

18 August 2017

## FY2017 Results Announcement and Outlook

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- **Significantly improved cost base delivers positive earnings trend**
    - EBITDA loss of \$0.84m (\$0.63m improvement on pcp)
    - NPAT loss of \$1.38m (\$1.89m improvement on pcp)
    - well placed to translate revenue growth into earnings
    - expense to revenue ratio improved by 3 percentage points
  - **Strong volume in auto markets, but on lower pricing**
  - **Authentication revenue up 17% on prior year**
    - significant sales pipeline opportunity
  - **Further improvements to our authentication technology**
- 

In the 2017 Financial Year (FY2017) our microdot (DataDotDNA) business continued to perform strongly, with unit volumes up slightly against FY2016 (although revenue was adversely affected by price erosion).

Our authentication (DataTraceID) business' revenue was up 17% on FY2016 and a number of improvements are being implemented which further strengthen its offerings and prospects.

### Revenue

Revenue for FY2017 was \$5.34m, down \$1.29m against the prior comparable period. This fall was largely driven by:

- the effect of price erosion when a major DataDotDNA contract was renewed in FY2016 (\$0.8m),
- movements in foreign currency exchange rates, particularly with respect to our European operations (\$0.4m), and
- lower royalties from our South African and Taiwan distributors, also partially driven by exchange rates (\$0.1m).

### Earnings

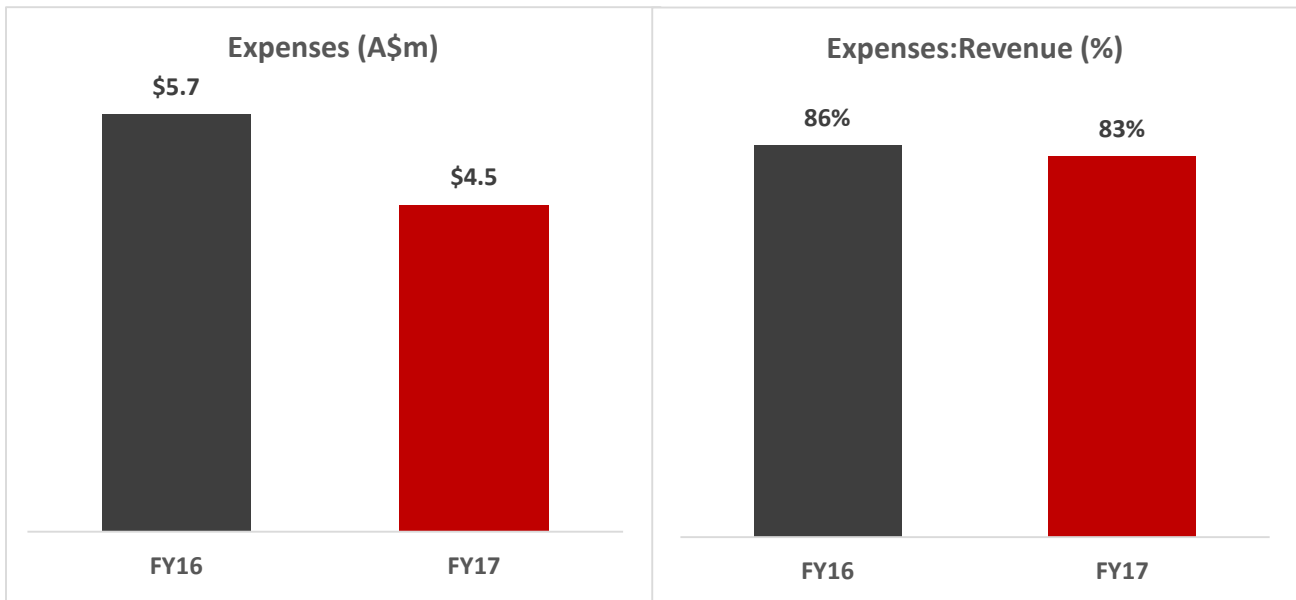
Earnings for FY2017 have improved significantly against the previous financial year:

- EBITDA for FY2017 was a loss of \$0.84m (pcp: \$1.46m loss); an improvement of \$0.63m or 43%; and
- NPAT for FY2017 was a \$1.38m loss (pcp: \$3.26m loss); an improvement of \$1.89m or 58%.

These improvements were driven by the restructuring of the Company's cost base, giving expense savings of \$1.23m (22%) against the prior period.

Additional savings from this program will be realized in FY2018 as the effect of changes made during the year are annualized (approximately \$0.4m). We plan to re-deploy the majority of these savings to support growth initiatives.

With these changes, the Company is well placed to translate revenue growth into positive earnings. Critically, the Company is well aware that the path to success is through the sale of its key products and capabilities, not simply through reducing costs. However, we firmly believe that basing that future growth trajectory off an efficient and effective cost base is a critical initial step to success.



### Cash

As at 30 June 2017 the cash balance was \$1.77m. During FY2018 the Company expects to be near cash flow neutral or better depending on the realization of new revenue from its pipeline. Additionally, the Company's cash flow is much improved and, as a result, we do not foresee the need to raise further capital in the year ahead to fund operations.

### DataDotDNA - Microdot Business Overview

In the auto sector our DataDotDNA volumes continue to be strong, principally driven by our business with:

- Subaru Australia, this foundational relationship has seen volumes grow by 11% in FY2017,
- Fiat Italy, where the 1 millionth kit was supplied during FY2017 (our volumes in the year were 165,000 kits (an equal record volume with FY2016)), and
- DataDot Dealer Services, our US aftermarket distributor sold 139,000 kits in FY2017.

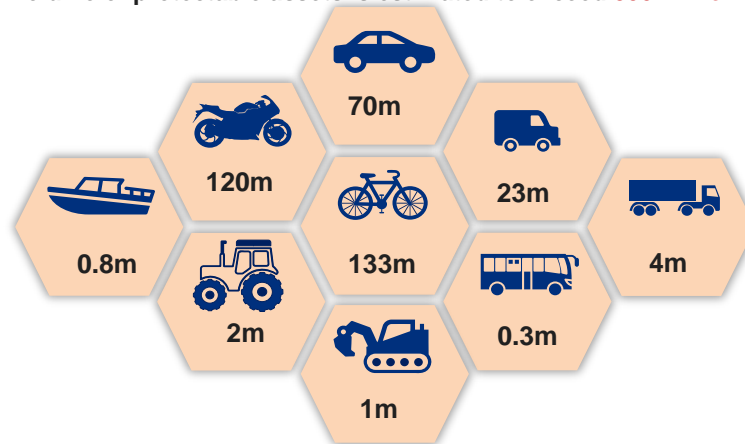
Unit pricing for this high volume segment has come under some pressure in recent times. Nonetheless, we have maintained our relationships and volume, albeit with lower margins where appropriate.

The Company has also taken steps to reduce its Cost of Goods Sold as a means of regaining margin; the results from this effort will start to materialize in FY2018.

In aggregate the number of auto and industrial kits sold were up slightly on FY2016.

The opportunity in non-auto sectors (and overall) continues to be attractive at a macro level. In addition to direct sales and distributor led initiatives, the Company is seeking other partnerships to unlock additional growth for the DataDotDNA business.

The global growth opportunity for the Technology is substantial, annual production volume of protectable assets is estimated to exceed **350 million**



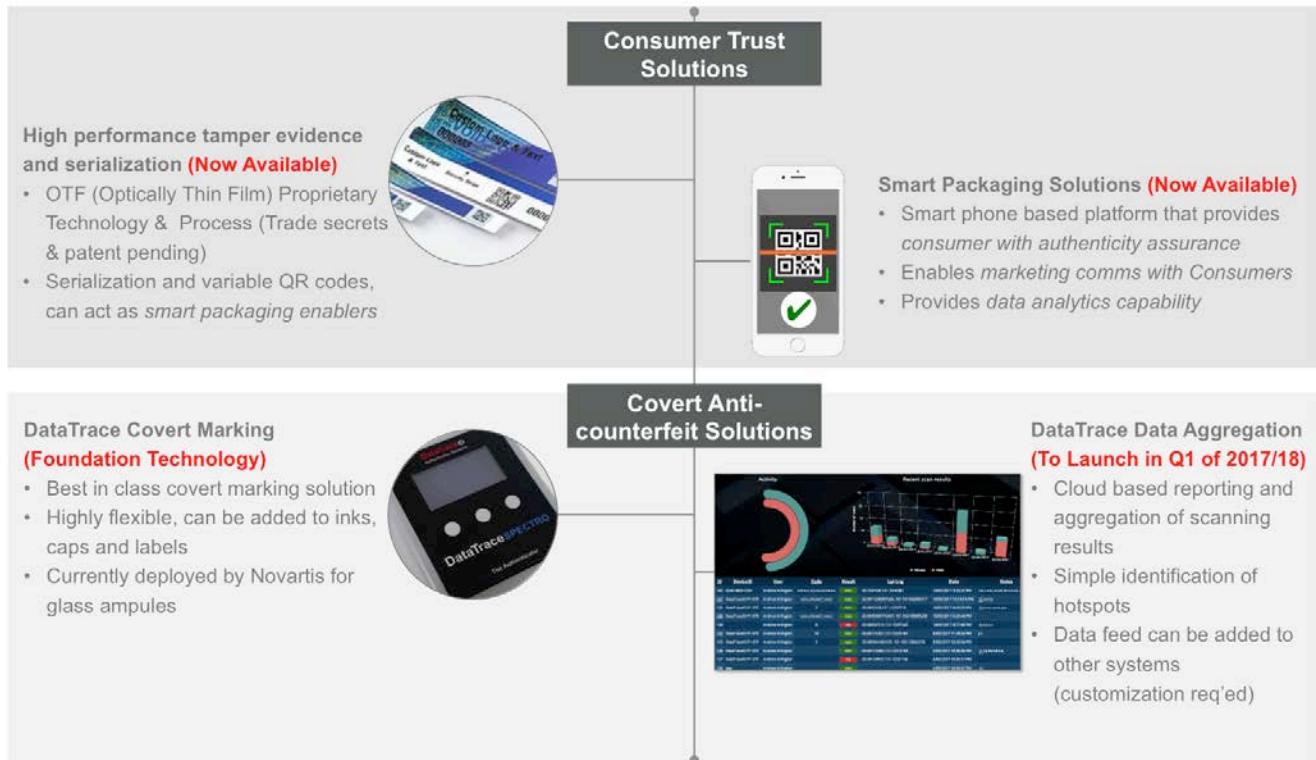
OICA Production Sales Statistics 2016

### DataTraceID - Authentication Business Overview

Revenue for DataTrace ID for FY2017 was \$1.0m, up 17% against the prior period. However, it is now evident that there is substantial upside to the DataTraceID Authentication business. As such it will receive greater emphasis and focus from management in the coming year. In particular:

- 8 of the Company's top 10 near term prospects are DataTraceID prospects,
- the pipeline for DataTraceID is now significantly larger than DataDotDNA (excluding existing relationships),
- in general terms it has higher margins and is more scalable, and
- according to a report commissioned by the [International Trademark Association \(INTA\)](#) and the [International Chamber of Commerce](#), the global economic value of counterfeiting and piracy could reach \$2.3 trillion by 2022 (from \$1.7 trillion in 2015)

Additionally, the Company has taken steps to add to its Authentication capabilities which are centered on its patented CSIRO developed DataTraceID technology, by adding to its ability to assure and improve consumer trust, as set out in the following chart.



## Organisational Culture

Two years ago the Board recognised that cultural change and renewal was required to improve the Company's performance.

In particular, we needed to become more customer focused and better able to use our technology and products to solve customer problems. A strong CEO was hired and subsequently a strategic CFO and a customer focused Head of Business Development were also added to the team.

During FY2017 further progress on this front was made, including:

- changes to personnel and organisational structure, with approximately a quarter of the personnel in key executive, sales and research & development roles leaving the organisation and another third having their roles restructured, and
- modernisation of the processes around goal setting, performance management and additional transparency around plans and progress.

As a result, in FY2018 the Company expects to see increasingly better returns out of its sales pipeline, lead generation and product development activity. Efficiencies from these changes were also an important factor in lowering our cost base, as described above.

## Executive Incentive Arrangements

To reinforce these cultural goals and encourage high performance, the Board has implemented new incentive arrangements for the Company's senior executives, as described in the Remuneration Report.

A new Long Term Incentive scheme has been adopted in replacement of the old scheme under which three senior executives are provided with a non-recourse loan to fund the issue of shares by the Company to them. The shares are issued at 2.7c/share (well above the current share price), and effectively provide value to the executives only when the Company's share price exceeds that threshold. While issued immediately (with the loan offsetting the subscription price, and hence no cash impact to the Company), the executives may not deal with the shares until they have vested, over three annual tranches; and until the loan for their purchase is repaid.

This has the advantage of immediately aligning senior executive interests with shareholder interests. The Board believes this will provide a major positive incentive to our senior executives' performance.

The Board has also determined to pay partial STIs to these three senior executives for FY2017 given the major positive impact on earnings (achieved through significant reductions on the Company's cost base), and the significant cultural improvements they have implemented over the financial year.

All three executives were engaged on relatively modest base remuneration for their skill set and payment of the partial STI recognises their economic value to the Company for the work completed in the year.

## Outlook

The Outlook for the 2018 Financial Year is positive with:

- a significantly improved cost base, meaning the group is well placed to translate revenue growth into positive earnings results
- strong volume in all key areas of DataDotDNA's auto markets
- the number of sales opportunities maturing in the sales pipeline particularly for DataTraceID
- a number of improvements in our authentication value proposition implemented and to come, with resultant lead generation and pipeline growth
- increasing confidence in the prospects for our authentication business' future and the role it can play in delivering material upside to our results.

The Board and management share investors' frustration with slower than anticipated growth in sales.



As we have highlighted above, steps have been taken during the year to change the culture of the company to address the underlying issues. This has been a complex transition - but we are seeing momentum building within the business as a result - which augers well for growth this year.

**Contact Information:**

**DataDot Technology Limited**

Temogen Hield, CEO

Phone: 02 – 89774900 e-mail: [thield@datadotdna.com](mailto:thield@datadotdna.com)

web site: [www.datadotdna.com](http://www.datadotdna.com)



**APPENDIX 4E**  
**Consolidated Financial Report**  
**for the year ended 30 June 2017**

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**Frenchs Forest NSW 2086**  
**P : (02) 8977 4900 F : (02) 9975 4700**  
[www.datadotdna.com](http://www.datadotdna.com)

**Reporting period**                      **Year ended 30 June 2017**  
 Previous reporting period      Year ended 30 June 2016

<b>Results for announcement to the market</b>	<b>2017</b>	<b>2016</b>	<b>Change</b>	<b>Change</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>%</b>
Revenues from ordinary activities	<b>5,343,983</b>	6,631,371	<b>(1,287,388)</b>	-19.41%
Gross Margin	<b>3,013,589</b>	3,763,687	<b>(750,098)</b>	-19.93%
Expenses	<b>4,454,725</b>	5,683,982	<b>(1,229,257)</b>	-21.63%
EBITDA	<b>(835,729)</b>	(1,464,261)	628,532	42.92%
Loss from ordinary activities after tax attributable to owners of DataDot Technology Limited	<b>(1,379,453)</b>	(3,264,627)	1,885,174	57.75%
Loss for the year attributable to the owners of DataDot Technology Limited	<b>(1,379,453)</b>	(3,264,627)	1,885,174	57.75%
Net tangible assets per ordinary security	<b>0.0032</b>	0.0047	<b>(0.0015)</b>	-31.91%

**Dividends**

No dividends were paid or made payable during the year ended or since 30 June 2017.

**Commentary**

Please refer to the attached commentary and consolidated financial statements for the year ended 30 June 2017.

**Other information**

*Control gained over entities having a material effect*

Please refer to the attached commentary and consolidated financial statements for the year ended 30 June 2017.

*Loss of control over entities having a material effect*

N/A

*Dividend or distribution reinvestment plans*

N/A

*Details of associates and joint venture entities*

Please refer to the attached controlled entities note in the financial statements for the year ended 30 June 2017.

*Audit status*

This report is based on audited financial statements.

*Attachments*

Additional disclosure requirements can be found in the notes to the attached consolidated financial statements.

Signed By



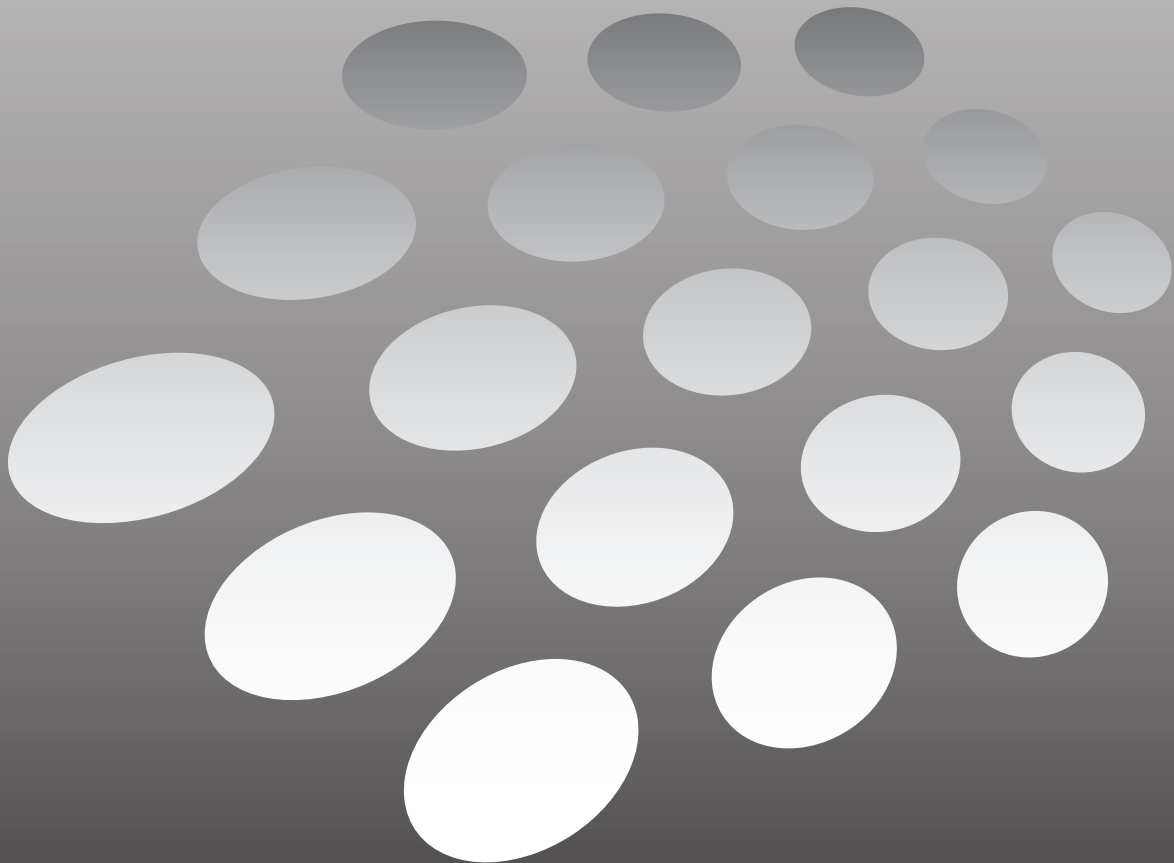
**Bruce Rathie - Chairman**

18-Aug-17





**Financial Report 2017**  
*Financial Year Ended 30 June 2017*  
ABN 54 091 908 726





## Financial Report 2017

### Financial Year ended 30 June 2017

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**Directors**

The Directors present their report, together with the financial statements of the consolidated entity comprising DataDot Technology Limited ("DataDot", "company" or "parent entity") and the entities it controlled (referred to hereafter as the "consolidated entity") for the financial year ended 30 June 2017.

The following persons were directors of DataDot during the financial year and up to the date of this report, unless otherwise stated:

- Bruce Rathie
- Gary Flowers
- Stephe Wilks

**Principal activities**

The principal activities of DataDot during the year were :

- (a) to manufacture and distribute asset identification solutions that include :

DataDotDNA® - polymer and metallic microdots containing data that is unique to the assets to which the microdots are attached;

Asset Registers - databases that record asset identification data and are accessible by law enforcement agencies and insurance investigators,

- (b) to manufacture and distribute high security DataTraceID® authentication solutions,  
(c) To develop and distribute customised solutions combining DataDotDNA, DataTraceID, asset registration and/or other technologies.

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

**Dividends**

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

**Review of operations**

In the 2017 Financial Year (FY2017) our microdot (DataDotDNA) business continued to perform strongly with unit volumes up slightly against FY2016 (although revenue was adversely affected by price erosion).

Our authentication (DataTraceID) business revenue was up 17% on FY2016 and a number of improvements are being implemented which further strengthen its offerings and prospects.

**Revenue**

Revenue for FY2017 was \$5.34m down \$1.29m against the prior comparable period.

This fall was largely driven by:

- the effect of price erosion when a major DataDotDNA contract was renewed in FY2016 (\$0.8m),
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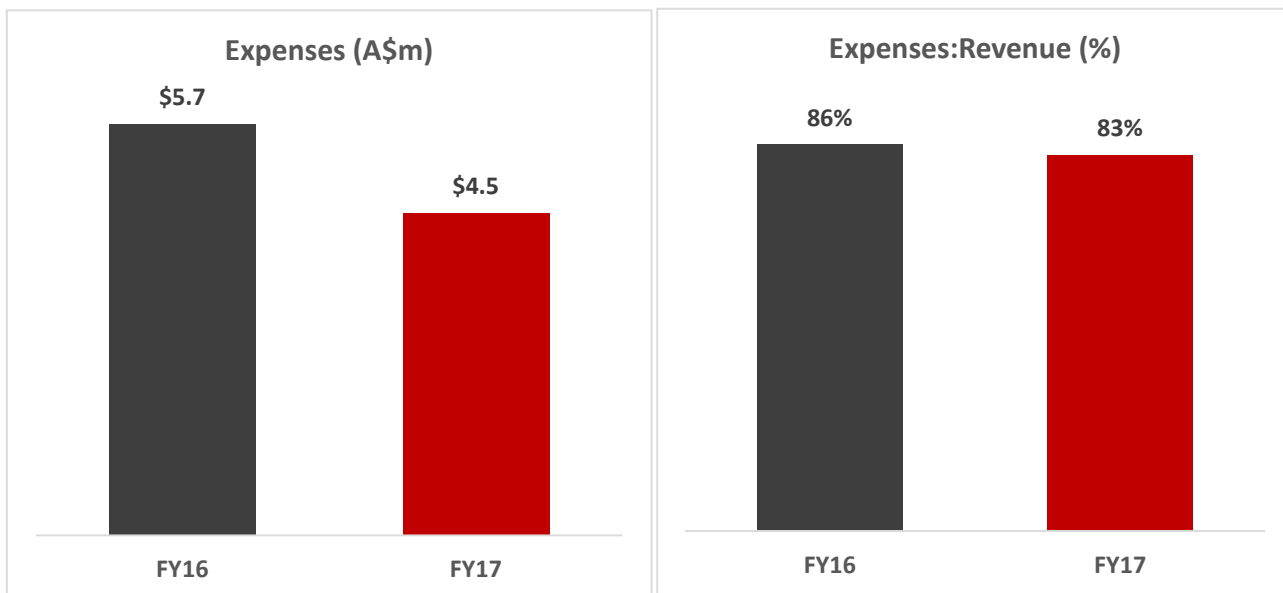
**Earnings**

Earnings for FY2017 have improved significantly against the previous financial year:

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**Cash**

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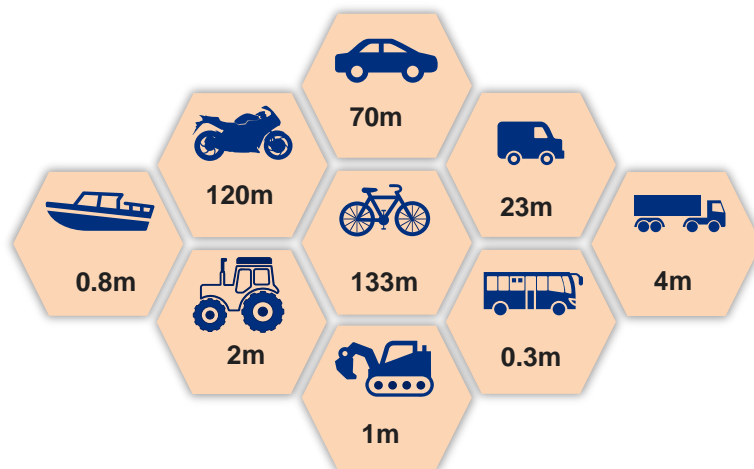
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OICA Production Sales Statistics 2016

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## **Directors' Report (continued)**

**for the year ended 30 June 2017**

Net Assets at 30 June 2017 were \$5,178,682 (2016: \$6,425,313). Assets per share at 30 June 2017 were \$0.0068 (2016: \$0.0085).

### **Significant changes in the state of affairs**

Other than as set out in the Review of Operations there have been no significant changes in the state of affairs of the group.

### **Matters subsequent to the end of the financial year**

On 24 July 2017, 4,285,714 shares were issued as the final payment of the buyout value of a royalty payable contract. This has the impact of reducing costs in the second half of FY 17 and FY 18 and beyond.

No other matter or circumstance has arisen since 30 June 2017 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs.

### **Environmental regulation**

The consolidated entity is not subject to any significant environmental regulations under Australian Commonwealth or State Law.



**Information on Directors and Company Secretary****Mr Bruce Rathie B.Com., LL.B., MBA, Grad Dip CSP, SA Fin., FAICD, FAIM***Chairman*

Mr Rathie joined the Board as a non-executive Director and Chairman on 16 October 2009 and was appointed Executive Chairman in January 2012. Following the appointment of Temogen Hield as CEO in August 2015, Mr Rathie resumed the role of Non-Executive Chairman. Mr Rathie 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 Chairman of Capricorn Mutual Limited and Vice Chairman of Capricorn Society Limited. He was Chairman of the Remuneration and Nomination Committee until that role was assumed by Mr Stephe Wilks on 24 June 2016. He is a member of the Audit and Risk Management Committee. In the last four years Mr Rathie has also served as a director of the following listed companies:

PolyNovo Limited - Appointed February 2010

Mungana Goldmines Limited - Appointed September 2010; Resigned August 2013

**Mr Gary Flowers B.Com., 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 Chairman of Mainbrace Constructions Pty Limited, Director of Sparke Helmore Lawyers, Chairman of NSW Institute of Sport and Chairman of Northern Star Investments Pty Limited. He is Chairman of the Audit and Risk Management Committee and a member of the Remuneration and Nomination Committee. In the last four years Mr Flowers also served as a director of SkyFii Limited.

**Mr Stephe Wilks***Independent Non-Executive Director*

Mr Wilks joined the Board as a non-executive Director on 26 February 2016. He has over 25 years' experience in the telecommunications industry both within Australia and overseas. He has been Regional Director (Asia & Japan) – Regulatory Affairs for BT Asia Pacific, Managing Director of XYZed Pty Ltd (an Optus company) as well as Chief Operating Officer of Nextgen Networks and Personal Broadband Australia. Mr Wilks is also involved with a number of private equity backed businesses in the media and technology industries. Mr Wilks has experience across a range of commercial and operations disciplines, governance and corporate finance and M&A. He is Chairman of the Remuneration and Nomination Committee and a member of the Audit and Risk Management Committee.

In the last four years Mr Wilks has also served as a director of Dubber Corporation Limited

**Mr Patrick Raper FCPA, FAICD***Company Secretary*

Mr Raper joined DataDot in March 2014 as Group CFO and was appointed as Company Secretary on 22 December 2014.

In June 2017 he stepped down from the position of CFO but remains as the Company Secretary. He was previously CFO and Company Secretary for Ecosave Holdings Limited (ASX: ECV) and CFO and Company Secretary of CMA Corporation Limited (ASX: CMV) and has held a number of roles within the Investment portfolio companies of Hawkesbridge Private Equity including Company Secretary, CFO, Joint Managing Director and Chairman of Trippas White Catering and Director of Corporate Services with Integrated Premises Services Pty Limited. Mr Raper was formerly CFO and Company Secretary for a number of Touraust Corporation managed entities including Reef Casino Trust (ASX: RCT) and Australian Tourism Group (ASX: ATU).

## Directors' Report (continued)

for the year ended 30 June 2017

### 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 :-

Director	Interest in	Interest in	Interest in
	Shares	Share Options	Share Rights
Bruce Rathie	35,900,000	2,000,000	-
Gary Flowers	5,487,265	1,000,000	-
Stephe Wilks	-	1,000,000	-

### Meetings of Directors

The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2017 and the number of meetings attended by each of the directors were :

Director	Board Meetings		Remuneration and Nomination Committee Meetings		Audit and Risk Management Committee Meetings	
	No. eligible to attend	No. attended	No. eligible to attend	No. attended	No. eligible to attend	No. attended
Bruce Rathie	12	12	1	1	2	2
Gary Flowers	12	12	1	1	2	2
Stephe Wilks	12	12	1	1	2	2

### Share rights and options

#### Share Rights

Unissued ordinary shares of DataDot Technology Limited under the share rights plan at the date of this report are as follows:

Grant date	Date of expiry	Number unvested
26 March 2014	26 March 2021	2,000,000

#### Share Options

Unissued ordinary shares of DataDot Technology Limited under the share options plan at the date of this report are as follows:

Issue Date	Date of Expiry	Number of Share Options	Exercise Price
27 November 2014	27 November 2017	3,000,000	Each Option will entitle the holder to subscribe for one Share at an exercise price of 5 cents per Share.
20 December 2016	20 December 2019	1,000,000	Each Option will entitle the holder to subscribe for one Share at an exercise price of 5 cents per Share.
26 August 2015	1 July 2018 Note 1	20,000,000	Each Option will entitle the holder to subscribe for one Share at an exercise price of 2.7 cents per Share
13 June 2016	1 July 2019 Note 1	9,000,000	Each Option will entitle the holder to subscribe for one Share at an exercise price of 2.7 cents per Share
11 October 2016	1 July 2019 Note 2	21,000,000	Each Option will entitle the holder to subscribe for one Share at an exercise price of 2.7 cents per Share

Note 1: These Options will be cancelled on the day after the date of this report and will be replaced with Ordinary Shares issued under the company Share Issue and Loan scheme, subject to the final results for FY17 announced herein.

Note 2: 9,000,000 of these Options will be cancelled on the day after the date of this report and will not be replaced.

For details of share options and share rights issued to directors and executives as remuneration, refer to the remuneration report.

**Indemnity 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 entity.

During the year DataDot 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.

**Proceedings on behalf of the Company**

No person has applied to the court under section 237 of the *Corporations Act 2001*, for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company, for all or part of those proceedings.

**Non audit services**

Details of the amounts paid or payable to the auditor for non-assurance services provided by the auditor during the financial year by the auditors are outlined in note 6 to the financial statements.

The Directors are satisfied that the provision of non-audit services during the financial year by the auditor, (or by another person or firm on the auditors' behalf), is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The Directors are of the opinion that the services disclosed in note 6 to the financial statements do not compromise the external auditor's independence requirements of the *Corporations Act 2001* for the following reasons :-

- (a) all non-audit services have been reviewed and approved to ensure that they do not impact on the integrity and objectivity of the auditor; and
- (b) none of the services undermine the general principles relating to auditor independence set out in APES110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the Auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company, or jointly sharing economic risks and rewards.

**Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* for the year ended 30 June 2017 is set out on page 24 of the financial report.

**Auditor**

BDO East Coast Partnership continues in office in accordance with section 327 of the *Corporations Act 2001*.

## Directors' Report (continued)

for the year ended 30 June 2017

The following Remuneration Report forms part of the Directors' Report

### Remuneration Report (audited)

The remuneration report, which has been audited, outlines the key management personnel remuneration arrangements for the consolidated entity in accordance with the requirements of the *Corporations Act 2001* and its Regulations.

#### Key management personnel

The following key management personnel (hereafter referred to as "KMP") of the consolidated entity throughout the year consisted of the following directors and persons of DataDot Technology Limited:

#### Directors

Bruce Rathie	Chairman	Appointed 16 October 2009
Gary Flowers	Non-Executive Director	Appointed 27 November 2007
Stephe Wilks	Non-Executive Director	Appointed 26 February 2016

#### Executives

Temogen Hield	Chief Executive Officer	Appointed 26 August 2015
Andrew Winfield	Managing Director DataDot UK	Appointed 1 July 2012
David Williams	Chief Financial Officer	Appointed 14 June 2016

#### Shares and Options Held

The number of shares and share options held by each KMP (or their related party) during the financial year, or at the date that they ceased their role as KMP is as follows:

Shares	Balance as at 30/6/2016	Vesting of Share Rights or Share Issues as part of remuneration	Other Additions	Disposals	Balance as at 30/6/2017
<b>Directors</b>					
Bruce Rathie	30,565,854	-	5,334,146	-	35,900,000
Gary Flowers	5,487,265	-	-	-	5,487,265
Alison Coutts	-	-	-	-	-
Stephe Wilks	-	-	-	-	-
<b>Executives</b>					
Temogen Hield	-	-	400,000	-	400,000
David Williams	-	-	-	-	-
Andrew Winfield	-	-	-	-	-
Steve Delepine	-	-	-	-	-
<b>Total Shares</b>	<b>36,053,119</b>	-	<b>5,734,146</b>	-	<b>41,787,265</b>

## Remuneration Report (audited) (continued)

for the year ended 30 June 2017

### Share Options

#### Directors

Bruce Rathie

Gary Flowers

Stephe Wilks

#### Executives

Temogen Hield – Note 1

David Williams – Note 2

Andrew Winfield – Note 3

Executives – Note 3

#### Total Share Options

	Balance as at 30/6/2016	Issue of Options as part of remuneration	Other Additions	Disposals or Cancellations	Balance as at 30/6/2017
Bruce Rathie	2,000,000	-	-	-	2,000,000
Gary Flowers	1,000,000	-	-	-	1,000,000
Stephe Wilks	-	1,000,000	-	-	1,000,000
Temogen Hield – Note 1	20,000,000	-	-	-	20,000,000
David Williams – Note 2	9,000,000	-	-	-	9,000,000
Andrew Winfield – Note 3	-	6,000,000	-	-	6,000,000
Executives – Note 3	-	15,000,000	-	-	15,000,000
<b>Total Share Options</b>	<b>32,000,000</b>	<b>22,000,000</b>	-	-	<b>54,000,000</b>

Note 1. The CEO options were granted on 26 August 2015 with an expiry date of 1 July 2018. The exercise price is 2.7 cents with the fair value per option being 1 cent.

Note 2. The CFO options were granted on 13 June 2016 with an expiry date of 1 July 2019. The exercise price is 2.7 cents with the fair value per option being 1 cent.

Note 3. The Executive options were granted on 11 October 2016 with an expiry date of 1 July 2019. The exercise price is 2.7 cents with the fair value per option being 1 cent.

### Remuneration policy

Key Management Personnel (KMP) have authority and responsibility for planning, directing and controlling the activities of DataDot. KMP include the directors of the parent entity, the group CEO, chief financial officer, the chief executive of the UK subsidiary company DataDot Technology (UK) Limited and the Vice President Business Development of DataDot Technology USA Inc.

Remuneration levels of KMP are determined by the Remuneration and Nomination Committee. 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 and share loan 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 did not obtain a remuneration recommendation or other advice from a remuneration consultant in 2017.

## Remuneration Report (audited) (continued)

for the year ended 30 June 2017

### Remuneration policy (consolidated)

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.

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 of the Audit and Risk Management Committee, who receives \$55,000 per annum in that capacity and the Chairman of the Board who receives \$85,000 in that capacity. 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.

### Relationship between remuneration and consolidated entity performance

The effect of remuneration policy on DataDot's financial performance and on shareholder value is central to the Board's and Remuneration and Nomination Committee's decisions. For this reason a primary objective of remuneration policy is to tie the remuneration of KMP to financial performance, so ensuring that a significant proportion of the total remuneration of KMP is at risk, short term incentive payments (STI) being tied to net profit targets, and long-term incentive payments (LTI) being tied to growth in shareholder value. In this respect, the key factors for consideration are continuing product development and improvement, business and revenue growth, developing and maintaining the appropriate corporate culture, strategic adjustments in consultation with the Board and maintenance of an efficient cost base.

The Company's performance and shareholder wealth for each of the last five years were

	2013	2014	2015	2016	2017
Revenue	7,030,437	7,210,707	7,026,595	6,631,371	5,343,981
EBITDA	304,944	(845,825)	(279,228)	(1,464,259)	(835,729)
Net loss after tax	(227,905)	(1,285,755)	(867,354)	(3,264,627)	(1,379,453)
Basic earnings per share (in cents)	(0.05)	(0.22)	(0.12)	(0.43)	(0.18)
Share price at year end (in cents)	1.70	2.10	1.90	2.00	.50

### Performance based remuneration

The remuneration of KMP who are directors included a fixed remuneration component and an LTI component.

The LTI component for directors includes share options. Options were last granted in FY 2016 to assist in the reward and retention of the Directors of the Company. The grant of Director Options is consistent with the Company's long-term incentive remuneration policy, providing Directors with the opportunity to participate in the future growth of the Company through share ownership. The Board considers the grant of Director Options in FY 2015 to each of Mr Rathie and Mr Flowers and in FY 2016 to Mr Wilks is reasonable in the circumstances given the necessity to attract and retain Directors of the highest calibre while preserving the Company's cash reserves and the terms on which they were issued in particular the 5c strike price.

In 2017 the remuneration of the KMP who are not directors comprised a fixed element and a performance based STI component and a performance based LTI component. The fixed element is payable in cash. The STI component is payable in cash or shares at the discretion of the directors. In 2017 KMP's have been determined with reference to the updated Group Organisation Chart to include only the Directors, the CEO, the CFO, the Managing Director of the UK and the Vice President Business Development in USA.

## Remuneration Report (audited) (continued)

for the year ended 30 June 2017

The LTI component has in past years consisted of share rights and share options granted under the terms of the DataDot Technology Executives Share Rights Plan, for which shareholder approval was renewed at the 2013 AGM. In 2017/2018 and going forward, an Employee Share and Loan Scheme has been adopted to supplement the existing options scheme however those KMP's participating in the Employee Share and Loan Scheme will not continue to participate in the existing options scheme. The characteristics of securities issued under this plan are:-

### Share and Loan Scheme

- Certain KMP's are offered the opportunity to subscribe for shares in the Company, with the payment for that subscription being lent to the KMP on a limited recourse basis. KMP's become fully entitled to the shares in three equal tranches.
- No amounts are paid or payable by the recipient on issue of the shares;
- Shares issued under this plan may only be dealt with by the recipient when the recipient becomes unconditionally entitled to the shares, and when the loans relating to those shares are fully repaid.
- Where any loan amount remains unpaid one year after the date of the last unconditional Entitlement date of the offer shares, the proportionate number of shares in respect of that loan amount will be forfeited for the total nominal consideration of \$1

Number of ordinary shares issued under the Share and Loan Scheme and provided as remuneration :-

	Balance as at 30/06/2016	Granted as Remuneration	Vesting of Share Rights	Expiring or Lapsing Share Rights	Balance as at 30/06/2017
For the year ended 30 June 2017					
<b>Directors</b>	-	-	-	-	-
<b>Key Management Personnel Note 1</b>	-	-	-	-	-
<b>Executives</b>	-	-	-	-	-

Note 1 - 40,316,032 Shares are to be issued to KMP on the day after the date of this report. At the point of issue of the shares, any share options issued to those KMP's will no longer be available to those KMP.

### Share Rights

- Each share right converts into one fully paid ordinary share in the Company on completion of the vesting conditions;
- No amounts are paid or payable by the recipient on receipt or exercise of a share right;
- Subject to the recipient's continuous employment, share rights vest in three equal tranches at varying intervals after the date of issue;
- A trading restriction applies for a further 12 months after vesting; and
- Share rights expire 7 years after issue.

Number of share rights provided as remuneration :-

	Balance as at 30/06/2016	Granted as Remuneration	Vesting of Share Rights	Expiring or Lapsing Share Rights	Balance as at 30/06/2017
For the year ended 30 June 2017					
<b>Directors</b>					
Bruce Rathie	-	-	-	-	-
Gary Flowers	-	-	-	-	-
Stephe Wilks	-	-	-	-	-
<b>Executives</b>					
Graham Loughlin	2,000,000	-	(1,000,000)	(1,000,000)	-
James McCallum	3,333,334	-	-	(3,333,334)	-
Patrick Raper - Note 1	2,000,000	-	-	-	2,000,000
Andrew Winfield	333,334	-	-	(333,334)	-
	7,666,668	-	(1,000,000)	(4,666,668)	2,000,000

Note 1 – 2,000,000 Share Rights due to vest on 1 January 2016 did not vest and were rolled to 1 January 2017. New employment arrangements for Mr Raper as Company Secretary saw 2,000,000 Share Rights cancelled, with 2,000,000 Share Rights remaining and due to vest on 1 January 2017.

Shares and share rights issued and cancelled subsequent to end of the year: Nil

**Remuneration Report (audited) (continued)**
**for the year ended 30 June 2017**

For the year ended 30 June 2016	Balance as at 30/06/2015	Granted as Remuneration	Vesting of Share Rights	Expiring or Lapsing Share Rights	Balance as at 30/06/2016
<b>Directors</b>					
Bruce Rathie	-	-	-	-	-
Gary Flowers	-	-	-	-	-
Alison Coutts	-	-	-	-	-
Stephe Wilks	-	-	-	-	-
<b>Executives</b>					
Graham Loughlin – Note 1	-	2,000,000	-	-	2,000,000
Gunther Schmidt – Note 2	1,500,000	-	(1,500,000)	-	-
James McCallum – Note 3	6,666,667	-	(3,333,333)	-	3,333,334
Patrick Raper - Note 4	4,000,000	-	-	(2,000,000)	2,000,000
Andrew Winfield - Note 5	333,334	-	-	-	333,334
	12,500,001	2,000,000	(4,833,333)	(2,000,000)	7,666,668

Shares and share rights issued and cancelled subsequent to end of the year :-

Note 1 – 1,000,000 Share Rights vested on 1 July 2016. Graham Loughlin ceased employment on 2 July 2016 and consequently 1,000,000 Share Rights were cancelled.

Note 2 – 1,500,000 Share Rights held by Dr Gunther Schmidt at 30 June 2016 vested on 1 July 2015. Dr Schmidt ceased employment on 9 March 2016.

Note 3 – 3,333,333 Share Rights held at 30 June 2015 vested on 1 July 2015. 3,333,334 Share Rights due to vest on 1 July 2016 did not vest and were subsequently cancelled.

Note 4 – 2,000,000 Share Rights due to vest on 1 January 2016 did not vest and were rolled to 1 January 2017. New employment arrangements for Mr Raper as Company Secretary saw 2,000,000 Share Rights cancelled, with 2,000,000 Share Rights remaining and due to vest on 1 January 2017.

Note 5 - 333,334 Share Rights due to vest on 1 July 2016 did not vest and were subsequently cancelled.



## Remuneration Report (audited) (continued)

for the year ended 30 June 2017

### Share Options

- Each share option converts into one fully paid ordinary share in the Company on exercising of the option;
- Directors options have a strike price of \$0.05 payable by the Director on exercise of the option;
- Non Director KMPs options have a strike price of \$0.027 payable by the KMP on exercise of the option
- All options have an expiry date which is approximately 3 years after the issue date.
- A trading restriction applies for 12 months after exercise.

Number of **share options** provided as remuneration :-

For the year ended 30 June 2017	Balance as at 30/06/2016	Granted as Remuneration	Exercise of Share Options	Expiring or Lapsing Share Options	Balance as at 30/06/2017
<b>Directors</b>					
Bruce Rathie	2,000,000	-	-	-	2,000,000
Gary Flowers	1,000,000	-	-	-	1,000,000
Stephe Wilks	-	1,000,000	-	-	1,000,000
<b>Key Management Personnel</b>					
Temogen Hield - Note 1	20,000,000	-	-	-	20,000,000
David Williams – Note 1	9,000,000	-	-	-	9,000,000
Andrew Winfield	-	6,000,000	-	-	6,000,000
<b>Executives – Note 2</b>					
	-	15,000,000	-	-	15,000,000
	32,000,000	22,000,000	-	-	54,000,000

Note 1 – These options will be cancelled on the day after the date of this report, and will be replaced with Shares issued under the Share and Loan Scheme detailed above.

Note 2 – 9,000,000 of these options will be cancelled on the day after the date of this report and will not be replaced. Once these options have been cancelled, there will 12,000,000 options on issue for key management personnel and executives.

For the year ended 30 June 2016	Balance as at 30/06/2015	Granted as Remuneration	Exercise of Share Options	Expiring or Lapsing Share Options	Balance as at 30/06/2016
<b>Directors</b>					
Bruce Rathie	2,000,000	-	-	-	2,000,000
Gary Flowers	1,000,000	-	-	-	1,000,000
Alison Coutts	1,000,000	-	-	(1,000,000)	-
<b>Key Management Personnel</b>					
Temogen Hield	-	20,000,000	-	-	20,000,000
David Williams	-	9,000,000	-	-	9,000,000
	4,000,000	29,000,000	-	(1,000,000)	32,000,000

**Summary of Director, KMP and Other Executives Equity Remuneration instruments on issue following the changes detailed above to be implemented on the day after the date of this report:**

	Ordinary Shares / Loan Scheme	Options	Share Rights
Directors	-	4,000,000	-
KMP's	40,316,032	6,000,000	-
Other Executives	-	12,000,000	2,000,000

## Remuneration Report (audited) (continued)

for the year ended 30 June 2017

### Remuneration details for the year

The following table of benefits and payments, details, in respect to the financial year, the components of remuneration of each KMP. In 2017 KMP's have been determined with reference to the updated Group Organisation Chart to include only the Directors, the CEO, the CFO, the Vice President Business Development and the Managing Director UK.

2017	Short-term benefits		Post-employment benefits		Long-term benefits		Share-based payments	Total \$
	Cash, Salary, allowances & fees \$	STI \$	Non cash \$	Super-annuation \$	Termination \$	Long service leave \$	Share rights and Share Options \$	
<b>Directors</b>								
B Rathie	77,625	-	-	7,374	-	-	-	84,999
G Flowers	26,459	-	-	28,794	-	-	-	55,253
S Wilks	49,274	-	-	-	-	-	3,000	52,274
<b>Executives</b>								
T Hield	249,483	81,000	-	19,617	-	-	40,349	390,449
A Winfield	118,673	-	-	1,859	-	-	12,105	132,637
D Williams	180,541	60,000	-	17,151	-	-	18,157	275,849
S Delepine	199,419	60,419	-	-	-	-	-	259,838
	901,474	201,419	-	74,795	-	-	73,611	1,251,299

2016	Short-term benefits		Post-employment benefits		Long-term benefits		Share-based payments	Total \$
	Cash, Salary, allowances & fees \$	STI \$	Non cash \$	Super-annuation \$	Termination \$	Long service leave \$	Share rights and Share Options \$	
<b>Directors</b>								
B Rathie	116,034	-	-	11,023	-	-	-	127,057
G Flowers	34,926	-	-	22,452	-	-	-	57,377
A Coutts	32,287	-	-	3,067	-	-	-	35,354
S Wilks	16,425	-	-	-	-	-	-	16,425
<b>Executives</b>								
T Hield	216,026	-	-	16,411	-	-	33,624	266,062
A Winfield	143,434	-	-	2,259	-	-	-	145,692
D Williams	8,430	-	-	801	-	-	-	9,231
S Delepine	76,540	-	-	-	-	-	-	76,540
	644,102	-	-	56,013	-	-	33,624	733,739

	2017 Performance based remuneration		2016 Performance based remuneration	
	STI %	Share rights / Options LTI %	Bonus STI %	Share rights / Options LTI %
<b>Directors</b>				
Bruce Rathie	0.0%	0.0%	0.0%	0.0%
Gary Flowers	0.0%	0.0%	0.0%	0.0%
Stephe Wilks	0.0%	5.74%	0.0%	0.0%
Alison Coutts	0.0%	0.0%	0.0%	0.0%
<b>Executives</b>				
Temogen Hield	20.75%	10.33%	0.0%	12.63%
Andrew Winfield	0.0%	9.13%	0.0%	0.0%
David Williams	21.75%	6.58%	0.0%	0.0%
Steve Delepine	23.25%	0.0%	0.0%	0.0%

Details of the performance based and equity-based remuneration for KMP are set out below.

**Employment details of key management personnel****(a) Temogen Hield**

Mr Hield joined the company in August 2015 as CEO.

Mr Hield's remuneration package includes a base salary of approximately \$250,000 plus superannuation; a fixed sum STI for FY2017 payable on achieving EBITDA targets and, for FY2018 and beyond, up to 50% of base salary subject to KPIs to be agreed at the commencement of each year, and an LTI.

In 2016 the LTI comprised 20 million share options in the Company which were due to vest in 3 tranches, subject to continued employment, and a trading restriction after share issue as follows: Tranche 1 – 7.5 million share options with an exercise price of 2.7c vesting when the volume weighted average share price (VWAP) exceeds 5c for more than 3 months and expiring 3 months after vesting; Tranche 2 – 7.5 million share options with an exercise price of 2.7c vesting when the VWAP exceeds 10c for more than 3 months and expiring 3 months after vesting; Tranche 3 – 5 million share options with an exercise price of 2.7c vesting when the VWAP exceeds 15c for more than 3 months and expiring 3 months after vesting. The above LTI package was due to expire on 1 July 2018 and shares issued were to be escrowed for 12 months save in the event of takeover, merger or scheme where a 3rd party becomes entitled to greater than 50% of the equity in DDT in which event any escrow will cease. Following the introduction for FY2017 of the Employee Share Issue and Loan Scheme, these options will be cancelled on the day after the date of this report.

In 2017/2018, the LTI component has been changed to be an Employee Share Issue and Loan Scheme, whereby the company will invite Mr Hield to subscribe for 16,126,413 shares in the Company at 2.7c per share, with the payment for that subscription being lent to him by the Company on a limited recourse basis. The offer shares will have the same rights as all other ordinary shares on issue in the Company other than the restrictions set out below. Shares issued under this offer may not be traded, transferred or encumbered prior to the shares Entitlement Date. The Entitlement Date is determined for each of the three equal tranches of 5,375,471 shares as the day after the date of this report, 1 July 2018 and 1 July 2019, or immediately at any change of control of the company. The shares may not be traded, transferred or encumbered until any outstanding loan amount in respect of the shares has been repaid. Shares may be forfeited prior to achieving the Entitlement Date if the employee ceases to be employed with the Company. Any outstanding loan amount must be repaid within one year of the last unconditional Entitlement date of the offer shares, unless otherwise agreed with the Company. Where any loan amount remains unpaid one year after the date of the last unconditional Entitlement date of the offer shares, the proportionate number of shares in respect of that loan amount will be forfeited for the total nominal consideration of \$1. In recovering any loan amount, the Company has recourse only to the offer shares, and the return of those shares will be in full satisfaction of any outstanding loan obligation. Under this revised LTI, Share Options previously issued will be cancelled on the day one day after the date of this report.

Mr Hield will be paid \$81,000 of the 2017 STI which can be paid in shares at the discretion of the Board. The Board determined to pay this STI so as to recognise the prudential financial management of the Company, cultural changes made during year and the need to pay a competitive package in order to retain high performing executives.

**(b) David Williams**

Mr Williams joined the company in June 2016 as CFO.

Mr Williams remuneration package includes a base salary of approximately \$182,650 plus superannuation; a fixed sum STI for FY2017 payable on achieving EBITDA targets and, for FY2018 and beyond, up to 50% of base salary subject to KPIs to be agreed at the commencement of each year, and an LTI.

In 2016 the LTI comprised 9 million share options in the Company which were due to vest in 3 tranches, subject to continued employment, and a trading restriction after share issue as follows: Tranche 1 – 3.0 million share options with an exercise price of 2.7c vesting when the volume weighted average share price (VWAP) exceeds 5c for more than 3 months and expiring 3 months after vesting; Tranche 2 – 3.0 million share options with an exercise price of 2.7c vesting when the VWAP exceeds 10c for more than 3 months and expiring 3 months after vesting; Tranche 3 – 3.0 million share options with an exercise price of 2.7c vesting when the VWAP exceeds 15c for more than 3 months and expiring 3 months after vesting. The above LTI package was due to expire on 1 July 2019 and shares issued were to be escrowed for 12 months save in the event of takeover, merger or scheme where a 3rd party becomes entitled to greater than 50% of the equity in DDT in which event any escrow will cease.

In 2017/2018, the LTI component has been changed to be an Employee Share Issue and Loan Scheme, whereby the company will invite Mr Williams to subscribe for 12,094,810 shares in the Company, with the payment for that subscription being lent to him by the Company on a limited recourse basis. The offer shares will have the same rights as all other ordinary shares on issue in the Company other than the restrictions set out below. Shares issued under this offer may not be traded, transferred or encumbered prior to the shares Entitlement Date. The Entitlement Date is determined for each of the three equal tranches of 4,031,603 shares as 1 July 2018 and 1 July 2019 and 1 July 2020, or immediately at any change of control of the company. The shares may not be traded, transferred or encumbered until any outstanding loan amount in respect of the shares has been repaid. Shares may be forfeited prior to achieving the Entitlement Date if the employee ceases to be employed with the Company. Any outstanding loan amount must be repaid within one year of the last unconditional Entitlement date of the offer shares, unless otherwise agreed with the Company. Where any loan amount remains unpaid one year after the date of the last unconditional Entitlement date of the offer shares, the proportionate number of shares in respect of that loan amount will be forfeited for the total nominal consideration of \$1. In recovering any loan amount, the Company has recourse only to the offer shares, and the return of those shares will be in full satisfaction of any outstanding loan obligation. Under this revised LTI, Share Options previously issued will be cancelled on the day one day after the date of this report.

Mr Williams will be paid \$60,000 of the 2017 STI which can be paid in shares at the discretion of the Board. The Board determined to pay this STI so as to recognise the prudential financial management of the Company, cultural changes made during year and the need to pay a competitive package in order to retain high performing executives.

*(c) Stephen Delepine*

Mr Delepine joined the company in February 2016 as Vice President Business Development.

Mr Delepine's remuneration package includes a base salary of USD150,000, a fixed sum STI for FY2017 payable on achieving EBITDA targets and, for FY2018 and beyond, up to 50% of base salary subject to KPIs to be agreed at the commencement of each year, and an LTI.

In 2017/2018, an LTI component has been added in the form of an Employee Share Issue and Loan Scheme, whereby the company will invite Mr Delepine to subscribe for 12,094,810 shares in the Company, with the payment for that subscription being lent to him by the Company on a limited recourse basis. The offer shares will have the same rights as all other ordinary shares on issue in the Company other than the restrictions set out below. Shares issued under this offer may not be traded, transferred or encumbered prior to the shares Entitlement Date. The Entitlement Date is determined for each of the three equal tranches of 4,031,603 shares as 1 July 2018 and 1 July 2019 and 1 July 2020, or immediately at any change of control of the company. The shares may not be traded, transferred or encumbered until any outstanding loan amount in respect of the shares has been repaid. Shares may be forfeited prior to achieving the Entitlement Date if the employee ceases to be employed with the Company. Any outstanding loan amount must be repaid within one year of the last unconditional Entitlement date of the offer shares, unless otherwise agreed with the Company. Where any loan amount remains unpaid one year after the date of the last unconditional Entitlement date of the offer shares, the proportionate number of shares in respect of that loan amount will be forfeited for the total nominal consideration of \$1. In recovering any loan amount, the Company has recourse only to the offer shares, and the return of those shares will be in full satisfaction of any outstanding loan obligation.

Mr Delepine will be paid \$60,419 of the 2017 STI which can be paid in shares at the discretion of the Board. The Board determined to pay this STI so as to recognise the prudential financial management of the Company, cultural changes made during year and the need to pay a competitive package in order to retain high performing executives.

*(d) Andrew Winfield*

Mr Winfield joined the company in November 2011 as Managing Director of the UK subsidiary.

Mr Winfield's remuneration package includes a base salary of GBP75,000, a fixed sum STI for FY2017 payable on achieving budget targets and, for FY2018 and beyond, up to 50% of base salary subject to KPIs to be agreed at the commencement of each year, and an LTI.

The Remuneration and Nomination Committee measured performance by comparing at year end the actual financial performance with budget for both DataDot Technology (UK) Limited and the Group.

These performance targets were chosen because they focus on developing regional business growth as an integral part of the DataDot Group. Mr Winfield was paid 0% of the STI.

## Remuneration Report (audited) (continued)

for the year ended 30 June 2017

In October 2016 Mr Winfield was included in the company LTI programme. The LTI comprised 6 million share options in the Company which are due to vest in 3 tranches, subject to continued employment, and a trading restriction after share issue as follows: Tranche 1 – 2.0 million share options with an exercise price of 2.7c vesting when the volume weighted average share price (VWAP) exceeds 5c for more than 3 months and expiring 3 months after vesting; Tranche 2 – 2.0 million share options with an exercise price of 2.7c vesting when the VWAP exceeds 10c for more than 3 months and expiring 3 months after vesting; Tranche 3 – 2 million share options with an exercise price of 2.7c vesting when the VWAP exceeds 15c for more than 3 months and expiring 3 months after vesting. The above LTI package is due to expire on 1 July 2019 and shares issued are to be escrowed for 12 months save in the event of takeover, merger or scheme where a 3rd party becomes entitled to greater than 50% of the equity in DDT in which event any escrow will cease.

Mr Winfield was paid 0% of the 2017 STI.

### ***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. The termination notice periods for executive service contracts is between one month and three months.

KMP's have no entitlement to termination payments in the event of removal for misconduct.

This report of the Board of Directors, incorporating the remuneration report, is signed in accordance with a resolution of the Board of Directors, pursuant to section 298 (2) (a) of the Corporations Act.

A handwritten signature in black ink, appearing to read 'Bruce Rathie', written in a cursive style.

**Bruce Rathie - Chairman**

Dated this 18<sup>th</sup> day of August, 2017 in Sydney

BDO Independence Declaration

Insert here



## Consolidated Financial Statements for the year ended 30 June 2017

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## Consolidated Statement of Profit or Loss

for the year ended 30 June 2017

	Notes	2017 \$	2016 \$
<b>Revenue</b>			
Sale of goods		4,791,265	5,985,547
Service and licence fees		160,061	153,705
Royalties		392,657	492,119
		<u>5,343,983</u>	<u>6,631,371</u>
Cost of sales		<u>2,330,394</u>	<u>2,867,684</u>
<b>Gross Profit</b>		<u>3,013,589</u>	<u>3,763,687</u>
Other income	3	<u>605,407</u>	456,034
<b>Expenses</b>			
Administrative expenses	4	3,841,120	4,818,918
Marketing expenses		142,312	160,040
Occupancy expenses		358,955	388,941
Travel expenses		112,338	316,083
		<u>4,454,725</u>	<u>5,683,982</u>
<b>EBITDA</b>		<u>(835,729)</u>	<u>(1,464,261)</u>
Depreciation, Amortisation and Impairment		503,493	1,803,075
Finance costs		2,690	2,633
<b>Loss before income tax expense</b>		<u>(1,341,912)</u>	<u>(3,269,969)</u>
Income tax expense/(benefit)	5	<u>37,541</u>	<u>(5,342)</u>
<b>Loss after income tax expense for the year</b>		<u>(1,379,453)</u>	<u>(3,264,627)</u>
<b>Loss for the year attributable to :-</b>			
Owners of DataDot Technology Limited		<u>(1,379,453)</u>	<u>(3,264,627)</u>
		<u>(1,379,453)</u>	<u>(3,264,627)</u>
Basic earnings / (loss) per share (cents per share)	8	<u>(0.18)</u>	<u>(0.43)</u>
Diluted earnings / (loss) per share (cents per share)	8	<u>(0.18)</u>	<u>(0.43)</u>

The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes.



## Consolidated Statement of Comprehensive Income

for the year ended 30 June 2017

	2017	2016
	\$	\$
Loss after income tax expense for the year	<b>(1,379,453)</b>	(3,264,627)
Other comprehensive income :-		
Items that may be classified subsequently to profit or loss :-		
Exchange difference on translation of foreign operations	<u>(14,794)</u>	20,627
Total comprehensive income for the year, net of tax	<u><b>(1,394,247)</b></u>	<u>(3,244,000)</u>
Total comprehensive income attributable to :-		
Owners of DataDot Technology Limited	<u><b>(1,394,247)</b></u>	<u>(3,244,000)</u>

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

## Consolidated Statement of Financial Position

as at 30 June 2017

	Notes	2017 \$	2016 \$
<b>Current Assets</b>			
Cash and cash equivalents	9	1,768,175	2,355,153
Trade and other receivables	10	939,585	1,137,160
Inventories	11	737,022	845,213
R&D grant receivable		320,000	383,000
Total Current Assets		<u>3,764,782</u>	<u>4,720,526</u>
<b>Non-Current Assets</b>			
Plant and equipment	12	466,552	556,682
Intangibles	13	2,730,511	2,858,647
Investments		120	120
Deferred Tax Asset		33,131	60,659
Total Non-Current Assets		<u>3,230,314</u>	<u>3,476,108</u>
<b>Total Assets</b>		<u>6,995,096</u>	<u>8,196,634</u>
<b>Current Liabilities</b>			
Trade and other payables	14	985,582	822,713
Employee benefits	16	127,248	202,795
Provisions	17	60,000	70,740
Other current liabilities	18	216,820	144,950
Total Current Liabilities		<u>1,389,650</u>	<u>1,241,198</u>
<b>Non-Current Liabilities</b>			
Employee benefits	16	23,649	35,010
Other non-current liabilities	18	403,115	495,113
Total Non-Current Liabilities		<u>426,764</u>	<u>530,123</u>
<b>Total Liabilities</b>		<u>1,816,414</u>	<u>1,771,321</u>
<b>Net Assets</b>		<u>5,178,682</u>	<u>6,425,313</u>
<b>Equity</b>			
Issued capital	19	39,664,364	39,584,463
Accumulated losses		(32,248,869)	(30,869,416)
Reserves	20	(2,236,813)	(2,289,734)
Equity attributed to the owners of DataDot Technology Limited		<u>5,178,682</u>	<u>6,425,313</u>
<b>Total Equity</b>		<u>5,178,682</u>	<u>6,425,313</u>

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

## Consolidated Statement of Changes in Equity

for the year ended 30 June 2017

	Attributable to equity holders of the parent					Total equity \$
	Issued capital \$	Accumulated losses \$	Foreign currency translation reserve \$	Employee equity benefit reserve \$	Other reserve \$	
<b>Balance at 1 July 2015</b>	39,388,810	(27,604,789)	(1,795,128)	290,664	(678,623)	9,600,934
Loss after income tax expense for the year	-	(3,264,627)	-	-	-	(3,264,627)
Other comprehensive income for the year, net of tax	-	-	20,627	-	-	20,627
<b>Total comprehensive income for the year</b>	-	(3,264,627)	20,627	-	-	(3,244,000)
Transactions with owners in their capacity as owners :-						
Share based payments	-	-	-	55,379	-	55,379
Share rights exercised	127,500	-	-	(127,500)	-	-
Share rights expired	-	-	-	(55,153)	-	(55,153)
Share issues	69,807	-	-	-	-	69,807
Share issue costs	(1,654)	-	-	-	-	(1,654)
<b>Balance at 30 June 2016</b>	39,584,463	(30,869,416)	(1,774,501)	163,390	(678,623)	6,425,313
Loss after income tax expense for the year	-	(1,379,453)	-	-	-	(1,379,453)
Other comprehensive income for the year, net of tax	-	-	(14,794)	-	-	(14,794)
<b>Total comprehensive income for the year</b>	-	(1,379,453)	(14,794)	-	-	(1,394,247)
Transactions with owners in their capacity as owners :-						
Share based payments	-	-	-	85,715	-	85,715
Share rights exercised	18,000	-	-	(18,000)	-	-
Share rights expired	-	-	-	-	-	-
Share issues	65,400	-	-	-	-	65,400
Share issue costs	(3,499)	-	-	-	-	(3,499)
<b>Balance at 30 June 2017</b>	<b>39,664,364</b>	<b>(32,248,869)</b>	<b>(1,789,295)</b>	<b>231,105</b>	<b>(678,623)</b>	<b>5,178,682</b>

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

## Consolidated Statement of Cash Flows

for the year ended 30 June 2017

	Notes	2017 \$	2016 \$
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		6,224,078	7,615,853
Payments to suppliers and employees (inclusive of GST)		(6,867,800)	(9,410,543)
Interest paid		(2,690)	(2,633)
Income tax paid		(10,013)	(9,156)
Receipt of government grants		467,184	519,140
		<u>                    </u>	<u>                    </u>
Net cash used in operating activities	9	(189,241)	(1,287,339)
<b>Cash flows from investing activities</b>			
Interest received		22,233	52,276
Payments for plant and equipment		(58,896)	(70,575)
Payments for development and other intangibles		(232,655)	(385,084)
		<u>                    </u>	<u>                    </u>
Net cash flows used in investing activities		(269,318)	(403,383)
<b>Cash flows from financing activities</b>			
Payment for share issue costs		(3,499)	(1,654)
		<u>                    </u>	<u>                    </u>
Net cash used in financing activities		(3,499)	(1,654)
<b>Net decrease in cash and cash equivalents</b>			
		(462,058)	(1,692,376)
Cash and cash equivalents at the beginning of the financial year		2,355,153	4,065,518
Effects of exchange rate changes on cash and cash equivalents		(124,920)	(17,989)
		<u>                    </u>	<u>                    </u>
Cash and cash equivalents at the end of the financial year	9	1,768,175	2,355,153

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

## 1 General Information

DataDot Technology Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Unit 9, 19 Rodborough Road

Frenchs Forest NSW 2086

Australia

A description of the nature of DataDot's operations and its principal activities are included in the Directors' report, which is not part of the financial statements.

The financial statements were authorised for issue in accordance with a resolution of Directors' on 18 August 2017. The directors' have the power to amend and reissue the financial statements.

### Basis of preparation

These general purpose financial statements comprise the consolidated financial statements of DataDot Technology Limited and its controlled entities (hereafter referred to as 'DataDot', 'the consolidated entity' and 'the Group') as at and for the period ended 30 June each year. They have been prepared in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001 as appropriate for for-profit oriented entities.

These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Significant accounting policies applied are provided within these financial statements, where appropriate.

## 2 Segment Information

### Operating Segments

#### Segment descriptions

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

Management has reviewed the segments and determined the group is organised into business units based on their product and services and accordingly has two reportable segments. Discrete financial information about each of these operating businesses is reported to the executive management team on at least a monthly basis.

#### Products and services by segment

Two reportable segments have been identified as follows:

**DataDotDNA®** - polymer and metallic microdots containing etched data that is unique to the assets to which the microdots are attached;

**DataTraceID®** – a high speed, high security, machine readable system for authenticating materials, products, and assets and IntelliSeed™ by AgTechnix is a frontier patent pending technology, supporting global agriculture and protecting investments in intellectual property across a diverse spectrum of agricultural activities, including seed and plant genetics.

#### Accounting policies and intersegment transactions

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

## Notes to the Financial Statements

for the year ended 30 June 2017

### 2 Segment Information (continued)

The following tables present the revenue, profit/(loss) after tax, assets and liabilities information regarding operating segments for years ended 30 June 2017 and 30 June 2016.

<b>Segment performance</b>	<b>DataDot</b>	<b>DataTraceID</b>	<b>Intersegment eliminations</b>	<b>Total</b>
<b>Year ended 30 June 2017</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Revenue from external customers	4,366,915	977,068	-	5,343,983
Intersegment sales	421,404	11,631	(433,035)	-
Total revenue	4,788,319	988,699	(433,035)	5,343,983
Gross profit	2,806,370	628,623	(421,404)	3,013,589
EBITDA	(1,108,393)	272,664	-	(835,729)
Depreciation, amortisation and impairment	(230,827)	(272,666)	-	(503,493)
Finance costs	10,287	(12,977)	-	(2,690)
Profit / (Loss) before income tax	(1,328,933)	(12,979)	-	(1,341,912)
Income tax (expense) / benefit	(37,541)	-	-	(37,541)
Net profit / (loss) after income tax	(1,366,474)	(12,979)	-	(1,379,453)
Segment assets	7,266,954	864,494	(1,136,352)	6,995,096
Segment liabilities	1,795,319	2,445,030	(2,423,935)	1,816,414
<b>Segment performance</b>	<b>DataDot</b>	<b>DataTraceID</b>	<b>Intersegment eliminations</b>	<b>Total</b>
<b>Year ended 30 June 2016</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Revenue from external customers	5,799,248	832,123	-	6,631,371
Intersegment sales	182,500	16,164	(198,664)	-
Total revenue	5,981,748	848,287	(198,664)	6,631,371
Gross profit	3,467,192	478,995	(182,500)	3,763,687
EBITDA	(688,226)	(776,035)	-	(1,464,261)
Depreciation, amortisation and impairment	(1,392,443)	(410,632)	-	(1,803,075)
Finance costs	(2,633)	-	-	(2,633)
Loss before income tax	(2,083,302)	(1,186,667)	-	(3,269,969)
Income tax (expense) / benefit	5,342	-	-	5,342
Loss after income tax	(2,077,960)	(1,186,667)	-	(3,264,627)
Segment assets	8,245,874	1,087,112	(1,136,352)	8,196,634
Segment liabilities	1,776,630	2,506,075	(2,511,384)	1,771,321

**2 Segment Information (continued)****Geographic segments**

DataDot operates in three geographical regions of Australasia, Americas and Europe and each manufacture and distribute the DataDot asset identification system. Excluding intersegment transactions, Australasia accounts for 34% of total revenue, Americas 26% and Europe 40%. 97% of the Non current assets are in Australia.

**Major customers**

DataDot has a number of customers to which it provides both products and services. In Australasia, one customer accounts for 8% of total revenue (2016 : 17%), in Europe one customer accounts for 14% of total revenue (2016 : 24%), in the Americas one customer accounts for 14% of total revenue (2016 : 15%) and in DataTraceID one customer accounts for 4% total revenue (2016 : 3%).

	2017	2016
	\$	\$
<b>3 Other Income</b>		
Interest revenue	22,233	52,276
Government grants:		
Research and development grants *	506,999	403,583
Sundry income	76,175	175
	<u>605,407</u>	<u>456,034</u>

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

**Research and development grant**

The research and development grants received from the Australian government are classified as deferred income and released to other income in line with the amortisation of the capitalised or expensed costs to which the grant relates.

The research and development grants receivable from the Australian government are recognised in the statement of financial position as an asset when the grant is reasonably certain.

**4 Expenses**

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

	\$	\$
<i>Cost of sales</i>		
Inventory	881,134	1,122,115
Stock obsolescence	45,651	139,677
	<u>                    </u>	<u>                    </u>
<i>Administration expenses</i>		
Realised net loss on foreign currency	116,451	81,881
Minimum lease payments	4,020	4,020
Employee benefits expenses	2,169,672	2,949,216
Employee share based expenses	85,715	229
Superannuation expenses	174,097	227,800
Research & development expenses	97,644	130,756
Administrative expenses	1,193,521	1,425,016
	<u>3,841,120</u>	<u>4,818,918</u>
<i>Occupancy expenses</i>		
Minimum lease payments	243,903	252,220
	<u>243,903</u>	<u>252,220</u>

## Notes to the Financial Statements

for the year ended 30 June 2017

	2017	2016
	\$	\$
<b>5 Income Tax</b>		
<b>(a) Major components of tax expenses</b>		
Current income tax expense/(benefit)	24,138	(22,616)
Withholding tax	13,403	17,274
Income tax expense/(benefit)	<u>37,541</u>	<u>(5,342)</u>
<b>(b) The prima facie tax on loss before income tax is reconciled to the income tax expense as follows :-</b>		
Loss before income tax expense	(1,341,912)	(3,269,969)
Net loss before income tax expense at the tax at the statutory income tax rate of 27.5% (2016: 30%)	(369,026)	(980,991)
Foreign tax rate adjustment	(65,962)	(19,314)
Income not subject to tax	(142,175)	(121,075)
Research and development expenditure added back	68,750	114,900
Expenditure not allowable	210,673	352,006
Other timing differences	9,368	(39,629)
Tax losses and tax offsets not recognised as deferred tax assets	309,760	671,486
Withholding tax	13,403	17,274
Aggregate income tax expense/(benefit)	<u>34,791</u>	<u>(5,343)</u>
<b>(c) Recognised deferred tax assets and liabilities</b>		
Opening balance	60,658	46,161
Deferred tax movement credited/charged to income	(27,527)	14,497
Closing balance	<u>33,131</u>	<u>60,658</u>
<b>Deferred tax assets and liabilities</b>		
Deferred income tax at 30 June relates to the following :-		
<i>Deferred tax liabilities</i>		
Development costs	250,379	295,442
Plant and equipment	-	450
Patents & Trademarks	147,483	172,190
Gross deferred tax liabilities	<u>397,862</u>	<u>468,082</u>
Set-off of deferred tax assets	(397,862)	(468,082)
Net deferred tax liabilities	<u>-</u>	<u>-</u>
<i>Deferred tax assets</i>		
Tax losses	144,769	250,813
Provisions	41,497	68,774
Accruals	109,997	46,317
Equity raising costs	31,804	34,485
Doubtful debts and obsolescence	46,948	41,627
Other timing differences	22,847	26,066
Gross deferred tax assets	<u>397,862</u>	<u>468,082</u>
Set-off of deferred tax liabilities	(397,862)	(468,082)
Net deferred tax assets not brought to account	<u>-</u>	<u>-</u>



**5 Income Tax (continued)**

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.

	2017	2016
	\$	\$
The amount of the potential deferred tax assets attributable to revenue losses not brought to account	<b>9,660,171</b>	9,350,411

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.

Tax losses in the USA of \$4,827,506 (2016: \$5,853,369) will expire in 2021.

*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.

**6 Auditors' Remuneration**

The auditor of DataDot Technology Limited is BDO East Coast Partnership

*Amounts paid or payable for audit services by BDO East Coast Partnership :-*

	2017	2016
	\$	\$
An audit or review of the financial statements	<b>104,000</b>	104,000
Other services :-		
Tax compliance	<b>25,000</b>	20,000
Other services - R&D advice	<b>20,000</b>	25,000
	<b>149,000</b>	149,000

*Amounts paid or payable to BDO network firms :-*

Audit or review of the financial statements	<b>52,944</b>	55,383
Tax compliance	<b>2,661</b>	3,539
	<b>55,605</b>	58,922

*Amounts paid or payable to unrelated firms for:*

Tax compliance	<b>2,538</b>	2,710
Other services - preparation of financial statements	<b>8,733</b>	9,162
	<b>11,271</b>	11,872

## Notes to the Financial Statements

for the year ended 30 June 2017

### 7 Dividends

No dividends declared or paid during the year. No franking credits are available.

### 8 Earnings Per Share

	2017	2016
	\$	\$
Basic loss per share (cents per share)	<u>(0.18)</u>	<u>(0.43)</u>
Diluted loss per share (cents per share)	<u>(0.18)</u>	<u>(0.43)</u>
Net loss after income tax expense used in calculating loss per share	<u>(1,379,453)</u>	<u>(3,264,627)</u>
Weighted average number of shares :-	No	No
Weighted average number of shares used in calculating basic and diluted earnings per share	<u>763,403,491</u>	<u>759,068,100</u>
Adjustments for calculation of diluted earnings per share	-	-
Adjusted weighted average number of shares	<u>763,403,491</u>	<u>759,068,100</u>

Shares and share rights issued subsequent to end of the year :-  
4,285,714 shares on 24/07/2017

#### *Diluted earnings per share*

Share rights and options issued to shareholders and related parties are considered to be potential ordinary shares and have been considered in determination of diluted earnings per share. The calculation of diluted earnings per share assumes conversion, exercise or other issue of potential ordinary shares that would have a dilutive effect on earnings per share.

### 9 Cash and Cash Equivalents

	2017	2016
	\$	\$
<i>Reconciliation of cash</i>		
Cash at the end of the financial year shown in the consolidated statement of cash flows is reconciled as follows :-		
Cash at bank and on hand	<u>1,768,175</u>	<u>2,355,153</u>
	<u>1,768,175</u>	<u>2,355,153</u>

#### **Cash Flow Information**

##### *Reconciliation of loss after tax to net cash from operations :-*

Loss after income tax expense for the year	(1,379,453)	(3,264,627)
Add/(less) items classified as investing/financing activities:		
Interest received	(22,233)	(52,276)
Add/(less) non-cash items:		
Depreciation, amortisation and impairment	503,493	1,803,075
Share based payments	151,115	229
Foreign exchange variance	116,450	81,881
Impairment for doubtful accounts	-	(6,053)

##### *Changes in assets and liabilities :-*

Decrease in trade and other receivables	197,575	239,288
Decrease/(Increase) in non-current tax assets	40,642	(14,498)
Decrease in inventories	108,191	26,787
Decrease in grant receivable	63,000	115,557
Decrease/(Increase) in trade and other payables	162,869	(185,070)
Decrease in current tax liabilities	(13,114)	-
(Decrease)/Increase in other liabilities	(20,128)	49,037
Increase in employee benefits	(97,648)	(80,669)

#### **Net cash used in operating activities**

(189,241)      (1,287,339)

**9 Cash and Cash Equivalents (continued)**

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.

**10 Trade and Other Receivables**

	2017	2016
	\$	\$
Trade receivables	816,282	1,046,488
Provision for impairment	<u>(117,940)</u>	<u>(112,371)</u>
	<b>698,342</b>	934,117
Prepayments	177,315	148,452
Other receivables	<u>63,928</u>	<u>54,591</u>
	<b>939,585</b>	1,137,160

**(a) Provision for impairment**

Trade receivables are non-interest bearing and are generally on 30 day terms. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. A charge amount of \$5,569 (2016 write back: (\$6,053)) has been recognised by DataDot. These amounts have been included in the bad and doubtful debt expense item.

Movement in provision for impairment of receivables is as follows:

At 1 July	112,371	117,166
Charge/(Write back) for the year	5,569	(6,053)
Amount written off (included in bad and doubtful debt expense)	-	1,258
<b>At 30 June</b>	<b>117,940</b>	<b>112,371</b>

Customers with balances past due but without provision for impairment amounts to \$92,945 (2016 : \$97,458)

The ageing of the past due but not impaired receivables are as follows :-

30 days	64,674	56,400
60 days	10,061	41,058
90 days and over	<u>18,210</u>	<u>-</u>
	<b>92,945</b>	<b>97,458</b>

The consolidated entity did not consider there to be a credit risk on the outstanding balances taking into consideration the customers credit terms and payment practices.

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 or default payments are considered objective evidence of impairment.

## Notes to the Financial Statements

for the year ended 30 June 2017

	2017	2016
<b>11 Inventories</b>	\$	\$
Raw materials	721,482	693,889
Finished goods	15,540	151,324
	<u>737,022</u>	<u>845,213</u>

Inventories including raw materials 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 are accounted for as follows :-

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

## 12 Plant and Equipment

	\$	\$
Plant and equipment - at cost	2,819,161	2,876,440
Accumulated depreciation	<u>(2,429,070)</u>	<u>(2,411,512)</u>
Total owned plant and equipment	<u>390,091</u>	<u>464,928</u>
Plant and equipment under lease	152,923	152,923
Accumulated depreciation	<u>(76,462)</u>	<u>(61,169)</u>
Total plant and equipment under lease	<u>76,461</u>	<u>91,754</u>
Leasehold improvements - at cost	205,740	205,740
Accumulated depreciation	<u>(205,740)</u>	<u>(205,740)</u>
Total leasehold improvements	<u>-</u>	<u>-</u>
	<u>466,552</u>	<u>556,682</u>

### Movements in carrying amounts

	Plant and equipment	Plant and equipment under lease	Leasehold Improvements	Totals
	\$	\$	\$	\$
Balance as at 1 July 2015	690,754	107,046	46,866	844,666
Additions	70,575	-	-	70,575
Disposals	(148,101)	-	(32,761)	(180,862)
Depreciation expense for the year	(151,483)	(15,292)	(14,105)	(180,880)
Exchange adjustments	3,183	-	-	3,183
Balance at 30 June 2016	<u>464,928</u>	<u>91,754</u>	<u>-</u>	<u>556,682</u>
Additions	65,943	-	-	65,943
Impairment and disposals	(7,043)	-	-	(7,043)
Depreciation expense for the year	(128,749)	(15,293)	-	(144,042)
Exchange adjustments	(4,988)	-	-	(4,988)
Balance at 30 June 2017	<u>390,091</u>	<u>76,461</u>	<u>-</u>	<u>466,552</u>

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.

**12 Plant and Equipment (continued)**

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 office equipment is over 4 years, plant and equipment over 10 years and leasehold improvements over 10 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 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.

**13 Intangible Assets**

	2017	2016
	\$	\$
Development - at cost	2,667,981	2,557,413
Less: Accumulated amortisation	<u>(1,757,512)</u>	<u>(1,572,607)</u>
	<b>910,469</b>	<b>984,806</b>
Patent and trademarks - at cost	1,485,042	1,372,445
Less: Accumulated amortisation	<u>(948,739)</u>	<u>(798,479)</u>
	<b>536,303</b>	<b>573,966</b>
Goodwill	<b>1,258,863</b>	1,258,863
Software - at cost	65,815	65,815
Less: Accumulated amortisation	<u>(40,939)</u>	<u>(24,803)</u>
	<b>24,876</b>	<b>41,012</b>
	<b>2,730,511</b>	<b>2,858,647</b>

*Movements in carrying amounts*

	Development	Patents and trademarks	Goodwill	Software	Totals
	\$	\$	\$	\$	\$
Balance as at 1 July 2015	1,424,550	865,146	1,574,214	21,578	3,885,488
Additions	260,202	93,794	-	31,087	385,083
Impairment and disposals	(442,897)	(186,909)	(336,402)	(48,404)	(1,014,612)
Writeback of accumulated amortisation on disposal	-	-	-	48,404	48,404
Amortisation expense	(257,049)	(206,425)	-	(11,653)	(475,127)
Exchange adjustments	-	8,360	21,051	-	29,411
Balance at 30 June 2016	984,806	573,966	1,258,863	41,012	2,858,647
Additions	<b>110,569</b>	<b>122,086</b>	-	-	<b>232,655</b>
Impairment and disposals	-	-	-	-	-
Writeback of accumulated amortisation on disposal	-	-	-	-	-
Amortisation expense	<b>(184,906)</b>	<b>(159,749)</b>	-	<b>(16,136)</b>	<b>(360,791)</b>
Exchange adjustments	-	-	-	-	-
Balance at 30 June 2017	<b>910,469</b>	<b>536,303</b>	<b>1,258,863</b>	<b>24,876</b>	<b>2,730,511</b>

*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 and are amortised using the straight line method over a period of 5 to 10 years. The amortisation has been recognised in the statement of profit or loss in the line item "depreciation, amortisation and impairment". 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.

**13 Intangible Assets (continued)***Patents and trademarks*

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 or a maximum period of 10 years. The amortisation has been recognised in the statement of profit or loss in the line item 'administration expenses'. 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 2017, \$122,087 (2016: \$93,794) of costs associated with the lodging, renewal, and maintenance of patents & trademarks were incurred with \$159,749 (2016: \$389,710) of associated amortisation being expensed during the period.

*Goodwill*

Where an entity or operation is acquired in a business combination, the identifiable net assets acquired are measured at fair value. The excess of the fair value of the cost of the acquisition over the fair value of the identifiable net assets acquired is brought to account as goodwill. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

**Impairment testing**

DataDot conducts an annual asset impairment test to assess for any indicators of impairment. The group has identified two cash generating units (CGUs); DataDot (with a carrying value of non-current assets of \$831,170) and DataTrace (with a carrying value of non-current assets of \$2,365,892, including goodwill of \$1,258,863). The recoverable value of the CGUs is determined based on value in use calculations. Value in use is calculated based on the present values of cash flow projections over a five year period with the terminal value calculated on the year 5 projected cash flow with growth of 3% per annum, divided by the discount rate less the long-term growth rate.

Management has based the value-in-use calculations on the budgets approved by the DataDot Board. The FY18 budget uses a probability weighted sales pipeline to predict the revenue. Whilst the revenue growth budgeted for FY18 is 43% higher compared to actual revenue in FY2017, the Board has expressed its confidence in the achievement of this growth based on recent market developments and discussions and analysis with relevant parties in the market. The majority of the FY18 revenue budget growth relates to the DataTraceID business which is supported by several large pipeline prospects. Costs are calculated taking into account historical margins as well as estimated inflation rates over the period.

The cash flows are discounted using a post-tax discount rate of 13.00% (2016: 13.35%). The discount rate of 13.00% reflects management's assessment of the time value of money and DataDot's weighted average cost of capital adjusted for the risk free rate and the volatility of the share price relative to market movements, and inherent uncertainty of the business. Cash flows beyond the five year period are extrapolated using an estimated long-term growth rate of 3% and are included in the terminal value calculation. These key assumptions were included within the calculation of both the DataDot and the DataTrace recoverable values.

## Notes to the Financial Statements

for the year ended 30 June 2017

	2017	2016
<b>14 Trade and Other Payables</b>	<b>\$</b>	<b>\$</b>
Trade payables	360,660	313,038
Sundry creditors and accruals	624,922	509,675
	<u>985,582</u>	<u>822,713</u>

### *Fair value and credit risk*

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

### *Interest rate, foreign exchange and liquidity risk*

Details regarding foreign exchange and interest rate risk exposure are disclosed in Note 26.

Trade and other payables are carried at amortised cost and due to their short term nature 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.

## 15 Borrowings

### *Financing arrangements*

Unrestricted access was available at the reporting date to total credit facilities of \$114,466 (2016: \$112,006). There are currently no Lines of Credit provided for immediate use. \$49,500 (2016: \$32,750) was utilised in the provision of bank guarantees against commercial leases on real property. \$2,507 (2016: \$6,860) was utilised against a corporate credit card facility with \$64,966 (2016: \$79,256) available for immediate use.

## 16 Employee Benefits

### **Current**

Employee benefits	127,248	202,795
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### **Non Current**

Employee benefits	<u>23,649</u>	<u>35,010</u>
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The current provision for all employee benefits includes all unconditional entitlements where employees have completed the required period of service. The amount is presented as current since the consolidated entity does not have unconditional right to defer settlement. However based on past experience, the consolidated entity does not expect all employees to take the full amount of accrued annual and long service leave within the next twelve months.

### *(i) Wages, salaries and annual leave*

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in provisions 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.

### *(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 high quality Australian corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

## Notes to the Financial Statements

for the year ended 30 June 2017

	2017	2016
<b>17 Provisions</b>	<b>\$</b>	<b>\$</b>
<b>Current</b>		
Lease make good	50,000	50,000
Other provisions	10,000	20,740
	<u>60,000</u>	<u>70,740</u>

### *Other provisions*

A provision of \$10,000 (2016 : \$19,200) estimating potential amounts payable under an agreement with an Australian motor vehicle distributor where DataDot has agreed to remit the theft excess (to a maximum of \$800) payable by automobile owners in the event that vehicles are stolen and remain unrecovered (subject to conditions) is included in other provisions.

A provision of \$Nil (2016 : \$1,540) estimating potential amounts payable under an agreement with Swann Insurance which DataDot has agreed to remit the insurance excess on behalf of policy holders who have applied DataDots to their vehicles and whose vehicles have been stolen is included in other provisions.

### *Lease make good*

In accordance with the lease agreement with the owner of DataDot's facilities in Frenchs Forest, Australia, DataDot must restore the leased premises to its original condition at the end of the lease term, a provision of \$50,000 (2016 : \$50,000) is included in other provisions.

### *Movements in provisions*

There have been no movements in any of the classes of provisions in the current year.

Provisions are recognised when DataDot has a present obligation (legal or constructive) when, 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.

## 18 Other Liabilities

### **Current**

Deferred income	69,802	80,619
Revenue received in advance	147,018	64,331
	<u>216,820</u>	<u>144,950</u>

### **Non-Current**

Other liabilities	120	120
Deferred income	402,995	494,993
	<u>403,115</u>	<u>495,113</u>



## Notes to the Financial Statements

for the year ended 30 June 2017

### 19 Issued capital

	2017	2017	2016	2016
	No	\$	No	\$
Issued capital at beginning of financial period	760,674,461	39,584,463	751,978,873	39,388,810
Shares issued or under issue during the year :-				
Share placement	5,330,144	83,400	3,328,922	69,807
Share issue costs	-	(3,499)	-	(1,654)
Vested share rights issued during the year under the ESRP	-	-	5,366,666	127,500
	<b>766,004,605</b>	<b>39,664,364</b>	760,674,461	39,584,463
Issued capital at the end of the financial period	<b>766,004,605</b>	<b>39,664,364</b>	760,674,461	39,584,463
There is no current on-market share buy-back.				

#### Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital. On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

#### 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. The capital risk management policy remains unchanged from 30 June 2016 Annual Report. As disclosed in Note 26, DataDot had no interest bearing liabilities as at 30 June 2017. DataDot is not subject to any externally imposed capital requirements.

#### Issued capital

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.

### 20 Reserves

	2017	2016
	\$	\$
<i>Foreign currency translation reserve</i>	<b>(1,789,295)</b>	(1,774,501)
The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.		
Balance at beginning of financial year	<b>163,390</b>	290,664
Movement in share-based payments	<b>67,715</b>	(127,274)
<i>Employee equity benefits reserve</i>	<b>231,105</b>	163,390
The employee equity benefits reserve is used to record the value of share based payments provided to employees, including KMP, as part of their remuneration. Refer to Note 24.		
<i>Other reserves</i>	<b>(678,623)</b>	(678,623)
This reserve is used to record the differences which may arise as a result of transactions with non-controlling interests that do not result in a loss of control.		
Total Reserves	<b>(2,236,813)</b>	(2,289,734)

## Notes to the Financial Statements

for the year ended 30 June 2017

	2017	2016
<b>21 Commitments</b>	\$	\$
<b>Operating lease commitments</b>		
Committed at the reporting date and recognised as liabilities, payable:-		
Within one year	235,047	162,531
One to five years	606,370	249,514
	<b>841,417</b>	<b>412,045</b>
<b>Remuneration commitments</b>		
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.		
Minimum remuneration payments payable:-		
Within one year	128,620	197,824

## 22 Contingent Liabilities

### Guarantees

DataDot has issued bank guarantees of \$49,500 (2016: \$32,750). No liability was recognised by DataDot in relation to the bank guarantee as the fair value of the guarantee is immaterial.

### Theft deterrent system rebate contingencies

Under an agreement with an Australian motor vehicle distributor, DataDot has agreed to remit the theft excess (to a maximum of \$800) payable by automobile owners in the event that vehicles are stolen and remain unrecovered (subject to certain conditions). A provision has been made (refer Note 17 Provisions). The estimate is based on the probability of vehicles being stolen and unrecovered and 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.

### Tax related contingencies - transfer pricing

DataDot has offshore operations in the United States and the United Kingdom. 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.

## 23 Controlled Entities

	Principal place of business/ Country of Incorporation	Ownership interest %	
		2017	2016
<i>Ultimate parent entity</i>			
DataDot Technology Limited	Australia		
<i>Wholly-owned subsidiaries</i>			
DataDot Technology (Australia) Pty Limited	Australia	100	100
DataDot Technology USA Inc.	USA	100	100
DataDot Security Solutions Inc	USA	100	100
DataDot Technology (UK) Limited	UK	100	100
DataDot Technology (Europe) Limited	UK	100	100
AgTechnix Pty Limited	Australia	100	100
DataTraceID Pty Limited	Australia	100	100
DataDot N.Z. Pty Limited - Deregistered 18/12/2015	New Zealand	-	100
DataDot Solutions (India) Pte Limited	India	100	100
Live Data Pty Limited	Australia	100	100

**24 Key Management Personnel Disclosures***Compensation*

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	2017	2016
<i>Remuneration of key management personnel :-</i>	\$	\$
Short term employee benefits	1,102,893	1,256,818
Post employment benefits	74,795	163,535
Share based payments (Note 27)	73,611	55,380
	<u>1,251,299</u>	<u>1,475,733</u>

**25 Related Party Transactions***Parent entity*

DataDot Technology Limited is the parent entity.

*Subsidiaries*

Interests in subsidiaries are set out in Note 23.

*Associated entities*

During the year, DataTrace invoiced Brandlok Brand Protection Pty Limited in advance for \$51k. The amount was outstanding at reporting date.

*Key management personnel*

Disclosures relating to key management personnel are set out in Note 24 and the remuneration report in the directors' report.

**26 Financial Risk Management**

DataDot's principal financial instruments comprise banks loans, finance leases 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 Exposures and Responses**

The main risks DataDot is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk, foreign currency risk.

*Interest Rate Risk*

There are currently no interest bearing loans.

*Foreign exchange risk*

As a result of significant investment in wholly-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. As each of the individual entities within the Group primarily transact in their own respective currency, foreign currency risk is deemed to be minimal.

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.

**26 Financial Risk Management (continued)***Price risk*

DataDot's exposure to commodity price risk is minimal.

*Credit risk*

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.

*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.

**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 plant and equipment and investments in working capital (e.g. inventories and trade receivables). These assets are considered in DataDot's overall liquidity risk.

<b>Consolidated entity 30 June 2017</b>	Within 1 Year \$
<b>Financial Assets</b>	
Cash and cash equivalents	1,768,175
Trade and other receivables	762,270
Grant receivable	320,000
	<u>2,850,445</u>
<b>Financial Liabilities</b>	
Trade and other payables	<u>985,582</u>
<b>Net maturity</b>	<u>1,864,863</u>
Consolidated entity 30 June 2016	Within 1 Year \$
<b>Financial Assets</b>	
Cash and cash equivalents	2,355,153
Trade and other receivables	988,708
Grant receivable	383,000
	<u>3,726,861</u>
<b>Financial Liabilities</b>	
Trade and other payables	<u>822,713</u>
<b>Net maturity</b>	<u>2,904,148</u>

*Fair value of financial instruments*

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair values.

## Notes to the Financial Statements

for the year ended 30 June 2017

### 27 Option and Share Based Payments

	2017	2016
Expenses arising from share based payments :-	\$	\$
<i>Shares and rights issued under Employee Share Rights Plan :-</i>		
Share Rights issued at 1.8c to Graham Loughlin 01/07/2015 vesting 31/07/2015	-	18,000
Share Rights issued at 1.8c to John Kraft 01/07/2015 vesting 01/07/2017 & 01/7/2018	-	3,756
Share rights expired	-	(55,151)
<b>Share and rights issued</b>	<b>-</b>	<b>(33,395)</b>
Director options issued at 5c to Stephe Wilks 26/11/2016 expiring 26/11/2019	<b>3,000</b>	-
CEO options issued at 1.1c to Temogen Hield 27/08/2015 expiring 01/07/2018	<b>40,349</b>	33,624
CFO options issued at 1.1c to David Williams 13/6/16 expiring 01/07/2019	<b>18,157</b>	-
Executive options issued at 1.1c to Andrew Winfield 11/10/16 expiring 01/07/2019	<b>12,105</b>	-
<b>Total expense arising from options and share based payments during the period</b>	<b>73,611</b>	<b>229</b>

Movements in share rights for the financial year	2017		2016	
	No	Avg issue \$	No	Avg issue \$
Balance at the beginning of the period	8,450,002	0.0242	12,566,668	0.0260
Rights granted	-	-	2,750,000	0.02
Shares issued	(1,000,000)	0.0180	(4,866,666)	0.0213
Rights expired/cancelled	(5,450,002)	0.0243	(2,000,000)	0.0270
Balance at the end of the period	2,000,000		8,450,002	

Movements in share options for the financial year	2017		2016	
	No	Avg issue \$	No	Avg issue \$
Balance at the beginning of the period	32,000,000	0.0110	4,000,000	0.0110
Options issued	22,000,000	0.0060	29,000,000	0.0110
Options expired			(1,000,000)	0.0110
Balance at the end of the period	54,000,000		32,000,000	

Share rights are granted by the Board, under the DataDot Technology Executive Share Rights Plan, on such terms and conditions as the Board determines, to eligible employees. A grant of share rights does not confer any right or interest in shares until all terms and conditions have been satisfied. They confer no voting rights. At pre-determined vesting intervals, subject to grantees satisfying the terms and conditions of grant, including continuous employment, each share right provides an entitlement to the issue of one ordinary share in the Company.

The options are issued for nil consideration.

For the options granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
10-10-16	01-07-19	\$0.016	\$0.027	83.03%	NIL	2.158%	\$0.0061
26-11-16	26-11-19	\$0.016	\$0.050	79.80%	NIL	2.158%	\$0.004

Expected volatility was determined based on share price movements over a 1 year period prior to the grant date.

**27 Option and Share Based Payments (continued)****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 Executive Share Rights Plan (ESRP) provides benefits to senior executives of DataDot.

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted.

For share options granted during the year, the cost of equity-settled transactions are measured at fair value on the grant date. Fair value is independently determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

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 profit or loss 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 fewer awards vest than were originally anticipated. 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 expired on the date of cancellation. 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 8).

**28 Parent Entity Information**

The following information has been extracted from the books and records of the parent, DataDot Technology Limited and has been prepared in accordance with Accounting Standards.

<b>Statement of financial position</b>	<b>2017</b>	<b>2016</b>
	\$	\$
Current assets	1,475,768	2,328,858
Non-current assets	5,772,068	6,157,140
Total assets	<u>7,247,836</u>	<u>8,485,998</u>
Current liabilities	674,993	558,451
Non-current liabilities	5,646,006	6,051,686
Total liabilities	<u>6,320,999</u>	<u>6,610,137</u>
<b>Equity</b>		
Issued capital	39,664,364	39,584,464
Accumulated losses	(39,045,335)	(37,555,318)
Reserves	(85,571)	(153,285)
Total equity	<u>533,458</u>	<u>1,875,861</u>
<b>Statement of profit or loss and other comprehensive income</b>		
Loss after income tax	<u>(1,106,860)</u>	<u>(1,970,684)</u>
Total comprehensive income	<u>(1,106,860)</u>	<u>(1,970,684)</u>

**Parent Entity Commitments and Guarantees**

DataDot has issued a bank guarantee of \$32,750 (2016: \$32,750). No liability was recognised by DataDot in relation to the bank guarantee as the fair value of the guarantee is immaterial.

<b>Remuneration commitments</b>	<b>2017</b>	<b>2016</b>
	\$	\$
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.		
Minimum remuneration payments payable		
Within one year	<u>118,750</u>	<u>138,750</u>

**Contingent liabilities**

The parent entity had no contingent liabilities as at 30 June 2017 and 30 June 2016.

**Capital commitments**

The parent entity had no capital commitments for plant and equipment as at 30 June 2017 and 30 June 2016.

**Significant accounting policies**

The accounting policies of the parent entity are consistent with those of the consolidated entity as disclosed throughout the report.

**29 Events after the reporting period**

On 24 July 2017, 4,285,714 shares were issued to an employee of DataDot Technology Limited as a final consideration for the discharge of IP royalties.

No other matter or circumstance has arisen since 30 June 2017 that has significantly affected, or may significantly affect the operations of the Group, the results of its operations or the state of affairs in future financial years.

**30 Summary of other significant accounting policies****(a) Parent entity information**

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in Note 28.

**(b) Principles of consolidation**

Interests in associates and joint ventures are equity accounted and are not part of the Consolidated Group.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the 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 from DataDot.

**(b) Principles of consolidation (continued)**

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

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest results in an adjustment between the carrying amounts of the controlling interest and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and the consideration paid or received is recognised as a separate reserve within equity attributable to owners of DataDot Technology Limited.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

**(c) Foreign currency translation*****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:

<i>Name of overseas subsidiaries</i>	<i>Functional currency</i>
DataDot Technology USA Inc	United States Dollar (US\$)
DataDot Technology (UK) Ltd	Great Britain Pound (£)

***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.

***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.



**30 Summary of other significant accounting policies (continued)**

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 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.

**(d) Revenue recognition**

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

*(i) Sale of goods*

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

*(ii) Rendering of services*

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

*(iii) Royalties*

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

*(iv) Licence fee*

Revenue is recognised when 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.

**(e) Current and non-current classification**

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is current when: it is expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within twelve months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is current when: it is expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within twelve months after the reporting period; or there is no unconditional right to defer the settlement of the liability. Deferred tax assets and liabilities are always classified as non-current.

**(f) 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.

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.

**30 Summary of other significant accounting policies (continued)****(g) Adoption of new and revised accounting standards**

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods. DataDot has decided against early adoption of these standards. The following table summarises those future requirements, and their impact on the entity :-

Standard name	Effective date for entity	Requirements	Impact
AASB 15 Revenue from Contracts with Customers	30-Jun-19	The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers.	An initial assessment suggests that this will not have a material impact on the group's significant revenue streams. The consolidated entity will adopt this standard from 1 July 2018.

**30 Summary of other significant accounting policies (continued)****(g) Adoption of new and revised accounting standards (continued)**

AASB 9 Financial Instruments (issued December 2009 and amended December 2014)	30-Jun-19	<p>Amends the requirements for classification and measurement of financial assets. The available-for-sale and held-to-maturity categories of financial assets in AASB 139 have been eliminated. Under AASB 9, there are three categories of financial assets:</p> <ul style="list-style-type: none"> <li>• Amortised cost</li> <li>• Fair value through profit or loss</li> <li>• Fair value through other comprehensive income.</li> </ul> <p>The following requirements have generally been carried forward unchanged from AASB 139 Financial Instruments: Recognition and Measurement into AASB 9:</p> <ul style="list-style-type: none"> <li>• Classification and measurement of financial liabilities; and</li> <li>• Derecognition requirements for financial assets and liabilities.</li> </ul> <p>However, AASB 9 requires that gains or losses on financial liabilities measured at fair value are recognised in profit or loss, except that the effects of changes in the liability's credit risk are recognised in other comprehensive income.</p>	An initial assessment suggests that this will not have a material impact on the group's financial assets and liabilities. The consolidated entity will adopt this standard from 1 July 2018.
AASB 16 Leases	30-Jun-19	<p>AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases. The main changes introduced by the new Standard are as follows:</p> <ul style="list-style-type: none"> <li>• Recognition of a right-of-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);</li> <li>• Depreciation of right-of-use assets in line with AASB 116: Property, Plant and Equipment in profit or loss and unwinding of the liability in principal and interest components;</li> <li>• Inclusion of variable lease payments that depend on an index or a rate in the initial measurement of the lease liability using the index or rate at the commencement date;</li> <li>• Application of a practical expedient to permit a lessee to elect not to separate non-lease components and instead account for all components as a lease; and</li> <li>• Inclusion of additional disclosure requirements.</li> </ul>	An initial assessment suggests that the main impact of the adoption of the new standard is that the operating leases of 12 months or longer will be recognised on the balance sheet. The consolidated entity will adopt this standard from 1 July 2018.

**(h) Critical accounting estimates and judgements**

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.

**30 Summary of other significant accounting policies (continued)****(h) Critical accounting estimates and judgements (continued)***Impairment of non-financial assets*

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.

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 profit or loss.

*Impairment of goodwill and intangibles with indefinite useful lives*

DataDot determines, at least on an annual basis, whether goodwill and intangibles with indefinite useful lives are impaired. 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 13.

*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 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.

**30 Summary of other significant accounting policies (continued)**

**(h) Critical accounting estimates and judgements (continued)**

*Estimation of useful lives of assets*

The estimation of the useful lives of property, plant and equipment and finite intangible 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.

*Employee benefits provision*

As discussed in Note 16, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimate of attrition rates and pay increases through promotion and inflation have been taken into account.

## Directors' Declaration

for the year ended 30 June 2017

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

A handwritten signature in black ink, appearing to read 'Bruce Rathie', written in a cursive style.

**Bruce Rathie**  
**Chairman**  
**18<sup>th</sup> August 2017, Sydney**