

DataDot
TECHNOLOGY LTD

ABN 54 091 908 726

Financial Report
for the half-year ended 31 December 2007

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DATADOT TECHNOLOGY LTD – HALF-YEAR REPORT

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Corporate Information

ABN 54 091 908 726

This half-year report covers the consolidated entity comprising DataDot Technology Limited and its subsidiaries. The Group's functional and presentation currency is AUD (\$).

A description of the Group's operations and of its principal activities is included in the review of operations and activities in the directors' report on page 2. The directors' report is unaudited and does not form part of the financial report.

DIRECTORS	COMPANY SECRETARY	REGISTERED OFFICE
Mr A. R. Farrar (Chairman) Mr I.P. Allen (Chief Executive Officer) Mr J. F. Richards Mr B. Rathie Mr G. Flowers Ms C Lo Lin Sye	G.J. Loughlin	Unit 9 19 Rodborough Road Frenchs Forest NSW 2086 Phone (02) 8977 4900 Fax (02) 9975 4700
AUDITORS	BANKERS	STOCK EXCHANGE
PKF Level 10 1 Margaret Street Sydney NSW 2000	National Australia Bank 96 High Street Fremantle WA 6160	The Company is listed on the Australian Stock Exchange. The Home Exchange is Sydney.
SHARE REGISTER	OTHER INFORMATION	
Ordinary shares and Options Registries Ltd Level 228 Margaret Street Sydney NSW 2000 Phone (02) 9290 9600 Fax (02) 9279 0664	DataDot Technology Ltd, incorporated and domiciled in Australia, is a publicly listed company limited by shares.	

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Directors' Report

Your Directors submit the financial report for the half-year ended 31 December 2007.

DIRECTORS

The names of the company's directors in office during the half-year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Mr A. R Farrar (Chairman)
 Mr I.P. Allen (Director and Chief Executive Officer)
 Mr B. Rathie
 Mr. J. F. Richards
 Mr G. Flowers (appointed 27 November 2007)
 Ms C Lo Lin Sye (appointed 7 February 2008)

REVIEW AND RESULTS OF OPERATIONS

Consolidated net loss after income tax for the half-year was \$173,043 (2006: \$1,272,759), a reduction in the reported loss of 86% on the previous corresponding half-year

Group revenue increased during the half-year. Total revenue increased 17% from \$5,676,144 to \$6,613,627. Sales revenue for the half-year was \$5,779,769 (2006: \$4,904,605) representing an increase of 18% which was driven by strong revenue growth from the South African market segment and to a lesser extent the Australasia segment.

The Group's Earnings Before Interest and Tax (EBIT) and Earning Before Interest, Tax, Depreciation and Amortisation (EBITDA) is disclosed below.

	2007	2006
	\$	\$
Profit /(Loss) after income tax	115,804	(1,191,169)
Add back:		
Income Tax Expense	204,276	-
Interest Expense	41,871	105,837
Profit /(Loss) before Interest and Tax (EBIT)	361,951	(1,085,332)
Add back:		
Depreciation and amortisation expense	209,411	220,462
Profit /(Loss) before interest, tax, depreciation and amortisation (EBITDA)	571,362	(864,870)

Results from operations by market segment are detailed on the following page.

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Directors' Report (continued)

REVIEW AND RESULTS OF OPERATIONS (continued)

Australasia

Product sales increased by \$221,389 from \$2,605,383 to \$2,826,770. This represents an 8.5% increase in sales when compared to same time last year and is partly attributable to an increase in export sales to Taiwan which adopted mandatory parts marking on the 1st October 2007 and partly attributable to Yamaha sales for the period which began in October 2006.

Net profit increased by \$447,033 from \$566,169 to \$1,013,202 representing an increase of 79%. This increase in profitability is attributable to a 5% improvement in the gross profit margin as a result of production improvements introduced during the 2007 financial year and a focus on cost containment.

South Africa

Product sales increased by \$851,934 from \$1,449,342 to \$2,301,276. Total revenues increased 59% and results increased from \$316,900 to \$683,564. This improvement in revenues and results is a result of improvements noted in the Annual Report for 30 June 2007 and includes similar improvements that occurred in the Australasian market in the gross profit margin (6%) from the introduction of production improvements during the 2007 financial year.

United States

The loss from the US operations was reduced by \$138,998 from \$289,933 to \$150,935 despite a decline in sales revenue of \$223,033. The US operations are now located in one purpose built facility. The loss of \$150,935 include some additional restructuring costs that had not previously been brought to account. The restructure is expected to deliver yearly cost savings of \$375,000 that can be expected to be realised from this point forward. The new US management team is focussed on the dual task of improving the product contribution margin and revenue growth. The management team has been strengthened by the appointment of an experienced Sales Manager.

United Kingdom

The revenue from UK is up on last year from \$110,168 to \$218,707 though the result is comparable to last year. The Group has strengthened the UK management team by seconding an experienced sales employee to the UK to assist in revenue growth.

Joint Venture – DataTraceDNA Pty Limited

The share of loss from the DataTraceDNA Pty Limited joint venture was \$128,401 for the half-year ended 31 December 2007 (2006: loss \$358,204). The improvement related to the recognition by DataTrace DNA Pty Limited of \$484,000 in miscellaneous income.

Directors' Report (continued)

REVIEW AND RESULTS OF OPERATIONS (continued)

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is set out on page 5 and forms part of the Directors' Report.

Signed in accordance with a resolution of the Board of Directors.

A handwritten signature in black ink, appearing to read 'I.P. Allen', written in a cursive style.

I.P. Allen
Director
Sydney, 27th February 2008

LEAD AUDITOR'S INDEPENDENCE DECLARATION**Under section 307C of the Corporations Act 2001**

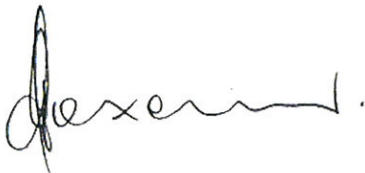
To the Directors of DataDot Technology Limited

As lead engagement partner, I declare that, to the best of my knowledge and belief, in relation to the review for the half year ended 31 December 2007, there have been:

- i. no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- ii. no contraventions of any applicable code of professional conduct in relation to the review.



PKF



Grant Saxon
Partner

Sydney
26 February 2008

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Condensed Income Statement
FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

	Note	Consolidated 31.12.07 \$	31.12.06 \$
Continuing operations			
Revenue	4(a)	6,613,627	5,676,144
Cost of sales		(1,902,876)	(1,773,941)
Gross Profit		4,710,751	3,902,203
Other income	4(a)	28,875	42,013
Other expenses	4(a)	(4,249,274)	(4,671,344)
Finance costs		(41,871)	(105,837)
Share of profit /(loss) of joint venture		(128,401)	(358,204)
Profit / (loss) from continuing operations before income tax		320,080	(1,191,169)
Income tax expense		(204,276)	-
Net profit / (loss) from continuing operations after income tax		115,804	(1,191,169)
Profit attributable to minority interest		(288,847)	(81,590)
Loss attributable to members of the parent entity		(173,043)	(1,272,759)
Earnings per share (cents per share)			
- basic and dilutive, for loss for the half year attributable to ordinary equity holders of the parent		(0.12)	(0.92)

The Condensed Income Statement is to be read in conjunction with the attached notes.

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Condensed Balance Sheet

AS AT 31 DECEMBER 2007

	Note	Consolidated 31.12.07 \$	30.06.07 \$
ASSETS			
Current Assets			
Cash and cash equivalents		4,432,354	4,730,149
Trade and other receivables	9	2,201,213	3,406,552
Inventories	7	613,594	513,360
Total Current Assets		<u>7,247,161</u>	<u>8,650,061</u>
Non-Current Assets			
Trade and other receivables		89,939	86,196
Investment in joint venture accounted for using the equity method		3,735,497	2,983,344
Plant and equipment		1,263,305	1,219,356
Intangible assets		2,141,278	2,045,641
Deferred tax assets		39,654	39,677
Total Non-Current Assets		<u>7,269,673</u>	<u>6,374,214</u>
TOTAL ASSETS		<u>14,516,834</u>	<u>15,024,275</u>
LIABILITIES			
Current Liabilities			
Trade and other payables		1,301,945	1,871,398
Interest-bearing loans and borrowings		272,543	297,434
Income Tax Payable		146,426	117,726
Provisions		544,526	592,795
Total Current Liabilities		<u>2,265,440</u>	<u>2,879,353</u>
Non-Current Liabilities			
Interest-bearing loans and borrowings		236,325	383,332
Other non-current liabilities		1,389,665	1,337,004
Provisions		37,028	25,650
Total Non-Current liabilities		<u>1,663,018</u>	<u>1,745,986</u>
TOTAL LIABILITIES		<u>3,928,458</u>	<u>4,625,339</u>
NET ASSETS		<u>10,588,376</u>	<u>10,398,936</u>
EQUITY			
Equity attributable to equity holders of the parent			
Contributed equity		26,456,519	26,456,519
Accumulated losses		(16,383,090)	(16,210,047)
Reserves		36,179	(37,457)
Parent interests		<u>10,109,608</u>	<u>10,209,015</u>
Minority interests		<u>478,768</u>	<u>189,921</u>
TOTAL EQUITY		<u>10,588,376</u>	<u>10,398,936</u>

The Condensed Balance Sheet is to be read in conjunction with the attached notes.

Condensed Cash Flow Statement

FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

	Note	Consolidated 2007 \$	2006 \$
Cash flows from /(used in) operating activities			
Cash receipts in the course of operations		7,504,470	5,932,452
Cash payments in the course of operations		(6,857,606)	(6,182,144)
Interest paid		(25,925)	(101,863)
Income tax paid		(176,486)	-
Receipt of Government Grant		28,875	42,013
		<u>473,327</u>	<u>(309,542)</u>
Net cash flows from /(used in) operating activities			
Cash flows from /(used in) investing activities			
Interest received		72,744	162,735
Purchase of plant and equipment		(192,315)	(170,047)
Purchase of investment accounted for using the equity method		(880,554)	(1,495,367)
Payment for Development expenditure		(152,810)	(446,000)
Receipt of Government Grant		49,587	284,722
		<u>(1,103,348)</u>	<u>(1,663,957)</u>
Net cash flows used in investing activities			
Cash flows from financing activities			
Proceeds from issue of shares		-	7,471,860
Repayment of related party loans		510,586	(89,284)
Repayment of finance lease payments		(122,536)	(132,525)
Repayment of borrowings		(53,234)	(42,520)
		<u>334,816</u>	<u>7,207,531</u>
Net cash flows from financing activities			
Net increase / (decrease) in cash held		(295,205)	5,234,032
Net foreign exchange differences		(2,590)	(30,293)
Cash at beginning of period		4,730,149	1,169,581
		<u>4,432,354</u>	<u>6,373,320</u>
Cash at end of period	5		

The Condensed Cash Flow Statement is to be read in conjunction with the attached notes.

Condensed Statement of Changes in Equity
FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

	<i>Attributable to equity holders of the parent</i>			<i>Total</i>	<i>Minority interest</i>	<i>Total equity</i>
	<i>Ordinary shares</i>	<i>Accumulated losses</i>	<i>Foreign currency translation reserve</i>			
	\$	\$	\$			
At 1 July 2006	16,695,271	(13,996,674)	27,397	2,725,994	-	2,725,994
Currency translation differences	-	-	(30,293)	(30,293)	-	(30,293)
Total income and expense for period recognised directly in equity	-	-	(30,293)	(30,293)	-	(30,293)
Profit (Loss) for the period	-	(1,272,759)	-	(1,272,759)	81,590	(1,191,169)
Total income / expense for the period	-	(1,272,759)	(30,293)	(1,303,052)	81,590	(1,221,462)
Shares issued	7,740,000	-	-	7,740,000	-	7,740,000
Transaction costs on share issue	(268,140)	-	-	(268,140)	-	(268,140)
Share-based payments	195,478	-	-	195,478	-	195,478
At 31 December 2006	24,362,609	(15,269,433)	(2,896)	9,090,280	81,590	9,171,870
At 1 July 2007	26,456,519	(16,210,047)	(37,457)	10,209,015	189,921	10,398,936
Currency translation differences	-	-	73,636	73,636	-	73,636
Total income and expense for period recognised directly in equity	-	-	73,636	73,636	-	73,636
Profit (Loss) for the period	-	(173,043)	-	(173,043)	288,847	115,804
Total income / expense for the period	-	(173,043)	73,636	(99,407)	288,847	189,440
Shares issued	-	-	-	-	-	-
Transaction costs on share issue	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-
At 31 December 2007	26,456,519	(16,383,090)	36,179	10,109,608	478,768	10,588,376

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Notes to the Financial Statements FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

1. CORPORATE INFORMATION

The half-year financial report of DataDot Technology Limited (the Company), for the half-year ended 31 December 2007 was authorised for issue in accordance with a resolution of the directors on 27 February 2008.

DataDot Technology Limited is a company incorporated in Australia and limited by shares, which are publicly traded on the Australian Stock Exchange.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

This general purpose condensed financial report for the half year ended 31 December 2007 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 June 2007 and considered together with any public announcements made by DataDot Technology Ltd during the half-year ended 31 December 2007 in accordance with the continuous disclosure obligations of the *ASX listing rules*.

Changes in Accounting Policy

The accounting policies adopted are consistent with those disclosed in the annual financial report for the year ended 30 June 2007 which are in accordance with accounting standards in place at that date. The adoption of new and amending Standards and Interpretations mandatory for annual periods beginning on or after 1 July 2007 did not have a significant impact on the financial performance of the Group.

Notes to the Financial Statements (continued)
FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

3. SEGMENT INFORMATION

The primary reporting formation for the group is geographical segments.

Geographical segment

The following table presents the revenue and profit information regarding geographical segments for the half-year periods ended 31 December 2007 and 31 December 2006.

Half-year ended 31 December 2007	<i>Australasia</i> \$	<i>USA</i> \$	<i>Europe</i> \$	<i>South Africa</i> \$	<i>Total</i> \$
Revenue					
Sales to external customers	2,826,770	516,579	218,707	2,301,276	5,863,332
Other revenues from external customers	661,659	16,825	-	-	678,484
Inter-segment sales	383,195	93,318	-	-	476,513
Total segment revenue	<u>3,871,625</u>	<u>626,722</u>	<u>218,707</u>	<u>2,301,276</u>	<u>7,018,329</u>
Inter-segment elimination					(476,513)
Non segment revenue					
Interest revenue					71,811
Other					28,875
Total consolidated revenue					<u>6,642,502</u>
Result					
Segment Results	1,013,202	(150,935)	(163,272)	683,564	1,382,559
Unallocated expenses					<u>(1,181,055)</u>
Profit before tax & finance costs					201,504
Finance costs					(41,871)
Share of loss of joint venture					<u>(128,401)</u>
Profit before income tax & minority interest					31,233
Income tax expense					<u>(204,276)</u>
Net loss for period					<u>(173,043)</u>
Half-year ended 31 December 2006					
	<i>Australasia</i> \$	<i>USA</i> \$	<i>Europe</i> \$	<i>South Africa</i> \$	<i>Total</i> \$
Revenue					
Sales to external customers	2,605,383	739,712	110,168	1,449,342	4,904,605
Other revenues from external customers	582,287	26,517	-	-	608,804
Inter-segment sales	112,184	16,090	18,882	-	147,156
Total segment revenue	<u>3,299,854</u>	<u>782,319</u>	<u>129,050</u>	<u>1,449,342</u>	<u>5,660,565</u>
Inter-segment elimination					(147,156)
Non segment revenue					
Interest revenue					162,735
Other					42,013
Total consolidated revenue					<u>5,718,157</u>
Result					
Segment Results	566,169	(289,933)	(174,175)	316,900	418,961
Unallocated expenses					(1,308,824)
Share of loss of joint venture					<u>(358,204)</u>
Loss before tax , finance costs & finance revenue					<u>(1,248,067)</u>

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Notes to the Financial Statements (continued)
FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

	<i>CONSOLIDATED</i>	
	2007	2006
	\$	\$
4. REVENUE, INCOME AND EXPENSES		
(a) Revenue, Income and Expenses from Continuing Operations		
<i>(i) Revenue</i>		
Sale of goods	5,779,769	4,904,605
Rendering of services	745,222	582,287
Licence fees	16,825	26,517
Finance revenue	71,811	162,735
Total revenue	<u>6,613,627</u>	<u>5,676,144</u>
<i>Breakdown of finance revenue:</i>		
Bank interest receivable	68,068	158,762
Interest receivable on related party loans:		
- director loan	3,743	3,973
Total finance revenue (on historical cost basis)	<u>71,811</u>	<u>162,735</u>
<i>(ii) Other income</i>		
Government grants:		
- Government grants released	28,875	42,013
	<u>28,875</u>	<u>42,013</u>
<i>(iii) Finance costs</i>		
Bank loans and overdrafts	12,424	8,463
Other loans (including convertible note interest)	17,403	60,203
Finance charges payable under finance leases and hire purchase contracts	12,044	37,171
Total finance costs (on historical cost basis)	<u>41,871</u>	<u>105,837</u>
<i>(iv) Other expenses</i>		
Depreciation	152,238	171,567
Amortisation of development costs	53,340	48,895
Amortisation of patents	3,833	-
Employee benefits (excluding share-based payments)	2,510,244	2,603,781
Share-based payments	-	195,478
Administrative expenses	810,113	854,026
Advertising and promotional expenses	190,842	249,725
Occupancy expenses	280,777	291,192
Travel expenses	236,293	231,071
Bad and doubtful debts	11,594	25,609
	<u>4,294,274</u>	<u>4,671,344</u>
5. CASH AND CASH EQUIVALENTS		
For the purpose of the half-year condensed cash flow statement, cash and cash equivalents are comprised of the following:		
Cash at bank and in hand	4,432,354	6,373,320
	<u>4,432,354</u>	<u>6,373,320</u>

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Notes to the Financial Statements (continued)
FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

6. DIVIDENDS PAID OR PROPOSED

No dividends were declared or paid during the half-year (2006: Nil)

7. INVENTORIES

During the half-year ended 31 December 2007 inventory write-downs recognised as an expense totalled \$37,361 (2006: \$12,000) for the Group. This expense is included in the cost of sales line item as a cost of inventories.

8. COMMITMENTS AND CONTINGENCIES

Capital commitments

At 31 December 2007 the Group has commitments of \$865,000 (2006:\$ 613,600) relating to the development of the DataDot Automated Applicator Cell (DAAC). The Group has been awarded an AustIndustry *Commercial Ready* grant to assist in the development of the DAAC and expects to receive grant funding for half the DAAC committed costs

Contingent liabilities

On the 31st of October, 2005 the Group entered into a number of agreements with the CSIRO establishing DataTrace DNA Pty Ltd as a jointly controlled entity. Under the terms of the agreement, the Parent is required to contribute working capital until the Board of the Directors of DataTrace DNA Pty Ltd determines that the joint venture entity has consistent positive cash flows to support itself.

9. RELATED PARTY DISCLOSURES

The following table provides the total amount of transactions that were entered into with related parties for the half-year ended 31 December 2007 and 2006.

<i>Related party</i>		<i>Service fees to related parties</i>	<i>Amounts owed by related parties</i>
		\$	\$
Joint venture in which the parent is a venturer			
DataTrace DNA Pty Limited	2007	661,659	307,164
	2006	582,287	148,318

Terms and condition of transactions with related parties

Sales to related parties are made in accordance with the Management Services Agreement under which the Group has been contracted to provide management services to DataTrace DNA Pty Limited.

Outstanding balances at year-end are unsecured, interest free and settlement occurs in cash.

For the half-year ended 31 December 2007, the Group has not made any allowance for doubtful debts relating to amounts owed by related parties as the payment history has been excellent (2006: \$nil).

10. EVENTS AFTER THE BALANCE SHEET DATE

No reportable events occurred after balance sheet date and the date of this report.

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Director's Declaration

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

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position as at 31 December 2007 and the performance for the half-year ended on that date of the consolidated entity; and
 - (ii) complying with Accounting Standards AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



I.P. Allen
Director

Sydney, 27th February 2008

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of DataDot Technology Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of DataDot Technology Limited, which comprises the condensed balance sheet as at 31 December 2007, and the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, a statement accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the disclosing entity and the entities it controlled at 31 December 2007 or from time to time during the half year ended on that date.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the disclosing entity's financial position as at 31 December 2007 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of DataDot Technology Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of DataDot Technology Limited on 26 February 2008, would be in the same terms if provided to the directors as at the date of this auditor's review report.

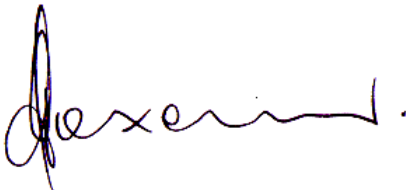
Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.



PKF



Grant Saxon
Partner
Sydney, 27 February 2008

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