



APPENDIX 4D
Half Yearly Report
for the half year ended 31 December 2013

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Reporting period **Half year ending 31 December 2013**

Previous reporting period Half year ending 31 December 2012

| Results for announcement to the market | 31 Dec 13 | 31 Dec 12 | Change | Change |
|---|------------------|------------------|---------------|---------------|
| | \$ | \$ | \$ | % |
| Revenue | 3,558,717 | 3,393,955 | 164,762 | 4.85% |
| Loss from ordinary activities after tax attributable to members | (539,276) | (271,672) | (267,604) | -98.50% |
| Net loss attributable to members | (539,276) | (271,672) | (267,604) | -98.50% |
| Net tangible asset backing per ordinary share shown in cents | 0.0072 | 0.0054 | 0.0018 | 33.47% |

Dividends

No dividends were paid or made payable during the half year ended or since 31 December 2013.

Commentary

Please refer to the attached financial report for the half year ended 31 December 2013 and the ASX Market Update issued on 30 January 2014.

Other information

31 Dec 13 **31 Dec 12**

Control gained over entities having a material effect

DataDot Security Solutions Inc

100%

50%

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 and joint ventures note in the half yearly financial report for the half year ended 31 December 2013.

Audit status

This report is based on accounts that have been subject to review.

Attachments

Additional disclosure requirements can be found in the notes to the attached half yearly financial report.

Signed By



Bruce Rathie - Executive Chairman

20-Feb-14



Financial Report for the half year ended 31 December 2013

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Directors' Report

for the half year ended 31 December 2013

Your directors submit their report, together with the financial statements of the consolidated entity (referred to hereafter as "DataDot") consisting of DataDot Technology Limited and the entities it controlled at the end of or during the half year ended 31 December 2013.

Directors

The directors of the Company at any time during or since the end of the half-year are as follows:-

Mr B Rathie (Executive Chairman)
Mr G Flowers
Ms A Coutts

Directors were in office for this entire period.

Principal activities

The principal activities of DataDot during the year were:-

- (a) to manufacture and distribute asset identification solutions that include :-
 - (i) DataDotDNA® and CopDots® - polymer and metallic microdots containing etched data that is unique to the assets to which the microdots are attached;
 - (ii) 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 DataTraceDNA® authentication solutions;
- (c) to develop and distribute customised solutions combining DataDotDNA, DataTraceDNA and asset registration.

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

Review of operations

The first six months of the financial year has recorded an increase in revenue and been a period of strong investment in business development initiatives.

Total revenues were \$3,558,717.

Gross profit was \$1,874,418.

Net loss after income tax was \$(539,276).

Operating cashflow was \$85,744; cash outflow from investing activities was \$287,528 and cash inflow from financing activities was \$2,303,475, including \$2,842,759 in net proceeds from share issues. As at 31 December 2013, cash balances held by the company amounted to \$2,948,912.

Australasia

Revenue from external sources in Australasia were \$1,366,549 (\$1,602,503 : 2012), the decrease mainly attributable to lower sales to automotive OEM customers. Net loss decreased to \$225,924 (\$254,000 : 2012) mainly as a result of intercompany recharges.

Americas

Revenue from external sources in the Americas was \$873,220 (\$508,772 : 2012), the increase of 72% due mainly to sales from DataDot Security Solutions Inc and improvement in trade in the automotive sector. Net loss was \$55,665 (profit \$110,923 : 2012).

DataDot Security Solutions Inc (DDSS) was a joint venture between DataDot Technology USA Inc and DataDot Dealer Services LLC (our distributor in the US). DDSS was fully acquired on 15 October 2013 giving DataDot control over US industrial markets via the National Metal Register and retail market through the CopDots Program.

Europe

Revenues from external sources in Europe was \$783,853 (\$846,731 : 2012), the decrease due mainly to reduction in sales in the insurance sector. Net loss was \$132,330 (profit \$23,460 : 2012).

Directors' Report

for the half year ended 31 December 2013

DataTrace DNA Pty Limited

DataTrace revenues were \$535,095 (\$435,949 : 2012) and net profit \$37,079 (loss \$66,280 : 2012).

Outlook

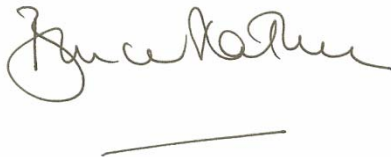
You are referred to the announcement of 30 January 2014 wherein shareholders were updated on some of the major initiatives of the company including the additional material investments that have been incurred in those growth opportunities. The CopDot program and the National Metal Register initiatives in the US and the initiatives in Canada canvassed in that earlier announcement are advancing pleasingly which, together with increasing strength in the auto sector both in the US, Canada and possibly Italy (if current usage rates are sustained) should lead to stronger financial performance.

The company continues to move away from a commodity style of transacting business to a contracted enterprise solutions based model which will, in turn, improve the quality of earnings. Management continues to pursue increased efficiencies across the group as foreshadowed previously.

Auditor's independence declaration

The lead auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001*, for the half year ended 31 December 2013 has been received and can be found on page 6 of the financial report.

Signed in accordance with a resolution of the Board of Directors, pursuant to section 306(3)(a) of the Corporation Act 2001.



B Rathie
Executive Chairman
Sydney
20 February 2014

DECLARATION OF INDEPENDENCE BY ARTHUR MILNER TO THE DIRECTORS OF DATADOT TECHNOLOGY LIMITED

As lead auditor for the review of DataDot Technology Limited for the half-year ended 31 December 2013, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. 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 period.



Arthur Milner
Partner

BDO East Coast Partnership

Sydney, 20 February 2014

Consolidated Statement of Profit or Loss

for the half year ended 31 December 2013

| | Notes | 31 Dec 2013 \$ | 31 Dec 2012 Restated \$ |
|---|-------|-------------------|----------------------------|
| Revenue | | | |
| Sale of goods | | 3,250,163 | 2,992,836 |
| Service and licence fees | | 61,725 | 138,750 |
| Royalties | | 246,829 | 262,369 |
| | | <u>3,558,717</u> | <u>3,393,955</u> |
| Cost of sales | | <u>1,684,299</u> | <u>1,294,687</u> |
| Gross Profit | | <u>1,874,418</u> | <u>2,099,268</u> |
| Other income | 2 | <u>67,644</u> | <u>5,331</u> |
| Expenses | | | |
| Administrative expenses | 3 | 2,007,809 | 1,950,598 |
| Marketing expenses | | 298,814 | 47,025 |
| Occupancy expenses | | 225,812 | 181,347 |
| Travel expenses | | 193,776 | 137,662 |
| Finance costs | 3 | 11,129 | 33,249 |
| | | <u>2,737,340</u> | <u>2,349,881</u> |
| Other expenses :- | | | |
| Impairment losses | | <u>0</u> | <u>7,496</u> |
| | | <u>0</u> | <u>7,496</u> |
| Loss before income tax | | <u>(795,278)</u> | <u>(252,778)</u> |
| Income tax (benefit)/expense | 7 | <u>(256,002)</u> | <u>24,837</u> |
| Loss for the year | | <u>(539,276)</u> | <u>(277,615)</u> |
| Loss for the year attributable to :- | | | |
| Members of the parent entity | | (539,276) | (271,672) |
| Non controlling interest | | 0 | (5,943) |
| | | <u>(539,276)</u> | <u>(277,615)</u> |
| Basic earnings / (loss) per share (cents per share) | | <u>(0.10)</u> | <u>(0.06)</u> |
| Diluted earnings / (loss) per share (cents per share) | | <u>(0.10)</u> | <u>(0.06)</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 half year ended 31 December 2013

| | 31 Dec 2013 | 31 Dec 2012 |
|---|------------------|------------------|
| | \$ | \$ |
| Loss for the year | (539,276) | (277,615) |
| Other comprehensive income :- | | |
| Items that will not be classified subsequently to profit or loss :- | | |
| Exchange difference on translation of foreign operations | <u>(20,107)</u> | 29,803 |
| Total comprehensive income for the year net of tax | <u>(559,383)</u> | <u>(247,812)</u> |
| Total comprehensive income attributable to :- | | |
| Members of the parent entity | (559,383) | (241,869) |
| Non controlling interest | 0 | (5,943) |
| | <u>(559,383)</u> | <u>(247,812)</u> |

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

Consolidated Statement of Financial Position

as at 31 December 2013

| | Notes | 31 Dec 2013 \$ | 30 Jun 2013 \$ |
|--------------------------------------|-------|-------------------|-------------------|
| Current Assets | | | |
| Cash and cash equivalents | 6 | 2,988,358 | 897,398 |
| Trade and other receivables | | 1,254,432 | 1,173,209 |
| Inventories | | 1,197,103 | 1,136,582 |
| Other receivable | | 177,600 | 308,000 |
| Current tax assets | | 4,102 | 4,036 |
| Total Current Assets | | 5,621,595 | 3,519,225 |
| Non-Current Assets | | | |
| Plant and equipment | | 860,811 | 905,962 |
| Intangible assets | | 3,665,412 | 3,294,967 |
| Deferred tax assets | | 0 | 0 |
| Total Non-Current Assets | | 4,526,223 | 4,200,929 |
| Total Assets | | 10,147,818 | 7,720,154 |
| Current Liabilities | | | |
| Trade and other payables | | 908,444 | 914,150 |
| Borrowings | | 178,109 | 437,664 |
| Income tax payable | | 18,194 | 11,494 |
| Provisions | | 373,047 | 365,898 |
| Other current liabilities | | 378,739 | 31,362 |
| Total Current Liabilities | | 1,856,533 | 1,760,568 |
| Non-Current Liabilities | | | |
| Borrowings | | 27,549 | 52,806 |
| Provisions | | 1,099 | 2,536 |
| Total Non-Current Liabilities | | 28,648 | 55,342 |
| Total Liabilities | | 1,885,181 | 1,815,910 |
| Net Assets | | 8,262,637 | 5,904,244 |
| Equity | | | |
| Contributed equity | 7 | 36,347,641 | 33,376,382 |
| Accumulated losses | | (25,700,488) | (25,161,212) |
| Reserves | | (2,384,516) | (2,310,926) |
| Total Equity | | 8,262,637 | 5,904,244 |

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

Consolidated Statement of Changes in Equity

for the half year ended 31 December 2013

| | Attributable to equity holders of the parent | | | | | | Total equity \$ |
|--|--|-----------------------|---|------------------------------------|------------------|------------------------------|------------------|
| | Contributed equity \$ | Accumulated losses \$ | Foreign currency translation reserve \$ | Employee equity benefit reserve \$ | Other reserve \$ | Non controlling interests \$ | |
| Balance at 1 July 2012 | 33,102,482 | (25,068,191) | (1,900,943) | 415,268 | (309,424) | (46,149) | 6,193,043 |
| Loss after income tax expense for the year | 0 | (271,672) | 0 | 0 | 0 | (5,943) | (277,615) |
| Other comprehensive income for the year, net of tax | 0 | 0 | 29,803 | 0 | 0 | 0 | 29,803 |
| Total comprehensive income for the year | 0 | (271,672) | 29,803 | 0 | 0 | (5,943) | (247,812) |
| Transactions with owners in their capacity as owners :- | | | | | | | |
| Share based payments | 0 | 0 | 0 | 51,966 | 0 | 0 | 51,966 |
| Share rights exercised | 273,900 | 0 | 0 | (273,900) | 0 | 0 | 0 |
| Acquisition of non-controlling interest in AgTechnix Pty Limited | 0 | 0 | 0 | 0 | (369,199) | 52,092 | (317,107) |
| Balance at 31 December 2012 | 33,376,382 | (25,339,863) | (1,871,140) | 193,334 | (678,623) | 0 | 5,680,090 |
| Balance at 1 July 2013 | 33,376,382 | (25,161,212) | (1,878,453) | 246,150 | (678,623) | 0 | 5,904,244 |
| Loss after income tax expense for the year | 0 | (539,276) | 0 | 0 | 0 | 0 | (539,276) |
| Other comprehensive income for the year, net of tax | 0 | 0 | (20,107) | 0 | 0 | 0 | (20,107) |
| Total comprehensive income for the year | 0 | (539,276) | (20,107) | 0 | 0 | 0 | (559,383) |
| Transactions with owners in their capacity as owners :- | | | | | | | |
| Share Issues | 3,000,000 | 0 | 0 | 0 | 0 | 0 | 3,000,000 |
| Share Issue Costs | (157,241) | 0 | 0 | 0 | 0 | 0 | (157,241) |
| Share based payments | 0 | 0 | 0 | 75,017 | 0 | 0 | 75,017 |
| Share rights exercised | 128,500 | 0 | 0 | (128,500) | 0 | 0 | 0 |
| Balance at 31 December 2013 | 36,347,641 | (25,700,488) | (1,898,560) | 192,667 | (678,623) | 0 | 8,262,637 |

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

Consolidated Statement Cash Flows

for the half year ended 31 December 2013

| | Notes | 31 Dec 2013 \$ | 31 Dec 2012 restated \$ |
|--|-------|-------------------|----------------------------|
| Cash from operating activities | | | |
| Receipts from customers (inclusive of GST) | | 3,917,715 | 3,051,955 |
| Payments to suppliers and employees (inclusive of GST) | | (4,213,878) | (3,169,643) |
| Interest paid | | (11,129) | (10,579) |
| Income tax paid | | (15,514) | (15,581) |
| Receipt of income tax rebate | | 408,550 | 464,180 |
| Net cash flows from operating activities | | <u>85,744</u> | <u>320,332</u> |
| Cash flows from investing activities | | | |
| Interest received | | 5,730 | 5,320 |
| Purchase of plant and equipment | | (35,383) | (5,872) |
| Payments for development and other intangible assets | | (257,876) | (206,191) |
| Net cash flows used in investing activities | | <u>(287,529)</u> | <u>(206,743)</u> |
| Cash flows from financing activities | | | |
| Payment for acquisition of minority interest in subsidiary | | 0 | (225,530) |
| Net proceeds from capital raising | | 2,842,759 | 0 |
| Repayment of borrowings | | (514,446) | (188,522) |
| Repayment of finance lease liabilities | | (24,838) | (36,336) |
| Net cash flows from / (used in) financing activities | | <u>2,303,475</u> | <u>(450,388)</u> |
| Net increase / (decrease) in cash and cash equivalents | | | |
| Cash and cash equivalents at beginning of year | | 864,523 | 1,409,368 |
| Effect of exchange rate on cash holdings in foreign currencies | | (17,301) | 741 |
| Cash and cash equivalents at end of year | 6 | <u>2,948,912</u> | <u>1,073,310</u> |

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

1 Summary of significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2013 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2013 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New, revised or amending Accounting Standards and Interpretations adopted

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

Any significant impact on the accounting policies of the consolidated entity from the adoption of these Accounting Standards and Interpretations are disclosed below. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity :-

AASB 10 Consolidated Financial Statements

The consolidated entity has applied AASB 10 from 1 July 2013, which has a new definition of 'control'. Control exists when the reporting entity is exposed, or has the rights, to variable returns (e.g. dividends, remuneration, returns that are not available to other interest holders including losses) from its involvement with another entity and has the ability to affect those returns through its 'power' over that other entity. A reporting entity has power when it has rights (e.g. voting rights, potential voting rights, rights to appoint key management, decision making rights, kick out rights) that give it the current ability to direct the activities that significantly affect the investee's returns (e.g. operating policies, capital decisions, appointment of key management). The consolidated entity not only has to consider its holdings and rights but also the holdings and rights of other shareholders in order to determine whether it has the necessary power for consolidation purposes.

AASB 12 Disclosure of Interests in Other Entities

The consolidated entity has applied AASB 12 from 1 July 2013. The standard contains the entire disclosure requirement associated with other entities, being subsidiaries, associates and joint ventures. The disclosure requirements have been significantly enhanced when compared to the disclosures previously located in AASB 127 'Consolidated and Separate Financial Statements', AASB 128 'Investments in Associates', AASB 131 'Interests in Joint Ventures' and Interpretation 112 'Consolidation - Special Purpose Entities'.

AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13

The consolidated entity has applied AASB 13 and its consequential amendments from 1 July 2013. The standard does not prescribe when to use fair value. Instead it provides a single robust measurement framework, with clear measurement objectives, for measuring fair value using the 'exit price' and it provides guidance on measuring fair value when a market becomes less active. The 'highest and best use' approach would be used to measure assets whereas liabilities would be based on transfer value.

Notes to the Financial Statements

for the half year ended 31 December 2013

1 Summary of significant accounting policies (continued)

AASB 119 Employee Benefits (September 2011) and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)

The consolidated entity has applied AASB 119 and its consequential amendments from 1 July 2013. The standard eliminates the corridor approach for the deferral of gains and losses; streamlines the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring remeasurements to be presented in other comprehensive income; and enhances the disclosure requirements for defined benefit plans. The standard also changed the definition of short-term employee benefits, from 'due to' to 'expected to' be settled within 12 months. Annual leave that is not expected to be wholly settled within 12 months is now discounted allowing for expected salary levels in the future period when the leave is expected to be taken.

AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle

The consolidated entity has applied AASB 2012-5 from 1 July 2013. The amendments affect five Australian Accounting Standards as follows: Confirmation that repeat application of AASB 1 (IFRS 1) 'First-time Adoption of Australian Accounting Standards' is permitted; Clarification of borrowing cost exemption in AASB 1; Clarification of the comparative information requirements when an entity provides an optional third column or is required to present a third statement of financial position in accordance with AASB 101 'Presentation of Financial Statements'; Clarification that servicing of equipment is covered by AASB 116 'Property, Plant and Equipment', if such equipment is used for more than one period; clarification that the tax effect of distributions to holders of equity instruments and equity transaction costs in AASB 132 'Financial Instruments: Presentation' should be accounted for in accordance with AASB 112 'Income Taxes'; and clarification of the financial reporting requirements in AASB 134 'Interim Financial Reporting' and the disclosure requirements of segment assets and liabilities.

AASB 2012-9 Amendment to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039

The consolidated entity has applied AASB 2011-9 amendments from 1 July 2013. The amendments remove reference in AASB 1048 following the withdrawal of Interpretation 1039 'Substantive Enactment of Major Tax Bills in Australia'.

| | 31 Dec 2013 | 31 Dec 2012 |
|--|------------------|------------------|
| | \$ | \$ |
| 2 Other Income | | |
| Interest income | 5,730 | 5,331 |
| Gain on revaluation of acquisition | 60,718 | 0 |
| Sundry income | 1,196 | 0 |
| | <u>67,644</u> | <u>5,331</u> |
| 3 Expenses | | |
| The consolidated statement of profit or loss includes the following specific expenses :- | | |
| <i>Cost of sales</i> | | |
| Provision for stock obsolescence | <u>78,334</u> | 0 |
| <i>Administrative expenses</i> | | |
| Net loss/(gain) on foreign currency | (3,123) | 71,500 |
| Employee benefits | 957,616 | 1,001,762 |
| Depreciation | 80,535 | 86,761 |
| Amortisation | 146,668 | 140,724 |
| | <u>1,181,696</u> | <u>1,300,747</u> |
| <i>Occupancy expenses</i> | | |
| Minimum lease payments | <u>147,976</u> | 181,347 |
| <i>Finance costs</i> | | |
| Bank loans and overdrafts | 9 | 29,824 |
| Other borrowings | 6,408 | 0 |
| Finance charges payable under finance leases and hire purchase contracts | 4,712 | 3,425 |
| | <u>11,129</u> | <u>33,249</u> |

Notes to the Financial Statements

for the half year ended 31 December 2013

| | 31 Dec 2013 | 31 Dec 2012 |
|--|-------------|-------------|
| | \$ | \$ |
| 4 Dividends | | |
| Dividends declared or paid during the year | <u>0</u> | <u>0</u> |
| Franking account balance | <u>0</u> | <u>0</u> |

5 Fair values of financial instruments

Unless otherwise stated, carrying amounts of financial instruments reflect their fair value. The carrying amounts of trade receivables and trade payables assume to approximate their fair values due to their short term nature. The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial instruments.

6 Cash and cash equivalents

Reconciliation of cash

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 | 2,988,358 | 1,073,310 |
| Bank overdraft | (39,446) | 0 |
| Balance as per statement of cash flows | <u>2,948,912</u> | <u>1,073,310</u> |

| | 31 Dec 2013 | 30 Jun 2013 |
|--------------------------|------------------|----------------|
| | \$ | \$ |
| Cash at bank and on hand | <u>2,988,358</u> | <u>897,398</u> |

7 Income Tax

Major components of tax expense / (benefit)

| | 31 Dec 2013 | 31 Dec 2012 |
|---|------------------|---------------|
| | \$ | \$ |
| Current income tax expense / (benefit)* | (274,214) | 9,688 |
| Withholding Tax | <u>18,212</u> | <u>15,149</u> |
| Income tax expense / (benefit) | <u>(256,002)</u> | <u>24,837</u> |

* Includes and income tax rebate in relation to research and development of \$278,150 (\$Nil : 2012)

Notes to the Financial Statements

for the half year ended 31 December 2013

| 8 Equity - Contributed equity | 31 Dec 2013 | 31 Dec 2012 | 31 Dec 2013 | 31 Dec 2012 |
|-----------------------------------|--------------------|--------------------|-------------------|-------------------|
| | Shares | Shares | \$ | \$ |
| Ordinary shares | 634,675,800 | 480,800,800 | 36,347,641 | 33,376,382 |
| | Date | No of Shares | Issue Price | \$ |
| Balance | 1/07/2013 | 480,800,800 | | 33,376,382 |
| Issue of Shares - Share Rights | 1/07/2013 | 3,875,000 | 0.033 | 128,500 |
| Issue of Shares - Share Placement | 7/10/2013 | 72,000,000 | 0.020 | 1,440,000 |
| Share Issue transactions costs | 7/10/2013 | | | (83,454) |
| Issue of Shares - Share Placement | 25/10/2013 | 28,950,000 | 0.020 | 579,000 |
| Share Issue transactions costs | 25/10/2013 | | | (14,783) |
| Issue of Shares - Share Placement | 27/11/2013 | 28,000,000 | 0.020 | 560,000 |
| Share Issue transactions costs | 27/11/2013 | | | (34,947) |
| Issue of Shares - Share Placement | 19/12/2013 | 21,050,000 | 0.020 | 421,000 |
| Share Issue transactions costs | 19/12/2013 | | | (24,057) |
| Balance | 31/12/2013 | 634,675,800 | | 36,347,641 |

9 Segment Information

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.

Three of the operating segments are identified by management based on the location of the selling segment. One of the operating segments are identified by management based on the product offerings. 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

The three geographical regions of Asia Pacific, Americas and Europe each manufacture and distribute an asset identification system that includes :-

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

DataBaseDNA - a global database that records asset identification data and is accessible by law enforcement agencies and insurance investigators.

The only operating segment that is identified by product offerings managed on a global basis is :-

DataTraceDNA® – 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 inter-segment transactions

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

The following tables present the revenue, profit/(loss) before tax, assets and liabilities information regarding operating segments for half years ended 31 December 2013 and 31 December 2012.

Notes to the Financial Statements

for the half year ended 31 December 2013

9 Segment Information (continued)

| Segment performance | Australasia | Americas | Europe | DataTraceDNA | Eliminations | Total |
|--|--------------------|------------------|------------------|---------------------|---------------------|-------------------|
| Year ended 31 December 2013 | \$ | \$ | \$ | \$ | \$ | \$ |
| Revenue from external customers | 1,366,549 | 873,220 | 783,853 | 535,095 | 0 | 3,558,717 |
| Intersegment revenue | 735,079 | 123,683 | 1,000 | 14,038 | (873,800) | 0 |
| Total revenue | 2,101,628 | 996,903 | 784,853 | 549,133 | (873,800) | 3,558,717 |
| Depreciation, amortisation, disposals and Impairment | (118,170) | (9,004) | (2,592) | (97,437) | 0 | (227,203) |
| Finance revenue | 5,335 | 11 | 13 | 371 | 0 | 5,730 |
| Finance costs | (1,282) | (3,439) | (6,408) | 0 | 0 | (11,129) |
| Net profit / (loss) after income tax | (225,924) | (55,665) | (132,330) | 37,079 | (162,436) | (539,276) |
| Segment assets | 16,724,696 | 1,148,395 | 780,119 | 2,155,822 | (10,661,214) | 10,147,818 |
| Segment liabilities | 8,337,552 | 6,021,597 | 849,588 | 1,575,792 | (14,899,348) | 1,885,181 |
| | Australasia | Americas | Europe | DataTraceDNA | Eliminations | Total |
| Year ended 31 December 2012 | \$ | \$ | \$ | \$ | \$ | \$ |
| Revenue from external customers | 1,602,503 | 508,772 | 846,731 | 435,949 | 0 | 3,393,955 |
| Intersegment revenue | 502,160 | 96,127 | 1,080 | 68,638 | (668,005) | 0 |
| Total revenue | 2,104,663 | 604,899 | 847,811 | 504,587 | (668,005) | 3,393,955 |
| Depreciation, amortisation, disposals and Impairment | (137,666) | (30,628) | 0 | (66,687) | 0 | (234,981) |
| Finance revenue | 5,037 | 0 | 11 | 283 | 0 | 5,331 |
| Finance costs | (6,935) | (3,644) | (22,670) | 0 | 0 | (33,249) |
| Net profit / (loss) after income tax | (254,000) | 110,923 | 23,460 | (66,280) | (91,718) | (277,615) |
| Segment assets | 7,257,162 | 748,992 | 748,839 | 2,622,103 | (3,646,959) | 7,730,137 |
| Segment liabilities | 752,534 | 5,411,996 | 686,006 | 2,500,431 | (7,377,961) | 1,973,006 |

Notes to the Financial Statements

for the half year ended 31 December 2013

10 Controlled Entities and Joint Ventures

| | Country of Incorporation | % Equity 2013 | 2012 | Investment 2013 \$ | Investment 2012 \$ |
|--|-----------------------------|------------------|------|-----------------------|-----------------------|
| <i>Ultimate parent entity</i> | | | | | |
| DataDot Technology Limited | Australia | | | | |
| <i>Controlled entities</i> | | | | | |
| DataDot Technology (Australia) Pty Limited | Australia | 100 | 100 | 100 | 100 |
| DataDot Technology USA Inc. | USA | 100 | 100 | 181,818 | 181,818 |
| DataDot Security Solution Inc | USA | 100 | 50 | 1 | 0 |
| DataDot Technology (UK) Limited | UK | 100 | 100 | 1,177 | 1,177 |
| DataDot Technology (Europe) Limited | UK | 100 | 100 | 167 | 167 |
| AgTechnix Pty Limited | Australia | 100 | 100 | 200 | 200 |
| DataTrace DNA Pty Limited | Australia | 100 | 100 | 2,395,010 | 2,395,010 |
| DataDot N.Z. Pty Limited | New Zealand | 100 | 100 | 404 | 404 |
| <i>Joint venture entities</i> | | | | | |
| DataDot Technology (Asia) Pte. Limited | Taiwan | 0 | 50 | 0 | 0 |

11 Acquisitions & Disposals

Acquisition of DataDot Security Solutions Inc

On 15 October 2013, DataDot Technology USA (DDTUSA) Inc acquired the remaining 50% of DataDot Security Solutions Inc (DDTSS) from DataDot Dealer Services Inc (DDTDS), a non-related product distributor in the USA, becoming the sole shareholder of DDTSS, and making it a wholly-owned subsidiary of DataDot. The acquisition was undertaken to better utilise and control the emerging products of CopDots and the National Metals Register in the USA and to rationalise operating costs. The shares were transferred for a nominal consideration of USD \$1. DDTSS was consolidated into the accounts as a subsidiary of DataDot from 15 October 2013 and have contributed revenues of USD\$140,491 and a loss of USD\$230,724 to 31 December 2013. It is impractical to provide contributions for the entire half year to 31 December 2013 as the business objectives post acquisition have been restructured and as such a pre acquisition contribution is not comparable to current operations.

Details of the acquisition are as follows :-

| | Fair Value USD \$ |
|---|----------------------|
| Cash at bank | 4,705 |
| Trade debtors | 171,513 |
| Inventories | 578 |
| Plant & equipment | 902 |
| Trade and other payables | (107,660) |
| Borrowings | (255,000) |
| Net assets acquired | (184,962) |
| Goodwill | 241,402 |
| Acquisition date fair value | 56,440 |
| Represented by :- | |
| Cash paid | 1 |
| Investment in DDTSS | 1 |
| Gain on revaluation of initial investment | 56,438 |
| | 56,440 |

Notes to the Financial Statements

for the half year ended 31 December 2013

12 Restatement of Comparatives

DataDot revised the format of the face of the financial statements to more appropriately reflect the nature of expenses.

The extracts for those items affected are below :-

| Consolidated statement of profit or loss and other comprehensive income - extract | 2012 Reported \$ | Reclassification \$ | 2012 Restated \$ |
|--|------------------|---------------------|------------------|
| Revenue | | | |
| Sale of goods | 3,131,586 | (138,750) | 2,992,836 |
| Service and licence fees | 0 | 138,750 | 138,750 |
| Cost of sales | 1,347,359 | (52,672) | 1,294,687 |
| Expenses | | | |
| Employee benefits expenses | 1,061,741 | (1,061,741) | 0 |
| Administrative expenses | 537,200 | 1,413,398 | 1,950,598 |
| Depreciation, amortisation and disposal expenses | 227,485 | (227,485) | 0 |
| Gain/Loss on foreign currency | 71,500 | (71,500) | 0 |

13 Subsequent Events

DataDot has now agreed in principle with its distributor in Taiwan (DataDot Taiwan) to licence manufacturing for the Taiwanese market to DataDot Taiwan with from 1 January 2014. DataDot will receive a royalty based on gross sales from DataDot Taiwan for use of its patent in Taiwan based on volume manufactured there. DataDot Taiwan will take over the factory and all existing staff and costs currently operated by DataDot Technology (Australia) Pty Limited (Taiwan Branch).

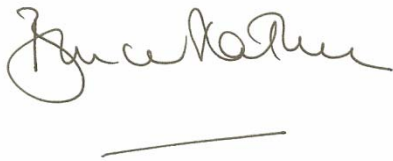
Directors' Declaration

In the directors' opinion:

- (a) the attached financial statements and notes thereto comply with the Corporations Act 2001, Australia Accounting Standard AASB 134 "Interim Financial Reporting", the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- (b) the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the financial half-year ended on that date; and
- (c) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors made pursuant to section 303(5) of the Corporations Act 2001.

On behalf of the Board



B Rathie
Executive Chairman
20 February 2014

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 statement of financial position as at 31 December 2013, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

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 a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of DataDot Technology Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of DataDot Technology Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.



Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 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*

A handwritten signature in black ink that reads 'BDO'.

BDO East Coast Partnership

A handwritten signature in black ink that reads 'A. Milner'.

Arthur Milner
Partner

Sydney, 20 February 2014