DataDot TECHNOLOGY LTD

ABN 54 091 908 726

Financial Report
for the half-year ended 31 December 2008

Contents of the Financial Report

Corporate Information

ABN 54 091 908 726

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

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

DIRECTORS	COMPANY SECRETARY	REGISTERED OFFICE
Mr A. R. Farrar (Chairman) Mr G. Flowers Ms C Lo Lin Sye Mr M George	Mr G.J. Loughlin	Unit 9 19 Rodborough Road Frenchs Forest NSW 2086 Phone (02) 8977 4900 Fax (02) 9975 4700

AUDITORS	BANKERS	STOCK EXCHANGE
PKF Level 10 1 Margaret Street Sydney NSW 2000	National Australia Bank 96 High Street Fremantle WA 6160	The Company is listed on the Australian Stock Exchange. The Home Exchange is Sydney.

SHARE REGISTER	OTHER INFORMATION
Ordinary shares and Options Registries Ltd Level 7, 207 Kent Street Sydney NSW 2000 Phone 1300 737 760 Fax 1300 653 459	DataDot Technology Ltd, incorporated and domiciled in Australia, is a publicly listed company limited by shares.

Directors' Report

Your Directors present the financial report on DataDot Technology Ltd for the half-year ended 31 December 2008.

DIRECTORS

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

Mr A. R Farrar (Chairman)
Mr I.P. Allen (Director and Chief Executive Officer) – ceased 4 February 2009
Mr B. Rathie – resigned 5 January 2009
Mr. J. F. Richards – resigned 26 November 2008
Mr G. Flowers
Ms C Lo Lin Sye
Mr M George - appointed 26 November 2008

REVIEW AND RESULTS OF OPERATIONS

Total revenue decreased $1,312,063 (19.8%) from $6,613,627 to $5,301,564. Management fees from DataTrace DNA Pty Ltd (DataTrace) decreased by $236,366 (35.7%) from $661,659 to $425,293, and although revenue for DataDot (Australia) Pty Ltd (DDA) and DataDot Technology (UK) Ltd (DDUK) increased slightly, revenue decreased for DataDot Technology USA, Inc. (DDUSA) by $248,423 (39.6%) and for DataDot Technology (South Africa) (Proprietary) Ltd (DDSA) by $925,955 (39.9%).

The DataDot Automated Applicator Cell (DAAC) was determined to be fully impaired resulting in an impairment loss of $2,607,394, which was offset to the extent of $1,357,797 of deferred income to be realised. The Board considered it prudent to fully impair the Laser X Project and incurred an impairment loss of $280,782. Additionally, the investment in DataTrace was considered partially impaired incurring an impairment loss of $4,058,526. Excluding the non-recurring impairment losses net of government grants of $5,588,906, the net loss was $536,335.

The Group's Half Year Earnings Before Interest and Tax (EBIT) and Earning Before Interest, Tax, Depreciation and Amortisation (EBITDA), and EBITDA before Impairment Losses net of Government Grants are disclosed below.

	2008 $	2007 $
Profit /(Loss) after income tax	(7,616,378)	115,804
Add back:		
Income Tax Expense	1,220,446	204,276
Interest Expense	32,067	41,871
Profit /(Loss) before Interest and Tax (EBIT)	(6,363,865)	361,951
Add back:		
Depreciation and amortisation expense	238,625	209,411
Profit /(Loss) before interest, tax, depreciation and amortisation (EBITDA)	(6,125,240)	571,362
Add back:		
Impairment losses net of government grants	5,588,905	-
EBITDA before impairment losses net of government grants	(536,335)	571,362

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

Directors' Report (continued)

REVIEW AND RESULTS OF OPERATIONS (continued)

Going concern

The Consolidated Entity incurred an operating loss of $7,745,646 for the half-year ended 31 December 2008 (2007: $173,043).

The Consolidated Entity's ability to continue as a going concern and develop and operate its asset identification system is primarily dependent upon its ability to further expand its non-vehicle revenue base from increasing revenues from existing distributorships and direct sales.

The Board and Management have implemented major cost reductions in the past few months and as a result of the Group's restructure expect significant additional sustained savings moving forward.

The consolidated interim financial report has been prepared on the basis of a going concern. This basis presumes that funds will be available to finance future operations, development, expenditure commitments and to repay liabilities and that the realisation of assets and settlement of liabilities will occur in the normal course of business. The Directors believe that the Consolidated Entity will be able to fund future operations through revenue expansion and funds from the issue of new shares. At the date of this report other sources of funds are also being sought to fund future working capital requirements of the Consolidated Entity.

The Directors believe that they will be successful in raising sufficient funds to ensure that the Consolidated Entity can continue to meet its debts as and when they become due and payable. However, if additional funds are not raised, the going concern basis may not be appropriate with the result that the Consolidated Entity may have to realise its assets and extinguish its liabilities other than in the ordinary course of business and in amounts different from those stated in the consolidated interim financial report. No allowance for such circumstances has been made in the consolidated interim financial report.

Changes in Market Conditions

Global trading conditions have deteriorated significantly over the reporting period. This has particularly impacted the sales of motor vehicles in the company's major markets. This has caused a decline in product sales and revenue from the motor vehicle related channel. In addition to this general decline, sales revenue has been further reduced by the loss of BMW Group Australia as an Original Equipment Manufacturer (OEM) customer during the period. As a consequence of these rapidly changing market conditions the board's expectations for increased cash inflows have not been realised.

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

Australasia

Product sales increased by $39,053 (1.4%) from $2,826,770 to $2,865,824. DDA ceased to supply BMW Group Australia as an OEM customer during the period. This represented a $212,000 (7.5%) decline in sales revenue from the previous corresponding period. Increased sales in the heavy machinery and commercial market segments helped to offset this decline.

Net profit increased by $27,391 (2.7%) from $1,013,202 to $1,040,593.

Directors' Report (continued)

REVIEW AND RESULTS OF OPERATIONS (continued)

South Africa

Product sales decreased by $957,389 (41.6%) from $2,301,276 to $1,343,887. Net profit decreased $510,544 (74.7%) from $683,564 to $173,020.

The Company reported at the 2008 AGM that the South African shareholders of DDSA were disputing the payment of royalties and repayment of inter-company loans, Board voting rights and other matters relating to the Shareholders Agreement. At the AGM the Board disclosed the possibility of litigation. The current position is that the Parties are continuing to negotiate a commercial resolution of the contested matters. The South African shareholders no longer contest royalties or inter-company loans. The Board expects to conclude a satisfactory commercial resolution in the second half of the financial year.

United States

Product sales decreased by $178,556 (34.6%) from $516,579 to $338,023 and the net loss increased by $162,431 (107.6%) from $150,935 to $313,366.

The Board has become aware that last year sales that would otherwise have occurred this year were brought forward, thereby exacerbating the decline in performance in the last six months. In recognition of the half year performance and the significant downturn in the US auto industry the Board has decided to write-down the carrying value of tax losses in the US.

United Kingdom

Product sales increased by $26,327 (12.0%) from $218,707 to $245,034 and the net loss decreased by $82,485 (50.5%) from $163,272 to $80,787.

Sales of DataDotDNA to GardX Protection Limited, UK provider of vehicle protection systems, will commence in March 2009.

Joint Venture – DataTraceDNA Pty Limited

The share of loss from the DataTraceDNA Pty Limited joint venture was $195,452 (52.2%) for the half-year ended 31 December 2008 (2007: loss $128,401), an increase of $67,051 over the previous year. Management continues to develop a sales pipeline and are more focused on controlling R&D costs.

New Zealand

In early February the New Zealand Government gave notice that it will revoke the Vehicle Standards Compliance (Whole-of-Vehicle-Marking) Rule and the WOVM Notice, which together form the regulatory framework establishing mandatory whole-of-vehicle-marking. The immediate effect of this decision is to terminate the judicial review proceedings in the NZ High Court, under which the Motor Industry Association had challenged the validity of the Rule and Notice. The company had successfully applied to be joined as a respondent in these proceedings.

It is still unclear whether the NZ Government intends to retain the WOVM policy and revive it in another regulatory form that will withstand judicial challenge on technical grounds, or abandon the policy. The company will continue to consult with NZ authorities and will inform shareholders when the position is clear.

Directors' Report (continued)

REVIEW AND RESULTS OF OPERATIONS (continued)

Restructuring

As stated above, the Board and Management have implemented major cost reductions in the past few months and as a result of the Group's restructure expect significant additional sustained savings moving forward. The restructure will also focus on changing the remuneration structure of sales staff to performance based pay, transitioning to an NPAT-driven culture with a new focus on diversifying the sales revenue to grow the proportion of income derived from the non-auto channels.

The auditor's independence declaration as required under section 307c of the Corporations Act 2001 is set out on page 5 and forms part of the Directors' Report.

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

A. Farrar
Chairman
Sydney, 27th February 2009

PKF

Chartered Accountants
& Business Advisers

Auditor's Independence Declaration

As lead auditor for the review of DataDot Technology Limited and its subsidiaries for the half-year ended 31 December 2008, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

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

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

PKF

Grant Saxon
Partner

27 February 2009
Sydney

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Condensed Income Statement
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

	Note	Consolidated 31.12.08 $	31.12.07 $
Continuing operations			
Revenue	4(a)	5,301,564	6,613,627
Cost of sales		(1,728,362)	(1,902,876)
Gross Profit		3,573,202	4,710,751
Other income	4(a)	1,357,797	28,875
Other expenses	4(a)	(4,152,710)	(4,249,274)
Finance costs		(32,067)	(41,871)
Impairment Losses	4(b)	(6,946,702)	
Share of profit /(loss) of joint venture		(195,452)	(128,401)
Profit / (loss) from continuing operations before income tax		(6,395,932)	320,080
Income tax expense	4(c)	(1,220,446)	(204,276)
Net profit / (loss) from continuing operations after income tax		(7,616,378)	115,804
Profit attributable to outside equity interest		(129,268)	(288,847)
Loss attributable to members of the parent entity		(7,745,646)	(173,043)
Earnings per share (cents per share)			
- basic and dilutive, for loss for the half year attributable to ordinary equity holders of the parent		(2.08)	(0.12)

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

Condensed Balance Sheet

AS AT 31 DECEMBER 2008

	Note	Consolidated 31.12.08 $	30.06.08 $
ASSETS			
Current Assets			
Cash and cash equivalents	5	1,781,636	2,639,463
Trade and other receivables		2,685,784	3,275,780
Inventories		717,350	537,237
Total Current Assets		5,184,770	6,452,480
Non-Current Assets			
Trade and other receivables		91,613	97,134
Investment in joint venture accounted for using the equity method		808,406	4,350,431
Plant and equipment		1,000,381	1,096,344
Intangible assets		299,675	2,799,022
Deferred tax assets		25,878	924,695
Total Non-Current Assets		2,225,953	9,267,626
TOTAL ASSETS		7,410,723	15,720,106
LIABILITIES			
Current Liabilities			
Trade and other payables		1,937,617	2,143,291
Interest-bearing loans and borrowings		151,962	191,926
Income Tax Payable		64,328	41,652
Provisions		416,786	501,493
Total Current Liabilities		2,570,693	2,878,362
Non-Current Liabilities			
Interest-bearing loans and borrowings		90,180	142,691
Other non-current liabilities		355,484	1,316,883
Provisions		10,861	9,099
Total Non-Current liabilities		456,525	1,468,673
TOTAL LIABILITIES		3,027,218	4,347,035
NET ASSETS		4,383,505	11,373,071
EQUITY			
Equity attributable to equity holders of the parent			
Contributed equity		26,456,519	26,456,519
Accumulated losses		(22,930,708)	(15,185,063)
Reserves		258,053	(368,758)
Parent interests		3,783,864	10,902,698
Outside equity interests		599,641	470,373
TOTAL EQUITY		4,383,505	11,373,071

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

Condensed Cash Flow Statement

FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

	Note	Consolidated 2008 $	2007 $
Cash flows from /(used in) operating activities			
Cash receipts in the course of operations		6,533,927	7,504,470
Cash payments in the course of operations		(6,811,355)	(6,857,606)
Interest paid		(16,469)	(25,925)
Income tax paid		(97,982)	(176,486)
Receipt of Government Grant		-	28,875
Net cash flows from /(used in) operating activities		(391,879)	473,328
Cash flows from /(used in) investing activities			
Interest received		15,477	72,744
Purchase of plant and equipment		(71,892)	(192,315)
Purchase of investment accounted for using the equity method		(711,953)	(880,554)
Payment for Development expenditure		(66,815)	(152,810)
Receipt of Government Grant		55,366	49,587
Net cash flows used in investing activities		(779,817)	(1,103,348)
Cash flows from financing activities			
Proceeds from issue of shares			
Repayment of related party loans		324,800	510,586
Repayment of finance lease payments		(57,046)	(122,536)
Repayment of borrowings		(32,146)	(53,234)
Net cash flows from financing activities		235,608	334,816
Net increase / (decrease) in cash held		(936,087)	(295,205)
Net foreign exchange differences		78,260	(2,590)
Cash at beginning of period		2,639,463	4,730,149
Cash at end of period	5	1,781,636	4,432,354

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

Condensed Statement of Changes in Equity
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

	Attributable to equity holders of the parent					
	Issued capital	Accumulated losses	Foreign currency translation reserve	Total	Outside equity interest	Total equity
	$	$	$	$	$	$
At 1 July 2007	26,456,519	(16,210,047)	(37,457)	10,209,015	189,921	10,398,936
Currency translation differences			73,636	73,636		73,636
Total income and expense for period recognised directly in equity			73,636	73,636		73,636
Profit (Loss) for the period		(173,043)		(173,043)	288,847	115,804
Total income / expense for the period		(173,043)	73,636	(99,407)	288,847	189,440
Shares issued						
Transaction costs on share issue						
Share-based payments						
At 31 December 2007	26,456,519	(16,383,090)	36,179	10,109,608	478,768	10,588,376
At 1 July 2008	26,456,519	(15,185,063)	(368,758)	10,902,698	470,373	11,373,071
Currency translation differences			626,812	626,812		626,812
Total income and expense for period recognised directly in equity			626,812	626,812		626,812
Profit (Loss) for the period	0	(7,745,646)	0	(7,745,646)	129,269	(7,616,377)
Total income / expense for the period		(7,745,646)	626,812	(7,118,834)	129,269	(6,989,565)
Shares issued						
Transaction costs on share issue						
Share-based payments						
At 31 December 2008	26,456,519	(22,930,709)	258,054	3,783,864	599,641	4,383,505

Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

1. CORPORATE INFORMATION

The half-year financial report of DataDot Technology Limited (the Company), for the half-year ended 31 December 2008 was authorised for issue in accordance with a resolution of the directors on 27 February 2009.

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

This general purpose condensed financial report for the half year ended 31 December 2008 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

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

It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 June 2008 and considered together with any public announcements made by DataDot Technology Ltd during the half-year ended 31 December 2008 in accordance with the continuous disclosure obligations of the *ASX listing rules*.

Changes in Accounting Policy

The accounting policies adopted are consistent with those disclosed in the annual financial report for the year ended 30 June 2008 which are in accordance with accounting standards in place at that date. The adoption of new and amending Standards and Interpretations mandatory for annual periods beginning on or after 1 July 2008 did not have a significant impact on the financial performance of the Group.

Going concern

The Consolidated Entity incurred an operating loss of $7,745,646 for the half-year ended 31 December 2008 (2007: $173,043). The cash and cash equivalents of the Consolidated Entity decreased by $936,087 during the half-year ended 31 December 2008 to $1,781,636. $1,055,610 of the 31 December 2008 balance relates to cash held in the 42.5% owned South African subsidiary, the release of which is subject to reaching satisfactory commercial resolution.

The Consolidated Entity's ability to continue as a going concern and develop and operate its asset identification system is primarily dependent upon its ability to further expand its non-vehicle revenue base from increasing revenues from existing distributorships and direct sales.

The Board and Management have implemented major cost reductions in the past few months and as a result of the Group's restructure expect significant additional sustained savings moving forward.

Notes to the Financial Statements (continued)
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

Going concern (Continued)

This basis presumes that funds will be available to finance future operations, development, expenditure commitments and to repay liabilities and that the realisation of assets and settlement of liabilities will occur in the normal course of business. The Directors believe that the Consolidated Entity will be able to fund future operations through revenue expansion and funds from the issue of new shares. At the date of this report other sources of funds are also being sought to fund future working capital requirements of the Consolidated Entity.

The Directors believe that they will be successful in raising sufficient funds to ensure that the Consolidated Entity can continue to meet its debts as and when they become due and payable. However, if additional funds are not raised, there is a material uncertainty that gives rise to a significant doubt whether the going concern basis is appropriate and as a result that the Consolidated Entity may have to realise its assets and extinguish its liabilities other than in the ordinary course of business and in amounts different from those stated in the consolidated interim financial report. No allowance for such circumstances has been made in the consolidated interim financial report

3. SEGMENT INFORMATION

The primary reporting formation for the group is geographical segments.

Geographical segment
The following table presents the revenue and profit information regarding geographical segments for the half-year periods ended 31 December 2008 and 31 December 2007.

	Australasia	*USA*	*Europe*	*South Africa*	*Total*
Half-year ended 31 December 2008	*$*	*$*	*$*	*$*	*$*
Revenue					
Sales to external customers	2,865,824	338,023	245,034	1,343,887	4,792,767
Other revenues from external customers	430,293	25,594	-	-	455,887
Inter-segment sales	318,319	145,122	-	13,755	477,196
Total segment revenue	3,614,436	508,738	245,034	1,357,642	5,725,850
Inter-segment elimination					(477,196)
Non segment revenue					
Interest revenue					52,911
Government grants released					1,357,797
Total consolidated revenue					6,659,361
Result					
Segment Results	1,041,481	(313,366)	(80,787)	173,020	820,348
Unallocated expenses					(6,988,761)
Profit before tax and finance costs					(6,168,413)
Finance costs					(32,067)
Share of loss of joint venture					(195,452)
Profit before income tax and outside equity interest					(6,395,932)
Income tax revenue					(1,220,446)
Net profit for the year					(7,616,378)

Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

3. SEGMENT INFORMATION (Continued)

Half-year ended 31 December 2007	*Australasia* $	*USA* $	*Europe* $	*South Africa* $	*Total* $
Revenue					
Sales to external customers	2,826,770	516,579	218,707	2,301,276	5,863,332
Other revenues from external customers	661,659	16,825	-	-	678,484
Inter-segment sales	383,195	93,318	-	-	476,513
Total segment revenue	3,871,625	626,722	218,707	2,301,276	7,018,329
Inter-segment elimination					(476,513)
Non segment revenue					
Interest revenue					71,811
Other					28,875
Total consolidated revenue					6,642,502
Result					
Segment Results	1,013,202	(150,935)	(163,272)	683,564	1,382,559
Unallocated expenses					(1,181,055)
Profit before tax & finance costs					201,504
Finance costs					(41,871)
Share of loss of joint venture					(128,401)
Profit before income tax & outside equity interest					31,233
Income tax expense					(204,276)
Net loss for period					(173,043)

Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

4. REVENUE, INCOME AND EXPENSES

	Consolidated	
	2008	*2007*
	$	*$*
(a) Revenue, Income and Expenses from Continuing Operations		
(i) Revenue		
Sale of goods	4,792,767	5,779,769
Rendering of services	433,923	745,222
Licence fees	21,965	16,825
Finance revenue	52,909	71,811
Total revenue	5,301,564	6,613,627
Breakdown of finance revenue:		
Bank interest receivable	48,130	68,068
Interest receivable on related party loans:		
- director loan	4,779	3,743
Total finance revenue (on historical cost basis)	52,909	71,811
(ii) Other income		
Government grants:		
- Government grants released	1,357,797	28,875
	1,357,797	28,875
(iii) Finance costs		
Bank loans and overdrafts	4,777	12,424
Other loans (including convertible note interest)	16,286	17,403
Finance charges payable under finance leases and hire purchase contracts	11,004	12,044
Total finance costs (on historical cost basis)	32,067	41,871
(iv) Other expenses		
Depreciation	167,854	152,238
Amortisation of development costs	62,716	53,340
Amortisation of patents	8,055	3,833
Employee benefits (excluding share-based payments)	2,077,559	2,510,244
Share-based payments	-	-
Administrative expenses	987,991	810,113
Advertising and promotional expenses	347,371	190,842
Occupancy expenses	250,774	280,777
Travel expenses	229,199	236,293
Bad and doubtful debts	21,191	11,594
	4,152,710	4,294,274

Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

4. REVENUE, INCOME AND EXPENSES (Continued)

	Consolidated	
	2008	*2007*
	$	*$*
(b) Impairment losses		
DataDot Automated Applicator Cell (DAAC)	2,607,394	

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

The impairment losses net of government grants of $1,249,597 (2007: $nil) represent impairment, in full, of capitalised development costs of $2,607,394 for the DataDot Automated Applicator Cell (DAAC) net of government grants of $1,015,345 received in relation to the development of the DAAC and a further claim to be received of $342,452.

Government grants provided to the Group to assist with the development of the DAAC technology were to be released to the income statement over the expected useful life of the asset upon completion of the development. The total value of the deferred grant income as at 31 December 2008 was $1,015,345 (30 June 2008 $965,012). Given the Group's decision over the commercialisation of the DAAC, this grant income has now been fully realised.

Laser X Project	280,782	

As with the DAAC, global auto industry downturn has resulted in a number of impairment indicators being present to create sufficient uncertainty as to the future commercial potential that the Board has assessed that the commercialisation of the project is not probable. As a consequence, the Board has decided to fully impair the project.

Investment in DataTrace	4,058,526	

The Group has a 50% interest in DataTrace which is involved in the development of high security solutions.

The Board has reviewed the sales pipeline for DataTrace in the context of the present global financial conditions. It believes it is prudent to significantly reduce the carrying value of the investment, recognising a loss of $4,058,526 leaving a carrying value of $808,406 as at 31 December 2008 (30 June 2008: $4,350,431).

Total impairment losses	6,946,702	0

Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

4. REVENUE, INCOME AND EXPENSES (Continued)

	Consolidated 2008 $	2007 $
(c) Income tax expense		
Income tax expense	1,220,446	204,276
Total income tax expense	1,220,446	204,276

Deferred tax assets of $868,488 in respect of unused tax losses in the US subsidiary were recognised at 30 June 2008 based on it being probable that the US entity would generate sufficient future taxable profits against which these losses could be utilised. In light of the performance of the US subsidiary for the six months ended 31 December 2008 and the current economic environment of the US automotive industry, the Group no longer feels that it is sufficiently probable that the US subsidiary will generate sufficient future taxable profits against which these losses could be utilised and the carried forward losses have therefore been derecognised.

5. CASH AND CASH EQUIVALENTS

For the purpose of the half-year condensed cash flow statement, cash and cash equivalents are comprised of the following:

Cash at bank and in hand	1,781,636	4,432,354
	1,781,636	4,432,354

This includes $1,055,610 held in the South African subsidiary, the release of which is subject to reaching satisfactory commercial resolution.

6. DIVIDENDS PAID OR PROPOSED

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

7. CONTINGENCIES

Contingent liabilities

DataTrace DNA Pty Ltd

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

Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

7. CONTINGENCIES (Continued)

Claims

The Board has been notified of potential claims by former employees in relation to unpaid long service leave. The Board expects to fully disclaim any liability and will defend any actions.

The Board also believes that there are valid claims for breach of duty against former employees which are currently being pursued and would offset any potential liability.

At this stage it is not practical to estimate any potential effect of the expected claims but legal advice is currently being sought.

Insurance Company Initiative

Included in provisions is $1,110 (30 June 2008: $nil) being an estimate of amounts payable that may arise under a sales agreement with an insurance company under which DDT has agreed to remit the insurance policy excess on behalf of insurance policy holders who have applied dots to their vehicles and whose vehicles have been stolen. The estimate is based on the probability of claims being made. Should these estimates prove incorrect then an adjustment may have to be made to either increase or decrease the amount due and payable.

8. RELATED PARTY DISCLOSURES

The following table provides the total amount of transactions that were entered into with related parties for the half-year ended 31 December 2008 and 2007.

Related party		*Service fees to related parties* *$*	*Amounts owed by related parties* *$*
Joint venture in which the parent is a venturer			
DataTrace DNA Pty Limited	*2008*	425,293	143,343
	2007	661,659	307,164

Terms and condition of transactions with related parties

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

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

For the half-year ended 31 December 2008, the Group has not made any allowance for doubtful debts relating to amounts owed by related parties as the payment history has been excellent (2007: $nil).

Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

9. EVENTS AFTER THE BALANCE SHEET DATE

Mr Ben Bootle was appointed Chief Operating Officer in December to effect the company re-structure. Mr Ian Allen, Managing Director and CEO, ceased employment with the company on February 4. Mr Bootle was appointed Acting CEO from that date.

Sales of DataDotDNA to GardX Protection Limited in the UK has been agreed and will commence in March 2009.

DDT has been successful in winning an open tender with Brisbane City Council for the provision of property identification marking kits to Council residents. The initiative is part of the Brisbane Lord Mayor's Community Safety strategy. It will be delivered through a subsidised program, widely promoted across the city. The Home Kits will be available from Council Libraries, Customer Service and Regional Business Centres and Police Citizens Youth Clubs all over Brisbane from mid-March.

Directors' Declaration

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

In the opinion of the directors:

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

  (i) giving a true and fair view of the financial position as at 31 December 2008 and the performance for the half-year ended on that date of the consolidated entity; and

  (ii) complying with Accounting Standards AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and

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

On behalf of the Board

A. Farrar
Chairman
Sydney, 27th February 2009

Chartered Accountants
& Business Advisers

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of DataDot Technology Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of DataDot Technology Limited, which comprises the consolidated balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements (ASRE) 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of DataDot Technology Limited's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of DataDot Technology Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of DataDot Technology Limited on 31 December 2008, would be in the same terms if provided to the directors as at the date of this auditor's review report.

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Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our opinion, we draw attention to Note 2 in the half-year financial report which indicates that the entity incurred an operating loss of $7,745,646 (2007: $173,043) for the half-year ended 31 December 2008 and cash and cash equivalents of the entity decreased by $936,087 during the half-year ended 31 December 2008.

These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern, and therefore whether the Consolidated Entity may realise its assets and extinguish its liabilities other than in the ordinary course of business and in amounts different from those stated in the half-year financial report.

PKF

Grant Saxon
Partner

27 February 2009
Sydney