DataDot
TECHNOLOGY LTD

2010 Annual Report

DataDotDNA®

DatatraceDNA

Digital Nanoparticle Authentication

AgTechnix

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 ("DataDot"). DataDot's functional and presentation currency is AUD ($).

A description of DataDot's operations and of its principal activities is included in the review of operations and activities in the directors' report on pages 9 to 22. The directors' report is not part of the financial report.

Directors	Company Secretary	Registered office
Mr B. Rathie (Chairman) Mr B. Bootle (Chief Executive Officer) Mr G. Flowers Ms A. Coutts	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	Commonwealth Bank Forestway Shopping Centre Forestway, Frenchs Forest Sydney NSW 2086

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 Overview

I am pleased to report that DataDot Technology Limited (DataDot) has emerged from the global financial crisis a more robust company than at any time since publicly listing in 2005. In the last year there have been significant developments in the company's operational performance, strategy, governance and shareholder base, which have strengthened the platform on which to build for the future.

DataDot delivered an annual net profit after tax for only the second time in its short listed history of $931,326, an especially creditable result considering the extent to which the motor vehicle industry was affected by the global downturn. The result was achieved through increasing revenue by 23% in a difficult trading climate and reducing operating costs by some 16% in the first full year of cost controls implemented under new management.

The revised company strategy announced at last year's Annual General Meeting, reflecting the demands and opportunities of the changing trading environment, is now a five year business plan to which management is closely working and reporting.

The company will continue to pursue geographical expansion in its core motor vehicle market for its microdot product. The Board is confident that innovative product packaging developed in the company's European operations, which provides solutions for vehicle insurers and financiers as well as vehicle owners and manufacturers, will increase penetration in this important market. We anticipate that product and process development currently underway will also deliver a microdot product later this year that is suitable for even broader applications at even lower cost.

In addition, DataDot is progressively extending beyond its core microdot business to provide both products and services for additional asset identification, authentication and protection applications. The strategy will transform DataDot from being predominantly a single product company, with attendant concentration exposure to the auto sector, to being the provider of a wide range of high-value asset risk-management solutions in many industries.

As implementation of this transition strategy proceeds, the range of asset management solutions will increasingly include new products formed from merging DataDot intellectual property with complementary intellectual property owned by partner companies. There have been three such developments in 2010. AgTechnix Pty Ltd, launched in October 2009, combines the identification properties of DataDot and DataTraceDNA with the seed coating technology of Ipeco Pty Ltd to produce a specific authentication solution for the agricultural industry. AgTechnix's first customer is GlaxoSmithKline. DataDot has also entered into a mutually beneficial arrangement with Relegen Pty Ltd that enhances asset management solutions by combining DataDots and Relegen's asset management software. DataTraceDNA Pty Ltd and Holomatrix Ltd of South Africa have jointly developed a bespoke solution to prevent copper cable theft.

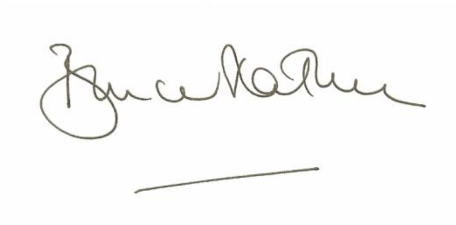
Two directors resigned over the course of the year, which has opened an opportunity to re-build the Board with a more diversified skill set across areas of priority importance to DataDot, including specialised and technically sophisticated product development, organisational structure and global distribution. Ms Alison Coutts was appointed as an independent non-executive director in July and over time the Board will consider further appointments that meet these criteria.

I am especially pleased to report that during 2010 DataDot has obtained the benefit of a more stable shareholder base. For its part the Board and management have re-commenced and are committed to maintaining an effective level of investor communication so that shareholders and the wider market are kept fully informed of the company's strategy and performance.

Chairman's Overview (continued)

The Board looks to the future with confidence in the company's capacity to create shareholder value. Cost and inefficiencies have been taken out of the business and a sound strategy is being executed by a professional management team. Our primary focus now is on growing top line revenue as rapidly as possible. Despite good cash generation from existing operations, the Board believes it is possible that the company will have a need for additional capital given the number of exciting opportunities to invest to grow revenue available to it in the short to medium term.

On behalf of the Board and the Company I would like to thank my fellow Directors, the management team and all employees for their unremitting efforts in bringing the company through the last year in better shape than it began. Last year was a particularly challenging year for DataDot on many levels other than the global financial crisis and it is a testament to our management and staff that they kept to the task and delivered not only a highly creditable result for shareholders but a more diversified and vibrant outlook for DataDot.



Bruce Rathie
Chairman

22 September 2010

Chief Executive Officer's Report

In the 2009/10 financial year, the Board of DataDot Technology Limited (DataDot) tasked Management with continuing to implement the strategies to drive performance efficiencies and profits that were outlined in the 2009 Annual Report and further elucidated at the 2009 Annual General Meeting; namely, to

- increase and diversify sales both geographically and by product;
- increase manufacturing efficiencies and reduce manufacturing costs;
- reduce expenses and overheads;
- restructure staffing and distribution agreements to focus on driving shareholder returns;
- in partnership with CSIRO, pursue opportunities to commercialise the unique intellectual property within the DataTraceDNA Pty Limited joint venture; and
- establish partnerships which take DataDot technology into new applications.

The results for the 12 months to 30 June 2010 reflect successful implementation of these strategies and confirm the re-positioning of DataDot as a profitable, growth-oriented and profit focused business.

Group Overview

The consolidated net profit for the period increased by $11,916,648, up from ($10,985,322) in 2009 to $931,326 in 2010.

The underlying earnings of the continuing operations of DataDot, represented by Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) and before impairment losses and restructuring expenses, increased by $1,918,304, up from ($428,614) to $1,489,690, as detailed in Table 1 below:

Table 1	2010 $	2009 $
Profit /(Loss) after income tax from continuing operations	931,326	(10,817,136)
Add back:		
Income Tax Expense	17,922	1,176,285
Interest Expense	48,907	65,212
Profit /(Loss) before Interest and Tax (EBIT)	998,155	(9,575,639)
Add back:		
Depreciation and amortisation expense	288,940	388,736
Profit /(Loss) before interest, tax, depreciation and amortisation (EBITDA)	1,287,095	(9,186,903)
Add back:		
Impairment losses	-	7,827,541
Restructuring expenses	202,595	930,748
EBITDA before impairment losses and restructuring expenses	1,489,690	(428,614)

DataDot's earnings in 2010 are comprised of revenues generated from a growing, recurring customer base. A majority of customers have entered into multi-year agreements with DataDot.

Chief Executive Officer's Report (continued)

Operating Results for the year

Summarised operating results are shown in Table 2 below:

Table 2	***2010*** Total Revenues $	***2010*** Results $	*2009* Total Revenues $	*2009* Results $
Geographic segments				
Asia Pacific	**6,179,652**	**1,982,874**	6,423,961	1,404,361
Americas	**1,166,970**	**(82,621)**	1,136,057	(362,465)
Europe	**3,723,954**	**918,416**	1,753,922	98,150
Discontinued Operations (South Africa)	**-**	**-**	1,871,155	(92,329)
	11,070,576	**2,818,669**	11,185,095	1,047,717
Consolidated entity adjustments	**(1,077,174)**	**-**	(1,183,640)	-
Non-segment unallocated revenues and expenses	**17,584**	**(1,716,721)**	29,672	(8,619,340)
Finance costs	**-**	**(48,907)**	-	(66,011)
Share of loss of joint venture	**-**	**(103,793)**	-	(2,096,345)
Income tax benefit /(expense)	**-**	**(17,922)**	-	(1,251,343)
Consolidated entity sales and loss	**10,010,986**	**931,326**	10,031,127	(10,985,322)

Asia Pacific

Revenues in Asia Pacific (including the Australian operations) decreased 4% from $6,423,961 in 2009 to $6,179,652 in 2010, primarily due to the loss of automotive OEM customers which has been largely offset by the improvement in the automotive industry in the second half of the year and increasing diversification of the revenue base. Product sales to automotive OEM customers in Taiwan continued to increase. Segment net profit increased by $578,513 (up 41%) from $1,404,361 to $1,982,874 as a direct result of the cost control measures and production efficiencies implemented in 2009.

Americas

Revenues in the Americas increased by 3% to $1,166,970 in 2010 from $1,136,057 in 2009, with the increase occurring mostly in the second half of the financial year reflecting poor trading conditions in the region in the first half of the year. The net loss for 2010 was $82,621, a significant improvement on the prior year loss of $362,465.

Europe

Revenues in Europe increased by $1,970,032 (up 112%) from $1,753,922 to $3,723,954 due to the ongoing contract with Federperiti Gest S.r.l. in Italy as well as increased sales in UK, Poland and Scandinavia. Net profit for the year increased to $918,416 from $98,150, an increase of $820,266 (up 836%), in line with increased sales.

Chief Executive Officer's Report (continued)

Operating Results for the year (continued)

South Africa

As stated in the 2009 Annual Report, DataDot decided to progressively dispose of DataDot's 42.5% equity interest in DataDot Technology (South Africa) (Proprietary) Limited (DTSA) to the two South African shareholders who manage DTSA. Effective 11 March 2009, DTSA became a deconsolidated entity and DTSA results in 2009 are shown as a discontinued operation. In 2010, the South African operation experienced improved profitability, leading to improved royalty revenue flows to DataDot via a 7.5% royalty on every DataDot product sold by the South African licensees.

Joint Venture – DataTraceDNA Pty Limited

The share of loss from the DataTraceDNA joint venture was $103,793 in 2010 compared to a share of loss (before impairments) of $479,127 in 2009, an improvement of $375,334. Management continues to build the sales pipeline and research and development is restricted to customer funded activities.

In July 2010, DataDot was very pleased to announce a five-year pharmaceutical brand protection project with a world leading pharmaceutical company (which cannot be named due to confidentiality obligations) to authenticate the entire volume of one of its most successful drugs.

This follows other successes during the year for DataTraceDNA including:

- January 2010 – joint development of the patent-pending AuthentiCable™ product for the protection of copper, aluminium, steel and other cable;
- March 2010 – successful commercialisation of the VerifiTT technology (which utilises DataTraceDNA) in a textile authentication project for Elders New Zealand and Primary Wool Cooperative; and
- May 2010 – a new patent-pending system for product authentication.

DataDot are pleased with the progress of the development of DataTraceDNA technology and excited to see the start of its commercial potential to become recognised by some 'blue chip' customers.

AgTechnix Pty Limited

In October 2009, DataDot announced the development of a new seed protection technology that is being commercialised through AgTechnix Pty Limited, a 51% majority owned subsidiary of DataDot Technology Limited. The technology is undergoing testing in a controlled environment by a number of international seed breeding companies who are prospective customers. AgTechnix's inaugural customer, GlaxoSmithKline, has committed to the use of IntelliSeed with their poppy seed production in Tasmania in 2010/11. The immaterial costs incurred to date in the establishment of AgTechnix have been absorbed by DDT and Ipeco Pty Limited (the 49% non-controlling shareholder of AgTechnix Pty Limited).

Chief Executive Officer's Report (continued)

Operating Results for the year (continued)

Operating Expenses

DataDot's operating expenses (excluding restructuring expenses and impairment losses) decreased to $5,517,607 from $6,602,389, a decrease in operating expenses of $1,084,782 (16%). Management continued its focus on cost control in the 2010 year through further reviews of staffing requirements as well as assessment and implementation of more efficient and cost effective manufacturing processes.

Table 3 below compares the decreases in expenditure by function (excluding restructuring items) and highlights the reduction in expenditure of $1,084,782 (16%) over the previous year:

Table 3	***2010***	*2009*	***Reduction*** ***(Note below)***	***Reduction***
Consolidated Expenditure, by function	***$***	*$*	***$***	***%***
Employee benefits expense	**2,705,690**	3,005,901	300,211	10%
Administrative expenses	**1,487,159**	1,684,522	197,363	12%
Advertising and promotional expenses	**293,334**	513,256	219,922	43%
Occupancy expenses	**386,871**	464,013	77,142	17%
Travel expenses	**241,191**	274,631	33,440	12%
Finance costs	**48,907**	65,212	16,305	25%
Depreciation and amortisation expense	**288,940**	388,736	99,796	26%
Bad and doubtful debts	**65,515**	206,118	140,603	68%
Total operating expenses	**5,517,607**	6,602,389	1,084,782	16%

(Note: A positive movement represents the favourable impact of a reduction in expenditure).

Liquidity and Capital Resources

There was an increase in cash in the year ended 30 June 2010 of $1,034,916 to a closing balance of $1,796,406 (2009: decrease of $1,877,973). Cash outflows for the 2010 year included $540,834 of one-off payments associated with restructuring provisions (including termination payments to former employees) made during 2009 and $168,301 of one-off costs associated with the rights issue redistribution. Excluding these two extraordinary items, the cash balance at 30 June 2010 would have been $2,505,541.

Operating activities generated $1,874,511 (2009: consumed $2,383,349). This increase is a result of decreased operating expenses aligned to revenues.

Cash outflows from financing activities totalled $220,712 (2009: inflow of $1,506,733). The outflow in 2010 included additional transaction costs associated with the rights issue in 2009.

Cash outflows from investing activities during the year ended 30 June 2010 decreased to $602,322 (2009: $1,009,809). The cash outflows were mainly attributable to investing in the joint venture DataTraceDNA Pty Ltd and purchase of new plant and equipment associated with the implementation of more efficient manufacturing processes.

Shares issued during the year

There were no shares issued during the year (2009: 194,450,724 shares issued). In 2009, 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 (2009: nil option exercises).

Chief Executive Officer's Report (continued)

Operating Results for the year (continued)

Profile of Debts

The amount of DataDot's debt has decreased by $99,525 due to repayment of finance leases offset by establishment of a bank loan facility associated with purchase of new manufacturing equipment.

Capital expenditure

There has been an increase in cash used to purchase plant and equipment for 30 June 2010 to $217,418 from $103,706 in 2009 due to investment in more efficient manufacturing processes, in line with the stated strategy of increasing manufacturing efficiencies and reducing manufacturing costs.

Conclusion

The Board, management, staff, distributors and partners of DataDot have worked hard during the past 18 months to turn around this exciting business. We have focused on basic business principles and looked to change the company from one focused on a single product to one that is determined to develop commercial solutions for customers in:

1. Asset Identification;
2. Protection;
3. Authentication; and
4. Prosecution and discrimination solutions for environmental protection.

We are pleased to have been able to appoint quality new partners in distribution of DataDot products in Thailand, Chile, Argentina, Micronesia and Fiji and new partners in distribution of DataTraceDNA products in Romania and Italy. We are working harder on training and resourcing our new distributors to enable them to have shorter lead times for sales development.

We have diversified our manufacturing base and put additional resources into our new factory in Taiwan to drive down production costs to better serve our customers. We continue to work on and invest in new technology to future proof the core products of DataDot and DataTraceDNA.

We continue to invest in upgrading the skills and capabilities of our staff, with a culture aligned to a modern security service-oriented business.

I would like to thank our directors, management team and staff for their commitment and contribution throughout the year.

Benjamin Bootle
Chief Executive Officer
22 September 2010

Directors' Report

Your directors submit their report for the year ended 30 June 2010.

1 Directors and Company Secretary

The name and details of DataDot'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 Bruce Rathie B.Com., LL.B., MBA, Grad Dip CSP, SA Fin., FAICD, FAIM
Independent Non-Executive Director and Chairman (appointed 16 October 2009)

Mr Rathie joined the Board as a non-executive Director and Chairman on 16 October 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 a Director of EFTPOS Payments Australia Limited and Capricorn Society Limited. He is Chairman of the Remuneration & Nomination Committee and a member of the Audit and Risk Management Committee. During the past four years Mr Rathie has also served as a director of the following listed companies:

- Anteo Diagnostics Limited - Appointed 1 July 2006: Resigned 31 August 2009
- Calzada Limited * - Appointed 18 February 2010
- Compumedics Limited - Appointed 21 October 2004: Resigned 31 December 2006
- USCOM Limited * – Appointed 1 December 2006
- Mungana Goldmines Limited * - Appointed 17 September 2010

* denotes current directorship

Mr Ben Bootle, B.Agr.Ec., M.Agr.Ec, Nuffield Scholar, GAICD.
Managing Director and Chief Executive Officer

Mr Bootle joined the Board as Managing Director and Chief Executive Officer on 27 April 2009. He holds Bachelor and Master Degrees in Agricultural Economics and was a Nuffield Scholar in 2001. Mr Bootle is a Graduate of the Institute of Company Directors. 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 27 November 2007. Until 2007 Mr Flowers was Managing Director and CEO of Australian Rugby Union, CEO of SANZAR and a Council Member of the International Rugby Board. He was previously National Managing Partner of Sparke Helmore Lawyers. He is currently non-executive Director and Chairman of DataTraceDNA Pty Limited, Chairman of Mirvac Hotels Pty Limited, Chairman of the Advisory Board to Mainbrace Constructions Pty Limited, Director of Ethiad Stadium 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 Alison Coutts B.E (Chem), MBA, Grad Dip Biotech
Independent Non-Executive Director (appointed 1 July 2010)

Ms Coutts joined the Board as a non-executive Director on 1 July 2010. Ms Coutts has degrees in Chemical Engineering and Business Administration, a Graduate Diploma in Biotechnology and extensive experience across a number of industry sectors and disciplines. This includes international engineering project management with Bechtel Corporation in the UK, USA and NZ, strategy consulting, management training and organisational structuring with Boston Consulting Group, and executive search with Egon Zehnder. Ms Coutts has worked more recently in finance and investment banking, with a special focus on assisting young innovative companies with the development and implementation of their growth strategies and commercialisation of their technologies. Ms Coutts is Chair of CSIRO's Health Sector Advisory Council. She is a member of the Audit and Risk Management Committee and a member of the Remuneration and Nomination Committee. During the past four years Mrs Coutts has also served as a Director of the following listed company:

- Clean Global Energy Limited * - Appointed 9 October 2009

* denotes current directorship

Mr Allan Farrar B.Sc., Dip.Acc., FAICD
Independent Non-Executive Director and Chairman (resigned 16 October 2009)

Mr Farrar joined the Board as a non-executive Director and Chairman on 8 November 2006 and resigned on 16 October 2009. 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 Chairman of the Remuneration & Nomination Committee, and was 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

Ms Connie Lo Lin Sye BBA
Executive Director (resigned 28 May 2010)

Ms Lo joined the Board as an executive Director on 7 February 2008 and resigned on 28 May 2010. She was 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 Audit & Risk Management Committee and a member of the Remuneration & Nomination Committee.

Directors' Report (continued)

1 Directors and Company Secretary (continued)

Mr Michael George, BA, LLB, LLM
Independent Non-Executive Director (resigned 18 February 2010)

Mr George joined the Board as a non-executive Director on 26 November 2008 and resigned on 18 February 2010. 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.

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 DataDot in December 2004 as Manager of Corporate Strategic Development and was appointed Company Secretary on 25 January 2005. He was previously General Manager, Strategy and Business Development, of Credit Union Services Corporation (Australia) Ltd and a director of several of its subsidiary companies, 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 DataDot during the financial year are:

	Board Meetings		Remuneration & Nomination Committee Meetings		Audit and Risk Management Committee Meetings	
Director	**A**	**B**	**A**	**B**	**A**	**B**
B Rathie	9	9	3	3	3	3
B Bootle	14	14	-	-	-	-
G Flowers	14	14	5	5	5	5
A Coutts	-	-	-	-	-	-
A Farrar	5	5	1	2	2	2
M George	8	8	1	2	-	-
C Lo Lin Sye	11	12	2	2	2	2

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 DataTraceDNA 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

In the 2009/10 financial year, the Board of DataDot Technology Limited (DataDot) tasked Management with continuing to implement the strategies to drive performance efficiencies and profits that were outlined in the 2009 Annual Report and further elucidated at the 2009 Annual General Meeting; namely, to

- increase and diversify sales both geographically and by product;
- increase manufacturing efficiencies and reduce manufacturing costs;
- reduce expenses and overheads;
- restructure staffing and distribution agreements to focus on driving shareholder returns;
- in partnership with CSIRO, pursue opportunities to commercialise the unique intellectual property within the DataTraceDNA Pty Limited joint venture; and
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The results for the 12 months to 30 June 2010 reflect successful implementation of these strategies and confirm the re-positioning of DataDot as a profitable, growth-oriented and profit focused business.

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The underlying earnings of the continuing operations of DataDot, represented by Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) and before impairment losses and restructuring expenses, increased by $1,918,304, up from ($428,614) to $1,489,690.

Further information is contained in the Chairman's Overview and the Chief Executive Officer's Report of this Annual Report.

5 Significant Changes in the State of Affairs

Total equity increased to $3,171,361 from $2,251,569, an increase of $919,792. The movement was largely the result of increased profits.

Directors' Report (continued)

6 Dividends

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

7 Significant Events after the Balance Date

Between 1 July 2010 and the date of this report DataDot Technology Limited continued negotiations with DataDot Technology (South Africa) (Proprietary) Limited in relation to distribution of all products in the African market. No other matter or circumstance has arisen since 30 June 2010 that has significantly affected, or may significantly affect DataDot's operations in subsequent financial years, the results of those operations in subsequent financial years or DataDot's state of affairs 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 2011 financial year will see an increase in sales through:

(a) aggressive growth of microdot products globally through new distributorships and strategic partnerships;
(b) packaging of DataDots into innovative financial and insurance solutions;
(c) development of new products and applications, using patents to protect intellectual property where necessary; and
(d) aggressive growth of revenues from CSIRO-licensed DataTraceDNA technology.

9 Environmental Regulation

DataDot'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 DataDot under option are:

Expiry Date	Exercise price	Number Of shares
7/08/2011	$0.42	500,000

These options, with an exercise price of $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 DataDot. 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 12,745,000 options lapsed due to reaching option expiry. The options that lapsed during the financial year had a value of $2,145,365.

Directors' Report (continued)

11 Directors' Interests

The relevant interest of each director in the shares and options over shares issued by DataDot, as notified by the directors to the Australian Stock Exchange in accordance with the Corporations Act 2001, at the date of this report is as follows:

Name of Director	Interest in Shares	Interest in Options
B. Rathie	1,670,740	Nil
B. Bootle	231,036	Nil
G. Flowers	954,872	Nil
A. Coutts	Nil	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, DataDot 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 27 and forms part of the Directors' Report for the year.

14 Non-audit Services

During the year ended 30 June 2010, the following payments were made to DataDot's auditor, PKF, as remuneration for services other than audit services:

Taxation services	$32,383
Other services	$31,655
Total tax and other non-audit services	$64,038

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)

<u>*Board Policy*</u>

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

Remuneration levels of KMP are determined by a Remuneration and Nomination Committee comprising only 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 DataDot's business strategies and financial targets;
- Executives' remuneration to comprise fixed and variable components;
- Variable components to be tied to the attainment of both short-term and long-term performance targets of individuals and DataDot;
- Variable components of executive remuneration to be between 30% and 50% of the value of total remuneration;
- Variable component payment to be subject to DataDot's financial capacity; and
- This policy to apply uniformly across DataDot.

Directors' Report (continued)

15 Remuneration Report (Audited) (continued)

Board Policy (continued)

In relation to Non-executive directors, the Constitution of DataDot and ASX Listing Rules specify that aggregate remuneration shall be determined from time to time by a general meeting. The latest determination was at the 2004 AGM when shareholders approved a ceiling on aggregate remuneration of $300,000 per annum. The actual amount paid is currently $50,000 per annum for each non-executive director other than the Chairman and $85,000 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.

Policy has been established that in future will allow the remuneration of some KMP to include an additional long-term incentive (LTI) component that will be tied to growth in shareholder wealth. Subject to shareholder approval in the case of such grants to Mr Bootle, such LTI payments should they be made will be in the form of share rights grants made under an Executives Share Rights Plan that is to be submitted for shareholder approval at the 2010 Annual General Meeting.

Remuneration Policy and Group Performance

It is DataDot's objective to increase shareholder value by way of higher market capitalisation and dividend payments. In 2010 the price at which DataDot's shares traded ranged from 1.7 cents per share on 1 July to 2.8 cents per share on 30 June, and in the period since DataDot listed publicly in 2005 it has neither declared a dividend nor returned capital to shareholders.

Accordingly, the effect of remuneration policy on DataDot's financial performance and on shareholder value is central to the Board's and Remuneration & Nomination Committee's decisions. For this reason a primary objective of remuneration policy is to tie the remuneration of KMP to financial performance, by ensuring that a significant proportion of the total remuneration of KMP is at risk, STI being tied closely to net profit targets, and LTI being tied closely to growth in shareholder value.

DataDot's earnings for each of the last 4 years were:

30 June 2007	($2,023,452)
30 June 2008	$1,305,436
30 June 2009	($10,985,322)
30 June 2010	$931,326

Performance Related Remuneration

In 2010, the Board implemented the short-term incentive (STI) policy foreshadowed in 2009. Under this policy an element of the remuneration of six KMP depended on the satisfaction of performance conditions. The six are: Mr Benjamin Bootle, Chief Executive Officer; Mr Ross Hawkey, Chief Financial Officer; Mr Graham Loughlin, Company Secretary and Strategic Development Manager; Mr Geoff George, R&D Manager; Mr Greg Gothard, Business Development Manager and Mr Phil Kibler, Managing Director of DataDot Technology (UK) Limited. For these KMP total remuneration comprised a fixed element and a STI component, both payable in cash. STI payments are payable upon receipt of the final audit certificate.

Directors' Report (continued)

15 Remuneration Report (Audited) (continued)

<u>*Performance Related Remuneration (continued)*</u>

(a) Ben Bootle

For Mr Bootle the STI ceiling was set at 45% of the fixed element. Payment of the full STI was tied to full achievement of six quantitative targets, namely: gross revenue, net revenue, costs, EPS, maintenance of existing customers and growth in the number and diversity of new customers.

These performance targets were chosen because improved financial performance and customer growth and retention were judged by the Board to be imperative requirements for DataDot and therefore should be the key performance measures for the CEO.

The Remuneration & Nomination Committee measured performance by comparing at year end the actual with the target achievement in relation to each financial target and the actual number of customers retained and attracted with the corresponding numbers at the beginning of the year. This method was chosen because it is objective, quantifiable and supports accurate pro-rated measures of performance.

Mr Bootle is to be paid 73% of the STI ceiling.

(b) Ross Hawkey

For Mr Hawkey the STI ceiling was set at 45% of the fixed element. Payment of the full STI was tied to full achievement of five quantitative targets, namely: gross revenue, net revenue, costs, EPS and end of year cash balance.

These performance targets were chosen because improved financial performance, customer growth and customer retention were judged by the Board to be imperative requirements for DataDot and therefore should be the key performance measures for the CFO.

The Remuneration & Nomination Committee measured performance by comparing at year end the actual and target achievements in relation to each of the financial targets and the actual numbers of new and retained customers at the end of the year with the corresponding numbers at the beginning of the year. This method was chosen because it is objective, quantifiable and allows accurate pro-rated measures of performance.

Mr Hawkey is to be paid 73% of the STI ceiling.

(c) Graham Loughlin

For Mr Loughlin, the STI was set at 32% of the fixed element. Payment of the full STI was tied to achievement in full of six new product distributors and associated training fee revenue. These performance targets were chosen because training fee revenue growth and an expanded distribution network were judged by the Board to be crucial to attainment of DataDot's key financial objectives.

The Remuneration & Nomination Committee measured performance by comparing at year end the actual growth in the numbers of distributors and in distributor training fees with the targets. This method was chosen because it is precise, objective and permits accurate pro-rated measures of performance.

Mr Loughlin is to be paid 50% of the STI ceiling.

Directors' Report (continued)

15 Remuneration Report (Audited) (continued)

Performance Related Remuneration (continued)

(d) Geoffrey George

Mr Geoff George, the executive primarily responsible for developing DataDot'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.

This target was chosen because it ties the value of STI directly to sales of the spray application method developed by Mr George. While this royalty payment is a performance-related remuneration payment in the broader sense, it is contingent on and measured by Group sales performance rather than the executive's attaining individual performance targets.

Mr George was paid 100% of the STI ceiling.

(e) Greg Gothard

For Mr Gothard payment of STI was tied to achievement of two quantitative targets relating to business retention and new customers. In order to qualify for any STI payments, the first target was to maintain existing customer sales at or above a minimum monthly amount. Subject to achieving this qualifying target, commission was payable at a rate of 7.05% on sales to a pre-determined level and a rate of 10% beyond that level.

These performance targets were chosen because they measure business development by reference both to customer retention and sales growth.

Mr Gothard was paid 0% of the STI ceiling.

(f) Phil Kibler

For Mr Kibler the STI ceiling was set at 22% of the fixed element. Payment of the full STI was tied to full achievement of qualitative targets relating to corporate governance, reporting to and communicating with the parent company and a quantitative target relating to the financial performance of DataDot Technology (UK) Limited.

These performance targets were chosen because they were specifically relevant to Mr Kibler's managing a foreign subsidiary.

The Remuneration & Nomination Committee measured qualitative performance by making an assessment of the quality and speed of Mr Kibler's reports to DataDot management and to subsidiary Board meetings, and measured quantitative performance by reference to the revenue growth, cost control and profitability of the subsidiary.

Mr Kibler is to be paid 33% of the STI ceiling.

Directors' Report (continued)

15 Remuneration Report (Audited) (continued)

Prescribed Details of Remuneration of KMP

Details of the nature and amount of each major element of remuneration of each director of DataDot, each of the five named Company and Group executives who receive the highest remuneration and other key management personnel are disclosed in the attached Tables. The Tables include the relative proportions of KMP remuneration that are and are not related to performance.

Retention Related Remuneration

Apart from the fixed element of remuneration, non-performance related remuneration was not paid in 2010. However, having taken external advice and pursuant to employment contracts negotiated so as to secure and/or retain the executives' services, it is proposed to grant 7.5 million, 4.5 million and 3.75 million share rights to Mr Bootle, Mr Hawkey and Mr Loughlin respectively in November 2010. One-third of these share rights will vest 18 months after issue, one-third will vest 30 months after issue and the remaining one-third will vest 42 months after issue. Any entitlements not vested at the date of leaving the company will be forfeit. After vesting, trading restrictions will apply for a further twelve months or such longer period not exceeding seven years as determined by the Board.

KMP Risk Limitation in Relation to Securities

Although DataDot has an Employee Share Option Plan, no options have been issued since 2006 and only 500,000 options granted to Mr Loughlin are still current. The exercise price of these options is 42 cents per option and they expire in August 2011.

KMP risk limitation in relation to securities is governed by Board policy preventing executives from entering into share option hedging arrangements prior to vesting of their options.

Executive Service Contracts

It is the Board's policy to establish executive service contracts with all KMP. No KMP is employed on a fixed term contract. All executive service contracts other than Mr Kibler's may be terminated on three months' notice.

Mr Kibler is appointed manager of DataDot Technology (UK) Limited under the Licensing Agreement between DataDot Technology Limited and DataDot Technology (UK) Limited, which does not contain an expiry date. Mr Kibler is also a shareholder and director of DataDot Technology (UK) Limited.

Mr Bootle's and Mr Hawkey's contracts provide for twelve months' notice in the event of a change in DataDot's control.

DataDot 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.

Directors' Report (continued)

15 Remuneration Report (Audited) (continued)

<u>Remuneration of directors and named executives</u>

<u>Table 1: Remuneration for the year ended 30 June 2010</u>

	Short-term				Post employment		Long-term	Termination benefits	Share-based Payment	Total	Performance related
	Salary & Fees	Cash bonus	Non monetary benefits	Other	Superannuation	Retirement benefit	Incentive Plans		Options		
	$	$	$	$	$	$	$	$	$	$	%
Non-executive directors											
B. Rathie – Chairman *	**43,983**	-	-	-	**3,959**	-	-	-	-	**47,942**	-
G. Flowers – Director	**40,497**	-	-	-	**3,645**	-	-	-	-	**44,142**	-
A. Coutts - Director **	-	-	-	-	-	-	-	-	-	-	-
A. Farrar - Director ***	**17,500**	-	-	-	-	-	-	-	-	**17,500**	-
M. George – Director ****	**25,245**	-	-	-	-	-	-	-	-	**25,245**	-
Sub-total non-executive directors	**127,225**	-	-	-	**7,604**	-	-	-	-	**134,829**	-
Executive directors											
B. Bootle – Chief Executive	**242,582**	**90,934**	-	-	**23,762**	-	-	-	-	**357,278**	**25.5%**
C Lo Lin Sye- Director #	**74,677**	-	-	-	-	-	-	**50,000**	-	**124,677**	-
Other key management personnel											
R. Hawkey – Chief Financial Officer	**146,789**	**52,742**	-	-	**13,211**	-	-	-	-	**212,742**	**24.8%**
G. Loughlin - Company Secretary and Strategic Development Manager	**112,750**	**25,000**	-	-	**45,000**	-	-	-	-	**182,750**	**13.7%**
G. Gothard – Business Development Manager, DataDot Technology Australia Pty Limited ##	**99,808**	-	-	-	**8,983**	-	-	-	-	**108,791**	-
P. Kibler - Managing Director, DataDot Technology (UK) Limited	**115,553**	**8,946**	-	-	-	-	-	-	-	**124,499**	**7.2%**
D. Barnes – President, DataDot Technology USA, Inc.	**120,316**	-	**18,849**	-	-	-	-	-	-	**139,165**	-
G. George - R&D manager ###	**120,035**	**120,000**	-	-	**10,803**	-	-	-	-	**250,838**	**47.8%**
Sub-total executive KMP	**1,032,510**	**297,622**	**18,849**	-	**101,759**	-	-	**50,000**	-	**1,500,740**	-
Totals	**1,159,735**	**297,622**	**18,849**	-	**109,363**	-	-	**50,000**	-	**1,635,569**	-

*	Appointed 16 October 2009
**	Appointed 1 July 2010
***	Ceased 16 October 2009
****	Ceased 18 February 2010
#	Ceased 28 May 2010
##	Appointed 1 November 2009
###	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 is capped at $120,000 per annum.

Directors' Report (continued)

15 Remuneration Report (Audited) (continued)

Table 2: 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	Superannuation	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)

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

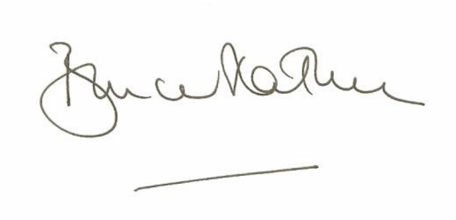
No options were issued during or since the end of the financial year ended 30 June 2010 or the preceding financial year.

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 2010

Dated at Sydney this 22nd day of September 2010.

Signed in accordance with a resolution of the Directors:



Bruce Rathie
Chairman

Corporate Governance Statement

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

www.datadotdna.com/corporate_governance.php

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 DataDot 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 & 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 DataDot's Board Charter, each director has the right of access to all relevant company information and to DataDot'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 DataDot in office at the date of this report are disclosed in the Directors' Report on pages 9 to 11.

The Constitution of DataDot 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 & 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 four directors of whom three, Mr G Flowers, Ms A Coutts and the Chairman, Mr B Rathie, are independent. None of these independent non-executive directors is a substantial shareholder of DataDot, a former or current executive or customer of DataDot, an adviser or supplier to DataDot, or has a material contractual relationship with DataDot or the consolidated entity other than as a director of DataDot.

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 DataDot's size, market knowledge and board responsibilities;
- the integrity and transparency of DataDot'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 comprise the whole membership of the Remuneration & Nomination Committee.

Board evaluation

Under DataDot's policy of Board and Director Evaluation, both individual and collective performance evaluations are conducted annually, though in 2010 this requirement was waived due to there being only four directors from 18 February 2010 and three from 28 May 2010. Evaluation is made against the criteria of personal contribution, collective efficacy and procedural adequacy that are specified in the policy.

2 Audit & Risk Management Committee

The Audit & Risk Management Committee serves two functions. 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 DataDot'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. The members of the Audit & Risk Management Committee are independent, non-executive directors.

Corporate Governance Statement (continued)

2 Audit & Risk Management Committee (continued)

The members of the Audit & Risk Management Committee during the year were:

- Mr B Rathie, B.Comm., LL.B., MBA, Grad Dip CSP, SA Fin., FAICD, FAIM. (from 16 October 2009) – Independent Non-Executive;
- Mr A Farrar, B.Sc., Dip.Acc., FAICD (until 16 October 2009) - Independent Non-Executive;
- Mr G Flowers, B.Comm., LL.B., FAICD. (Chairman) – Independent Non- Executive;
- Ms Connie Lo Lin Sye, BBA, (until 28 May 2010) – 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 and Risk Management Committee met five times during the year. Committee members' attendance record is disclosed in the table of Directors' meetings on page 11. The Chief Executive Officer and the Chief Financial Officer declared in writing to the board that DataDot's financial reports for the year ended 30 June 2010 present a true and fair view, in all material respects, of DataDot'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 DataDot'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. DataDot's Code of Conduct and operating policies are published internally for all employees and on DataDot's website.

In accordance with the Corporations Act 2001 and DataDot's constitution, directors must maintain a current Register of Directors' Interests and keep the board advised of any interest that could potentially conflict with those of DataDot. DataDot's Related Party Transactions Policy applies across DataDot 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 DataDot and consolidated entity are set out in Note 29.

Director Dealings in Company Shares

Directors and employees may acquire shares in DataDot, but are prohibited from dealing in Company shares whilst in the possession of price sensitive information that has not been made public. DataDot'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

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

4 Continuous and Periodic Disclosure to ASX

DataDot's published Disclosure Compliance policy prescribes DataDot'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 DataDot's website and issuing media releases;
- continuous disclosure of all material matters that may affect the price of DataDot's securities is achieved by announcing them to the ASX, posting them on DataDot'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 2010, 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.

PKF

Grant Saxon
Partner

Sydney, 22 September 2010

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Statement of Financial Position

As at 30 June 2010

	Note	CONSOLIDATED 2010 $	2009 $
ASSETS			
Current Assets			
Cash and cash equivalents	11	**1,796,406**	761,490
Trade and other receivables	12	**1,472,772**	2,214,732
Inventories	13	**654,664**	631,191
Total Current Assets		**3,923,842**	3,607,413
Non-Current Assets			
Investment accounted for using the equity method	14	**142,840**	-
Plant and equipment	15	**677,725**	759,472
Intangible assets	16	**395,324**	300,347
Deferred tax assets	8	**-**	-
Total Non-Current Assets		**1,215,889**	1,059,819
TOTAL ASSETS		**5,139,731**	4,667,232
LIABILITIES			
Current Liabilities			
Trade and other payables	18	**1,175,471**	1,044,340
Interest bearing loans and borrowings	19	**52,432**	232,063
Income tax payable		**-**	-
Provisions	20	**272,668**	747,818
Total Current Liabilities		**1,500,571**	2,024,221
Non-Current Liabilities			
Interest bearing loans and borrowings	19	**109,827**	4,733
Other non-current liabilities	21	**354,458**	379,446
Provisions	20	**3,514**	7,263
Total Non-Current liabilities		**467,799**	391,442
TOTAL LIABILITIES		**1,968,370**	2,415,663
NET ASSETS / (LIABILITIES)		**3,171,361**	2,251,569
EQUITY			
Equity attributable to equity holders of the parent			
Contributed equity	22	**28,034,195**	28,151,106
Accumulated losses	22	**(25,368,066)**	(26,299,392)
Reserves	22	**505,232**	399,855
TOTAL EQUITY		**3,171,361**	2,251,569

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of Comprehensive Income

For the Year Ended 30 June 2010

	Note	*CONSOLIDATED* **2010** $	*CONSOLIDATED* 2009 $
Continuing operations			
Sale of goods		**9,003,147**	7,343,862
Rendering of services		**655,908**	707,223
Licence fees		**152,781**	79,215
Royalties		**181,566**	-
Finance revenue		**17,584**	29,672
Revenue		**10,010,986**	8,159,972
Cost of sales	7(c), (d)	**(3,344,337)**	(3,371,570)
Gross profit		**6,666,649**	4,788,402
Other income	6	**106,594**	1,410,551
Employee benefits expense	7(e)	**(2,705,690)**	(3,005,901)
Administrative expenses	7(d), (f)	**(1,487,159)**	(1,684,522)
Advertising and promotional expenses		**(293,334)**	(513,256)
Occupancy expenses	7(d)	**(386,871)**	(464,013)
Travel expenses		**(241,191)**	(274,631)
Finance costs	7(a)	**(48,907)**	(65,212)
Depreciation and amortisation expense	7(b)	**(288,940)**	(388,736)
Bad and doubtful debts	7(g)	**(65,515)**	(206,118)
Restructuring expenses	7(h)	**(202,595)**	(930,748)
Impairment losses		**-**	(6,210,322)
Share of loss of joint venture	14	**(103,793)**	(2,096,345)
Profit / (Loss) from continuing operations before income tax expense		**949,248**	(9,640,851)
Income tax expense	8	**(17,922)**	(1,176,285)
Profit / (Loss) from continuing operations after income tax		**931,326**	(10,817,136)
Discontinued operations			
Loss from discontinued operations after income tax		**-**	(168,186)
Net Profit / (Loss) for the period		**931,326**	(10,985,322)
Other comprehensive income			
Foreign currency translation		**105,377**	538,232
Gain from realisation of translation reserve on closure of discontinued operations		**-**	230,381 *
Other comprehensive income for the period net of tax		**105,377**	768,613
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		**1,036,703**	(10,216,709) *

* Refer to Note 2 – Comparative Figures.

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of Comprehensive Income (continued)
For the Year Ended 30 June 2010

		CONSOLIDATED	
		2010	*2009*
	Note	***$***	*$*
PROFIT/(LOSS) FOR THE PERIOD IS ATTRIBUTABLE TO:			
Non-controlling interest		**-**	129,007
Owners of the parent		**931,326**	(11,114,329)
		931,326	(10,985,322)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD IS ATTRIBUTABLE TO:			
Non-controlling interest		**-**	129,007 *
Owners of the parent		**1,036,703**	(10,345,716)
		1,036,703	(10,216,709) *
		Cents	Cents
Earnings per share for profit /(loss) from continuing operations attributable to the ordinary equity holders of the company			
Basic earnings per share	10	**0.27**	(5.93)
Diluted earnings per share		**0.27**	(5.93)
Earnings per share for profit /(loss) attributable to the ordinary equity holders of the company			
Basic earnings per share	10	**0.27**	(6.22)
Diluted earnings per share		**0.27**	(6.22)

* Refer to Note 2 – Comparative Figures

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

For the Year Ended 30 June 2010

	Attributable to equity holders of the parent				*Non-controlling interest*	*Total equity*
CONSOLIDATED	*Ordinary Shares*	*Accumulated losses*	*Foreign currency translation reserve*	*Total*		
	$	*$*	*$*	*$*	*$*	*$*
At 1 July 2009	28,151,106	(26,299,392)	399,855	2,251,569	-	2,251,569
Profit for the period	-	931,326	-	931,326	-	931,326
Other comprehensive income	-	-	105,377	105,377	-	105,377
Total comprehensive income for the year	-	931,326	105,377	1,036,703	-	1,036,703
Transactions with owners in their capacity as owners						
Issue of share capital	-	-	-	-	-	-
Transaction costs on shares issued	(116,911)	-	-	(116,911)	-	(116,911)
At 30 June 2010	**28,034,195**	**(25,368,066)**	**505,232**	**3,171,361**	**-**	**3,171,361**
At 1 July 2008	26,456,519	(15,185,063)	(368,758)	10,902,698	470,373	11,373,071
(Loss) / Profit for the period	-	(11,114,329)	-	(11,114,329)	129,007	(10,985,322)
Other comprehensive income	-	-	768,613	768,613	-	768,613
Total comprehensive income for the year	-	(11,114,329)	768,613	(10,345,716)	129,007	(10,216,709)
Transactions with owners in their capacity as owners						
Issue of share capital	1,944,507	-	-	1,944,507	-	1,944,507
Transaction costs on shares issued	(249,920)	-	-	(249,920)	-	(249,920)
Divestment of minority interest	-	-	-	-	(599,380) *	(599,380)
At 30 June 2009	**28,151,106**	**(26,299,392)**	**399,855**	**2,251,569**	**-**	**2,251,569**

* Refer to Note 2 – Comparative Figures.

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows

For the Year Ended 30 June 2010

	Note	CONSOLIDATED 2010 $	2009 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		**11,059,291**	11,902,858
Payments to suppliers and employees (inclusive of GST)		**(9,473,585)**	(14,383,761)
Interest paid		**(19,131)**	(33,035)
Income tax paid		**(17,922)**	(145,710)
Receipt of government grant		**325,858**	276,299
Net cash provided by /(used in) operating activities	11	**1,874,511**	(2,383,349)
Cash flows from investing activities			
Proceeds from sale of plant and equipment		**56,663**	110,883
Interest received		**17,584**	98,253
Purchase of plant and equipment		**(217,418)**	(103,706)
Purchase of intangible assets		**(167,496)**	(576,925)
Purchase of investment accounted for using the equity method	14	**(246,632)**	(963,003)
(Payments) / Proceeds (to)/from related party loans		**(45,023)**	424,689
Net cash used in investing activities		**(602,322)**	(1,009,809)
Cash flows from financing activities			
Proceeds from issue of shares	22	**-**	1,944,507
Transaction costs from issue of shares	22	**(116,911)**	(249,920)
Proceeds from borrowings		**150,000**	-
Repayment of borrowings		**(132,765)**	(78,625)
Payment of finance lease liabilities		**(121,036)**	(109,229)
Net cash (used in) / provided by financing activities		**(220,712)**	1,506,733
Net increase / (decrease) in cash held		**1,051,477**	(1,886,425)
Cash at beginning of year		**761,490**	2,639,463
Effect of exchange rate on cash holdings in foreign currencies		**(16,561)**	8,452
Cash at end of year	11	**1,796,406**	761,490

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements
For the Year Ended 30 June 2010

1 CORPORATE INFORMATION

The financial report of DataDot Technology Limited (DataDot) for the year ended 30 June 2010 was authorised for issue in accordance with a resolution of the directors on 22 September 2010.

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 DataDot 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.

Comparative Figures

Where required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

The Preliminary Financial Report to the Australian Securities Exchange for the year ended 30 June 2010, issued on 20 August 2010, incorrectly classified the prior year divestment of minority interest of $599,380 as Other Comprehensive Income. This prior year divestment of minority interest has now been reclassified in the Annual Report to be correctly presented in the Statement of Changes in Equity, as a Transaction with Owners. This has led to the restatement of the Total Comprehensive Income/(Loss) for the period from ($10,816,089) to ($10,216,709).

(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

(i) Changes in accounting policy and disclosures.

The accounting policies adopted are consistent with those of the previous financial year except as follows. DataDot has adopted the following new and amended Australian Accounting Standards and AASB Interpretations as of 1 July 2009.

- AASB 8 *Operating Segments:* effective 1 January 2009
- AASB 101 *Presentation of Financial Statements (amended):* effective 1 January 2009
- AASB 123 *Borrowing Costs (amended):* effective 1 January 2009
- AASB 3 *Business Combinations(amended):* effective 1 July 2009
- AASB 127 *Consolidated and Separate Financial Statements (amended):* effective 1 July 2009
- AASB 2008-5 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project:* effective 1 July 2009
- AASB 2008-6 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1 & AASB 5]:* effective 1 July 2009

Notes to the Financial Statements

For the Year Ended 30 June 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) New accounting standards and interpretations (continued)

(i) Changes in accounting policy and disclosures (continued)

- AASB 2008-13 *Amendments to Australian Accounting Standards arising from AASB Interpretation 17 – Distributions of Non-cash Assets to Owners:* effective 1 July 2009
- AASB 2009-4 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 2 & AASB 138 and AASB Interpretations 9&16]:* effective 1 July 2009
- AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5,8,101,117,118,136 & 139]:* effective 1 July 2009
- IFRIC Interpretation 17 *Distributions of Non-cash Assets to Owners:* effective 1 July 2009

When the adoption of the Standard or Interpretation is deemed to have an impact on the financial statements or performance of DataDot, its impact is described below:

AASB 3 *Business Combinations (Amended) and* AASB 127 *Consolidated and Separate Financial Statements (Amended)*

AASB 3 (amended) introduces significant changes in the accounting for business combinations occurring after 1 July 2009. Changes affect the valuation of non-controlling interests (previously "minority interests"), the accounting for transaction costs, the initial recognition and subsequent measurement of contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period when an acquisition occurs and future reported results.

AASB 127 (amended) requires that a change in the ownership interest of a subsidiary (without a change in control) is to be accounted for as a transaction with owners in their capacity as owners. Therefore such transactions will no longer give rise to goodwill, nor will they give rise to a gain or loss in the statement of comprehensive income. Furthermore the revised Standard changes the accounting for losses incurred by a partially owned subsidiary as well as the loss of control of a subsidiary. The changes in AASB 3 (amended) and AASB 127 (amended) will affect future acquisitions, changes in, and loss of control of, subsidiaries and transactions with non-controlling interests.

The change in accounting policy was applied prospectively and had no material impact on earnings per share.

AASB 8 *Operating Segments*

AASB 8 replaced AASN 114 *Segment Reporting* upon its effective date. DataDot concluded that the operating segments determined in accordance with AASB 8 are the same as the business segments previously identified under AASB 114. AASB 8 disclosures are shown in note 5, including the related revised comparative information.

AASB 101 *Presentation of Financial Statements*

The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity and included in the new statement of comprehensive income. The statement of comprehensive income presents all items of recognised income and expense, either in one single statement, or in two linked statements. DataDot has elected to present one statement.

AASB 123 *Borrowing Costs*

The revised AASB 123 requires capitalisation of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. DataDot's previous policy was to expense borrowing costs as they were incurred. In accordance with the transitional provisions of the amended AASB 123, DataDot has adopted the Standard on a prospective basis. Therefore, borrowing costs are capitalised on qualifying assets with a commencement date on or after 1 July 2009. DataDot did not capitalise any borrowing costs in the current year.

Notes to the Financial Statements

For the Year Ended 30 June 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) New accounting standards and interpretations (continued)

(ii) Accounting Standards and Interpretations issued but not yet effective.
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by DataDot for the annual reporting period ending 30 June 2010, outlined in the table below. Application date of the standard is for the annual reporting periods beginning on or after the date shown in the table below.

Reference	Affected Standard(s)	Application date of standard	Nature of change to accounting policy	Application date for DataDot
AASB 9	Financial Instruments	1 January 2013	AASB 9 includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement (AASB 139 Financial Instruments: Recognition and Measurement). These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. DataDot 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 2013
AASB 1053	Application of Tiers of Australian Accounting Standards	1 July 2013	No change to accounting policy as DataDot must apply Tier 1 requirements due to being an entity subject to public accountability.	1 July 2013
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 relate to terminology and editorial changes. These amendments are expected to have no or minimal effect on the financial report.	1 July 2010
AASB 2009-8	Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions [AASB 2]	1 January 2010	AASB 2009-8 clarifies the scope of AASB 2 by requiring an entity that receives goods or services in a share-based payment arrangement to account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash. The amendments incorporate the requirements previously included in Interpretation 8 and Interpretation 11 and as a consequence these two Interpretations are superseded by the amendments.	1 July 2010
AASB 2009-10	Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB 132]	1 February 2010	The amendments clarify that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro rata to all existing owners of the same class of its own non-derivative equity instruments.	1 July 2010

Notes to the Financial Statements
For the Year Ended 30 June 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) New accounting standards and interpretations (continued)

(ii) Accounting Standards and Interpretations issued but not yet effective (continued)

AASB 2009-12	Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]	1 January 2011	The amendment to AASB 8 requires an entity to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. This Standard also makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB. These amendments have no major impact on the requirements of the amended pronouncements.	1 July 2011
AASB 2010-2	Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements	1 July 2013	This Standard gives effect to Australian Accounting Standards – Reduced Disclosure Requirements. AASB 1053 provides further information regarding the differential reporting framework and the two tiers of reporting requirements for preparing general purpose financial statements. No change to accounting policy as DataDot must apply Tier 1 requirements due to being an entity subject to public accountability.	1 July 2013
AASB 2010-3	Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 3, AASB 7, AASB 121, AASB 128, AASB 131, AASB 132 & AASB 139]	1 July 2010	The amendments to some Standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments relate to terminology and editorial changes. These amendments are expected to have no or minimal effect on the financial report.	1 July 2010
AASB 2010-4	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101 & AASB 134 and Interpretation 13]	1 July 2011	The amendments to some Standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments relate to terminology and editorial changes. These amendments are expected to have no or minimal effect on the financial report.	1 July 2011
Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2010	This interpretation addresses issues relating to entities issuing equity instruments to extinguish financial liabilities and associated fair value and consideration ramifications. Adoption of this interpretation is expected to have no or minimal effect on the financial report.	1 July 2010

Notes to the Financial Statements

For the Year Ended 30 June 2010

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 25(a)) as at and for the period ended 30 June each year (DataDot). Interests in associates and joint ventures are equity accounted and are not part of the Consolidated Group (see note (j) below).

Subsidiaries are all those entities over which DataDot 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 DataDot and cease to be consolidated from the date on which control is transferred out of DataDot.

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.

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

Losses are attributed to the non-controlling interest even if that results in a deficit balance.

If DataDot loses control over a subsidiary, it

- Derecognises the assets (including goodwill) and liabilities of the subsidiary.
- Derecognises the carrying amount of any non-controlling interest.
- Derecognises the cumulative translation differences, recorded in equity.
- Recognises the fair value of the consideration received.
- Recognises the fair value of any investment retained.
- Recognises any surplus or deficit in profit or loss.
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss.

Prior to 1 July 2009

In comparison to the above mentioned requirements which were applied on a prospective basis from 1 July 2009, the following differences applied:

- Non-controlling interests (formerly known as minority interests) represented the portion of profit or loss and net assets of a subsidiary that were not wholly-owned by DataDot and were presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from parent shareholders' equity. Acquisitions of non-controlling interests were accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired was recognised in goodwill.
- Losses incurred by DataDot were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributed to the parent, unless the non-controlling interest had a binding obligation to cover these.

Notes to the Financial Statements

For the Year Ended 30 June 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Basis of consolidation (continued)

- Upon loss of control, DataDot accounted for the investment retained at its proportionate share of net asset value at the date control was lost.

(d) Operating Segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of directors.

Operating segments have been identified based on the information provided to the chief operating decision makers – being the executive management team.

DataDot aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in each of the following respects:

- Nature of the products and services,
- Nature of the production processes,
- Type or class of customer for the products or services,
- Methods used to distribute the products or provide the services, and if applicable
- Nature of the regulatory environment.

(e) 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 DataDot determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

The functional currencies of the overseas subsidiaries are:

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

(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 balance date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Notes to the Financial Statements
For the Year Ended 30 June 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Foreign currency translation (continued)

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

The results of the overseas subsidiaries are translated into Australian dollars (presentation currency) as at the date of each transaction. Assets and liabilities are translated at exchange rates prevailing at reporting date.

As at the reporting date the assets and liabilities of these subsidiaries are translated into the presentation currency of DataDot Technology Limited at the rate of exchange ruling at the statement of financial position date and their statements of comprehensive income are translated at the 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 statement of comprehensive income in the period in which the subsidiary is disposed.

(f) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included within interest-bearing loans and borrowings in current liabilities on the statement of financial position.

(g) Trade and other receivables

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

Collectability of trade receivables is reviewed on an ongoing basis at an operating unit level. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that DataDot will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 60 days overdue are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

(h) Inventories

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

Costs incurred in bringing each product to its present location and condition is accounted for as follows:

Raw materials – purchase cost on either the weighted average cost or on first-in, first-out basis; and

Finished goods and work-in-progress – cost of direct materials and labour and a proportion of variable and fixed manufacturing overheads based on normal operating capacity. Costs are assigned on the basis of weighted average costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Notes to the Financial Statements
For the Year Ended 30 June 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Investments and other financial assets

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

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

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

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

(ii) Loans and receivables
Loans and receivables including loans to key management personnel 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 statement of comprehensive income 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 reporting date, which are classified as non-current.

(j) Interest in a jointly controlled entity

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

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

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

Notes to the Financial Statements
For the Year Ended 30 June 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Interest in a jointly controlled entity (continued)

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

(k) Plant and equipment

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

Depreciation is calculated over the useful life of the asset using a combination of straight-line basis and diminishing value method. The estimated useful lives of the plant and equipment are over 2 to 20 years.

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

Derecognition
An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

(l) Leases

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

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

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

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

(m) Impairment of financial assets

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

Notes to the Financial Statements
For the Year Ended 30 June 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Impairment of financial assets (continued)

(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.

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

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

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

(n) Impairment of non-financial assets 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.

Notes to the Financial Statements
For the Year Ended 30 June 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) 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. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in profit or loss in the year in which the expenditure is incurred.

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

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether 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 DataDot can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure so capitalised is amortised over the period of expected benefits from the related project.

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

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

Development Costs
Useful lives
Finite
Amortisation method used
Amortised 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 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) 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.

(p) Trade and other payables

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

(q) Interest-bearing loans and borrowings

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

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

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

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

Notes to the Financial Statements

For the Year Ended 30 June 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Provisions and employee benefits

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

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

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.

(s) Share-based payment transactions

Equity settled transactions:

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

The 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 has been determined by an external valuer using a binomial model, further details of which are given in note 17.

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

Notes to the Financial Statements

For the Year Ended 30 June 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Share-based payment transactions (continued)

At each subsequent reporting date until vesting, the cumulative charge to the statement of comprehensive income is the product of:

(i) The grant date fair value of the award.
(ii) The current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met.
(iii) The expired portion of the vesting period.

The charge to the statement of comprehensive income 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 10).

(t) Contributed equity

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

(u) Revenue recognition

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

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

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

Notes to the Financial Statements

For the Year Ended 30 June 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Revenue recognition (continued)

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

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

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

(v) Income tax and other taxes

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

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

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

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

- When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

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

Notes to the Financial Statements
For the Year Ended 30 June 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Income tax (continued)

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

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

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

Tax consolidation
DataDot Technology Limited and its wholly owned Australian controlled entities implemented the tax consolidated legislation as of 1 July 2003. The head entity, DataDot Technology Limited and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. As DataDot is in a cumulative tax loss position, DataDot has not applied the group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group.

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

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

Other taxes

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

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

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

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

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

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

Notes to the Financial Statements
For the Year Ended 30 June 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Government grants

Government grants are recognised in the statement of financial position 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 statement of comprehensive income over the expected useful life of the relevant asset by equal annual instalments.

(x) Earnings per share

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

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

- Costs of servicing equity (other than dividends) and preference share dividends.

- The after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses.

- 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

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

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

Risk Exposure and Responses

Interest rate risk

DataDot’s exposure to cash flow interest rate risk is minimal as DataDot’s only long-term debt obligation with a floating interest rate is a $150,000 commercial bank loan with Commonwealth Bank of Australia repayable in 36 equal instalments.

Notes to the Financial Statements

For the Year Ended 30 June 2010

3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Risk Exposure and Responses (continued)

Foreign currency risk

As a result of significant investment in wholly-owned and partly-owned controlled entities in the United States and the United Kingdom, DataDot's statement of financial position can be affected significantly by movements in the exchange rates. DataDot does not seek to hedge this exposure.

DataDot also has transactional currency exposures. Such exposure arises from sales or purchases by an operating unit in currencies other than the unit's functional currency.

DataDot does require its operating units to use forward currency contracts to eliminate the currency exposures on any individual transactions in excess of $100,000 for which payment is anticipated more than one month after DataDot has entered into a firm commitment for a sale or purchase. There has been no such transaction during the year.

It is DataDot's policy not to enter into forward contracts until a firm commitment is in place and to negotiate the terms of the hedge derivatives to exactly match the terms of the hedged item to maximise hedge effectiveness.

At 30 June 2010 DataDot had the following exposure to foreign currency that is not designated in cash flow hedges:

	Consolidated	
	2010	*2009*
	$	*$*
Financial Assets		
Cash and cash equivalents	**635,094**	172,329
Trade and other receivables	**1,017,445**	1,045,820
	1,652,539	1,218,149
Financial Liabilities		
Trade and other payables	**331,918**	327,429
Interest bearing loans and borrowings	**-**	-
	331,918	327,429
Net exposure	**1,320,621**	890,720

Notes to the Financial Statements
For the Year Ended 30 June 2010

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 statement of financial position date. At 30 June 2010, if the Australian dollar moved against the UK Pound and the US Dollar, as illustrated in the table below, with all other variables held constant, post tax profit/(loss) and equity would have been affected as follows:

Judgements of reasonably possible movements:	***Post Tax Profit/(Loss)***		***Equity***	
	Higher/(Lower)		***Higher/(Lower)***	
	2010	*2009*	***2010***	*2009*
	$	*$*	***$***	*$*
Consolidated				
+ 5%	**(56,176)**	**71,944**	**(55,545)**	**262,170**
- 10 %	**78,004**	**(167,875)**	**76,527**	**(611,738)**

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

Price risk

DataDot's exposure to commodity price risk is minimal.

Credit risk

Credit risk arises from the financial assets of DataDot, which comprise cash and cash equivalents, trade and other receivables. DataDot's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Exposure at reporting date is addressed in each applicable note.

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

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

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

Notes to the Financial Statements
For the Year Ended 30 June 2010

3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Risk Exposure and Responses (continued)

Liquidity risk

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

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

At reporting date, DataDot had total credit facilities of $243,604. $150,000 was utilised as a bank loan repayable in 36 monthly repayments. $40,854 was provided through Lines of Credit and was available for immediate use. $32,750 was utilised in the provision of a bank guarantee against a commercial lease on real property. $10,158 was utilised against a corporate credit card facility and $9,842 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 2010. 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 2010.

The remaining contractual maturities of DataDot's financial liabilities are:

	CONSOLIDATED	
	2010	*2009*
	$	*$*
6 months or less	**29,594**	172,970
6-12 months	**22,838**	59,094
1-5 years	**464,285**	384,178
	516,717	616,242

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

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

Notes to the Financial Statements
For the Year Ended 30 June 2010

3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Risk Exposure and Responses (continued)

Liquidity risk (continued)

Year ended 30 June 2010	*≤ 6 Months $*	*6-12 months $*	*1-5 years $*	*> 5 years $*	*Total $*
Consolidated Financial assets					
Cash & cash equivalents	**1,796,406**	**-**	**-**	**-**	**1,796,406**
Trade & other receivables	**1,472,772**	**-**	**-**	**-**	**1,472,772**
	3,269,178	**-**	**-**	**-**	**3,269,178**
Consolidated Financial liabilities					
Trade & other payables	**1,175,471**	**-**	**-**	**-**	**1,175,471**
Interest bearing loans & borrowings	**29,594**	**22,838**	**109,827**	**-**	**162,259**
Other non-current liabilities	**-**	**-**	**354,458**	**-**	**354,458**
	1,205,065	**22,838**	**464,285**	**-**	**1,692,188**
Net maturity	**2,064,113**	**(22,838)**	**(464,285)**	**-**	**1,576,990**

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	4,733	-	236,796
Other non-current liabilities	-	-	379,446	-	379,446
	1,217,309	59,094	384,179	-	1,660,582
Net maturity	1,758,913	(59,094)	(384,179)	-	1,315,640

Notes to the Financial Statements

For the Year Ended 30 June 2010

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

No deferred tax assets are recognised in DataDot's financial statements for the carried forward tax losses for the Parent entity, DataDot Technology (Australia) Pty Limited or DataDot Technology (UK) Limited. As at 30 June 2010 the amount of deferred tax assets attributable to revenue losses not brought to account was $4,605,861 (2009: $5,047,714).

Impairment of non-financial assets other than goodwill

DataDot assesses impairment of all assets at each reporting date by evaluating conditions specific to DataDot and to the particular asset that may lead to impairment. These include product and manufacturing performance, technology, economic and political environments and future product expectations. If an impairment trigger exists the recoverable amount of the asset is determined. Given the current uncertain economic environment management considered that the indicators of impairment were significant enough and as such these assets have been tested for impairment in this financial period.

Capitalised development costs

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

Taxation

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

Notes to the Financial Statements

For the Year Ended 30 June 2010

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 statement of financial position and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the statement of comprehensive income.

(ii) Significant accounting estimates and assumptions

Impairment of goodwill and intangibles with indefinite useful lives

DataDot 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. The assumptions used in the estimation of recoverable amount are discussed in note 16.

Share-based payment transactions

DataDot measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value of options granted were determined by an external valuer using a binomial model, using the assumptions detailed in note 17. 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 15.

Notes to the Financial Statements
For the Year Ended 30 June 2010

5 OPERATING SEGMENTS

Identification of reportable segments

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

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

Types of products and services

Each of the geographical regions which constitute the operating segments 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.

Accounting policies and inter-segment transactions

The accounting policies used by DataDot in reporting segments internally is the same as those contained in note 2 to the financial statements and in the prior period.

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

Major Customers

DataDot has a number of customers to which it provides both products and services. In Australasia, one customer accounts for 15% of total revenue (2009: 15%) and in Europe one customer accounts for 30% of total revenue (2009:16%).

Notes to the Financial Statements
For the Year Ended 30 June 2010

5 OPERATING SEGMENTS (continued)

	Continuing Operations				Discontinued Operations	Total Operations
	Australasia	*Americas*	*Europe*	*Total*	*South Africa*	
Year ended 30 June 2010	$	$	$	$	$	$
Revenue						
Sales to external customers	4,466,312	819,053	3,717,782	9,003,147	-	**9,003,147**
Other revenues from external customers	973,389	16,866	-	990,255	-	**990,255**
Inter-segment sales	739,951	331,051	6,172	1,077,174	-	**1,077,174**
Total segment revenue	6,179,652	1,166,970	3,723,954	11,070,576	-	**11,070,576**
Inter-segment elimination				(1,077,174)	-	**(1,077,174)**
Non segment revenue				17,584	-	**17,584**
Total consolidated revenue				10,010,986	-	**10,010,986**
Result						
Segment Results	1,982,874	(82,621)	918,416	2,818,669	-	**2,818,669**
Unallocated expenses				(1,716,721)	-	**(1,716,721)**
Profit before tax and finance costs				1,101,948	-	**1,101,948**
Finance costs				(48,907)	-	**(48,907)**
Share of loss of JV				(103,793)	-	**(103,793)**
Profit before income tax				949,248	-	**949,248**
Income tax expense				(17,922)	-	**(17,922)**
Net Profit for the year				931,326	-	**931,326**
Assets and liabilities						
Segment Assets	2,257,047	496,594	972,653	3,726,294	-	**3,726,294**
Investment in joint venture	142,840	-	-	142,840	-	**142,840**
Unallocated assets				1,270,597	-	**1,270,597**
Total assets				5,139,731	-	**5,139,731**
Segment liabilities	452,158	86,445	475,644	1,014,247	-	**1,014,247**
Unallocated liabilities				954,123	-	**954,123**
Total liabilities				1,968,370	-	**1,968,370**
Other segment information						
Capital expenditure	207,996	1,231	12,753	221,980	-	**221,980**
Depreciation	178,986	30,961	6,473	216,420	-	**216,420**
Amortisation	72,519	-	-	72,519	-	**72,519**
Allowance for doubtful debts	18,817	46,698	-	65,515	-	**65,515**

Notes to the Financial Statements
For the Year Ended 30 June 2010

5 OPERATING SEGMENTS (continued)

	Continuing Operations				Discontinued Operations	Total Operations
	Asia Pacific	*Americas*	*Europe*	*Total*	*South Africa*	
Year ended 30 June 2009	*$*	*$*	*$*	*$*	*$*	*$*
Revenue						
Sales to external customers	4,850,401	739,540	1,753,922	7,343,863	1,747,582	**9,091,445**
Other revenues from external customers	700,307	86,131	-	786,438	85,283	**871,721**
Inter-segment sales	873,253	310,386	-	1,183,639	38,290	**1,221,929**
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	(92,329)	**1,047,717**
Unallocated expenses *				(8,619,340)	-	**(8,619,340)**
Loss before tax and finance costs				(7,479,294)	(92,329)	**(7,571,623)**
Finance costs				(65,212)	(799)	**(66,011)**
Share of loss of JV	(2,096,345)	-	-	(2,096,345)	-	**(2,096,345)**
Loss before income tax				(9,640,851)	(93,128)	**(9,733,979)**
Income tax expense				(1,176,285)	(75,058)	**(1,251,343)**
Net Loss for the year				(10,817,136)	(168,186)	**(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 debts	171,180	34,938	-	206,118	37,743	**243,861**

* Unallocated expenses include impairment losses of $6,210,322.

Notes to the Financial Statements
For the Year Ended 30 June 2010

	CONSOLIDATED	
	2010	*2009*
	$	*$*
6 OTHER INCOME		
Government grants:		
- AusIndustry commercial ready grant	**-**	1,357,797
- Export market development grant	**106,594**	15,426
Write off of related party loans	**-**	37,328
	106,594	1,410,551

The AusIndustry Commercial Ready grant in 2009 was awarded for the development of a robotic cell applicator.

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

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

7 EXPENSES

	2010 $	2009 $
(a) Finance costs		
Bank loans and overdrafts	**8,124**	6,836
Other loans	**30,406**	36,420
Finance charges payable under finance leases and hire purchase contracts	**10,377**	21,956
Total finance costs (on historical cost basis)	**48,907**	65,212
(b) Depreciation and amortisation included in the statement of comprehensive income		
Included in Depreciation and Amortisation expense:		
Depreciation	**216,421**	306,460
Amortisation of Intangible assets (refer note 16)	**72,519**	82,276
Total depreciation and amortisation	**288,940**	388,736
(c) Foreign exchange differences and allowance for impairment of inventories included in the statement of comprehensive income		
Included in cost of sales:		
Net foreign exchange differences (gain)/ loss	**135,478**	(50,095)
Allowance for impairment of inventories	**-**	59,803
(d) Lease payments included in the statement of comprehensive income		
Included in occupancy expenses:		
Minimum lease payments – operating lease	**211,344**	236,535
Included in administrative expenses:		
Minimum lease payments – operating lease	**13,372**	15,901
Included in cost of sales		
Minimum lease payments – operating lease	**13,364**	15,761
	238,080	268,197

Notes to the Financial Statements

For the Year Ended 30 June 2010

	CONSOLIDATED	
	2010	*2009*
	$	*$*
7 EXPENSES (continued)		
(e) Employee benefits expense		
Wages and salaries	**2,219,395**	2,568,032
Workers compensation costs	**40,831**	73,400
Superannuation	**129,567**	155,322
Long service leave provision	**(5,071)**	(80,376)
Annual leave provision	**29,792**	(112,986)
Payroll tax	**157,690**	187,757
Other employee benefits	**133,486**	214,752
	2,705,690	3,005,901
(f) Research and development costs		
Research and development costs charged directly to administrative expenses in the statement of comprehensive income	**52,589**	121,175
(g) Bad and doubtful debts	**65,515**	206,118
(h) Restructuring expenses		
The major cost components of the restructuring are termination payments associated with cessation of employment together with legal and accounting fees.	**202,595**	930,748

Notes to the Financial Statements
For the Year Ended 30 June 2010

8 INCOME TAX

	CONSOLIDATED	
	2010	2009
	$	$
(a) Income tax expense		
The major components of income tax expense are:		
Statement of Comprehensive Income		
Current income tax		
Current income expense / (benefit)	**(90,054)**	(291,535)
Unused tax losses and tax offsets not recognised as deferred tax assets	**107,976**	1,467,820
Deferred income tax		
Relating to origination and reversal of temporary differences (note c)	**-**	-
Income tax expense/(benefit)	**17,922**	1,176,285
Income tax expense/(benefit) is attributable to:		
Continuing operations	**17,922**	1,176,285
Discontinued operations	**-**	-
Aggregate income tax expense/(benefit)	**17,922**	1,176,285

(b) Numerical reconciliation between aggregate tax expense recognised in the statement of comprehensive income 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 DataDot's applicable income tax rate is as follows:		
Accounting profit / (loss) before tax from continuing operations	**949,248**	(9,640,851)
Profit before tax from discontinued operations	**-**	-
Total accounting profit before income tax	**949,248**	(9,640,851)
At the statutory income tax rate of 30% (2009: 30%)	**284,774**	(2,892,255)
Foreign tax rate adjustment	**(20,657)**	(14,902)
Research and development deduction	**(24,185)**	(237,573)
Expenditure / (revenue) not allowable / (assessable) for income tax purposes	**(270,902)**	2,863,426
Other	**(59,084)**	(10,231)
Unused tax losses and tax offsets not recognised as deferred tax assets	**107,976**	1,467,820
Aggregate income tax expense/(benefit)	**17,922**	1,176,285

Notes to the Financial Statements
For the Year Ended 30 June 2010

8 INCOME TAX (continued)

	CONSOLIDATED	
	2010	2009
	$	$
(c) Recognised deferred tax assets and liabilities		
Opening balance	**-**	924,695
Deferred tax asset credited to income	**203,818**	170,509
Deferred tax liability charged to income	**(203,818)**	(170,509)
Derecognition of deferred tax asset in respect of tax losses previously brought to account	**-**	(924,695)
Closing balance	**-**	-
Deferred income tax at 30 June relates to the following:		
(i) Deferred tax liabilities		
Development costs	**118,597**	90,103
Accounts receivable	**85,221**	80,406
Gross deferred tax liabilities	**203,818**	170,509
Set-off of deferred tax assets	**203,818**	170,509
Net deferred tax liabilities	**-**	-
(ii) Deferred tax assets		
Foreign currency balances	**420,832**	340,264
Goodwill	**169,670**	208,397
Plant and equipment	**115,558**	138,042
Provisions	**101,025**	100,275
Accruals	**66,439**	64,814
Equity raising costs	**64,889**	99,788
Legal fees	**54,218**	68,492
Doubtful debts	**29,819**	40,067
Other	**32,608**	28,607
	1,055,058	1,088,746
Set-off of deferred tax assets	**203,818**	170,509
Net deferred tax assets arising from temporary differences not brought to account	**851,240**	918,237

Deferred tax assets not taken to account

The potential deferred tax assets arising from unused tax losses and temporary differences have only been recognised where it is probable that the future taxable profit will be available against which tax losses can be utilised.

The amount of the potential deferred tax assets attributable to revenue losses not brought to account	**4,605,861**	5,047,714

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 2010

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 reporting date, the possibility of default is remote.

9 DIVIDENDS PAID AND PROPOSED

No dividends were declared or paid during the year (2009: Nil).

DataDot has no franking credits available.

10 EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit / (loss) for the year attributable to ordinary equity holders of the parent 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	
	2010	*2009*
	$	*$*
Net profit /(loss) attributable to ordinary equity holders of the parent from continuing operations	**931,326**	(10,590,238)
Profit attributable to discontinued operations (excluding minority interests)	**-**	(524,091)
Net Profit / (loss) attributable to ordinary equity holders of the parent	**931,326**	(11,114,329)
	Number	*Number*
Weighted average number of ordinary shares for basic earnings per share	**344,028,204**	178,632,393
Effect of dilution:		
Share options	**-**	-
Weighted average number of ordinary shares adjusted for the effect of dilution	**344,028,204**	178,632,393
The following options are not treated as potential ordinary shares as their exercise price exceeds current market price	**500,000**	14,295,000

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 2010

11 CURRENT ASSETS - CASH AND CASH EQUIVALENTS

	CONSOLIDATED	
	2010 $	2009 $
Cash at bank and on hand	**1,796,406**	761,490

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

Reconciliation to Statement of Cash Flows
For the purposes of the Statement of Cash Flows, cash and cash equivalents comprise the following at 30 June:

Cash on hand and at bank	**1,796,406**	761,490

Reconciliation of net profit/(loss) after tax to net cash flows from operations

Profit /(loss) after income tax	**931,326**	(10,985,322)
Add / (less) items classified as investing / financing activities:		
Share of joint venture loss	**103,793**	2,096,345
Loss / (gain) on disposal of investment	**-**	341,257
Impairment & write-off of non-current assets	**-**	6,215,946
Interest received	**(17,584)**	(98,253)
Add / (less) non-cash items:		
Depreciation and amortisation	**288,940**	406,436
Non-cash borrowing costs	**29,776**	-
Net loss on foreign exchange	**-**	16,472
Inventory impairment	**-**	59,803
Impairment for doubtful debts	**65,515**	206,118
Net cash used in operating activities before change in assets and liabilities	**1,401,766**	(1,741,198)
Decrease/(increase) in trade and other receivables	**481,565**	(607,628)
Decrease in other assets	**273,649**	259,597
Increase in inventories	**(23,473)**	(153,757)
Decrease in deferred tax assets	**-**	924,695
Increase/(decrease) in trade and other payables	**219,903**	(956,496)
Increase/(decrease) in current tax liabilities	**-**	(41,652)
Decrease in provisions	**(478,899)**	(66,910)
Net cash provided by/(used) in operating activities	**1,874,511**	(2,383,349)

Disclosure of non-cash financing and investing activities
Refer to note 15 and 19

Notes to the Financial Statements

For the Year Ended 30 June 2010

12 CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

	CONSOLIDATED 2010 $	2009 $
Trade receivables	**1,115,373**	1,632,263
Allowance for impairment loss (a)	**(117,459)**	(152,784)
	997,914	1,479,479
Prepayments	**80,229**	82,366
Government grant receivable	**-**	219,264
Other	**394,629**	433,623
	1,472,772	2,214,732

(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 $65,515 (2009: $206,118) has been recognised by DataDot. These amounts have been included in the bad and doubtful debt expense item.

Movements in the provision for impairment loss were as follows:

	2010	2009
At 1 July	**152,784**	3,994
Charge for the year – continuing operations	**65,515**	206,118
Amount written off (included in bad and doubtful debt expense)	**(100,840)**	(57,328)
At 30 June	**117,459**	152,784

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*
2010	**Consolidated**	**1,115,373**	**686,631**	**148,244**	**31,343**	**396**	**131,696**	**117,063**
2009	Consolidated	1,632,263	828,170	430,521	99,582	46,506	121,206	106,278

* Past due not impaired (“PDNI”)
Considered impaired (“CI”)

Notes to the Financial Statements
For the Year Ended 30 June 2010

12 CURRENT ASSETS - TRADE AND OTHER RECEIVABLES (continued)

(a) Allowance for impairment loss (continued)

Receivables past due but not considered impaired are $163,039 (2009: $220,788). 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.

(b) Fair value and credit risk

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

The maximum exposure to credit risk is the fair value of receivables. Collateral is not held as security, nor is it DataDot's policy to transfer (on-sell) receivables to special purpose entities.

(c) Foreign exchange and interest rate risk

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

13 CURRENT ASSETS - INVENTORIES

	CONSOLIDATED	
	2010	*2009*
	$	*$*
Raw materials (at cost)	**642,944**	614,203
Work-in-progress	**-**	-
Finished goods (at cost)	**11,720**	16,988
Total inventories at the lower of costs and net realisable value	**654,664**	631,191

(a) Inventory expense

Inventories recognised as an expense for the year totalled $2,689,971 (2009: $1,676,539). This expense has been included in the cost of sales line item. Inventory write-downs recognised as an expense totalled $Nil (2009: $59,803). This expense is included in the cost of sales line item as a cost of inventories.

Notes to the Financial Statements

For the Year Ended 30 June 2010

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

	CONSOLIDATED	
	2010	*2009*
(a) Investment details	**$**	$
DataTraceDNA Pty Ltd	**142,840**	-

DataDot has a 50% interest in DataTraceDNA Pty Ltd (DataTrace), which is involved in the development of high security authentication solutions. DataTrace is a small proprietary company incorporated in Australia. Pursuant to a shareholder agreement DataDot has the right to cast 50% of the votes at shareholder meetings.

During the year, DataDot contributed funds of $246,632 (2009: $963,003) to the investment.

In 2009, 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.

(b) Summarised financial information

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

	2010	*2009*
	$	*$*
Extract from the joint venture statement of financial position:		
Current assets	**638,124**	648,296
Non-current assets	**312,329**	81,546
Total assets	**950,453**	729,842
Current liabilities	**(402,617)**	(221,052)
Non-current liabilities	**-**	-
Total liabilities	**(402,617)**	(221,052)
Net assets	**547,836**	508,790
Share of joint venture net assets	**273,918**	254,395
Extract from the joint venture statement of comprehensive income:		
Revenue	**1,010,632**	396,870
Expenses	**(1,218,218)**	(1,355,124)
Impairment loss	**-**	(3,234,437)
Net loss	**(207,586)**	(4,192,691)
Share of the jointly controlled entity's loss:	**(103,793)**	(2,096,345)

(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 23 and 24 respectively.

(d) Dividends
No dividends were received by DataDot during the year from the joint venture entity.

Notes to the Financial Statements
For the Year Ended 30 June 2010

15 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 2010				
Consolidated:				
At 1 July 2009, net of accumulated depreciation	**598,604**	**148,928**	**11,940**	**759,472**
Additions	**221,980**	**-**	**-**	**221,980**
Disposals	**-**	**(82,745)**	**-**	**(82,745)**
Depreciation charge for the year	**(179,700)**	**(24,815)**	**(11,906)**	**(216,421)**
Exchange adjustments	**(14,934)**	**10,373**	**-**	**(4,561)**
At 30 June 2010, net of accumulated depreciation	**625,950**	**51,741**	**34**	**677,725**
At 1 July 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**
At 30 June 2010				
Cost	**1,953,026**	**127,061**	**143,724**	**2,223,811**
Accumulated depreciation	**(1,327,076)**	**(75,320)**	**(143,690)**	**(1,546,086)**
Net carrying amount	**625,950**	**51,741**	**34**	**677,725**
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	1,796,768	444,537	143,725	2,385,030
Accumulated depreciation	(991,987)	(197,935)	(98,764)	(1,288,686)
Net carrying amount	804,781	246,602	44,961	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

Notes to the Financial Statements

For the Year Ended 30 June 2010

15 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 $625,952 (2009: $9,962) are pledged as securities for current and non-current liabilities as disclosed in note 19(c).

During the year, DataDot acquired plant and equipment and leasehold improvements with an aggregate value of $Nil (2009: $Nil) by means of finance leases.

(c) Plant and equipment in the course of construction

Included in plant and equipment at 30 June 2010 is an amount of $277,286 (2009: $203,053) relating to expenditures for a plant and equipment in the course of construction.

16 NON-CURRENT ASSETS - INTANGIBLE ASSETS

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

	CONSOLIDATED		
	Development costs $	Patent costs $	Total $
At 1 July 2009			
Cost	365,211	291,072	656,283
Accumulated amortisation	(327,296)	(28,640)	(355,936)
Net carrying amount	37,915	262,432	300,347
Year ended 30 June 2010			
At 1 July 2009, net of accumulated amortisation	**37,915**	**262,432**	**300,347**
Additions	**120,674**	**46,822**	**167,496**
Additions – internal development	**-**	**-**	**-**
Amortisation	**(49,280)**	**(23,239)**	**(72,519)**
Impairment loss (refer note (c))	**-**	**-**	**-**
At 30 June 2010, net of accumulated amortisation	**109,309**	**286,015**	**395,324**
At 30 June 2010			
Cost	**485,885**	**337,894**	**823,779**
Accumulated amortisation	**(376,576)**	**(51,879)**	**(428,455)**
Net carrying amount	**109,309**	**286,015**	**395,324**

Notes to the Financial Statements
For the Year Ended 30 June 2010

16 NON-CURRENT ASSETS - INTANGIBLE ASSETS (continued)

	CONSOLIDATED		
	Development costs $	Patent costs $	Total $
At 1 July 2008			
Cost	2,842,763	235,453	3,078,216
Accumulated amortisation	(267,230)	(11,964)	(279,194)
Net carrying amount	2,575,533	223,489	2,799,022
Year ended 30 June 2009			
At 1 July 2008, net of accumulated amortisation	**2,575,533**	**223,489**	**2,799,022**
Additions	**201,128**	**55,619**	**256,747**
Additions – internal development	**320,178**	**-**	**320,178**
Amortisation	**(65,600)**	**(16,676)**	**(82,276)**
Impairment loss (refer note (c))	**(2,993,324)**	**-**	**(2,993,324)**
At 30 June 2009, net of accumulated amortisation	**37,915**	**262,432**	**300,347**
At 30 June 2009			
Cost	**365,211**	**291,072**	**656,283**
Accumulated amortisation	**(327,296)**	**(28,640)**	**(355,936)**
Net carrying amount	**37,915**	**262,432**	**300,347**

(b) Description of DataDot'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.

In 2010, DataDot commenced development on Project Thor, whereby significant enhancements to the manufacture of DataDots are being developed, to enable rapid production of microdots across multiple forms of materials. $120,674 of Project Thor development costs were incurred, with $23,593 of associated amortisation being expensed during the period. At 30 June 2010, the net carrying amount was $97,081.

(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 statement of comprehensive income 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 2010

16 NON-CURRENT ASSETS - INTANGIBLE ASSETS (continued)

(c) Impairment losses

In 2009, DataDot fully impaired all development costs associated with the DataDot Automated Applicator Cell (DAAC) and Laser X Project. The remaining balance at 30 June 2009 of $37,915 related to development costs associated with enhancements to existing Dot manufacturing processes.

No impairment loss was recognised in the 2010 financial year for the development costs detailed above.

In 2010, $46,822 of costs associated with the lodging, renewal and maintenance of patents were incurred with $23,239 of associated amortisation being expensed during the period. There were no indicators that the patent costs are impaired.

17 SHARE-BASED PAYMENT PLANS

(a) Employee share option plan, 'ESOP'

DataDot 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 DataDot.

(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:

	2010 No.	***2010 WAEP***	*2009 No.*	*2009 WAEP*
Issued under ESOP				
Outstanding at beginning of the year	**14,295,000**	**0.22**	12,818,000	0.21
Granted during the year	**-**		-	-
Forfeited during the year	**(1,050,000)**	**0.20**	(5,873,000)	0.24
Exercised during the year	**-**		-	-
Expired during the year	**(12,745,000)**	**0.21**	-	-
Outstanding at the end of the year	**500,000**	**0.42**	6,945,000	0.21
Share options issued 22 November 2004 to KTM Capital Pty Ltd and related parties	**-**		7,350,000	0.25
Total share options outstanding at the end of the year	**500,000**	**0.42**	14,295,000	0.22
Exercisable at the end of the year	**500,000**	**0.42**	14,295,000	0.22

The outstanding balance as at 30 June 2010 is represented by:

- 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 2010

17 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 2010 is 1.60 years (2009: 0.53 years).

(d) Range of exercise price

The range of exercise prices for options outstanding as at 30 June 2010 was $0.42 (2009: $0.15 - $0.42).

(e) Weighted average fair value

No options were granted during 2010 or 2009.

(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 DataDot 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 2010

18 CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

	Note	CONSOLIDATED 2010 $	2009 $
Trade payables		**381,300**	681,273
Sundry creditors and accruals		**681,819**	306,065
Unearned revenue		**112,352**	-
Amounts payable to other parties	(b)	**-**	57,002
		1,175,471	1,044,340

(a) Fair Value
Due to the short term nature of these payables, their carrying value is assumed to approximate to their fair 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.

19 INTEREST BEARING LOANS AND BORROWINGS

	Maturity		
Current			
Secured:			
Obligations under finance leases and hire purchase contracts (note 23)	*2010*	**8,025**	128,562
Bank loan	*2010*	**44,407**	19,484
		52,432	148,046
Unsecured:			
Deferred GST liability	*2010*	**-**	84,017
		52,432	232,063
Non-current			
Secured:			
Lease liabilities	*2011*	**4,234**	4,733
Bank loan	*2013*	**105,593**	-
		109,827	4,733

(a) Fair Value
The carrying amounts of DataDot'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 2010

19 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 commercial loan. A fixed and floating charge over the assets of DataDot Technology Limited and DataDot Technology (Australia) Pty Limited has been provided to the bank as security for the loan. Plant and equipment with a carrying amount of $625,952 (2009: $9,962) 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.

20 PROVISIONS

	CONSOLIDATED	
	2010	*2009*
	$	*$*
Current		
Long service leave	**55,168**	82,657
Annual leave	**190,323**	218,041
Restructuring provision	**16,667**	437,065
Provision for Swann Insurance	**10,510**	10,055
	272,668	747,818
Non-current		
Long service leave	**3,514**	7,263

(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***	***Total***
	$	***$***	***$***
Consolidated			
At 1 July 2009	437,065	10,055	447,120
Provisions made during the period	122,005	455	122,460
Provisions used during the period	(542,403)	-	(542,403)
At 30 June 2010	16,667	10,510	27,177

Notes to the Financial Statements

For the Year Ended 30 June 2010

20 PROVISIONS (continued)

(b) Nature and timing of provisions

(i) Long service leave

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

(ii) Restructuring provision

In 2009 the Board and Management implemented major cost reductions and as a result of DataDot's restructure achieved significant additional sustained savings. The major cost components of the restructuring were termination payments associated with cessation of employment together with legal and accounting fees.

(iii) Swann Insurance provision

Included in provisions is an estimate of amounts payable that may arise under a sales agreement with Swann Insurance under which DataDot has agreed to remit the insurance policy excess on behalf of insurance policy holders who have applied DataDots to their vehicles and whose vehicles have been stolen.

21 OTHER NON-CURRENT LIABILITIES

		CONSOLIDATED	
		2010	*2009*
		$	*$*
Unearned revenue		-	-
Unsecured loans from:			
Amounts payable to other parties	(a)	**354,458**	379,446
		354,458	379,446

(a) Amounts payable to other parties

Included in payables to other parties is an amount of £201,545 ($354,458) which DataDot Technology (UK) Ltd (DDUK) has borrowed on an interest free basis. The loan, which is guaranteed by DataDot, 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.

Notes to the Financial Statements
For the Year Ended 30 June 2010

22 CONTRIBUTED EQUITY AND RESERVES

(a) Ordinary Shares	CONSOLIDATED 2010 $	2009 $
Issued and fully paid	**28,034,195**	28,151,106

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

	Number	$
Movement in ordinary shares on issue		
At 1 July 2008	149,577,480	26,456,519
Shares issued:		
Share placement at $0.01 per share	**22,436,622**	**224,366**
Rights issue at $0.01 per share	**172,014,102**	**1,720,141**
Less cost of capital raisings	**-**	**(249,920)**
At 1 July 2009	**344,028,204**	**28,151,106**
Shares issued:		
Less cost of capital raisings (related to 2009 share issue)	**-**	**(116,911)**
At 30 June 2010	**344,028,204**	**28,034,195**

(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 19, DataDot had total interest bearing liabilities of $162,259 as at 30 June 2010 (2009: $236,796). DataDot is not subject to any externally imposed capital requirements.

(c) Accumulated losses

Movements in accumulated losses were as follows:

	CONSOLIDATED 2010 $	2009 $
Balance 1 July	**(26,299,392)**	(15,185,063)
Net profit / (loss) for the year	**931,326**	(11,114,329)
Balance 30 June	**(25,368,066)**	(26,299,392)

(d) Reserves

Foreign currency translation reserves		
Balance at beginning of financial year	**399,855**	(368,758)
Currency translation differences arising during the year	**105,377**	768,613
Balance at end of financial year	**505,232**	399,855

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 2010

23 COMMITMENTS

(i) Leasing commitments

Finance lease and hire purchase commitments - Group as lessee

DataDot has finance leases and hire purchase contracts for various items of plant and machinery with a carrying amount of $37,549 (2009: $148,928). These lease contracts expire within 1 year. 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.

	CONSOLIDATED	
	2010	*2009*
	$	*$*
CONSOLIDATED		
Within one year	**8,025**	128,562
One year or later and no later than five years	**-**	6,887
Total minimum lease payments	**8,025**	135,449

Operating lease commitments – Group as lessee

DataDot 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.

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

	CONSOLIDATED	
	2010	*2009*
	$	*$*
Within one year	**132,426**	144,092
Later than one year but not later than five years	**256,093**	15,229
	388,519	159,321

(ii) Commitments relating to joint venture

At 30 June 2010, DataDot has commitments of $Nil (2009: $Nil) relating to the DataTraceDNA Pty Limited joint venture (see note 24 re contingent liabilities).

(iii) Remuneration commitments

	CONSOLIDATED	
	2010	*2009*
	$	*$*
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	**502,000**	833,055
After one year but not more than 5 years	**185,000**	207,350
	687,000	1,040,405

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 Key Management Personnel.

Notes to the Financial Statements

For the Year Ended 30 June 2010

24 CONTINGENT LIABILITIES

(i) Joint Venture

On 31 October 2005, DataDot Technology Limited entered into a number of agreements with the CSIRO establishing DataTraceDNA Pty Ltd as a jointly controlled entity. Under the terms of the agreement, DataDot 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 DataTraceDNA, no further investments are envisaged.

(ii) Guarantees

Included in payables to other parties is an amount of £201,545 ($354,458) which DataDot Technology (UK) Ltd (DDUK) has borrowed on an interest free basis. The loan, which is guaranteed by DataDot, is repayable on the earlier of the termination of the DDUK shareholders agreement, the DDUK licence agreement and 15 December 2012.

DataDot has issued a bank guarantee of $32,750 (2009: $50,193). No liability was recognised by DataDot in relation to the bank guarantee as the fair value of the guarantee is immaterial.

(iii) Insurance Company initiative

Included in provisions is $10,510 (2009: $10,055) 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.

(iv) Tax related contingencies

Ongoing transactions - transfer pricing

DataDot has offshore operations in the United States and the United Kingdom. As disclosed in note 25, there are intra Group transactions, which include DataDot and its subsidiaries. These transactions are on an arm's length basis and are conducted at normal market prices and on normal commercial terms.

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 and the ATO. At present, it is expected that any impact of an investigation if and when held would not be material to DataDot.

Notes to the Financial Statements
For the Year Ended 30 June 2010

25 RELATED PARTY DISCLOSURES

(a) Subsidiaries

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

Name		Country of incorporation	% Equity interest *2010*	*2009*	Investment $ *2010*	*2009*
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
AgTechnix Pty Ltd		Australia	**51**	-	**5,000**	-
Identify Australasia Pty Ltd		Australia	**100**	100	**402**	402
Identify New Zealand Pty Limited		New Zealand	**100**	100	**2**	2
DataDot Technology (Europe) Ltd	(i)	United Kingdom	**100**	100	**-**	-
					188,168	183,168

(i) This company is a subsidiary of DataDot Technology (UK) Ltd.

(b) Ultimate parent

DataDot Technology Limited is the ultimate parent entity of DataDot.

(c) Key management personnel

Details regarding key management personnel, including remuneration paid are included in note 29.

(d) Transactions with related parties

DataDot's interest in subsidiaries is set out in Note 25(a). Transactions between DataDot Technology Limited and its subsidiaries arise from granting loans, provision of management services, sale of inventory and royalties. Non-current loans to these entities are interest free, are unsecured and are required to be repaid once sufficient operating cash flows permit repayment.

Aggregate amount of other transactions with non-director related parties:	***CONSOLIDATED*** ***2010*** ***$***	*2009* *$*
Revenue from Management Fees		
Joint Venture entity	**650,472**	695,307

Notes to the Financial Statements

For the Year Ended 30 June 2010

26 PARENT ENTITY INFORMATION

Information relating to DataDot Technology Ltd:	***2010*** ***$***	*2009* *$*
Current Assets	**1,411,684**	1,535,817
Total Assets	**2,701,741**	2,505,289
Current Liabilities	**5,168,545**	4,070,651
Total Liabilities	**5,212,994**	4,078,299
Issued Capital	**28,034,195**	28,151,106
Accumulated Losses	**(30,545,448)**	(29,724,116)
Total Shareholders' Equity	**(2,511,253)**	(1,573,010)
Profit/(Loss) of the Parent Entity	**(821,332)**	(12,722,510)
Total Comprehensive Income of the Parent Entity	**(821,332)**	(12,722,510)

Parent Entity Contingent Liabilities

(i) Joint Venture

On 31 October 2005, DataDot Technology Limited entered into a number of agreements with the CSIRO establishing DataTraceDNA Pty Ltd as a jointly controlled entity. Under the terms of the agreement, DataDot 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 DataTraceDNA, no further investments are envisaged.

(ii) Guarantees

Included in payables to other parties is an amount of £201,545 ($354,458) which DataDot Technology (UK) Ltd (DDUK) has borrowed on an interest free basis. The loan, which is guaranteed by DataDot, is repayable on the earlier of the termination of the DDUK shareholders agreement, the DDUK licence agreement and 15 December 2012.

DataDot has issued a bank guarantee of $32,750 (2009: $50,193). No liability was recognised by DataDot in relation to the bank guarantee as the fair value of the guarantee is immaterial.

Parent Entity Commitments

(i) Remuneration commitments	***2010*** ***$***	*2009* *$*
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	**395,209**	733,665
After one year but not more than 5 years	**185,000**	207,350
	580,209	941,015

Notes to the Financial Statements
For the Year Ended 30 June 2010

27 EVENTS SUBSEQUENT TO BALANCE DATE

DataDot Technology Limited is in negotiations with DataDot Technology (South Africa) (Proprietary) Limited in relation to distribution of all products in the African market. No other matter or circumstance has arisen since 30 June 2010 that has significantly affected, or may significantly affect DataDot's operations in subsequent financial years, the results of those operations in subsequent financial years or DataDot's state of affairs in subsequent financial years.

28 AUDITORS' REMUNERATION

The auditor of DataDot Technology Limited is PKF.

	CONSOLIDATED	
	2010	*2009*
	$	*$*
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	**148,202**	138,800
• other services in relation to the entity and any other entity in the consolidated group		
- tax compliance	**32,383**	36,975
- other services	**31,655**	49,313
	212,240	225,088
Amounts received or due and receivable by non PKF audit firms for:		
• an audit or review of the financial report of subsidiaries	**45,751**	68,990
• taxation services	**6,506**	7,297
• agreed upon procedures review	**-**	153,004
	52,257	229,291

29 KEY MANAGEMENT PERSONNEL

(a) Details of Key Management Personnel

(i) Directors

B. Rathie	Chairman (non-executive) – appointed 16 October 2009
B. Bootle	Chief Executive
G. Flowers	Director (non-executive)
A. Coutts	Director (non-executive) - appointed 1 July 2010
A. Farrar	Chairman (non-executive) - resigned 16 October 2009
C. Lo Lin Sye	Director (executive) – resigned 28 May 2010
M. George	Director (non-executive) – resigned 18 February 2010

(ii) Executives

R. Hawkey	Chief Financial Officer
G. Loughlin	Company Secretary and Strategic Development Manager
G.Gothard	Business Development Manager – appointed 1 November 2009
G. George	Research and Development Manager
D. Barnes	President - DataDot Technology USA Inc.
P. Kibler	Managing Director - DataDot Technology (UK) Ltd

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 2010

29 KEY MANAGEMENT PERSONNEL (continued)

(b) Compensation of Key Management Personnel

	CONSOLIDATED 2010 $	2009 $
Short-term employee benefits	**1,476,206**	2,024,102
Post-employment benefits	**109,363**	159,694
Other long-term benefits	**-**	-
Termination benefits	**50,000**	95,333
Share-based payments	**-**	-
	1,635,569	2,279,129

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

30 June 2010	*Balance at beginning of period 01 Jul 09*	*Granted as remuneration*	*Options exercised*	*Net change Other #*	*Balance at end of period 30 Jun 10*	*Vested at 30 June 2010 Total*	*Exercisable*	*Not – Exercisable*
(i) Directors								
B. Rathie-	-	-	-	-	-	-	-	-
B. Bootle	-	-	-	-	-	-	-	-
G. Flowers	-	-	-	-	-	-	-	-
A. Coutts	-	-	-	-	-	-	-	-
A. Farrar	-	-	-	-	-	-	-	-
C. Lo Lin Sye	-	-	-	-	-	-	-	-
M. George	-	-	-	-	-	-	-	-
(ii) Executives								
R. Hawkey	-	-	-	-	-	-	-	-
G. Loughlin	1,000,000	-	-	(500,000)	500,000	500,000	500,000	-
G. Gothard	-	-	-	-	-	-	-	-
G. George	150,000	-	-	(150,000)	-	-	-	-
D. Barnes	-	-	-	-	-	-	-	-
R. Sherman	-	-	-	-	-	-	-	-
P. Kibler	-	-	-	-	-	-	-	-
A. Blew	-	-	-	-	-	-	-	-
D. Menday	-	-	-	-	-	-	-	-
	1,150,000	**-**	**-**	**(650,000)**	**500,000**	**500,000**	**500,000**	**-**

 # 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 2010

29 KEY MANAGEMENT PERSONNEL (continued)

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

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

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

30 June 2010	*Balance at beginning of period 1 July 09*	*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 10*
Directors						
B. Rathie	900,000	770,740	-	-	-	1,670,740
B. Bootle	200,000	31,036	-	-	-	231,036
G. Flowers	530,000	424,872	-	-	-	954,872
A. Coutts	-	-	-	-	-	-
A. Farrar	1,000,000	150,883	-	-	-	1,150,883
C. Lo Lin Sye	217,570	-	-	-	-	217,570
M. George	-	-	-	-	-	-
Executives						
R. Hawkey	-	250,000	-	-	-	250,000
G. Loughlin	200,000	-	-	-	-	200,000
G. Gothard	-	-	-	-	-	-
G. George	-	-	-	-	-	-
D. Barnes	-	-	-	-	-	-
P. Kibler	-	-	-	-	-	-
	3,047,570	**1,627,531**	**-**	**-**	**-**	**4,675,101**

Notes to the Financial Statements
For the Year Ended 30 June 2010

29 KEY MANAGEMENT PERSONNEL (continued)

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

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**

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 DataDot would have adopted if dealing at arm's length.

Notes to the Financial Statements

For the Year Ended 30 June 2010

29 KEY MANAGEMENT PERSONNEL (continued)

(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*
2010	**127,566**	**-**	**-**	**1**
2009	117,134	127,566	10,432	1

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

	Opening balance	*Closing balance*	*Interest charged*	*Highest owing in period*
30 June 2010	*$*	*$*	*$*	*$*
Director (ceased 5 January 2009)				
I. Allen	**127,566**	**-**	**-**	**127,566**
30 June 2009	*$*	*$*	*$*	*$*
Director (ceased 5 January 2009)				
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 was included as part of termination payments.

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

Purchases
During the year, purchases of legal services totalling $121,040 (2009: $174,100) at normal market prices have been made by DataDot Technology Limited from Thomson Playford Cutlers, of which Mr Michael George is a partner. $Nil was outstanding at 30 June 2010 (2009: $Nil). During the year, purchases of professional services totalling $Nil (2009: $36,280) at normal market prices have been made by DataDot Technology Limited from WHK Howarth, of which Mr Allan Farrar is a principal. $Nil was outstanding at 30 June 2010 (2009:$Nil).

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

	2010 $	*2009 $*
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	**-**	-
Total revenue	**-**	-
Purchases / Cost of Goods Sold	**121,040**	210,380
Total expenses	**121,040**	210,380

Directors' Declaration
For the Year Ended 30 June 2010

The directors of DataDot Technology Limited declare that:

(a) In the Directors' opinion the financial statements and notes and the Remuneration report in the Directors' report set out on pages 15 to 22 are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of DataDot Technology Limited's financial position as at 30 June 2010 and of its performance, for the financial year ended on that date; and

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

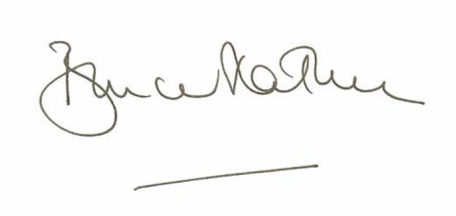
(b) the financial report also complies with International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) as disclosed in note 2(a); and

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

The directors have been given the declarations required by Section 295A of the *Corporations Act 2001* by the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2010.

Signed in accordance with a resolution of the directors.

Dated at Sydney, 22nd day of September 2010.



Bruce Rathie
Chairman

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 statement of financial position as at 30 June 2010, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the consolidated entity. The consolidated entity comprises the Datadot Technology Limited and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of 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 Statements*, 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.

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Chartered Accountants
& Business Advisers

Independence

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

Auditor's Opinion

In our opinion:

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

    (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 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 comply with International Financial Reporting Standards as disclosed in Note 2.

Report on the Remuneration Report

We have audited the Remuneration Report included under the heading 'Remuneration Report' in the Directors' Report for the year ended 30 June 2010. 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 2010 complies with section 300A of the *Corporations Acts 2001*.

PKF

Grant Saxon
Partner

Sydney, 22 September 2010

SHAREHOLDER INFORMATION
AS AT 15 SEPTEMBER 2010

A. STATEMENT OF ISSUED SHARES

The total number of shareholders is 2,150. There are 344,028,204 ordinary fully paid shares listed on the Australian Stock Exchange Ltd (ASX). The twenty largest shareholders hold 43.8% of DataDot's issued capital.

B. DISTRIBUTION OF SECURITIES

Holdings Ranges	Number of Shareholders	Number of Option holders
1-1,000	39	-
1,001-5,000	274	-
5,001-10,000	353	-
10,001-100,000	1,072	-
100,001 and over	412	1
Totals	2,150	1

The number of shareholders holding less than a marketable parcel of ordinary shares is 704.

C. ON-MARKET BUYBACK

There is no current on-market buyback.

D. SUBSTANTIAL SHAREHOLDERS

Substantial shareholders are as follows:

Bannaby Investments Pty Ltd	28,988,403 shares
T M Consulting Pty Ltd	25,988,403 shares
Brent McLaws	17,635,000 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

DataDot has on issue 500,000 options over ordinary shares. These options are held by Mr Graham Loughlin.

G. TOP 20 SHAREHOLDERS APPEARING ON THE REGISTER

Shareholder's Name	No. of Shares held	% of capital held
BANNABY INVESTMENTS PTY LTD <SUPER FUND A/C>	28,988,403	8.426
TM CONSULTING PTY LTD <SUPER FUND A/C>	25,988,403	7.554
MR BRENT MCLAWS	17,635,000	5.126
UBS NOMINEES PTY LTD	13,600,000	3.953
HARBOUR NOMINEES PTY LTD <SL A/C>	9,738,590	2.831
MR EVAN PHILIP CLUCAS & ,S LEANNE JANE WESTON	5,365,216	1.560
MS SUSAN COLDICUTT	4,900,883	1.425
HOUSE OF MAISTER SERVICES LIMITED	4,159,880	1.209
DAMN INVESTMENTS PTY LTD	4,034,571	1.173
RBC DEXIA INVESTOR SERVICES AUST NOMINEES PTY LTD	4,005,204	1.164
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
MR ERICK ADRIAANSE	3,617,623	1.052
BANNABY INVESTMENTS PTY LTD	3,617,623	1.052
MR NICHOLAS RICHARD HAROLD NOTLEY	3,500,000	1.017
MR ANWAR NAN & MRS TRIEZA FAHIEM <A&T S/F A/C>	3,000,000	0.872
MS LISA SHARON ALLEY	2,675,000	0.778
GAVAN & JOANNA MURPHY PTY LTD <MURPHY FAMILY A/C>	2,600,328	0.756
GULBULLANA PTY LTD	2,236,663	0.650
Top 20 Total	150,687,443	43.802