Members of the Parent		**(11,114,329)**	1,024,984	**(12,722,510)**	**(961,552)**
		Cents	Cents		
Earnings per share for profit /(loss) from continuing operations attributable to the ordinary equity holders of the company					
Basic earnings per share	11	(5.93)	0.36		
Diluted earnings per share		(5.93)	0.34		
Earnings per share for profit /(loss) attributable to the ordinary equity holders of the company					
Basic earnings per share	11	(6.22)	0.69		
Diluted earnings per share		(6.22)	0.65		

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

Balance Sheets

As at 30 June 2009

		CONSOLIDATED		PARENT	
		2009	2008	2009	2008
	Note	$	$	$	$
ASSETS					
Current Assets					
Cash and cash equivalents	12	**761,490**	2,639,463	**490,765**	1,707,693
Trade and other receivables	13	**2,214,732**	3,275,780	**1,045,052**	1,181,896
Inventories	14	**631,191**	537,237	**-**	-
Total Current Assets		**3,607,413**	6,452,480	**1,535,817**	2,889,589
Non-Current Assets					
Receivables	15	**-**	97,134	**-**	97,134
Investment in subsidiaries	16	**-**	-	**183,168**	183,250
Investment accounted for using the equity method	17	**-**	4,350,431	**-**	5,504,610
Plant and equipment	18	**759,472**	1,096,344	**485,957**	590,535
Intangible assets	19	**300,347**	2,799,022	**300,347**	2,794,060
Deferred tax assets	8	**-**	924,695	**-**	-
Total Non-Current Assets		**1,059,819**	9,267,626	**969,472**	9,169,589
TOTAL ASSETS		**4,667,232**	15,720,106	**2,505,289**	12,059,178
LIABILITIES					
Current Liabilities					
Trade and other payables	21	**1,044,340**	2,143,291	**3,345,398**	1,145,688
Interest bearing loans and borrowings	22	**232,063**	191,926	**162,178**	27,252
Income tax payable		**-**	41,652	**-**	-
Provisions	23	**747,818**	501,493	**563,075**	340,308
Total Current Liabilities		**2,024,221**	2,878,362	**4,070,651**	1,513,249
Non-Current Liabilities					
Interest bearing loans and borrowings	22	**4,733**	142,691	**-**	78,161
Other non-current liabilities	24	**379,446**	1,316,883	**1,539**	1,007,064
Provisions	23	**7,263**	9,099	**6,109**	5,791
Total Non-Current liabilities		**391,442**	1,468,673	**7,648**	1,091,016
TOTAL LIABILITIES		**2,415,663**	4,347,035	**4,078,299**	2,604,265
NET ASSETS / (LIABILITIES)		**2,251,569**	11,373,071	**(1,573,010)**	9,454,913
EQUITY					
Equity attributable to equity holders of the parent					
Contributed equity	25	**28,151,106**	26,456,519	**28,151,106**	26,456,519
Accumulated losses	25	**(26,299,392)**	(15,185,063)	**(29,724,116)**	(17,001,606)
Reserves	25	**399,855**	(368,758)	**-**	-
Parent interests		**2,251,569**	10,902,698	**(1,573,010)**	9,454,913
Minority interests	25	**-**	470,373	**-**	-
TOTAL EQUITY		**2,251,569**	11,373,071	**(1,573,010)**	9,454,913

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

Statements of Changes in Equity

For the Year Ended 30 June 2009

CONSOLIDATED	*Attributable to equity holders of the parent*				*Minority interest*	*Total equity*
	Issued Capital	*Accumulated losses*	*Foreign currency translation reserve*	*Total*		
	$	*$*	*$*	*$*	*$*	*$*
At 1 July 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
Issue of share capital	-	-	-	-	-	-
Transaction costs on shares issued	-	-	-	-	-	-
Cost of share-based payments	-	-	-	-	-	-
At 30 June 2008	**26,456,519**	**(15,185,063)**	**(368,758)**	**10,902,698**	**470,373**	**11,373,071**
Currency translation differences	**-**	**-**	**538,232**	**538,232**	**-**	**538,232**
Total income and expense for period recognised directly in equity	**-**	**-**	**538,232**	**538,232**	**(599,380)**	**(61,148)**
Profit / (loss) for the period	**-**	**(11,114,329)**	**-**	**(11,114,329)**	**129,007**	**(10,985,322)**
Total income / (expense) for the period	**-**	**(11,114,329)**	**538,232**	**(10,576,097)**	**(470,373)**	**(11,046,470)**
Issue of share capital	**1,944,507**	**-**	**-**	**1,944,507**	**-**	**1,944,507**
Transaction costs on shares issued	**(249,920)**	**-**	**-**	**(249,920)**	**-**	**(249,920)**
Loss from realisation of translation reserve on closure of discontinued operations	**-**	**-**	**230,381**	**230,381**	**-**	**230,381**
At 30 June 2009	**28,151,106**	**(26,299,392)**	**399,855**	**2,251,569**	**-**	**2,251,569**

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

Statements of Changes in Equity (continued)
For the Year Ended 30 June 2009

PARENT	*Issued Capital*	*Accumulated losses*	*Foreign currency translation reserve*	*Total*	*Minority Interest*	*Total equity*
	Attributable to equity holders of the parent					
	$	*$*	*$*	*$*	*$*	*$*
At 1 July 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)**
Issue of share capital	-	-	-	-	-	-
Transaction costs on shares issued	-	-	-	-	-	-
At 30 June 2008	**26,456,519**	**(17,001,606)**	-	**9,454,913**	-	**9,454,913**
Currency translation differences	-	-	-	-	-	-
Total income and expense for period recognised directly in equity	-	-	-	-	-	-
(Loss) for the period		**(12,722,510)**	-	**(12,722,510)**	-	**(12,722,510)**
Total income / (expense) for the period	-	**(12,722,510)**	-	**(12,722,510)**	-	**(12,722,510)**
Issue of share capital	**1,944,507**	-	-	**1,944,507**	-	**1,944,507**
Transaction costs on shares issued	**(249,920)**	-	-	**(249,920)**	-	**(249,920)**
At 30 June 2009	**28,151,106**	**(29,724,115)**	-	**(1,573,009)**	-	**(1,573,009)**

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

Cash Flow Statements

For the Year Ended 30 June 2009

		CONSOLIDATED		PARENT	
		2009	*2008*	*2009*	*2008*
	Note	*$*	*$*	*$*	*$*
Cash flows from operating activities					
Receipts from customers (inclusive of GST)		**12,027,459**	14,470,129	**2,027,244**	2,541,167
Payments to suppliers and employees (inclusive of GST)		**(14,508,362)**	(13,425,303)	**(6,484,957)**	(4,166,245)
Interest paid		**(33,035)**	(55,756)	**(11,247)**	(10,998)
Income tax paid		**(145,710)**	(330,498)	**(36,815)**	-
Receipt of government grant		**276,299**	90,390	**251,181**	148,462
Net cash provided by /(used in) operating activities	12	**(2,383,349)**	748,962	**(4,254,594)**	(1,487,614)
Cash flows from investing activities					
Proceeds from sale of plant and equipment		**110,883**	22,111	**-**	-
Proceeds from sale of investment		**-**	-	**-**	-
Interest received		**98,253**	138,235	**6,291**	110,358
Purchase of plant and equipment		**(103,706)**	(252,942)	**(21,836)**	(182,427)
Purchase of intangible assets		**(576,925)**	(507,513)	**(576,263)**	(865,091)
Purchase of investment accounted for using the equity method	17	**(963,003)**	(1,953,517)	**(963,003)**	(1,953,518)
Proceeds from Joint Venture Loan repayment		**-**	528,103	**-**	528,103
Advance to minority interest		**-**	(457,044)	**-**	-
Proceeds/(payments) from/(to) related party loans		**424,689**	108,928	**2,965,655**	2,548,328
Net cash (used in)/provided by investing activities		**(1,009,809)**	(2,373,639)	**1,410,844**	185,753
Cash flows from financing activities					
Proceeds from issue of shares	25	**1,944,507**	-	**1,944,507**	-
Transaction costs from issue of shares	25	**(249,920)**	-	**(249,920)**	-
Repayment of borrowings		**(78,625)**	(204,294)	**(40,513)**	(95,709)
Payment of finance lease liabilities		**(109,229)**	(202,115)	**(27,252)**	(31,337)
Net cash provided by / (used in) financing activities		**1,506,733**	(406,409)	**1,626,822**	(127,046)
Net increase / (decrease) in cash held		**(1,886,425)**	(2,031,086)	**(1,216,928)**	(1,428,906)
Cash at beginning of year		**2,639,463**	4,730,149	**1,707,693**	3,136,599
Effect of exchange rate on cash holdings in foreign currencies		**8,452**	(59,600)	**-**	-
Cash at end of year	12	**761,490**	2,639,463	**490,765**	1,707,693

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

Notes to the Financial Statements

For the Year Ended 30 June 2009

1 CORPORATE INFORMATION

The financial report of DataDot Technology Limited (the Company) for the year ended 30 June 2009 was authorised for issue in accordance with a resolution of the directors on 2nd September 2009.

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

The nature of the operations and principal activities of the Group are described in the directors' report.

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, UIG Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis.

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) as issued by the International Accounting Standards Board.

(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 2009. The impact of these Accounting Standards and Interpretations relevant to the Parent Entity and Consolidated Entity 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

* 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 2009

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 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
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 and 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 minority interests in Consolidated and Separate Financial Statements.	1 July 2009
AASB 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 the financial report.	1 July 2009
AASB 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. These amendments are expected to have no or minimal effect on the financial report.	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 2009

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 2008-13	Amendments to Australian Accounting Standards arising from AASB Interpretation 17 – Distributions of Non-cash Assets to Owners	1 July 2009	The issuance of AASB Interpretation 17 necessitates consequential amendments to AASB 5 and AASB 110. The amendments are in respect of the classification, presentation and measurement of non-current assets held for distribution to owners in their capacity as owners and the disclosure requirements for dividends that are declared after the reporting period but before the financial statements are authorised for issue, respectively. These amendments are expected to have no or minimal effect on the financial report.	1 July 2009
AASB 2009-4	Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 2 and AASB 138 and AASB Interpretations 9 & 16]	1 July 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 the financial report.	1 July 2009
AASB 2009-5	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139]	1 January 2010	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 the financial report.	1 July 2010
IFRIC Interpretation 17	Distributions of Non-cash Assets to Owners	1 July 2009	This Interpretation provides guidance on how an entity should measure distributions of assets other than cash when it pays dividends to its owners, except for common control transactions. The Interpretation also requires an entity to provide additional disclosures if the net assets being held for distribution to owners meet the definition of a discontinued operation. Adoption of Interpretation 17 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 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of DataDot Technology Limited and its subsidiaries (as outlined in note 28(a)) as at 30 June each year (the Group). Joint ventures are equity accounted and are not part of the Consolidated Group (see note (k) below).

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 obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Investments in subsidiaries held by DataDot Technology Limited are accounted for at cost in the separate financial statements of the parent entity less any impairment charges.

Minority interests not held by the Group are allocated their share of net profit after tax in the income statement and are presented within equity in the consolidated balance sheet, separately from parent shareholders' 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) Going concern

The Parent Entity and Consolidated Entity incurred net losses for the year ended 30 June 2009 of $12,722,510 (2008: $961,552) and $10,985,322 (2008: profit of $1,305,436) respectively.

At 30 June 2009, the Parent Entity had net liabilities of $1,573,010 (2008: net assets of $9,454,913) and net current liabilities of $2,534,834 (2008: net current assets of $1,376,340).

These matters give rise to a material uncertainty that may cast significant doubt whether the Parent Entity and Consolidated Entity can continue as a going concern and realise their assets and extinguish their liabilities in the ordinary course of business and at amounts stated in the consolidated financial report.

The Parent Entity and Consolidated Entity's ability to continue as a going concern and develop and operate its asset identification, protection and authentication solutions is dependent upon:

(a) its ability to further expand both its vehicle and non-vehicle revenue base;
(b) increasing revenues from existing and new distributorships;
(c) the ability of management to control costs and increase production efficiencies; and
(d) the ability to raise additional funds from the issue of new shares if required.

Notes to the Financial Statements

For the Year Ended 30 June 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Going concern (continued)

With regard to point (a), the Directors have put in place actions that have increased the value-proposition for OEM clients to use, or continue to use, DataDot protection systems. The Directors have also placed a greater emphasis on non-automotive revenue particularly in heavy machinery, equipment, tools, retail and commercial market segments.

With regard to point (b), the Directors have instructed management to work on expanding DataDot's overseas distribution network, with a particular focus on selecting, training and supporting new Distributors. The Directors expect that by selecting quality distributors in new, targeted countries, and by better management and support of existing distributors, the Company will have greater success in securing new automotive and non-automotive clients.

With regard to point (c), the Directors and Management have implemented major cost reductions in the past seven months and as a result of the Group's restructure expect significant additional sustained savings to result.

Cash flow forecasts that extend 12 months from date of signature of the Directors' Report that take into account the above actions have been assessed and on this basis the Directors have prepared the consolidated financial report on a going concern basis. This basis presumes that funds will be available to finance future operations, expenditure commitments and repay liabilities and that the realisation of assets and settlement of liabilities will occur in the normal course of business. The Directors believe that the Parent Entity and Consolidated Entity can continue to meet their debts as and when they become due and payable.

With regard to point (d), if the Directors at any time consider that a strengthening of the working capital position of the Parent Entity or Consolidated Entity is necessary or if the Consolidated Entity seeks to make any acquisitions in the 2009/2010 financial year, then additional funds from debt facilities or the issue of new shares may be required during the year. The Directors believe that they would be successful in making such arrangements if the need arises.

(e) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and returns that are different to those of other segments. Segment information is presented in respect of the Group's geographical segments. The geographical segments are determined based on the Group's management and internal reporting structure.

(f) Foreign currency translation

(i) Functional and presentation currency

Both the functional and presentation currency of DataDot Technology Limited and its Australian subsidiaries is 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.

Notes to the Financial Statements

For the Year Ended 30 June 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Foreign currency translation (continued)

(i) Functional and presentation currency (continued)

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)

* deconsolidated from Group on 11th March 2009 – refer note 9.

(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.

(iii) 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.

(g) 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.

(h) Trade and other receivables

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

Notes to the Financial Statements
For the Year Ended 30 June 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Trade and other receivables (continued)

Collectibility 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.

(i) Inventories

Inventories including raw materials, work in progress and finished goods are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition 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.

(j) 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 financial assets. 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 assets not at fair value through profit or loss, directly attributable transactions costs.

Recognition and Derecognition

All regular purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace. Financial assets are derecognised when the right to receive cash flows from the financial assets 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 with the intention of making a profit. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on financial assets held for trading are recognised in profit or loss and the related assets are classified as current assets in the balance sheet.

Notes to the Financial Statements
For the Year Ended 30 June 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Investments and other financial assets (continued)

(ii) Loans and receivables
Loans and receivables including loans to KMP 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. These are included in current assets, except for those with maturities greater than 12 months after balance date, which are classified as non-current.

(k) 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.

(l) 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 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Plant and equipment (continued)

(i) Impairment (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.

(ii) 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.

(m) Leases

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

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

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that 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 as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

(n) 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 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Impairment of financial assets (continued)

(i) Financial assets carried at amortised cost (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.

(o) Impairment of non-financial assets other than intangibles

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

DataDot 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.

(p) Intangible 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.

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 recognised in profit or loss in the year in which the expenditure is incurred.

Notes to the Financial Statements
For the Year Ended 30 June 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) 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 is reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether 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
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 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Intangible assets (continued)

Patent Costs
Useful lives
Finite
Amortisation method used
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 amortisation method is reviewed at each financial year-end.

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.

(q) 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.

(r) 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.

(s) 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.

Notes to the Financial Statements
For the Year Ended 30 June 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Provisions and employee benefits (continued)

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 and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(t) Share-based payment transactions

Equity settled transactions:

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

The 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 2009 financial year has been determined by an external valuer using a binomial model, further details of which are given in note 20.

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.

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.
(iii) The expired portion of the vesting period.

Notes to the Financial Statements

For the Year Ended 30 June 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Share-based payment transactions (continued)

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.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (see note 11).

(u) 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.

(v) 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 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Revenue recognition (continued)

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

(w) Income tax and other taxes

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

- 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.

- 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 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Income tax (continued)

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 tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group when it is probable that future taxable profit will allow the deferred tax asset to be recovered.

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

Other taxes

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

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

- Receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the 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, is classified as part of operating cash flows.

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

(x) Government grants

Government grants are recognised in the balance sheet as a liability when the grant is received.

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.

Notes to the Financial Statements
For the Year Ended 30 June 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(y) 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.
- 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.

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 (up until 11th March 2009), 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.

Notes to the Financial Statements
For the Year Ended 30 June 2009

3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Risk Exposure and Responses (continued)

Foreign currency risk (continued)

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.

At 30 June 2009 the Group had the following exposure to foreign currency that is not designated in cash flow hedges:

	Consolidated		***Parent***	
	2009	*2008*	***2009***	*2008*
	$	*$*	***$***	*$*
Financial Assets				
Cash and cash equivalents	**172,329**	425,405	**-**	-
Trade and other receivables	**1,045,820**	1,741,027	**41,952**	980,799
	1,218,149	2,166,432	**41,952**	980,799
Financial Liabilities				
Trade and other payables	**327,429**	490,682	**43,608**	14,990
Interest bearing loans and borrowings	**-**	61,826	**-**	-
	327,429	552,508	**43,608**	14,990
Net exposure	**890,721**	1,613,924	**(1,656)**	965,809

Notes to the Financial Statements
For the Year Ended 30 June 2009

3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Risk Exposure and Responses (continued)

Foreign currency risk (continued)

The following sensitivity analysis is based on the foreign currency rate risk exposures in existence at the balance sheet date. At 30 June 2009, if the Australian dollar moved against the UK Pound, the US Dollar, and the South African Rand, as illustrated in the table below, with all other variables held constant, post tax profit/(loss) and equity would have been affected as follows:

Judgements of reasonably possible movements:	***Post Tax Profit/(Loss)***		***Equity***	
	Higher/(Lower)		***Higher/(Lower)***	
	2009	*2008*	***2009***	*2008*
	$	*$*	***$***	*$*
Consolidated				
+ 5%	**71,944**	(72,220)	**262,170**	130,315
- 10 %	**(167,875)**	168,516	**(611,738)**	(304,068)
Parent				
+ 5%	**(2,740)**	(10,910)	**(2,740)**	(10,910)
- 10 %	**6,393**	25,456	**6,393**	25,456

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 2009

3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Risk Exposure and Responses (continued)

Liquidity risk

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

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.

At balance date, the Group had total credit facilities of $65,193. $50,193 was utilised in the provision of a bank guarantee against a commercial lease on real property. $14,922 was utilised against a corporate credit card facility and $78 was available for immediate use.

The table below reflects all contractually fixed pay-offs and receivables for settlement, repayments and interest resulting from recognised financial liabilities as of 30 June 2009. For all obligations shown the respective undiscounted cash flows for the respective upcoming fiscal years are presented. Cash flows for financial assets and liabilities without fixed amount of timing are based on the conditions existing as at 30 June 2009.

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

	CONSOLIDATED		***PARENT***	
	2009	*2008*	***2009***	*2008*
	$	*$*	***$***	*$*
6 months or less	**172,970**	113,109	**120,169**	13,354
6-12 months	**59,094**	79,244	**42,009**	13,898
1-5 years	**384,178**	494,136	**-**	78,161
	616,242	688,489	**162,178**	105,413

Maturity analysis of financial assets and liabilities based on management's expectations

The risk implied from the values shown in the tables below, reflects a balanced view of cash inflows and outflows. Leasing obligations, trade payables and other financial liabilities mainly originate from the financing of assets used in our ongoing operations such as property, plant, equipment and investments in working capital (e.g. inventories and trade receivables). These assets are considered in the Group's overall liquidity risk.

Notes to the Financial Statements
For the Year Ended 30 June 2009

3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Risk Exposure and Responses (continued)

Liquidity risk (continued)

Year ended 30 June 2009	≤ 6 months $	6-12 months $	1-5 years $	> 5 years $	Total $
Consolidated					
Financial assets					
Cash & cash equivalents	761,490	-	-	-	761,490
Trade & other receivables	2,214,732	-	-	-	2,214,732
	2,976,222	-	-	-	2,976,222
Consolidated					
Financial liabilities					
Trade & other payables	1,044,340	-			1,044,340
Interest bearing loans & borrowings	172,969	59,094	384,179	-	616,242
	1,217,309	59,094	384,179	-	1,660,582
Net maturity	1,758,913	(59,094)	(384,179)	-	1,315,640

Year ended 30 June 2009	≤ 6 months $	6-12 months $	1-5 years $	> 5 years $	Total $
Parent					
Financial assets					
Cash & cash equivalents	490,765	-	-	-	490,765
Trade & other receivables	1,045,052	-	-	-	1,045,052
	1,535,817	-	-	-	1,535,817
Parent					
Financial liabilities					
Trade & other payables	3,345,398	-	-	-	3,345,398
Interest bearing loans & borrowings	120,169	42,009	-	-	162,178
	3,465,567	42,009	-	-	3,507,576
Net maturity	(1,929,750)	(42,009)	-	-	(1,971,759)

Notes to the Financial Statements
For the Year Ended 30 June 2009

3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Risk Exposure and Responses (continued)

Liquidity risk (continued)

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	-	686,489
	2,116,642	79,244	494,136	-	2,690,022
Net maturity	3,093,538	(79,244)	(494,136)	-	2,520,158

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

Notes to the Financial Statements
For the Year Ended 30 June 2009

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.

(i) Significant accounting judgements

Recovery of deferred tax assets

Deferred tax assets of $886,488 in respect of unused tax losses in the US subsidiary were recognised at 30 June 2008 based on it being probable that the US entity would generate sufficient future taxable profits against which these losses could be utilised. In light of the performance of the US subsidiary for the twelve months ended 30 June 2009 and the current economic environment of the US automotive industry, the Group no longer feels that it is sufficiently probable that the US subsidiary will generate sufficient future taxable profits against which these losses could be utilised and the carried forward losses have therefore been derecognised. 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 2009 the amount of deferred tax assets attributable to revenue losses not brought to account was $5,047,714 (2008: $3,075,396).

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. Given the current uncertain economic environment management considered that the indicators of impairment were significant enough and as such these assets have been tested for impairment in this financial period.

Capitalised development costs

Development costs are only capitalised by 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.

Notes to the Financial Statements

For the Year Ended 30 June 2009

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

(i) Significant accounting judgements (continued)

Taxation (continued)

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 investments

The Group has a 50% joint venture interest in DataTraceDNA Pty Limited (DataTrace) which is involved in the development of high security authentication solutions. Consistent with the decision of the Board of DataTrace to fully impair the capitalised development costs of DataTrace, the Board of DataDot determined that the investment in DataTrace was fully impaired, incurring an impairment loss of $3,217,088.

Impairment of goodwill and intangibles with indefinite useful lives

The Group determines whether goodwill and 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. An impairment loss of $2,993,234 was recognised in the current year in respect of intangibles. The assumptions used in the estimation of recoverable amount and the carrying amount of intangibles with indefinite useful lives are discussed in note 19.

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 20. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

Make good provisions

A provision has been made for the present value of anticipated costs of future restoration of leased manufacturing premises. The provision includes future cost estimates associated with factory dismantling and make good of the office environment.

Estimation of useful lives of assets

The estimation of the useful lives of 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 18.

Notes to the Financial Statements
For the Year Ended 30 June 2009

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 tables on the following pages present revenue, expenditure and certain asset information regarding geographical segments for the years ended 30 June 2009 and 30 June 2008.

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 2009

5 SEGMENT INFORMATION (continued)

	Continuing Operations				*Discontinued Operations*	*Total Operations*
	Australasia	*USA*	*Europe*	*Total*	*South Africa*	
Year ended 30 June 2009	*$*	*$*	*$*	*$*	*$*	*$*
Revenue						
Sales to external customers	4,850,401	739,540	1,753,922	7,343,862	1,747,582	**9,091,444**
Other revenues from external customers	700,307	86,131	-	786,438	85,283	**871,721**
Inter-segment sales	873,253	310,386	-	1,183,640	38,290	**1,221,930**
Total segment revenue	6,423,961	1,136,057	1,753,922	9,313,940	1,871,155	**11,185,095**
Inter-segment elimination				(1,183,640)	-	**(1,183,640)**
Non segment revenue				29,672	-	**29,672**
Total consolidated revenue				8,159,972	1,871,155	**10,031,127**
Result						
Segment Results	1,404,361	(362,465)	98,150	1,140,046	(319,227)	**820,819**
Unallocated expenses *				(8,392,442)	-	**(8,392,442)**
Profit/(Loss) before tax and finance costs				(7,252,396)	(319,227)	**(7,571,622)**
Finance costs				(65,212)	(799)	**(66,012)**
Share of loss of JV	(2,096,345)	-	-	(2,096,345)	-	**(2,096,345)**
Profit/(Loss) before income tax				(9,413,953)	(320,026)	**(9,733,979)**
Income tax expense				(1,176,285)	(75,058)	**(1,251,343)**
Net Profit/(Loss) for the year				(10,590,238)	(395,084)	**(10,985,322)**
Assets and liabilities						
Segment Assets	1,873,764	534,888	1,157,855	3,566,507	-	**3,566,507**
Investment in joint venture				-	-	-
Unallocated assets				1,110,725	-	**1,110,725**
Total assets				4,667,232	-	**4,667,232**
Segment liabilities	567,181	87,681	619,841	1,274,703	-	**1, 274,703**
Unallocated liabilities				1,140,960	-	**1,140,960**
Total liabilities				2,415,663	-	**2,415,663**
Other segment information						
Capital expenditure	47,875	882	646	49,403	10,997	**60,400**
Depreciation	250,661	56,108	5,225	311,994	17,700	**329,694**
Amortisation	76,742	-	-	76,742	-	**76,742**
Allowance for doubtful debt	171,180	34,938	-	206,118	37,743	**243,861**

* Unallocated expenses include impairment losses of $6,210,332.

Notes to the Financial Statements
For the Year Ended 30 June 2009

5 SEGMENT INFORMATION (continued)

		Continuing Operations			*Discontinued Operations*	*Total Operations*
	Australasia	*USA*	*Europe*	*Total*	*South Africa*	
Year ended 30 June 2008	$	$	$	$	$	$
Revenue						
Sales to external customers	5,866,142	1,173,243	647,271	7,686,656	3,538,704	**11,255,360**
Other revenues from external customers	1,762,880	35,578	-	1,798,458	65,274	**1,863,732**
Inter-segment sales	787,319	218,491	6,216	1,012,026	7,627	**1,019,653**
Total segment revenue	8,416,341	1,427,312	653,487	10,497,140	3,611,605	**14,108,745**
Inter-segment elimination				(1,019,654)	-	**(1,019,654)**
Non segment revenue				85,758	-	**85,758**
Total consolidated revenue				9,653,244	3,611,605	**13,174,849**
Result						
Segment Results	2,315,836	15,403	(299,374)	2,031,865	1,026,085	**3,057,949**
Unallocated expenses				(1,709,630)	-	**(1,709,630)**
Profit/(Loss) before tax and finance costs				322,235	1,026,085	**1,348,949**
Finance costs				(85,354)	(1,693)	**(87,047)**
Share of loss of JV	(586,430)	-	-	(586,430)	-	**(586,430)**
Profit/(Loss) before income tax				(349,550)	1,024,392	**674,842**
Income tax expense				886,488	(255,894)	**630,594**
Net Profit/(Loss) for the year				536,938	768,498	**1,305,436**
Assets and liabilities						
Segment Assets	2,723,552	1,649,134	490,515	4,863,200	1,529,487	**6,392,687**
Investment in joint venture	4,350,431	-	-	4,350,431	-	**4,350,431**
Unallocated assets				4,976,988	-	**4,976,988**
Total assets				14,190,619	1,529,487	**15,720,106**
Segment liabilities	833,175	225,650	475,936	1,534,761	208,008	**1,742,769**
Unallocated liabilities				2,604,266	-	**2,604,266**
Total liabilities				4,139,027	208,008	**4,347,035**
Other segment information						
Capital expenditure	219,776	2,105	6,833	228,714	63,709	**292,423**
Depreciation	253,096	70,986	11,670	335,752	18,092	**353,844**
Amortisation	-	-	-	116,672	-	**116,672**
Allowance for doubtful debt	-	3,098	-	3,098	152	**3,250**

Notes to the Financial Statements
For the Year Ended 30 June 2009

	CONSOLIDATED		PARENT	
	2009	*2008*	**2009**	*2008*
	$	*$*	**$**	*$*
6 OTHER INCOME				
Government grants:				
- AusIndustry commercial ready grant	**1,357,797**	77,334	**1,357,797**	70,000
- Export market development grant	**15,426**	83,056	**15,426**	83,056
Write off of related party loans	**37,328**	-	-	-
	1,410,551	160,390	**1,373,223**	153,056

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

(a) Finance costs				
Bank loans and overdrafts	**6,836**	23,031	**82**	7,104
Other loans	**36,420**	34,657	**2,890**	77
Finance charges payable under finance leases and hire purchase contracts	**21,956**	27,666	**8,275**	3,817
Total finance costs (on historical cost basis)	**65,212**	85,354	**11,247**	10,998
(b) Depreciation and amortisation included in the income statement				
Included in Depreciation and Amortisation expense:				
Depreciation	**306,460**	335,751	**122,790**	131,264
Amortisation of Intangible assets (refer note 19)	**82,276**	116,672	**76,741**	116,672
Total depreciation and amortisation	**388,736**	452,423	**199,531**	247,936
(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	**(50,095)**	17,954	**(3,397)**	(10,638)
Allowance for impairment of inventories	**(69,016)**	(9,213)	-	-
(d) Lease payments included in income statement				
Included in occupancy expenses:				
Minimum lease payments – operating lease	**236,535**	237,079	-	-
Included in administrative expenses:				
Minimum lease payments – operating lease	**15,901**	17,973	-	-
Included in cost of sales				
Minimum lease payments – operating lease	**15,761**	31,142	-	-
	268,197	286,194	-	-

Notes to the Financial Statements
For the Year Ended 30 June 2009

	CONSOLIDATED		PARENT	
	2009	2008	**2009**	2008
	$	$	**$**	$
7 EXPENSES (continued)				
(e) Employee benefits expense				
Wages and salaries	**2,568,032**	2,896,932	**1,528,616**	1,763,049
Workers compensation costs	**73,400**	72,746	**49,368**	33,577
Superannuation	**155,322**	232,327	**66,913**	150,837
Long service leave provision	**(80,376)**	23,120	**(81,405)**	230
Annual leave provision	**(112,986)**	(31,478)	**(132,576)**	(34,132)
Payroll tax	**187,757**	220,620	**91,374**	105,860
Other employee benefits	**214,752**	231,355	**91,603**	143,113
Share-based payments (note 20)	**-**	-	**-**	-
	3,005,901	3,645,622	**1,613,893**	2,162,534
(f) Research and development costs				
Research and development costs charged directly to administrative expenses in the income statement	**121,175**	27,612	**116,792**	23,122
(g) Bad and doubtful debts	**206,118**	3,099	**1,257,913**	759,486

(h) Restructuring expenses

The Board and Management have implemented major cost reductions in the past seven months and as a result of the Group's restructure expect significant additional sustained savings. The major cost components of the restructuring are termination payments associated with cessation of employment together with legal and accounting fees.

The restructure focused on changing the remuneration structure of sales staff to performance based pay, transitioning to an NPAT-driven culture. It involved the cessation of employment for several senior executives and a restructuring charge of $930,748 was incurred in the second half of the year.

8 INCOME TAX

(a) Income tax expense

The major components of income tax expense are:				
Income Statement				
Current income tax				
Current income expense / (benefit)	**(223,466)**	(141,786)	**(1,262,823)**	(562,942)
Unused tax losses and tax offsets not recognised as deferred tax assets	**1,399,751**	396,210	**1,299,638**	562,942
Deferred income tax				
Relating to origination and reversal of temporary differences	**-**	1,470	**-**	-
Tax losses recognised as deferred tax assets during the year	**-**	(886,488)	**-**	-
Income tax expense/(benefit) reported in the income statement	**1,176,285**	(630,594)	**36,815**	-
Income tax expense/(benefit) is attributable to:				
Continuing operations	**1,176,285**	(886,488)	**36,815**	-
Discontinued operations	**-**	255,894	**-**	-
Aggregate income tax expense/(benefit)	**1,176,285**	(630,594)	**36,815**	-

Notes to the Financial Statements

For the Year Ended 30 June 2009

8 INCOME TAX (continued)

	CONSOLIDATED		PARENT	
	2009	2008	**2009**	2008
	$	$	**$**	$
(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	**(9,413,953)**	(349,550)	**(12,685,695)**	(961,552)
Profit before tax from discontinued operations	**-**	1,024,392	**-**	-
Total accounting profit before income tax	**(9,413,953)**	674,842	**(12,685,695)**	(961,552)
At the Parent Entity's statutory income tax rate of 30% (2007: 30%)	**(2,824,186)**	202,453	**(3,805,708)**	(288,465)
Foreign tax rate adjustment	**(14,902)**	-	**-**	-
Research and development deduction	**(237,573)**	(297,287)	**(237,573)**	(296,477)
Expenditure / (revenue) not allowable / (assessable) for income tax purposes	**2,863,426**	3,385	**2,833,991**	18,654
Other	**(10,231)**	(48,867)	**(53,533)**	3,346
Tax losses recognised as deferred tax assets during the year	**-**	(886,488)	**-**	-
Unused tax losses and tax offsets not recognised as deferred tax assets	**1,399,751**	396,210	**1,299,638**	562,942
Aggregate income tax expense/(benefit)	**1,176,285**	(630,594)	**36,815**	-
(c) Recognised deferred tax assets				
Opening balance	**924,695**	39,677	**-**	-
Charge to income	**(924,695)**	885,018	**-**	-
Closing balance	**-**	924,695	**-**	-

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	**5,047,714**	3,075,396	**3,489,066**	2,776,844

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 2009

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 DISCONTINUED OPERATIONS

(a) Details of discontinued operations

On 11th March 2009, the Board entered into a sale agreement to exit DataDot's 42.5% equity interest in DataDot Technology South Africa (Proprietary) Limited (DDSA) by selling the interest to the two South African shareholders who manage DDSA. DDSA will continue to manufacture and distribute DataDot products under licence from DataDot. Under the terms of the sale agreement, DataDot will receive an immediate cash payment in loans and royalties owed to DataDot plus progressive cash payments over a period not exceeding 24 months.

Based on the put and call agreement conditions, DataDot has an option to put (sell) the remaining DDSA shares it still owns as at 10 March 2011 to DDSA, or sell the shares to a third party or retain the shares.

Disposal of the 42.5% equity interest in the subsidiary has been deemed effective on 11 March 2009 and the subsidiary is reported in this financial report as a discontinued operation.

Financial information relating to the discontinued operation for the period to the date of disposal is set out below. Further information is set out in Note 5 Segment information.

(b) Financial performance of discontinued operations

	DataDot South Africa	*DataDot South Africa*
	2009	*2008*
	$	*$*
Revenue	**1,871,155**	3,611,605
Expenses	**(1,623,026)**	(2,587,213)
Profit before income tax	**248,129**	1,024,392
Loss on disposal	**(341,257)**	-
Profit before tax from discontinued operations	**(93,128)**	1,024,392
Income tax		
- related to pre-tax profit	**(75,058)**	(255,894)
- related to disposal	**-**	-
Profit for the year from discontinued operations	**(168,186)**	768,498
Earnings per share – cents per share:		
- Basic from discontinued operations	**($0.09)**	$0.51
- Diluted from discontinued operations	**($0.09)**	$0.49

Notes to the Financial Statements

For the Year Ended 30 June 2009

9 DISCONTINUED OPERATIONS (continued)

(c) Financial performance of discontinued operations (continued)

Consideration received or receivable:

Cash	-
Present value of deferred sales proceeds	302,400
Less: Costs directly attributable to the sale	(75,420)
Total disposal consideration	226,980
Less net assets disposed of	(470,243)
Loss on disposal before income tax	(243,263)
Income tax expense	-
Loss on disposal after income tax	(243,263)
Loss on realisation of Group's share of translation reserve	(97,994)
Net loss on disposal	(341,257)

(c) Assets and liabilities and cash flow information of discontinued operations

The major classes of assets and liabilities of DataDot South Africa as at date of disposal are:	***2009*** ***$***
Assets	
Property, plant and equipment	85,624
Trade and other receivables	613,116
Cash and cash equivalents	610,116
	1,308,856
Liabilities	
Trade and other payables	(169,740)
Interest-bearing loans and borrowings	(32,662)
	(202,402)
Minority interest	(636,211)
Net assets attributable to discontinued operations	470,243

The net cash flows of DataDot South Africa are as follows:

Operating activities	345,207
Investing activities	(10,997)
Financing activities	(124,750)
Net foreign exchange difference	45,150
Net cash inflow	254,610

Notes to the Financial Statements

For the Year Ended 30 June 2009

10 DIVIDENDS PAID AND PROPOSED

No dividends were declared or paid during the year (2008: Nil).

The Company has no franking credits available.

11 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 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	
	2009	*2008*
	$	*$*
Net profit /(loss) attributable to ordinary equity holders of the parent from continuing operations	**(10,590,238)**	536,938
Profit attributable to discontinued operations (excluding minority interests)	**(524,091)**	488,046
Net Profit / (loss) attributable to ordinary equity holders of the parent	**(11,114,329)**	1,024,984
	Number	*Number*
Weighted average number of ordinary shares for basic earnings per share	**178,632,393**	149,577,480
Effect of dilution:		
Share options	**-**	7,995,000
Weighted average number of ordinary shares adjusted for the effect of dilution	**178,632,393**	157,572,480
The following options are not treated as potential ordinary shares as their exercise price exceeds current market price	**14,295,000**	12,173,000

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 2009

12 CURRENT ASSETS - CASH AND CASH EQUIVALENTS

	CONSOLIDATED		PARENT	
	2009	2008	**2009**	2008
	$	$	**$**	$
Cash at bank and on hand	**761,490**	2,639,463	**490,765**	1,707,693

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

	CONSOLIDATED 2009 $	CONSOLIDATED 2008 $	PARENT 2009 $	PARENT 2008 $
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	**761,490**	2,639,463	**490,765**	1,707,693
Reconciliation of net profit/(loss) after tax to net cash flows from operations				
Profit /(loss) after income tax	**(10,985,322)**	1,305,436	**(12,722,510)**	(961,552)
Add / (less) items classified as investing / financing activities:				
Share of joint venture loss	**2,096,345**	586,430	**-**	-
Loss / (gain) on disposal of investment	**341,257**	-	**(226,898)**	-
Impairment & write-off of non-current assets	**6,215,946**	-	**9,460,847**	-
Interest received	**(98,253)**	(138,235)	**(67,556)**	(121,297)
Add / (less) non-cash items:				
Depreciation and amortisation	**406,436**	470,515	**199,532**	247,936
Net loss on foreign exchange	**16,472**	-	**-**	-
Inventory impairment	**59,803**	(16,149)	**-**	-
Impairment / (write back) of impairment for:				
– loans to controlled entities	**-**	-	**1,234,124**	(759,487)
– doubtful debts	**206,118**	(3,841)	**-**	-
Net cash used in operating activities before change in assets and liabilities	**(1,741,198)**	2,204,156	**(2,122,461)**	(1,594,400)
(Increase) / decrease in trade and other receivables	**(607,628)**	(131,011)	**(832,972)**	78,279
(Increase) / decrease in other assets	**259,597**	(20,878)	**(121,463)**	(96,001)
(Increase) / decrease in inventories	**(153,757)**	(7,728)	**-**	-
(Increase) / decrease in deferred tax assets	**924,695**	(885,018)	**-**	-
(Decrease) / increase in trade and other payables	**(956,496)**	(226,902)	**(963,718)**	158,410
(Decrease) / increase in current tax liabilities	**(41,652)**	(76,074)	**-**	-
(Decrease) / increase in provisions	**(66,910)**	(107,853)	**(213,980)**	(33,902)
Net cash provided by/(used) in operating activities	**(2,383,349)**	748,962	**(4,254,594)**	(1,487,614)

Disclosure of non-cash financing and investing activities

Refer to note 18 and 22

Notes to the Financial Statements
For the Year Ended 30 June 2009

13 CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

	CONSOLIDATED		PARENT	
	2009	2008	**2009**	2008
	$	$	**$**	$
Trade receivables	**1,632,263**	2,427,914	**46,902**	540,556
Allowance for impairment loss (a)	**(152,784)**	(3,994)	**-**	-
	1,479,479	2,423,920	**46,902**	540,556
Prepayments	**82,366**	191,979	**50,406**	104,565
Government grant receivable	**219,264**	84,792	**219,264**	70,000
Other	**433,623**	98,028	**361,613**	27,801
Related party receivables				
Advance to outside equity interest (b)	**-**	457,061	**-**	-
Loans to key management personnel	**-**	20,000	**-**	20,000
Loans to/(from) subsidiaries	**-**	-	**1,421,415**	980,799
Allowance for impairment	**-**	-	**(1,054,548)**	(561,825)
	2,214,732	3,275,780	**1,045,052**	1,181,896

(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 $206,118 (2008: $3,251) has been recognised by the Group and $Nil (2008: $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	**3,994**	7,835	-	-
Charge for the year – continuing operations	**206,118**	3,099	-	-
Charge for the year – discontinued operations	**-**	152	-	-
Amount written off (included in bad and doubtful debt expense)	**(57,328)**	(7,092)	-	-
At 30 June	**152,784**	3,994	-	-

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*
2009	**Consolidated**	**1,632,263**	**828,170**	**430,521**	**99,582**	**46,506**	**121,206**	**106,278**
	Parent	**46,902**	**4,950**	**11,214**	**11,135**	**-**	**19,603**	**-**
2008	Consolidated	2,427,914	1,631,772	479,629	83,566	-	228,953	3,994
	Parent	540,556	534,935	-	5,621	-	-	-

* Past due not impaired ("PDNI")
Considered impaired ("CI")

Notes to the Financial Statements

For the Year Ended 30 June 2009

13 CURRENT ASSETS - TRADE AND OTHER RECEIVABLES (continued)

(a) Allowance for impairment loss (continued)

Receivables past due but not considered impaired are: Consolidated $220,788 (2008: $312,519); Parent $30,738 (2008: $5,621). 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 $1,054,548 (2008: $561,825) 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 in 2008 was an advance to a shareholder of DataDot Technology South Africa (Pty) Ltd which was repaid in full during 2009.

(c) 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.

(d) 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 2009

14 CURRENT ASSETS - INVENTORIES

	CONSOLIDATED		PARENT	
	2009	*2008*	***2009***	*2008*
	$	*$*	***$***	*$*
Raw materials (at cost)	**614,203**	505,270	-	-
Work-in-progress	-	18,790	-	-
Finished goods (at cost)	**16,988**	13,177	-	-
Total inventories at the lower of costs and net realisable value	**631,191**	537,237	-	-

(a) Inventory expense

Inventories recognised as an expense for the year totalled $1,676,539 (2008: $1,431,813) for the Group and $Nil (2008: $Nil) for the Company. This expense has been included in the cost of sales line item. Inventory write-downs recognised as an expense totalled $59,803 (2008: ($16,149)) for the Group and $Nil (2008: $Nil) for the Company. This expense is included in the cost of sales line item as a cost of inventories.

15 NON-CURRENT ASSETS - RECEIVABLES

Loans to subsidiaries	-	-	**5,069,426**	4,340,510
Allowance for impairment	-	-	**(5,069,426)**	(4,340,510)
Loans to key management personnel	-	97,134	-	97,134
	-	97,134	-	97,134

(a) Related party receivables

All but £100,000 of the loans to DataDot Technology (UK) Ltd are charged interest at 9.5% per annum and are 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 21 for the current portion of this receivable/(payable).

The allowance for impairment loss represents the provision for impairment on the loans to subsidiaries. An impairment loss of $728,916 (2008: $139,121) for loans to DataDot Technology USA, Inc has been recognised by the Company and $Nil (2008: $Nil) by the Group in the current year. A write back of impairment of the loans to DataDot Technology (Australia) Pty Ltd of $Nil (2008: $1,000,000) has been recognised by the Company and $Nil (2008: $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	-	-	**4,340,510**	5,201,389
Charge for the year	-	-	**728,916**	139,121
Amount written off / (back) included in bad and doubtful debt expense	-	-	-	(1,000,000)
At 30 June	-	-	**5,069,426**	4,340,510

Notes to the Financial Statements

For the Year Ended 30 June 2009

15 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.

16 NON-CURRENT ASSETS – INVESTMENTS IN SUBSIDIARIES

	CONSOLIDATED		***PARENT***	
	2009	*2008*	***2009***	*2008*
	$	*$*	***$***	*$*
Shares in controlled entities (note 28) at cost	**-**	-	**183,168**	183,250
	-	-	**183,168**	183,250

17 NON-CURRENT ASSETS - INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD

(a) Investment details				
DataTraceDNA Pty Ltd	-	4,350,431	-	5,504,610

The Company has a 50% interest in DataTraceDNA Pty Ltd, which is involved in the development of high security authentication solutions. DataTraceDNA 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.

During the year, the Company contributed funds of $963,003 (2008: $1,953,517) to the investment.

Consistent with the decision of the DataTrace Board to fully impair the capitalised research and development costs of DataTrace, the Board of DataDot determined that the investment in DataTrace was fully impaired, incurring an impairment loss of $3,217,088.

Notes to the Financial Statements
For the Year Ended 30 June 2009

17 NON-CURRENT ASSETS – INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD (continued)

(b) Summarised financial information

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

	CONSOLIDATED	
	2009	*2008*
	$	*$*
Extract from the joint venture balance sheet:		
Current assets	**648,296**	1,102,754
Non-current assets	**81,546**	3,086,305
Total assets	**729,842**	4,189,059
Current liabilities	**(221,052)**	(450,581)
Non-current liabilities	**-**	-
Total liabilities	**(221,052)**	(450,581)
Net assets	**508,790**	3,738,478
Share of joint venture net assets	**254,395**	1,869,239
Extract from the joint venture income statement:		
Revenue	**396,870**	905,745
Expenses	**(1,355,124)**	(2,078,606)
Impairment loss	**(3,234,437)**	-
Net loss	**(4,192,691)**	(1,172,861)
Share of the jointly controlled entity's loss:	**(2,096,345)**	(586,430)

(c) 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 26 and 27 respectively.

(d) Dividends

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

Notes to the Financial Statements

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18 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 2009				
Consolidated:				
At 1 July 2008, net of accumulated depreciation	**804,781**	**246,602**	**44,961**	**1,096,344**
Additions	**60,399**	**-**	**-**	**60,399**
Disposals	**(86,782)**	**(24,101)**	**-**	**(110,883)**
Depreciation charge for the year	**(233,487)**	**(63,186)**	**(33,021)**	**(329,694)**
Exchange adjustments	**53,693**	**(10,387)**	**-**	**43,306**
At 30 June 2009, net of accumulated depreciation	**598,604**	**148,928**	**11,940**	**759,472**
At 1 July 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**
At 30 June 2009				
Cost	**1,760,086**	**327,381**	**143,724**	**2,231,191**
Accumulated depreciation	**(1,161,482)**	**(178,453)**	**(131,784)**	**(1,471,719)**
Net carrying amount	**598,604**	**148,928**	**11,940**	**759,472**
Parent:				
At 1 July 2008, net of accumulated depreciation	**491,062**	**99,473**	**-**	**590,535**
Additions	**21,836**	**-**	**-**	**21,836**
Disposals	**(2,712)**	**(912)**	**-**	**(3,624)**
Depreciation and amortisation	**(100,532)**	**(22,258)**	**-**	**(122,790)**
At 30 June 2009, net of accumulated depreciation	**409,654**	**76,303**	**-**	**485,957**
At 1 July 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**
At 30 June 2009				
Cost	**812,887**	**160,844**	**-**	**973,731**
Accumulated depreciation	**(403,233)**	**(84,541)**	**-**	**(487,774)**
Net carrying amount	**409,654**	**76,303**	**-**	**485,957**

Notes to the Financial Statements
For the Year Ended 30 June 2009

18 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 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	182,429	-	-	182,429
Disposals	-	-	-	-
Depreciation and amortisation	(109,539)	(21,725)	-	(131,264)
At 30 June 2008, net of accumulated depreciation	491,062	99,473	-	590,535
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

Notes to the Financial Statements
For the Year Ended 30 June 2009

18 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 $9,962 (2008: $36,392) for the Group and $Nil (2008: $Nil) 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 (2008: $Nil) by means of finance leases.

(c) Plant and equipment in the course of construction

Included in plant and equipment at 30 June 2009 is an amount of $203,053 (2008: $194,068) relating to expenditures for a plant and equipment in the course of construction.

19 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 2008						
Cost	2,842,763	235,453	3,078,216	2,837,801	235,453	3,073,254
Accumulated amortisation	(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
Year ended 30 June 2009						
At 1 July 2008, net of accumulated amortisation	**2,575,533**	**223,489**	**2,799,022**	**2,570,571**	**223,489**	**2,794,060**
Additions	**201,128**	**55,619**	**256,746**	**200,466**	**55,619**	**256,085**
Additions – internal development	**320,178**	**-**	**320,178**	**320,178**	**-**	**320,178**
Amortisation	**(65,600)**	**(16,676)**	**(82,276)**	**(60,066)**	**(16,676)**	**(76,742)**
Impairment loss (refer note (c))	**(2,993,324)**	**-**	**(2,993,324)**	**(2,993,234)**	**-**	**(2,993,234)**
At 30 June 2009, net of accumulated amortisation	**37,915**	**262,432**	**300,347**	**37,915**	**262,432**	**300,347**
At 30 June 2009						
Cost	**365,211**	**291,072**	**656,283**	**365,211**	**291,072**	**656,283**
Accumulated amortisation	**(327,296)**	**(28,640)**	**(355,936)**	**(327,296)**	**(28,640)**	**(355,936)**
Net carrying amount	**37,915**	**262,432**	**300,347**	**37,915**	**262,432**	**300,347**

Notes to the Financial Statements
For the Year Ended 30 June 2009

19 NON-CURRENT ASSETS - INTANGIBLE ASSETS (continued)

	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 amortisation	(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 amortisation	**(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**

(b) Description of the Group's intangible assets

(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. All intangible assets are amortised using the straight line method over a period of 3 to 5 years. 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. These intangible assets have been assessed as having a finite life and are amortised using the straight line method over the period of the patent. The amortisation has been recognised in the 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.

Notes to the Financial Statements
For the Year Ended 30 June 2009

19 NON-CURRENT ASSETS - INTANGIBLE ASSETS (continued)

(c) Impairment losses

	CONSOLIDATED	
	2009 $	2008 $
DataDot Automated Applicator Cell (DAAC)	**2,607,394**	-
In light of the global downturn in auto sales and particularly the auto industry's focus on cost reduction, a number of impairment indicators are present. These include a reducing number of auto sales and there being no present customer for the DAAC. As a consequence, the Board assessed that the future income potential for this technology is uncertain and the Board therefore determined to fully impair the project, effective 31 December 2008.		
The impairment losses (net of government grants) of $1,249,597 (2008: $nil) represent impairment, in full, of capitalised development costs of $2,607,394 for the DataDot Automated Applicator Cell (DAAC) net of government grants of $1,357,797 received in relation to the development of the DAAC.		
Government grants provided to the Group to assist with the development of the DAAC technology were to be released to the income statement over the expected useful life of the asset upon completion of the development. Given the Group's decision over the commercialisation of the DAAC, this grant income has now been fully realised.		
Laser X Project	**385,840**	-
There were also a number of impairment indicators being present to create sufficient uncertainty as to the future commercial potential that the Board has assessed that the commercialisation of the project is not certain. As a consequence, the Board decided to fully impair the project, effective 31 December 2008.		
	$2,993,234	-

Notes to the Financial Statements

For the Year Ended 30 June 2009

20 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 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) Summary of Options granted, including Options granted under ESOP

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

	2009 No.	***2009 WAEP***	*2008 No.*	*2008 WAEP*
Issued under ESOP				
Outstanding at beginning of the year	**12,818,000**	**0.21**	13,068,000	0.22
Granted during the year	**-**	**-**	-	-
Forfeited during the year	**(5,873,000)**	**0.24**	(250,000)	0.42
Exercised during the year	**-**	**-**	-	-
Expired during the year	**-**	**-**	-	-
Outstanding at the end of the year	**6,945,000**	**0.21**	12,818,000	0.21
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	**14,295,000**	**0.22**	20,168,000	0.23
Exercisable at the end of the year	**14,295,000**	**0.223**	20,168,000	0.23

The outstanding balance as at 30 June 2009 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;
- 1,000,000 options over ordinary shares with an exercise price of $0.20 each with an expiry date of 23 July 2009;
- 8,300,000 options over ordinary shares with an exercise price of $0.25 each with an expiry date of 31 Dec 2009;
- 500,000 options over ordinary shares with an exercise price of $0.42 each with an expiry date of 7 Aug 2011.

Notes to the Financial Statements
For the Year Ended 30 June 2009

20 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 2009 is 0.53 years (2008: 1.48 years).

(d) Range of exercise price

The range of exercise prices for options outstanding as at 30 June 2009 was \$0.15 - \$0.42 (2008: \$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 2009 or 2008.

(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 last two years 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.

Notes to the Financial Statements
For the Year Ended 30 June 2009

21 CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

	Note	CONSOLIDATED 2009 $	CONSOLIDATED 2008 $	PARENT 2009 $	PARENT 2008 $
Trade payables		**681,273**	1,149,614	**195,809**	648,852
Sundry creditors and accruals		**306,065**	936,060	**168,642**	481,846
Unearned revenue		**-**	-	**43,608**	14,990
Related party payables					
Amounts payable to other parties	(b)	**57,002**	57,617	**-**	-
Loans (to)/from subsidiaries		**-**	-	**2,937,339**	-
		1,044,340	2,143,291	**3,345,398**	1,145,688

(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.

22 INTEREST BEARING LOANS AND BORROWINGS

	Maturity	CONSOLIDATED 2009 $	CONSOLIDATED 2008 $	PARENT 2009 $	PARENT 2008 $
Current					
Secured:					
Obligations under finance leases and hire purchase contracts (note 26)	*2009*	**128,562**	119,744	**78,161**	27,252
Bank loan	*2009*	**19,484**	72,182	**-**	-
		148,046	191,926	**78,161**	27,252
Unsecured:					
Deferred GST liability	*2009*	**84,017**	-	**84,017**	-
		232,063	191,926	**162,178**	27,252
Non-current					
Secured:					
Lease liabilities	*2010*	**4,733**	122,780	**-**	78,161
Bank loan	*2010*	**-**	19,911	**-**	-
		4,733	142,691	**-**	78,161

(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 2009

22 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 $9,962 (2008: $36,392) for the Group and $Nil (2008: $Nil) 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.

23 PROVISIONS

	CONSOLIDATED		***PARENT***	
	2009	*2008*	***2009***	*2008*
	$	*$*	***$***	*$*
Current				
Long service leave	**82,657**	161,196	**19,092**	100,814
Annual leave	**218,041**	339,279	**106,918**	239,494
Restructuring provision	**437,065**	-	**437,065**	-
Provision for Swann Insurance	**10,055**	-	-	-
Provision for Fitment Expenses	-	1,018	-	-
	747,818	501,493	**563,075**	340,308
Non-current				
Long service leave	**7,263**	9,099	**6,109**	5,791

(a) Movements in Provisions

Movements in each class of provision during the financial year, other than provisions relating to employee benefits, are set out below:

	Restructuring Provision $	***Swann Insurance Provision $***	***Fitment Expenses Provision $***	***Total $***
Consolidated				
At 1 July 2008	-	-	1,018	1,018
Provisions made during the period	437,065	10,055	-	447,120
Provisions used during the period	-	-	-	-
Provisions reversed during the period	-	-	(1,018)	(1,018)
At 30 June 2009	437,065	10,055	-	447,120
Parent				
At 1 July 2008	-	-	-	-
Provisions made during the period	437,065	-	-	437,065
Provisions used during the period	-	-	-	-
Provisions reversed during the period	-	-	-	-
At 30 June 2009	437,065	-	-	437,065

Notes to the Financial Statements
For the Year Ended 30 June 2009

23 PROVISIONS (continued)

(b) Nature and timing of provisions

(i) Long service leave

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

(ii) Restructuring provision

As detailed in note 7(h), the Board and Management have implemented major cost reductions in the past seven months and as a result of the Group's restructure expect significant additional sustained savings. The major cost components of the restructuring are termination payments associated with cessation of employment together with legal and accounting fees.

24 OTHER NON-CURRENT LIABILITIES

		CONSOLIDATED		***PARENT***	
		2009	*2008*	***2009***	*2008*
		$	*$*	***$***	*$*
Unearned revenue		**-**	-	**1,539**	42,052
Unsecured loans from:					
Amounts payable to other parties	(a)	**379,446**	351,871	**-**	-
Government grant	(b)	**-**	965,012	**-**	965,012
		379,446	1,316,883	**1,539**	1,007,064

(a) Amounts payable to other parties

Included in payables to other parties is an amount of £184,907 ($379,446) 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 the DataDot Automated Applicator Cell (DAAC) and was to be released to the income statement over the expected useful life of the asset upon completion of the development. Given the Group's decision over the commercialisation of the DAAC (refer note 19), this grant income has now been fully realised.

Notes to the Financial Statements

For the Year Ended 30 June 2009

25 CONTRIBUTED EQUITY AND RESERVES

(a) Ordinary Shares				
Issued and fully paid	**28,151,106**	26,456,519	**28,151,106**	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 2007	149,577,480	26,456,519	149,577,480	26,456,519
Shares issued	-	-	-	-
At 1 July 2008	**149,577,480**	**26,456,519**	**149,577,480**	**26,456,519**
Shares issued:				
Share placement at $0.01 per share	**22,436,622**	**224,366**	**22,436,622**	**224,366**
Rights issue at $0.01 per share	**172,014,102**	**1,720,141**	**172,014,102**	**1,720,141**
Less cost of capital raisings	**-**	**(249,920)**	**-**	**(249,920)**
At 30 June 2009	**344,028,204**	**28,151,106**	**344,028,204**	**28,151,106**

(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 22, the Group had total interest bearing liabilities of $236,796 as at 30 June 2009 (2008: $334,617). The Group is not subject to any externally imposed capital requirements.

(c) Accumulated losses

Movements in accumulated losses were as follows:

	CONSOLIDATED		***PARENT***	
	2009	*2008*	***2009***	*2008*
	$	*$*	***$***	*$*
Balance 1 July	**(15,185,063)**	(16,210,047)	**(17,001,606)**	(16,040,055)
Net profit / (loss) for the year	**(11,114,329)**	1,024,984	**(12,722,510)**	(961,552)
Balance 30 June	**(26,299,392)**	(15,185,063)	**(29,724,116)**	(17,001,606)

(d) Reserves

Foreign currency translation reserves				
Balance at beginning of financial year	**(368,758)**	(37,457)	-	-
Currency translation differences arising during the year	**768,613**	(331,301)	-	-
Balance at end of financial year	**399,855**	(368,758)	-	-

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

Notes to the Financial Statements
For the Year Ended 30 June 2009

25 CONTRIBUTED EQUITY AND RESERVES (continued)

(e) Minority interests

Interest in:				
Contributed equity	-	18	-	-
Retained profits	-	470,355	-	-
	-	470,373	-	-

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.

26 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 $148,928 (2008: $238,962) for the Group and $76,303 (2008: $98,561) 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*	
	2009	*2008*	***2009***	*2008*
	$	*$*	*$*	*$*
CONSOLIDATED				
Within one year	**128,562**	119,743	**78,161**	27,252
One year or later and no later than five years	**6,887**	122,781	**-**	78,161
Total minimum lease payments	**135,449**	242,524	**78,161**	105,413

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*	
	2009	*2008*	***2008***	*2007*
	$	*$*	***$***	*$*
Within one year	**144,092**	291,598	-	-
Later than one year but not later than five years	**15,229**	145,335	-	-
	159,322	436,933	-	-

Notes to the Financial Statements

For the Year Ended 30 June 2009

26 COMMITMENTS (continued)

(ii) Commitments relating to joint venture

At 30 June 2009, the Group has commitments of $Nil (2008: $Nil) relating to the DataTraceDNA Pty Limited joint venture (see note 27 re contingent liabilities).

(iii) Remuneration commitments

	CONSOLIDATED		*PARENT*	
	2009	*2008*	***2009***	*2008*
	$	*$*	***$***	*$*
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	**833,055**	1,358,519	**733,665**	1,212,192
After one year but not more than 5 years	**207,350**	342,875	**207,350**	342,875
	1,040,405	1,701,394	**941,015**	1,555,067

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.

27 CONTINGENT LIABILITIES

(i) Joint Venture

On 31 October 2005, the Parent entered into a number of agreements with the CSIRO establishing DataTraceDNA 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 DataTraceDNA 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 $425,635.

(ii) Claims

The Board has been notified of potential claims by former employees in relation to termination payments. The Board expects to fully disclaim any liability and will defend any actions. The Board also believes that there are valid claims for breach of duty against former employees which are currently being pursued and would offset any potential liability. At this stage it is not practical, and in any event would be prejudicial, to estimate any potential effect of the expected claims but legal advice is currently being sought.

(iii) Guarantees

Included in payables to other parties is an amount of £184,907 ($379,446) 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.

Notes to the Financial Statements
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27 CONTINGENT LIABILITIES (continued)

(iv) Insurance Company initiative

Included in provisions is $10,055 (2008: $Nil) being an estimate of amounts payable that may arise under a sales agreement with an insurance company under which DataDot has agreed to remit the insurance policy excess on behalf of insurance policy holders who have applied dots to their vehicles and whose vehicles have been stolen. The estimate is based on the probability of claims being made. Should these estimates prove incorrect then an adjustment may have to be made to either increase or decrease the amount due and payable.

(v) Tax related contingencies

Ongoing transactions - transfer pricing

The Group has offshore operations in the United States and the United Kingdom. As disclosed in note 28, 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 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.

28 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.

			% Equity interest		Investment $	
Name		**Country of incorporation**	***2009***	*2008*	***2009***	*2008*
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
DataDot Technology South Africa (Pty) Ltd	(i)	South Africa	**-**	42.5	**-**	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	**-**	-
					183,168	183,250

(i) This company was disposed of during 2009. Refer note 9 - Discontinued Operations.
(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.

Notes to the Financial Statements
For the Year Ended 30 June 2009

28 RELATED PARTY DISCLOSURES (continued)

(c) Key management personnel

Details regarding key management personnel, including remuneration paid are included in note 31.

(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:	***2009 $***	*2008 $*	***2009 $***	*2008 $*
Revenue from sale of goods				
Wholly-owned controlled entities	**-**	-	**-**	-
Partly-owned controlled entities	**-**	-	**-**	-
Revenue from royalties				
Wholly-owned controlled entities	**-**	-	**259,174**	**361,151**
Partly-owned controlled entities	**-**	-	**21,188**	**166,944**
Revenue from management fees				
Wholly-owned controlled entities	**-**	-	**-**	-
Partly-owned controlled entities	**-**	-	**-**	-
Joint Venture entity	**695,307**	**1,370,990**	**695,307**	**1,370,990**
Purchases of inventory				
Wholly-owned controlled entities	**-**	-	**-**	-
Partly-owned controlled entities	**-**	-	**-**	-
Management fees paid				
Wholly-owned controlled entities	**-**	-	**266,032**	168,076
Current loans receivable/payable				
Wholly-owned controlled entities	**-**	-	**(2,924,854)**	157,872
Partly-owned controlled entities	**-**	-	**1,421,415**	822,926
Less : provision for doubtful debt	**-**	-	**(1,054,548)**	(561,825)
Joint Venture entity	**-**	-		-
Non-current loans receivable				
Wholly-owned controlled entities	**-**	-	**5,069,426**	4,316,721
Less : provision for doubtful debt	**-**	-	**(5,069,426)**	(4,316,721)
Partly-owned controlled entities	**-**	-	**-**	23,789
Less : allowance for impairment	**-**	-	**-**	(23,789)

29 EVENTS SUBSEQUENT TO BALANCE DATE

Between 1 July 2009 and the date of this report 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 2009

30 AUDITORS' REMUNERATION
The auditor of DataDot Technology Limited is PKF.

	CONSOLIDATED		PARENT	
	2009	2008	**2009**	2008
	$	$	**$**	$
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	**138,800**	103,666	**138,800**	103,666
• other services in relation to the entity and any other entity in the consolidated group				
- tax compliance	**36,975**	47,781	**36,975**	45,781
- other services	**49,313**	32,961	**49,313**	32,961
	225,088	184,408	**225,088**	182,408
Amounts received or due and receivable by non PKF audit firms for:				
• an audit or review of the financial report of subsidiaries	**68,990**	46,453	**-**	-
• taxation services	**7,297**	3,194	**-**	-
• agreed upon procedures review	**153,004**	1,117	**153,004**	-
	229,291	50,764	**153,004**	-

31 KEY MANAGEMENT PERSONNEL

(a) Details of Key Management Personnel

(i) Directors

A. Farrar	Chairman (non-executive)
B. Bootle	Chief Executive – appointed 27 April 2009
G. Flowers	Director (non-executive)
C. Lo Lin Sye	Director (executive)
M. George	Director (non-executive) – appointed 26 November 2008
B. Rathie	Director (non-executive) – resigned 5 January 2009
I. Allen	Chief Executive – ceased 4 February 2009
J. Richards	Commercial Director – resigned 26 November 2008

(*ii) Executives*

R. Hawkey	Chief Financial Officer – appointed 1 June 2009
M. James	Chief Financial Officer – resigned 31 January 2009
G. Loughlin	Company Secretary and Strategic Development Manager
G. Twemlow	General Manager, Global Sales and Marketing – resigned 30 June 2008
G. George	Research and Development Manager
D. Barnes	President - DataDot Technology USA Inc. – appointed 28 November 2008
R. Sherman	General Manager - DataDot Technology USA Inc. – appointed General Manager, Global IT and ceased to be KMP on 28 November 2008
P. Kibler	Managing Director - DataDot Technology (UK) Ltd
A. Blew	Managing Director - DataDot Technology South Africa (Pty) Ltd – to 11 March 2009
D. Menday	Marketing Director - DataDot Technology South Africa (Pty) Ltd – to 11 March 2009

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 2009

31 KEY MANAGEMENT PERSONNEL (continued)

(b) Compensation of Key Management Personnel

	CONSOLIDATED		PARENT	
	2009	2008	**2009**	2008
	$	$	$	$
Short-term employee benefits	**2,024,102**	2,338,697	**1,379,249**	1,617,657
Post-employment benefits	**159,694**	278,592	**159,694**	270,716
Other long-term benefits	**-**	-	**-**	-
Termination benefits	**95,333**	-	**95,333**	-
Share-based payments	**-**	-	**-**	-
	2,279,129	2,617,289	**1,634,276**	1,888,373

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

30 June 2009	Balance at beginning of period 01 Jul 08	Granted as remuneration	Options exercised	Net change Other #	Balance at end of period 30 Jun 09	Vested at 30 June 2009 Total	Exercisable	Not - Exercisable
(i) Directors								
A. Farrar	-	-	-	-	-	-	-	-
B. Bootle	-	-	-	-	-	-	-	-
G. Flowers	-	-	-	-	-	-	-	-
C. Lo Lin Sye	-	-	-	-	-	-	-	-
M. George	-	-	-	-	-	-	-	-
B. Rathie	-	-	-	-	-	-	-	-
I. Allen	2,685,000	-	-	(2,685,000)	-	-	-	-
J. Richards	238,000	-	-	(238,000)	-	-	-	-
(ii) Executives								
R. Hawkey	-	-	-	-	-	-	-	-
M. James	250,000	-	-	(250,000)	-	-	-	-
G. Loughlin	1,000,000	-	-	-	1,000,000	1,000,000	1,000,000	-
G. Twemlow	-	-	-	-	-	-	-	-
G. George	150,000	-	-	-	150,000	150,000	150,000	-
D. Barnes	-	-	-	-	-	-	-	-
R. Sherman	-	-	-	-	-	-	-	-
P. Kibler	-	-	-	-	-	-	-	-
A. Blew	-	-	-	-	-	-	-	-
D. Menday	-	-	-	-	-	-	-	-
	4,323,000	**-**	**-**	**(3,173,000)**	**1,150,000**	**1,150,000**	**1,150,000**	**-**

 # Includes forfeiture

No options were issued during or since the end of the financial year.

Notes to the Financial Statements
For the Year Ended 30 June 2009

31 KEY MANAGEMENT PERSONNEL (continued)

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

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	*Exercisable*	*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

(d) Shareholdings of Key Management Personnel (Consolidated)
Shares held in DataDot Technology Limited (number)

30 June 2009	*Balance at beginning of period 1 July 08*	*Purchased on market and/or in Rights Issue*	*On Exercise of Options*	*Received on conversion of notes*	*Sales on or off market*	*Balance at end of period 30 June 09*
Directors						
A. Farrar #	500,000	500,000	-	-	-	1,000,000
B. Bootle #	-	200,000	-	-	-	200,000
G. Flowers #	-	530,000	-	-	-	530,000
C. Lo Lin Sye *	108,785	108,785	-	-	-	217,570
M. George	-	-	-	-	-	-
B. Rathie	150,000	750,000	-	-	-	900,000
I. Allen	14,735,000	-	-	-	14,735,000	-
J. Richards	4,595,000	-	-	-	4,595,000	-
Executives						
R. Hawkey	-	-	-	-	-	-
M. James	300,000	300,000	-	-	-	600,000
G. Loughlin *	100,000	100,000	-	-	-	200,000
G. Twemlow	-	-	-	-	-	-
G. George	-	-	-	-	-	-
D. Barnes	-	-	-	-	-	-
R. Sherman	-	-	-	-	-	-
P. Kibler	-	-	-	-	-	-
A. Blew	-	-	-	-	-	-
D. Menday	-	-	-	-	-	-
	20,488,785	**2,488,785**	**-**	**-**	**19,330,000**	**3,647,570**

* Opening balance of shareholdings for C. Lo and G. Loughlin has been amended due to a misstatement in the 2008 Annual Report.

\# Closing balance of shareholdings for A. Farrar, B. Bootle and G. Flowers differ from values shown in Table 11 of the Director's Report due to share activity between 30 June 2009 and the date of this report.

Notes to the Financial Statements

For the Year Ended 30 June 2009

31 KEY MANAGEMENT PERSONNEL (continued)

(d) Shareholdings of Key Management Personnel (Consolidated) (continued)

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 *#	108,785	-	-	-	-	108,785
Executives						
G.J Loughlin #	100,000	-	-	-	-	100,000
M.S James	300,000	-	-	-	-	300,000
	20,338,785	150,000	-	-	-	20,488,785

* Appointed 7 February 2008
# Opening balance of shareholdings for B. Rathie, C. Lo and G. Loughlin has been amended due to a misstatement in the 2008 Annual Report.

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				
2009	**117,134**	**127,566**	**10,432**	**1**
2008	106,196	117,134	10,938	1

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

30 June 2009	*Opening balance* $	*Closing balance* $	*Interest charged* $	*Highest owing in period* $
Director (ceased 5 January 2009)				
I. Allen	**117,134**	**127,566**	**10,432**	**127,566**
30 June 2008	$	$	$	$
Director				
I. Allen	106,196	117,134	10,938	117,134

(iii) Terms and conditions of loans to key management personnel.

Executives are charged interest at 9% per annum. Repayment of this loan is disputed and is currently subject to litigation.

Notes to the Financial Statements
For the Year Ended 30 June 2009

31 KEY MANAGEMENT PERSONNEL (continued)

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

Purchases
During the year, purchases of legal services totalling $174,100 (2008: $Nil) at normal market prices have been made by DataDot Technology Limited from Thomson Playford Cutlers, of which Mr Michael George is a partner. $54,687 was outstanding at 30 June 2009 (2008: $Nil).

During the year, purchases of professional services totalling $36,280 (2008: $Nil) at normal market prices have been made by DataDot Technology Limited from WHK Howarth, of which Mr Allan Farrar is a principal. $Nil was outstanding at 30 June 2009 (2008: $Nil).

Sales
During 2008, sales totalling $825,000 at normal market prices were made by DataDot Technology USA, Inc. to DataDot Dealer Services, Inc. of which S. Cutler (a former KMP of DataDot Technology Limited) was a director and a 33% minority shareholder. S. Cutler ceased being a KMP on 1 August 2007.

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

	2009	*2008*
	$	*$*
Assets and Liabilities		
Current Assets		
Trade and other receivables	-	-
Non-current assets		
Non-current receivables	-	-
Total assets	-	-
Current liabilities		
Trade and other payables	-	-
Non-current liabilities		
Non-current payables	-	-
Total liabilities	-	-
Revenue	-	825,000
Total revenue	-	825,000
Purchases / Cost of Goods Sold	**210,380**	-
Total expenses	**210,380**	-

Directors' Declaration
For the Year Ended 30 June 2009

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

1. In the opinion of the directors:

   (a) The financial statements, notes and the additional disclosures included in the directors' report designated as audited, of the company and of 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 2009 and of their performance for the year ended on that date.

      (ii) Complying with Australian Accounting Standards (including Australian Accounting Interpretations) and *Corporations Regulations 2001*.

      (iii) Complying with International Financial Reporting Standards as disclosed in note 2(a).

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

2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ending 30 June 2009.

On behalf of the Board

Allan Farrar
Chairman

Sydney, 2nd September 2009.

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 2009, 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 for both Datadot Technology Limited (the company) and the consolidated entity. The consolidated entity comprises the company and the entities it controlled at the year's end and from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of Datadot Technology Limited 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 controls 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. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statement,* that compliance with Australian Equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. 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.

Independence

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

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Level 10, 1 Margaret Street | Sydney | New South Wales 2000 | Australia
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Chartered Accountants
& Business Advisers

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 consolidated entity's financial position as at 30 June 2009 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).

Significant Uncertainty Regarding Continuation as a Going Concern

Without qualifying our opinion, we draw attention to Note 2(d) to the financial statements which indicates that the parent company and consolidated entity incurred net losses for the year ended 30 June 2009 of $12,722,510 (2008: $961,551) and $10,985,322 (2008: profit of $1,305,436) respectively. At the year end date, the Parent Company had a net liability of $1,573,010 (2008: net assets of $9,454,913) and net current liabilities of $2,534,834 (2008: net current assets of $1,376,340). These conditions, along with other matters as set forth in Note 2(d), indicate the existence of a significant uncertainty about the parent company's and consolidated entity's ability to continue as a going concern, and therefore whether the parent company and consolidated entity will realise their assets and extinguish their liabilities in the ordinary course of business and at the amounts stated in the Financial Report.

These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts or classification of liabilities and appropriate disclosures that may be necessary should the consolidated entity and the parent be unable to continue as going concerns.

Report on the Remuneration Report

We have audited the Remuneration Report included pages 19 to 24 of the directors' report for the year ended 30 June 2009. 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 2009 complies with section 300A of the *Corporations Act 2001*.

PKF

Grant Saxon
Partner

2 September 2009
Sydney

SHAREHOLDER INFORMATION
AS AT 5 AUGUST 2009

A. STATEMENT OF ISSUED SHARES

The total number of shareholders is 1,927. There are 344,028,204 ordinary fully paid shares listed on the Australian Stock Exchange Ltd (ASX). The twenty largest shareholders hold 52.67% of the Company's issued capital.

B. DISTRIBUTION OF SECURITIES

Holdings Ranges	Number of Shareholders	Number of Option holders
1-1,000	25	-
1,001-5,000	300	-
5,001-10,000	297	-
10,001-100,000	949	2
100,001 and over	356	8
Totals	1,927	10

The number of shareholders holding less than a marketable parcel of ordinary shares is 1,028.

C. ON-MARKET BUYBACK

There is no current on-market buyback.

D. SUBSTANTIAL SHAREHOLDERS

Substantial shareholders are as follows:

Bannaby Investments Pty Ltd	35,133,179 shares
T M Consulting Pty Ltd	28,988,403 shares
Brent McLaws	17,735,000 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 13,245,000 options over ordinary shares. These options are held by 10 persons.

Details of holders with more than 20% of this class of securities are:

Collin Hwang - 4,495,000 options;
Keith Kerridge - 3,250,000 options;
Vickie McGrouther - 3,250,000 options.

G. TOP 20 SHAREHOLDERS APPEARING ON THE REGISTER

Shareholder's Name	No. of Shares held	% of capital held
Bannaby Investments Pty Ltd	28,988,403	8.426
TM Consulting Pty Ltd	28,988,403	8.426
Brent McLaws	17,735,000	5.155
Mr Kevin Tay Hak Leong	17,000,000	4.941
ANZ Nominees Limited <Cash Income A/C>	15,659,548	4.552
DBS Vickers Securities (Singapore) Pte Ltd <Client A/C>	13,870,617	4.032
William Cleugh	8,240,187	2.395
Siew Lan Irene Lim	8,132,204	2.364
Evan Philip Clucas & Leanne Jane Weston <Kuranga Nursery Super A/C>	5,085,216	1.478
Susan Coldicutt	4,900,883	1.425
House of Maister Services Limited	4,159,880	1.209
Lloyds & Casanove Investment Partners Limited	3,743,998	1.088
Apollo Solutions Limited	3,640,029	1.058
City & Westminster Limited	3,640,029	1.058
Erick Adriaanse	3,617,623	1.052
Bannaby Investments Pty Ltd	3,617,623	1.052
Kian Giap Teo	2,803,293	0.815
Gavan & Joanna Murphy Pty Ltd <Murphy Family A/C>	2,600,328	0.756
Mark Benedict Forstmann & Joanne Louise Larratt <Mark Forstmann S/F A/C>	2,500,000	0.727
Comadis Pty Ltd <Super Fund A/C>	2,200,000	0.639
Top 20 Total	181,123,264	52.648