2012
ANNUAL REPORT

DataDot
TECHNOLOGY LTD

DataDot Technology Limited

For the Year Ended 30 June 2012

CONTENTS

Corporate Information

ABN 54 091 908 726

This annual report covers the consolidated entity comprising DataDot Technology Limited ("the company" or "parent entity") and its subsidiaries ("DataDot"). DataDot's functional and presentation currency is AUD ($).

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

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

Company Secretary
Mr G. Loughlin

Registered Office
Unit 9
19 Rodborough Road
Frenchs Forest NSW 2086
Phone +61 2 8977 4900
Fax +61 2 9975 4700

Auditors
BDO East Coast Partnership (formerly PKF East Coast Practice)
Level 10
1 Margaret Street
Sydney NSW 2000

Bankers
Commonwealth Bank
Forestway Shopping Centre
Forestway, Frenchs Forest
Sydney NSW 2086

Share Register
Boardroom Limited
Level 7
207 Kent Street
Sydney NSW 2000
Phone +61 2 9290 9600
Fax +61 2 9279 0664

Stock Exchange
DataDot Technology Limited is listed on the Australian Securities Exchange. The Home Exchange is Sydney.

Other Information
DataDot Technology Limited, incorporated and domiciled in Australia, is a publicly listed company limited by shares.

Company website
www.datadotdna.com

Executive Chairman's Report

Introduction

DataDot Technology Limited (DataDot) is proudly an Australian technology company with global growth aspirations in asset marking, asset authentication and anti-counterfeiting markets. It is headquartered in Sydney with activities in over 20 countries. These comprise subsidiary companies in the USA, Taiwan (for the Chinese market) and the United Kingdom, manufacturing facilities in Australia, United Kingdom, USA, Taiwan and South Africa (under licence) and distributors in all other jurisdictions.

Management

DataDot has been subjected to much change at the senior management level particularly during the second half of the financial year. Mr Ben Bootle resigned from the company in January 2012 and I assumed the Executive Chairman's role to implement several changes. The company is managed by a small executive team under the guidance of the Executive Chairman. The management team has been reduced and augmented with the addition of a new General Manager, Sales & Marketing joining in May 2012 and a new domestic Sales Manager joining the Sydney team shortly after year end. The company has refined and developed its strategy (see Strategy below) and signs are emerging that these new initiatives are starting to generate additional revenue both from existing and new clients.

Strategy

DataDot has two major products being DataDotDNA, which is a microdot used for asset identification, and DataTraceDNA, which uses spectral technology for asset authentication and anti-counterfeiting. DataDotDNA has been very effective preventing theft in the auto sector and DataTraceDNA is proving very effective in the brand protection and asset authentication sectors.

The strategy has been refocussed on these core capabilities. Greater emphasis has been put on DataDotDNA sales into the auto sector, particularly in high theft markets such as Brazil, Mexico and Asia. Most exciting and prospective is replicating in the industrial sector this proven formula for sales in the auto sector, using DataDotDNA asset marking to prevent theft of metals, tools, equipment, home contents and personal assets. We are on target to progressively launch this DataDot Plus program in the US, Europe and Australian markets as foreshadowed in our May 2012 announcement.

Rather than selling microdots alone, we have assembled in DataDot Plus an offering or solution that includes sophisticated database services for recording and tracking assets together with law enforcement support and engagement. These value-added solutions can be sold at a material premium to microdots as a standalone and take us out of contested commodity markets. We are putting into place the necessary partnerships in these markets to maximise returns and are in dialogue with a number of potential large scale customers, which give us confidence that this offering has a strong value proposition to customers and is likely to materially increase sales.

With DataTraceDNA we are focussing on our core capabilities and targeting global companies that wish to use this product to protect their brands and products from counterfeiting. This product has a longer lead time to sale given the invariable need for trialling and customisation but many relationships have been worked on for the last couple of years and we expect strong sales from this product both to satisfied old clients and new clients who are working their way to the end of trials.

DataDot is determined to focus on core product with a strong value proposition for customers and believes this strategy will lead to strong growth going forward particularly when regional economies, especially Europe, begin to grow again.

Executive Chairman's Report (continued)

Group Overview for 2011/12

Revenues for DataDot in 2011/12 were $7,143,493, being 5% lower than 2010/11 revenues of $7,487,425. However, for the six month period from 1 January 2012 to 30 June 2012, revenues of $3,825,721 were $507,949 higher than revenues in the prior six months (July to December 2012) of $3,317,772.

The consolidated net loss after income tax for the 2012 year was $1,652,638 compared to an adjusted loss in 2011 of $1,105,533 (which excludes the $552,134 one-off gain for the revaluation of DataDot's investment in DataTrace DNA Pty Limited). For the six month period from 1 January 2012 to 30 June 2012, the net loss after income tax (which included a research and development tax incentive benefit of $508,687) was $456,566 compared to a loss after income tax in the prior six months (July to December 2012) of $1,196,072.

During the second half of the financial year, DataDot:

- increased revenue, realising a $507,949 increase over revenues in the first half of the year in what is still a very difficult market, particularly in Italy; and
- reduced costs, both through a reduction in head count and closure of underperforming activities with annual savings in excess of $900,000.

These initiatives included non-recurring restructuring costs of $315,297. Impairment of patents (where patents had been superseded or intentionally abandoned) accounted for a further non-recurring cost of $194,703, accounted for as impairment losses.

The magnitude of the improved performance is indicated in the table below, which reconciles the first half-year result to the full year result. Net profit after tax (inclusive of a full year research and development (R&D) tax incentive benefit of $508,687) improved by $1,249,506, from a loss of $1,196,072 in the first half of the financial year to an pro-forma profit of $53,434 in the second half of the financial year excluding non-recurring items. DataDot acknowledges that this is still a very disappointing result but the significant improvement shows that the company is taking steps to remediate the situation and improve performance.

FY2012 full year loss before tax	($ 2,166,988)
Full year income tax benefit	$ 514,350
FY2012 full year loss after tax	($ 1,652,638)
First half FY2012 loss after tax	($ 1,196,072)
Second half FY2012 loss after tax	($ 456,566)
Add back non-recurring items:	
Restructuring expenses	$ 315,297
Impairment of superseded patents	$ 194,703
Pro-forma second half profit after excluding non-recurring items	$ 53,434

Outlook

Europe has been adversely affected by the economic environment which has, in turn, reduced DataDot's returns from that market. All other continuing parts of the DataDot business improved during the second half of the financial year. We see those businesses continuing to grow this financial year, after the usual pause during the Northern Hemisphere holiday period, with initiatives in copper and asset theft markets expected to generate increasing sources of revenue later this calendar year. Particular focus is also being given to growing revenues from the auto sector through our distributor network in the high theft markets of Latin America, Mexico, Indonesia, Malaysia and China. DataTraceDNA continues to be a strong growth contributor with revenue from both existing and new clients.

Costs will continue to be reviewed and expenses closely controlled.

The company expects to see its financial performance continue to improve during FY2013. The speed of this improvement will be influenced to a large degree by economic conditions particularly in Europe.

Executive Chairman's Report (continued)

Operating Results for the Year

Summarised operating results are as follows:

	2012		2011	
	Total Revenues	**Results**	Total Revenues	Results
	$	**$**	$	$
Geographic segments				
Asia Pacific	**4,882,839**	**614,704**	4,654,264	472,437
Americas	**976,343**	**76,975**	937,901	(27,484)
Europe	**1,625,453**	**(231,313)**	1,834,256	223,283
AgTechnix	**89,235**	**(431,252)**	123,278	(187,519)
DataTraceDNA	**1,101,912**	**(400,731)**	690,599	71,372
	8,675,782	**(371,617)**	8,240,298	552,089
Consolidated entity adjustments	**(1,604,386)**	**-**	(852,869)	-
Non-segment unallocated revenues and expenses	**72,097**	**(1,777,038)**	99,996	(879,281)
Finance costs	**-**	**(18,333)**	-	(22,403)
Share of loss of joint venture	**-**	**-**	-	(111,716)
Income tax benefit/(expense)	**-**	**514,350**	-	(122,088)
Consolidated entity sales and (loss)/profit	**7,143,493**	**(1,652,638)**	7,487,425	(583,399)

Asia Pacific

Revenues in Asia Pacific increased by $228,575 (5%) as automotive OEM customers recovered from disruption of supply caused by the earthquake and tsunami that devastated northern Japan and the flooding in Thailand. Net profit increased to $614,704 from $472,437, an increase of $142,267 (30%), in line with increased revenues.

Americas

The Americas region increased revenue by 4% to $976,343, up from $937,901 in the previous year. Tight control of expenses led to a full year net profit of $76,975 compared to a prior year loss of $27,484.

Europe

In Europe, continuing economic uncertainty led to revenues for the year decreasing 11% from the prior year ($1,625,453 in 2012 compared to $1,834,256 in 2011). The continuing appreciation of the Australian dollar against the Pound Sterling and the Euro exacerbated this negative impact. Lower sales led to Europe making a loss of $231,313 in 2012, compared to a profit of $223,283 in 2011.

DataTraceDNA Pty Limited

DataTraceDNA revenues were $1,101,912 for the full 2012 financial year compared to $690,699 for the seven months from 1 December 2010 to 30 June 2011. Net profit for the same periods decreased from a profit for the seven months in 2011 of $71,372 to a loss of $400,731 in 2012. In December 2010, DataDot acquired the 50% shareholding in DataTrace DNA Pty Limited (DataTrace) owned by CSIRO, making DataTrace a wholly-owned subsidiary of DataDot. Had the acquisition of the remaining share of DataTrace occurred at the beginning of the reporting period, the consolidated operating results would have included revenues of $911,747 and a loss of ($152,060). The loss in 2012 was primarily due to an increased investment in reader technology initiatives and a higher level of reader sales (with a corresponding lower margin) compared to product sales.

Executive Chairman's Report (continued)

AgTechnix Pty Limited

Revenues from AgTechnix Pty Limited (AgTechnix) in 2012 were $89,235 compared to revenues of $123,278 in 2011. The net loss increased from $187,519 in 2011 to $431,252 in 2012. On 29 June 2012, DataDot acquired the 49% of AgTechnix A class shares and 50% of AgTechnix B class shares owned by IPECO Pty Limited, so becoming the sole shareholder and owner of AgTechnix and making AgTechnix a fully integrated, wholly-owned subsidiary of DataDot. The acquisition was undertaken to better utilise existing product support capacity within DataDot and to rationalise operating costs, including the costs to DataDot and IPECO of maintaining a separate JV company. The shares were transferred for a nominal consideration. On a go-forward basis, AgTechnix will be operated utilising existing DataDot resources and as such AgTechnix will have no staffing or other operating costs.

Operating Expenses

DataDot's operating expenses (excluding restructuring expenses and impairment losses) decreased by $183,922 (2%) from $5,938,576 in 2011 to $5,754,654 in 2012. A number of cost saving initiatives were implemented during the second half of the financial year, such that operating expenses (excluding restructuring expenses and impairment losses) for the second half of the year were $2,678,857 compared to $3,075,797 in the first half of the year. DataDot will continue to focus on cost control into the 2012/13 year through further reviews of staffing requirements and continuous assessments of more efficient and cost effective manufacturing processes.

Restructuring Expenses and Impairment Losses

The cost saving measures implemented during the second half of the financial year of 2012 resulted in restructuring expenses of $315,297. The major components of the restructuring were termination payments associated with cessation of employment together with costs incurred in closing facilities surplus to requirements. A comprehensive review of patents identified patents that had been superseded or intentionally abandoned. The impairment of these patent costs accounted for a non-recurring cost of $194,703 in 2012.

Liquidity and Capital Resources

Owing to lower sales and higher costs in the first eight months of the financial year and an increase in inventory levels primarily associated with DataTrace reader components, there was a decrease in cash for the year of $2,119,226 to a closing balance of $1,409,367.

Operating activities consumed $1,584,695 of cash in 2012 (2011: $994,545). This increase in cash consumption was a result of lower sales to customers and higher inventory purchases. Cash inflows from financing activities for the 2012 year were $146,753, consisting mainly of proceeds from borrowings. This compares to inflows from financing activities in 2011 of $3,630,449, primarily from proceeds from the issue of shares. Cash outflows from investing activities were $669,920 in 2012 compared to outflows of $892,823 in 2011. The outflows were due to the upgrading of critical plant and equipment and development of new technologies in both DataDot and DataTrace.

DataDot has indicated that market volatility and economic slowdown in international markets in which it trades, particularly Italy, have negatively affected financial performance during FY2012. DataDot anticipates that these markets will improve during the course of FY2013 but as this is not guaranteed continued economic slowdown is possible. The company has reduced its annual cost base by more than $900,000 and rationalised under-performing activities. Despite these efforts, there is a risk as to whether European and other markets will stabilise and begin to recover during FY2013. If they do not, DataDot may need to raise additional working capital to fund its operations during the year.

Executive Chairman's Report (continued)

Shares Issued during the Year

There were no shares issued under a share purchase plan during the 2012 financial year (2011: 73,170,732 shares issued). There were no shares issued through a share placement during the 2012 financial year (2011: 23,658,537 shares issued).

Profile of Debts

The amount of DataDot's debt has increased by $204,104 from $563,343 at 30 June 2011 to $747,447 at 30 June 2012, due to an increase in funding for AgTechnix from IPECO Pty Limited, offset by partial repayment of the existing bank loan facility. The $315,151 debt owed to IPECO Pty Limited, unless repaid from revenue generated by AgTechnix over the next three years, is to be forgiven by IPECO at the end of that three year period as per the Share Purchase Agreement whereby DataDot acquired IPECO's shares in AgTechnix.

Capital expenditure

There has been a decrease in cash used to purchase plant and equipment, down from $457,747 in 2011 to $148,193 in 2012.

Shareholders

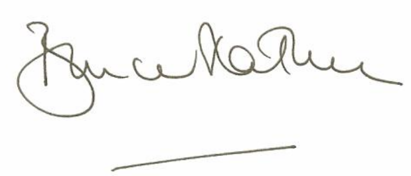
I express my appreciation to our shareholders for their continued support during a further year of difficult trading conditions. The Board and management remains committed to maintaining an effective level of investor communication so that shareholders and the wider market are kept fully informed of the company's strategy and performance.

Conclusion

I have indicated earlier the strategy the company is adopting and the new initiatives in the industrial space in the US, Europe and Australia. The Board is confident that this strategy, together with the company's turn-around performance in the second half and the strong sales pipeline in traditional DataDotDNA and DataTraceDNA markets, provide a robust capacity for the company to generate growth in shareholder value.

The Board is aware that the company must turn this potential into reality and is determined to do so. It thanks its shareholders for their patience with the company and their ongoing support.

Your board will provide further comments at the Annual General Meeting in November.



Bruce Rathie
Executive Chairman

24 September 2012

Directors' Report

For the Year Ended 30 June 2012

Your directors submit their report, together with the financial statements of DataDot Technology Limited (DataDot) for the financial year ended 30 June 2012.

1. Directors and Company Secretary

The name and details of DataDot's directors in office during the financial year and until the date of this report is as follows. Directors were in office for this entire period unless otherwise stated.

Mr Bruce Rathie B.Com., LL.B., MBA, Grad Dip CSP, SA Fin., FAICD, FAIM
Executive 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. He has held several senior positions in investment banking and commercial law including: Managing Director, Jardine Fleming Australia Capital Ltd; Director, Corporate Finance, Ord Minnett Inc; and Director, Investment Banking, Salomon Brothers/Salomon Smith Barney Australia. In addition to listed Directorships below, Mr Rathie is Chairman of EFTPOS Payments Australia Limited and a Director of Capricorn Society Limited. He is Chairman of the Remuneration and Nomination Committee and a member of the Audit and Risk Management Committee. During the past four years Mr Rathie has also served as a director of the following listed companies:

- Anteo Diagnostics Limited - Appointed July 2006: Resigned August 2009
- Calzada Limited - Appointed February 2010
- USCOM Limited - Appointed December 2006: Resigned August 2011
- Mungana Goldmines Limited - Appointed September 2010

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 the Advisory Board to Mainbrace Constructions Pty Limited, Director of Etihad Stadium and Chief Operating Officer for the Mirvac Group. He is Chairman of the Audit and Risk Management Committee and a member of the Remuneration and Nomination Committee.

Ms Alison Coutts B.E (Chem), MBA, Grad Dip Biotech
Independent Non-Executive Director

Ms Coutts joined the Board as a non-executive Director on 1 July 2010. Ms Coutts has degrees in Chemical Engineering and Business Administration, a Graduate Diploma in Biotechnology and extensive experience across a number of industry sectors and disciplines. This includes international engineering project management with Bechtel Corporation in the UK, USA and NZ, strategy consulting, management training and organisational structuring with Boston Consulting Group, and executive search with Egon Zehnder. Ms Coutts is formerly Chair of CSIRO's Health Sector Advisory Council. She is a member of the Audit and Risk Management Committee and a member of the Remuneration and Nomination Committee. During the past four years Ms Coutts has served as a director of the following listed company:

Clean Global Energy Limited – Appointed October 2009; Resigned April 2012.

Directors' Report

For the Year Ended 30 June 2012

1. Directors and Company Secretary (continued)

Mr Ben Bootle, M.Agr.Ec, Nuffield Scholar, GAICD.
Managing Director and Chief Executive Officer (ceased 16 January 2012)

Mr Bootle joined the Board as Managing Director and Chief Executive Officer on 27 April 2009 and resigned on 16 January 2012.

The qualifications and experience of the officer holding the position of Company Secretary as at the date of this report is:

Mr Graham Loughlin B.A. (Hons), Grad. Cert. Mgt., FAIM, GAICD
Company Secretary

Mr Loughlin joined DataDot in December 2004 as Manager of Corporate Strategic Development and was appointed Company Secretary in January 2005. He was previously General Manager, Strategy and Business Development, of Credit Union Services Corporation (Australia) Ltd and a director of several of its subsidiary companies, a Member of the Australian Payments System Council and Member of the Australian Housing Council. He was for 10 years a non-Executive Director of Data Advantage Ltd and Credit Reference Association of Australia. Mr Loughlin was formerly Executive Assistant to the Premier and Treasurer of South Australia.

2. Meetings of Directors

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of DataDot during the financial year are:

	Board Meetings		Remuneration and Nomination Committee Meetings		Audit and Risk Management Committee Meetings	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
B Rathie	14	13	4	3	4	4
G Flowers	14	13	4	3	4	4
A Coutts	14	13	4	4	4	3
B Bootle	7	7	-	-	-	-

Directors' Report

For the Year Ended 30 June 2012

3. 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 etched data that is unique to the assets to which the microdots are attached;
- DataThreadDNA - a continuous strand of DataDotDNA integrated into fine thread;
- DataBaseDNA - a global database that records asset identification data and is accessible by law enforcement agencies and insurance investigators;

(b) to manufacture and distribute high security DataTraceDNA® authentication solutions;

(c) to develop and distribute agricultural asset and IP protection solutions through AgTechnix Pty Limited.

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

4. Review of results and operations

Revenues for DataDot Technology Limited (DataDot) in 2011/12 were $7,143,493 being 5% lower than in 2010/11. Earnings after tax were a loss of $1,652,638 compared to an adjusted loss in 2010/11 of $1,105,533 (which excludes the $552,134 one-off gain for the revaluation of DataDot's investment in DataTrace DNA Pty Limited).

Further discussion is contained in the Executive Chairman's Report of this Annual Report.

5. Significant changes in state of affairs

The following significant changes in the state of affairs occurred during the financial year:

1. Total equity decreased to $6,301,396 from $7,840,332, a decrease of $1,538,936. The movement was largely the result of the loss incurred during the period.

2. AgTechnix Pty Limited became a wholly owned subsidiary of DataDot Technology Limited through the acquisition of IPECO Pty Limited's 49% shareholding in AgTechnix in June 2012.

6. Dividends

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

7. Significant events after the balance date

On 15 August 2012, a share sale agreement was executed between DataDot Technology Limited (DataDot) and the twenty per cent shareholder of DataDot Technology UK Limited (DDUK). Under the agreement, all the shares owned by the minority shareholder were purchased by DataDot for an agreed consideration of £150,000. The minority shareholder is also a director of the company that provided DDUK with the interest free loan. This interest free loan is classified as Other Current Liabilities and described in note 9 of the notes to the financial statements. As part of the share sale agreement, £100,000 of the £250,000 loan balance that is due and payable by 15 December 2012 was paid to the minority shareholder, with payment of the remaining £150,000 extended to be due and payable in December 2012 (£5,000), July 2013 (£50,000), December 2013 (£50,000) and June 2014 (£45,000).

7. Significant events after the balance date (continued)

DataDot has also executed a share sale agreement with the other minority shareholder who owns eight per cent of DDUK. Under the agreement, all the shares owned by the minority shareholder will be purchased by DataDot for an agreed consideration of £60,000, payable during FY2013. This agreement became effective on 30 August 2012, at which point DataDot owned 100% of DDUK.

Apart from the matters disclosed above, no other matters or circumstances have arisen since 30 June 2012 that has significantly affected, or may significantly affect DataDot's operations in subsequent financial years, the results of those operations in subsequent years or DataDot's state of affairs in subsequent financial years.

8. Likely developments

The Executive Chairman's Report sets out the strategy the company has adopted and the new DataDot Plus initiative being rolled out in the industrial non-auto sector in Australia, US and Europe. This further diversifies our revenue streams and provides less reliance on the auto sector, which stands side by side with revenue and earnings growth as one of our major goals for 2012/13.

Nevertheless, we continue to pursue high theft markets in the auto sector as these are huge market opportunities for our product range. By way of example, in Brazil, we have engaged a marketing consultant to work with us and our distributor to help further penetrate this market. We have renewed our distribution agreement with our Mexican distributor, subject to minimum sales hurdles on the basis of its growing relationship with major insurance companies in that market and we are also in discussion with a major insurer regarding a partnership with them in their pan Asian market expansion.

We will continue to work hard on our Australian business partners such as Club Marine, Subaru and Porsche to continue to grow our domestic microdot business. To this end, we have hired a skilled Business Development Manager in Sydney dedicated to these relationships and building new relationships.

AgTechnix has been rationalised and folded back into the company as a wholly owned subsidiary. There are a number of large opportunities with global majors in the agricultural sector being pursued and we expect these opportunities to mature during the year.

Whole of Vehicle Marking in South Africa has now been implemented and our South African distributor has been very successful in securing a major share of the OEM market. As a result, we expect royalties from this market will grow strongly during the course of the 2012/13 year.

The company has now developed and purchased the laser technology necessary to produce in house its own metal dots known as Thor dots. This equipment is about to be deployed for use in delivery of the industrial dot applications in the US.

The company's relationship with its US distributor, DataDot Dealer Services, is about to materially expand with a new 50/50 joint venture being established to facilitate the offering of the DataDot Plus industrial products in the US. An enhanced partnership with Retainagroup Limited in the UK is being established for the same reason in the UK and European markets.

8. Likely developments (continued)

Minority shareholders have been taken out of our UK subsidiary company DataDot Technology (UK) Limited (DDUK), which gives full control over that company. These minority shareholders had super voting rights precluding any substantive reform to that business. Our Executive Director of DDUK is now reviewing both revenue opportunities and cost saving initiatives which should improve that company's performance during 2012/13.

The company is exploring entry of the Indian market and is in discussion with a number of potential distributors or partners. A wholly owned subsidiary has been established to facilitate this.

These are a few selected major initiatives for the new financial year and which are likely to have a material impact on the company's performance in 2012/13.

9. Environmental issues

DataDot's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a state or territory.

10. Share Rights and Options

Share Rights

At the date of this report, details of issued share rights are as follows:

Executive Share Rights

Grant Date	Date of Expiry	Exercise Price	Number under Option
1 January 2011	1 January 2018	-	6,250,000
1 July 2012	1 July 2019	-	4,500,000
			10,750,000

Share Options

There were no share options on issue at the date of this report.

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

11. Directors' interests

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

	Interest in Shares	Interest in Share Options	Interest in Share Rights
B Rathie	23,802,448	Nil	Nil
G Flowers	1,836,793	Nil	Nil
A Coutts	Nil	Nil	Nil

Directors' Report

For the Year Ended 30 June 2012

12. Indemnification and insurance of officers and auditors

No indemnities have been given to any person who is or has been an officer or auditor of the consolidated group.

During the year, DataDot has paid insurance premiums in respect of directors' and officers' liability insurance contracts. The directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' liability insurance contracts, as such disclosure is prohibited under the terms of the contract.

13. Auditor's independence declaration

The lead auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001*, for the year ended 30 June 2012 has been received and can be found on page 28 of the financial report.

14. Non-audit services

During the year ended 30 June 2012, the following payments were made to DataDot's auditor, BDO East Coast Partnership (formerly PKF East Coast Practice), as remuneration for services other than audit services:

	2012
	$
Taxation services	33,516
Other services	20,000
Total tax and other non-audit services	53,516

The directors are satisfied that the provision of non-audit services during the year by the auditor is compatible with the general standard of independence for auditors imposed by the Corporations Act.

The directors are satisfied that the provision of the non-audit services did not compromise the auditor independence requirements of the Corporations Act because the services provided were compliance assurance services only and as such did not involve the auditor in company direction or management.

15. Remuneration report (audited)

Remuneration policy

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

Remuneration levels of KMP are determined by a Remuneration and Nomination Committee comprising only directors. The Committee's charter is to review and make recommendations to the Board in relation to:

- Executive remuneration and incentive policy;
- The remuneration of the CEO, executive directors and all direct reports of the CEO;
- Executive incentive plans;
- The remuneration of non-executive directors;
- Retention, performance assessment and termination policies and procedures for non-executive directors, the CEO, executive directors and all direct reports of the CEO;
- Establishment and oversight of employee and executive share plans and share option plans;
- Superannuation arrangements;
- The disclosure of remuneration in DDT's publications, including ASX filings and the Annual Report;
- Board composition, having regard to necessary and desirable competencies;
- Board succession plans; and
- Evaluation of Board performance.

The Committee obtains independent advice on remuneration strategy, appropriate remuneration levels and market trends in remuneration.

Board policy for determining the composition and value of remuneration for KMP comprises the following elements:

- Remuneration to contribute to the broader outcome of creating shareholder value;
- Remuneration to be commensurate with individual duties and responsibilities;
- Remuneration to be market competitive in order to attract, retain and motivate people of the highest quality;
- Remuneration to be aligned with DataDot's business strategies and financial targets;
- Executives' remuneration to comprise fixed and variable components;
- Variable components to be tied to the attainment of both short-term and long-term performance targets of individuals and DataDot;
- Variable components of executive remuneration to be between 30% and 50% of the value of total remuneration;
- Variable component payment to be subject to DataDot's financial capacity; and
- This policy to apply uniformly across DataDot.

15. Remuneration report (audited) (continued)

In relation to non-executive directors, the Constitution of DataDot and ASX Listing Rules specify that aggregate remuneration shall be determined from time to time by a general meeting. The latest determination was at the 2004 AGM when shareholders approved a ceiling on aggregate remuneration of $300,000 per annum. The actual amount paid is currently $50,000 per annum for each non-executive director other than the Chairman of the Audit and Risk Management Committee, who receives $55,000 per annum. The Executive Chairman receives $185,000 per annum. 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 policy and company performance

It is DataDot's objective to increase shareholder value by way of higher market capitalisation and dividend payments. In 2012 the closing price at which DataDot's shares traded ranged from 4 cents per share on 1 July to 1.6 cents per share on 30 June, the lowest closing price during the year being 1.6 cents and the highest 4 cents. Since DataDot listed publicly in 2005 it has neither declared a dividend nor returned capital to shareholders.

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, by ensuring that a significant proportion of the total remuneration of KMP is at risk, short term incentive payments (STI) being tied closely to net profit targets, and long-term incentive payments (LTI) being tied closely to growth in shareholder value.

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

	$
30 June 2009	(10,985,322)
30 June 2010	931,326
30 June 2011	(583,399)
30 June 2012	(1,652,638)

Performance-based remuneration

In 2011/12 an element of the remuneration of nine KMP depended on the satisfaction of performance conditions. For two of the nine KMP, total remuneration comprised a fixed element and an STI component, both payable in cash. For one of the KMP, total remuneration comprised a fixed element and an LTI component. For the other six of these nine KMP, total remuneration comprised a fixed element, an STI component and an LTI component. During the year, four executives ceased employment with DataDot and are not KMP at the date of this report.

The LTI component consists of share rights granted under the terms of the DataDot Technology Executives Share Rights Plan, which was approved by shareholders at the 2010 AGM. The characteristics of securities issued under this Plan are:

- 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 intervals of 18 months, 30 months and 42 months after the date of issue;
- A trading restriction applies for a further 12 months after vesting; and
- Share rights expire 7 years after issue.

15. Remuneration report (audited) (continued)

Employment details of members of key management personnel and other executives

The following table details the performance-based remuneration of persons who were KMP during the financial year as a percentage of their total remuneration. The value of share rights is taken to be the cost to DataDot of expensing the share rights in the current financial year.

			Performance based remuneration		
			Bonus (STI) %	Shares (LTI) %	Share rights (LTI) %
Directors		**Position**			
Bruce Rathie	(1)	Executive Chairman	-	-	-
Gary Flowers		Non-executive Director	-	-	-
Alison Coutts		Non-executive Director	-	-	-
Ben Bootle	(2)	Managing Director & CEO	-	-	14.2
Executives					
Ross Hawkey		Chief Financial Officer	-	-	25.7
Graham Loughlin		Company Secretary & Strategic Development Manager	-	-	23.4
Gunther Schmidt		Director - Business Development	13.0	-	-
Geoff George		Research & Development Manager	44.2	-	1.8
John Kraft	(3)	Technology Group Manager	-	-	6.3
Phil Kibler	(4)	Managing Director, DataDot Technology (UK) Limited	2.3	-	-
Greg Gothard	(5)	General Manager, Business Development	-	-	8.8
Neil Mulcahy	(6)	Chief Executive Officer, AgTechnix Pty Ltd	-	-	18.4

(1) Appointed Executive Chairman on 17 January 2012
(2) Ceased on 16 January 2012
(3) Appointed as KMP on 1 July 2011
(4) Ceased on 31 December 2011
(5) Ceased on 15 February 2012
(6) Ceased on 30 June 2012

Details of the performance-based remuneration for each of the KMP are set out below. Note that for all KMP, where STI payments were dependent on the achievement of annual financial targets or business growth, no payments were made in the financial year. STI payments were made for attainment of non-financial performance targets but these were kept within levels commensurate with DataDot's financial performance.

15. Remuneration report (audited) (continued)

Employment details of members of key management personnel and other executives (continued)

(a) Ben Bootle

For Mr Bootle the STI ceiling was set at 45% of the fixed element. Payment of the full STI was tied to full achievement of six financial and five non-financial targets. The six financial targets related to: gross revenue, net revenue, costs, EPS, maintenance of existing customers and growth in the number and diversity of new customers. The five non-financial targets related to strategic partnerships, investor relations, employee engagement, document management and OH&S management.

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

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

With regard to non-financial performance, the Remuneration and Nomination Committee measured performance by assessing the quality of key stakeholder relationships and management processes at year end and comparing these assessments with its corresponding assessments made one year earlier. This method was chosen because it increases the objectivity and accuracy of qualitative assessment.

Mr Bootle ceased employment with DataDot on 16 January 2012. His employment contract states that if he leaves the Company's employ for any reason he will not be entitled to an STI. Accordingly, he is to be paid 0% of the STI ceiling.

(b) Ross Hawkey

For Mr Hawkey the STI ceiling was set at 45% of the fixed element. Payment of the full STI was tied to full achievement of five financial and five non-financial targets. The five financial targets related to: gross revenue, net revenue, costs, EPS and end of year cash balance. The five non-financial targets related to strategic partnerships, investor relations, employee engagement, document management and OH&S management.

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

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

With regard to non-financial performance, the Remuneration and Nomination Committee measured performance by assessing the quality of key stakeholder relationships and management processes at year end and comparing these assessments with its corresponding assessments made one year earlier. This method was chosen because it increases the objectivity and accuracy of qualitative assessment.

15. Remuneration report (audited) (continued)

Employment details of members of key management personnel and other executives (continued)

(b) Ross Hawkey (continued)

Although Mr Hawkey achieved his non-financial targets, the Remuneration and Nomination Committee determined that he would be paid 0% of the STI ceiling based on the overall performance of the company.

(c) Graham Loughlin

For Mr Loughlin, the STI was set at 32% of the fixed element. Payment of the full STI was tied to achievement in full of a number of targets within three different areas of responsibility: governance and secretarial, corporate strategy and distribution management. These performance targets were chosen because they were judged by the Board to be central to this management role and crucial to attainment of DataDot's key financial objectives.

The Remuneration and Nomination Committee measured performance by comparing at year end the quality and standard of management decisions, outputs and processes across the three areas of responsibility. This method was chosen because it is objective and permits accurate pro-rated measures of performance.

Although Mr Loughlin achieved his non-financial targets, the Remuneration and Nomination Committee determined that he would be paid 0% of the STI ceiling based on the overall performance of the company.

(d) Gunther Schmidt

For Dr Schmidt, payment of STI was dependent on achieving a sales target that exceeded his base salary by a multiple of three. Subject to achieving this qualifying target, commission was payable at a rate of 3.73% on sales to a pre-determined level.

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

Dr Schmidt was paid 39% of the STI ceiling.

On 1st July 2012 Dr Schmidt was granted 4,500,000 share rights. The terms of issue are that, subject to Dr Schmidt's continuous employment and attainment of budget targets over each of the next three years, 1,500,000 share rights vest on each of 1st July 2013, 1st July 2014 and 1st July 2015 and a trading restriction applies for a further 12 months after each vesting date. The share rights expire on 1st July 2019.

(e) Geoffrey George

Mr Geoff George, the executive primarily responsible for developing DataDot's patented spray application method, receives a contracted royalty payment, expressed as a proportion of gross sales of spray units, to a maximum value of $120,000 annually. This contract, executed in March 2001, terminates on the executive's resignation.

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

Mr George was paid 100% of the STI ceiling.

15. Remuneration report (audited) (continued)

Employment details of members of key management personnel and other executives (continued)

(f) John Kraft

Mr Kraft was appointed to the role of Technology Group Manager on 1 July 2011 and became a KMP at that time. Mr Kraft has overall responsibility for DataDot's research and development activities. His remuneration does not include an STI but he was granted LTI in the form of share rights in 2011 at a time when he was not designated as a KMP.

The terms of Mr Kraft's LTIs are that on 1st January 2011 he was granted 750,000 share rights. Subject to Mr Kraft's continuous employment, 250,000 share rights vest on each of 1st July 2012, 1st July 2013 and 1st July 2014 and a trading restriction applies for a further 12 months after each vesting date. The share rights expire on 1st January 2018.

(g) Greg Gothard

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

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

Mr Gothard was paid 0% of the STI ceiling.

Mr Gothard ceased employment with DataDot on 15 February 2012.

(h) Phil Kibler

For Mr Kibler the STI ceiling was set at 26.7% of the fixed element. Payment of the full STI was tied to full achievement of qualitative targets relating to corporate governance, reporting to and communicating with the parent company and a quantitative target relating to the financial performance of DataDot Technology (UK) Limited.

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

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

Mr Kibler was paid 9% of the STI ceiling.

Mr Kibler ceased employment with DataDot on 15 February 2012 but remained a non-executive director of DataDot Technology UK Limited until his minority shareholding in that entity was transferred to DataDot on 30 August 2012.

15. Remuneration report (audited) (continued)

Employment details of members of key management personnel and other executives (continued)

(i) Neil Mulcahy

For Neil Mulcahy the STI ceiling was set at 12.5% of the fixed element. Payment of the full STI was tied to full achievement by AgTechnix Pty Limited of five performance criteria: gross and net revenues, costs, EPS and continuity and diversification of the customer base.

These performance targets were chosen because improved financial performance and customer growth and retention were judged by the Board to be imperative requirements for AgTechnix Pty Limited and therefore should be the key performance measures for the company's CEO.

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

Mr Mulcahy was paid 0% of the STI ceiling.

Mr Mulcahy ceased employment with DataDot on 30 June 2012.

KMP risk limitation in relation to securities

For several years, KMP risk limitation in relation to securities has been governed by Board policy preventing executives from entering into share right hedging arrangements prior to vesting of share rights. This same policy has now been included in amendments to the *Corporations Act 2001* that became effective on 1 July 2011.

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. Executive service contracts may be terminated on either one or three months' notice.

Mr Hawkey's contract provides for twelve months' notice in the event of a change in control of DataDot.

DataDot may make a payment equal to the notice period in lieu of giving notice of termination.

No executive has an entitlement to termination payment in the event of removal for misconduct.

Directors' Report

For the Year Ended 30 June 2012

15. Remuneration report (audited) (continued)

Remuneration details for the year

The following table of benefits and payment details, in respect to the financial year, the components of remuneration for each member of the key management personnel of DataDot and, to the extent different, the five Group executives and five company executives receiving the highest remuneration:

Table of benefits and payments

2012	Short Term				Post Employment		Long Term Employee Benefits	Termination	Share Based Payments		
	Salary & Fees	Bonus	Non Monetary	Other	Superannu-ation	Other			Options and Rights	Shares	Total
	$	$	$	$	$	$	$	$	$	$	$
Directors											
B Rathie	117,855	-	-	-	10,607	-	-	-	-	-	128,462
G Flowers	50,459	-	-	-	4,541	-	-	-	-	-	55,000
A Coutts	45,871	-	-	-	4,129	-	-	-	-	-	50,000
B Bootle	162,961	-	-	-	16,442	-	-	173,612	58,259	-	411,274
Executives											
R Hawkey	158,776	-	-	-	14,746	-	-	-	59,924	-	233,446
G Loughlin	118,742	-	-	-	44,785	-	-	-	49,936	-	213,463
G Schmidt	143,093	23,448	-	-	14,516	-	-	-	-	-	181,057
G George	134,968	120,000	-	-	11,669	-	-	-	4,994	-	271,631
J Kraft	136,833	-	-	-	12,261	-	-	-	9,987	-	159,081
P Kibler	67,173	1,597	-	-	-	-	-	-	-	-	68,770
G Gothard	108,152	-	-	-	10,694	-	-	47,483	15,980	-	182,309
N Mulcahy	184,557	-	-	-	19,802	-	-	55,682	58,562	-	318,603
	1,429,440	145,045	-	-	164,192	-	-	276,777	257,642	-	2,273,096

15. Remuneration report (audited) (continued)

<u>Remuneration details for the year (continued)</u>

Table of benefits and payments

2011	Short Term				Post Employment		Long Term Employee Benefits	Termination	Share Based Payments		
	Salary & Fees	Bonus	Non Monetary	Other	Super-annuation	Other			Options and Rights	Shares	Total
	$	$	$	$	$	$	$	$	$	$	$
Directors											
B Rathie	77,982	-	-	-	7,018	-	-	-	-	-	85,000
B Bootle	260,539	20,000	-	-	15,192	-	-	-	49,937	-	345,668
G Flowers	49,594	-	-	-	4,463	-	-	-	-	-	54,057
A Coutts	44,989	-	-	-	4,049	-	-	-	-	-	49,038
Executives											
R Hawkey	146,789	5,000	-	-	13,211	-	-	-	29,962	-	194,962
G Loughlin	142,202	5,000	-	-	12,798	-	-	-	24,968	-	184,968
G Gothard	150,000	-	-	-	13,500	-	-	-	11,985	-	175,485
G George	127,025	120,000	-	-	11,432	-	-	-	2,497	-	260,954
P Kibler	120,637	1,673	-	-	-	-	-	-	-	-	122,310
D Barnes	90,964	-	18,783	-	-	-	-	-	-	-	109,747
G Schmidt	49,083	-	-	-	4,417	-	-	-	-	-	53,500
N Mulcahy	71,929	-	-	-	6,474	-	-	-	-	-	78,403
	1,331,733	151,673	18,783	-	92,554	-	-	-	119,349	-	1,714,092

15. Remuneration report (audited) (continued)

Share Rights Granted

No share rights were granted by Directors during the financial year:

11,450,000 share rights were cancelled during the financial year.

4,500,000 share rights were granted by Directors to Gunther Schmidt (KMP) on 1 July 2012.

6,225,000 share rights vested on 1 July 2012.

In total, 10,750,000 share rights were issued and unvested up to the date of this report.

The fair value of share rights granted under the Executive Share Rights Plan is recognised as an employee benefits expense with a corresponding increase in equity. The fair value of the share rights granted, in accordance with AASB 2 – Share Based Payments, is equivalent to the share price of DataDot on the date of issue as no adjustments are required to be made for exercise price or share price volatility.

Shares issued on exercise of compensation options

No shares were issued on the exercise of compensation options or share rights during the financial year.

This Report of the Directors, incorporating the Remuneration Report, is signed in accordance with a resolution of the Board of Directors.

Bruce Rathie
Executive Chairman

24 September 2012

Corporate Governance Statement

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

www.datadotdna.com/corporate_governance.php

1 Board of Directors

Role of the Board

The board's primary role is the protection and enhancement of long-term shareholder value.

To fulfil this role, the board is responsible for the overall corporate governance of the consolidated entity including formulating its strategic direction, approving and monitoring capital expenditure, setting remuneration, appointing, removing and creating succession policies for directors and senior executives, establishing and monitoring the achievement of management's goals and ensuring the integrity of internal control and management information systems. It is also responsible for approving and monitoring financial and other reporting.

The board has delegated responsibility for operation and administration of DataDot to the Executive Chairman and executive management. Responsibilities are delineated by formal authority delegations.

These roles are documented in board-approved policy statements.

Board processes

To assist in the execution of its responsibilities, the board has established an Audit and Risk Management Committee and a Remuneration and Nomination Committee. These committees have written mandates and operating procedures, which are reviewed annually.

The board has also established a framework for the management of the consolidated entity including a system of internal control, a business risk management process and the establishment of appropriate ethical standards.

Independent professional advice and access to company information

Under DataDot's Board Charter, each director has the right of access to all relevant company information and to DataDot's executives and, subject to prior consultation with the Chairman, may seek independent professional advice from a suitably qualified adviser at the consolidated entity's expense.

Composition of the board

The names of the directors of DataDot in office at the date of this report are disclosed in the Directors' Report on pages 7 to 22.

The Constitution of DataDot specifies the number of directors shall be not less than three or more than ten. The board may at any time appoint a director to fill a casual vacancy and at each annual general meeting, one-third of directors, not including the managing director, and any director appointed since the last annual general meeting, retire from office and may stand for re-election.

1 Board of Directors (continued)

The composition of the board is reviewed periodically by the Remuneration and Nomination Committee to ensure that the range of expertise and experience of board members is appropriate for the activities and operations of the consolidated entity. Where it is considered that the board would benefit from the services of a new director with particular skills, the board may appoint the most suitable candidate whose appointment must be confirmed by shareholders at the next general meeting.

The board currently consists of three directors of whom two, Mr Gary Flowers and Ms Alison Coutts, are independent non-executive directors. Neither is a substantial shareholder of DataDot, a former or current executive or customer of DataDot, an adviser or supplier to DataDot, or has a material contractual relationship with DataDot or the consolidated entity other than as a director of DataDot.

The third director is Mr Bruce Rathie, formerly the independent, non-executive Chairman of DataDot who assumed a temporary role as Executive Chairman upon the resignation of the Managing Director and CEO in January 2012. The Board considered this temporary appointment was and remains in the best interests of shareholders because it provided continuity in leadership and lower management overheads at a time when immediate strategic review and cost control were required. At the earliest opportunity, consistent with the best interests of shareholders, the Board will appoint a Managing Director and CEO and Mr Rathie will resume the status of non-executive Chairman.

The board considers that its composition serves the interests of shareholders because the combined knowledge, skills and experience of directors is adequate, having regard to:

- the demands of DataDot's size, market knowledge and board responsibilities;
- the integrity and transparency of DataDot's documented governance policies;
- the fact that independent directors comprise a majority of the Audit and Risk Management Committee; and
- the fact that independent directors comprise a majority of the Remuneration and Nomination Committee.

Board evaluation

Under DataDot's policy of Board, Committee and Director Evaluation, both individual and collective performance evaluations are conducted annually. Evaluation is made against the criteria of individual contribution, collective efficacy and procedural adequacy that are specified in the policy.

2 Audit and Risk Management Committee

The Audit and Risk Management Committee serves two functions. In relation to audit, this Committee oversees the financial reporting process to ensure balance, transparency and integrity of published financial information and monitors the effectiveness of internal financial controls. In relation to risk management, the Committee's role is to identify and assess business risks, establish risk mitigation strategies and monitor the effectiveness of control and reporting systems. In relation to compliance, the Committee monitors DataDot's compliance obligations arising under the law, ASX Listing Rules, contracts and internal policies.

The Audit and Risk Management Committee has a documented charter, approved by the board. The Chairman may not be Chairman of the board. The members of the Audit and Risk Management Committee are the two independent, non-executive directors and the Executive Chairman. As not all members are non-executive directors, this represents a departure from the ASX Governance Council's recommended audit committee membership. Full compliance with the recommendation will be restored when Mr Rathie resumes his status as a non-executive director. In the interim, the Board considers that DataDot derives a greater benefit from retaining Mr Rathie's expertise on the Committee than accepting his temporary resignation from the Committee.

2 Audit and Risk Management Committee (continued)

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

Mr G Flowers, B.Com., LL.B., FAICD. (Chairman) – Independent Non- Executive;
Mr B Rathie, B.Com., LL.B., MBA, Grad Dip CSP, SA Fin., FAICD, FAIM. Executive Chairman;
Ms A Coutts, B.E. (Chem), MBA, Grad Dip Biotech – Independent Non-Executive.

The external auditors and the Chief Financial Officer are invited to Audit and Risk Management Committee meetings at the discretion of the committee. The Audit and Risk Management Committee met four times during the year. Committee members' attendance record is disclosed in the table of Directors' meetings on page 8. The Executive Chairman and the Chief Financial Officer declared in writing to the board that DataDot's financial reports for the year ended 30 June 2012 present a true and fair view, in all material respects, of DataDot's financial condition and operational results and are in accordance with relevant accounting standards. This statement is required annually.

Management has established and implemented a risk management and internal control system for assessing, monitoring and managing strategic, operational, financial reporting and compliance risks for the consolidated entity. The system is based upon policies, guidelines, delegations and reporting as well as the selection and training of qualified personnel. The Board believes the current control framework to be suitable for DataDot's current operations taking into account the consolidated entity's stage of development. All risk assessments covered the whole financial year and the period up to the signing of the annual financial report for all material operations in the consolidated entity.

3 Ethical Standards

All directors, managers and employees are expected to act with integrity and objectivity, striving at all times to enhance the reputation and performance of the consolidated entity. DataDot's Code of Conduct and operating policies are published internally for all employees and on DataDot's website.

In accordance with the Corporations Act 2001 and DataDot's constitution, directors must maintain a current Register of Directors' Interests and keep the board advised of any interest that could potentially conflict with those of DataDot. DataDot's Related Party Transactions Policy applies across DataDot the same standards of disclosure that apply under statute to the parent as a listed company. Any transactions with directors are formally approved by the board. The Director concerned does not participate in discussion or approval of the transaction. Details of director related entity transactions with DataDot are set out in Note 23.

Director dealings in company shares

Directors and employees may acquire shares in DataDot, but are prohibited from dealing in Company shares whilst in the possession of price sensitive information that has not been made public. DataDot's published Share Trading policy requires that director and employee trading be restricted to specified trading windows and requires disclosure of trading activity.

Code of conduct

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

4 Continuous and Periodic Disclosure to ASX

DataDot's published Disclosure Compliance policy prescribes DataDot's disclosure obligations under the ASX Listing Rules and establishes the procedures and individual responsibilities that will ensure compliance.

The policy adopts five per cent of the base amount (e.g. total revenue, total expenses, and total assets) as the threshold for materiality where it can be measured quantitatively, and requires consideration of strategic position, reputation, ability to carry on business and legal compliance as qualitative criteria for determining materiality under the Listing Rules governing continuous disclosure.

The Company Secretary is responsible for all communications with the ASX.

5 Communication with Shareholders

The Board provides shareholders with information under a comprehensive Shareholder Communication Policy. Within that policy:

- periodic disclosure of financial results is achieved by announcing them to the ASX, posting them on DataDot's website and issuing media releases;
- continuous disclosure of all material matters that may affect the price of DataDot's securities is achieved by announcing them to the ASX, posting them on DataDot's website, and issuing media releases;
- the annual report is available to all shareholders either in electronic format or hard copy. The board ensures that the annual report includes relevant information about the operations of the consolidated entity during the year, changes in the state of affairs of the consolidated entity and details of future developments, in addition to the other disclosures required by the Corporations Act 2001;
- the half-yearly report contains summarised financial information and a review of the operations of the consolidated entity during the period. Half-year financial statements prepared in accordance with the requirements of Accounting Standards in Australia and the Corporations Act 2001 are lodged with the Australian Securities and Investments Commission and the Australian Stock Exchange Ltd. The financial statements are sent to any shareholder who requests them;
- the Board encourages full participation of shareholders at the annual general meeting to ensure a high level of accountability and identification with the consolidated entity's strategy and goals;
- the external auditor is requested to attend the annual general meeting to answer any questions concerning the audit and the content of the auditor's report.

6 Diversity Policy

The Board has adopted a diversity policy that is a statement of commitment to cultural and gender diversity in the company and of the benefits derived from workplace diversity. Under the policy the Board has set a single measurable objective of attaining equal gender representation in each of the four categories of personnel that together make up the company's complement of directors and staff. They are:

- Directors, including the Managing Director and CEO;
- Staff who report directly to the CEO;
- Staff who report to managers who report to the CEO;
- Other staff.

No timeframe has been set for attainment of this objective as changes to gender representation are contingent upon other variable and uncertain factors, in particular the rate of company growth and the number and frequency of staff resignations.

The table below shows the number and proportion of female personnel in each category and the total personnel numbers at 30 June 2011 and 2012.

Gender Diversity

	30 June 2012			30 June 2011		
	Number of Females	Total Personnel Number	% Females	Number of Females	Total Personnel Number	% Female
Directors	1	3	33	1	4	25
First Level Reports	0	5	0	0	6	0
Second Level Reports	7	13	54	6	14	43
Other Staff	7	16	44	7	16	44
Total	15	37	40	14	40	35

In 2012 total personnel numbers were reduced by 7.5% as part of a major cost reduction. Accordingly, the opportunity did not arise in 2012 to alter the company's gender balance through the creation of new staff positions or replacement of departing personnel. However, as a result of staff reductions the relative numbers of females increased in two of the four personnel categories and overall the proportion of females increased from 35% to 40%.

No timeframe has been set for attainment of this objective as changes to gender representation are contingent upon other variable and uncertain factors, in particular the rate of company growth and the number and frequency of staff resignations.

DECLARATION OF INDEPENDENCE BY GRANT SAXON TO THE DIRECTORS OF DATADOT TECHNOLOGY LIMITED

As lead auditor of DataDot Technology Limited for the year ended 30 June 2012, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

This declaration is in respect DataDot Technology Limited and the entities it controlled during the period.

Grant Saxon

Partner

BDO East Coast Partnership

Sydney, 24 September 2012

Consolidated Statement of Financial Position

As at 30 June 2012

	Note	2012 $	2011 $
ASSETS			
Current Assets			
Cash and cash equivalents	9	**1,409,367**	3,528,593
Trade and other receivables	10	**1,333,620**	1,672,123
Inventories	11	**1,483,912**	1,084,729
Current tax assets	6	**567,388**	-
Total Current Assets		**4,794,287**	6,285,445
Non-Current Assets			
Plant and equipment	12	**836,211**	867,455
Intangible assets	13	**2,961,847**	2,805,860
Deferred tax assets	6	**-**	-
Total Non-Current Assets		**3,798,058**	3,673,315
TOTAL ASSETS		**8,592,345**	9,958,760
LIABILITIES			
Current Liabilities			
Trade and other payables	14	**1,061,917**	965,110
Interest bearing loans and borrowings	15	**60,082**	52,285
Income tax payable	6	**20,148**	78,223
Provisions	16	**455,573**	357,650
Other current liabilities	17	**688,822**	141,873
Total Current Liabilities		**2,286,542**	1,595,141
Non-Current Liabilities			
Interest bearing loans and borrowings	15	**-**	58,542
Provisions	16	**4,407**	8,274
Other non-current liabilities	17	**-**	456,471
Total Non-Current Liabilities		**4,407**	523,287
TOTAL LIABILITIES		**2,290,949**	2,118,428
NET ASSETS		**6,301,396**	7,840,332
EQUITY			
Equity attributable to equity holders of the parent			
Contributed equity	18	**33,102,482**	33,102,482
Accumulated losses	19	**(27,248,431)**	(25,857,705)
Reserves	20	**493,494**	689,216
Parent interests		**6,347,545**	7,933,993
Non-controlling interests		**(46,149)**	(93,661)
TOTAL EQUITY		**6,301,396**	7,840,332

The accompanying notes form part of these financial statements.

Consolidated Statement of Comprehensive Income

For the Year Ended 30 June 2012

	Note	2012 $	2011 $
Continuing Operations			
Sale of goods		**6,610,892**	6,792,336
Rendering of services		**766**	282,598
Licence fees		**84,350**	93,871
Royalties		**375,388**	218,624
Finance revenue		**72,097**	99,996
Revenue		**7,143,493**	7,487,425
Cost of sales		**(3,057,327)**	(2,548,578)
Gross Profit		**4,086,166**	4,938,847
Other Income	3	**11,500**	650,134
Employee benefits expenses	4	**(3,187,464)**	(3,128,928)
Administrative expenses		**(1,031,866)**	(1,208,058)
Advertising and promotional expenses		**(204,024)**	(383,713)
Occupancy expenses		**(382,862)**	(473,601)
Travel expenses		**(307,189)**	(326,300)
Finance costs	4	**(18,333)**	(22,403)
Depreciation and amortisation expenses	4	**(421,441)**	(350,387)
Bad and doubtful debts	4	**(201,475)**	(45,186)
Restructuring expense	4	**(315,297)**	-
Impairment losses	13	**(194,703)**	-
Share of loss of joint venture	24	**-**	(111,716)
Profit/(loss) from continuing operations before income tax		**(2,166,988)**	(461,311)
Income tax benefit / (expense)	5	**514,350**	(122,088)
Net Profit/(loss) for the period		**(1,652,638)**	(583,399)
Other comprehensive income:			
Foreign currency translation		**(61,155)**	35,128
Other comprehensive income for the period, net of tax		**(61,155)**	35,128
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**(1,713,793)**	(548,271)

The accompanying notes form part of these financial statements.

Consolidated Statement of Comprehensive Income

For the Year Ended 30 June 2012

	Note	2012 $	2011 $
PROFIT/(LOSS) FOR THE PERIOD IS ATTRIBUTABLE TO:			
Members of the parent entity		**(1,390,726)**	(489,639)
Non-controlling interest		**(261,912)**	(93,760)
		(1,652,638)	(583,399)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD IS ATTRIBUTABLE TO:			
Members of the parent entity		**(1,451,881)**	(454,511)
Non-controlling interest		**(261,912)**	(93,760)
		(1,713,793)	(548,271)
Earnings per share for profit/(loss) from continuing operations attributable to the ordinary equity holders of the company			
Basic earnings/(loss) per share (cents)	8	**(0.3)**	(0.1)
Diluted earnings/(loss) per share (cents)		**(0.3)**	(0.1)
Earnings per share for profit/(loss) attributable to the ordinary equity holders of the company			
Basic earnings/(loss) per share (cents)	8	**(0.3)**	(0.1)
Diluted earnings/(loss) per share (cents)		**(0.3)**	(0.1)

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

For the Year Ended 30 June 2012

	Attributable to equity holders of the parent						
	Ordinary Shares $	Accumulated Losses $	Foreign Currency Translation Reserve $	Employee Equity Benefits Reserve $	Other Reserves $	Non-controlling Interests $	Total Equity $
Balance at 1 July 2011	**33,102,482**	**(25,857,705)**	**540,360**	**148,856**	**-**	**(93,661)**	**7,840,332**
Loss for the period	**-**	**(1,390,726)**	**-**	**-**	**-**	**(261,912)**	**(1,652,638)**
Other comprehensive income	**-**	**-**	**(61,155)**	**-**	**-**	**-**	**(61,155)**
Total comprehensive income for the year	**-**	**(1,390,726)**	**(61,155)**	**-**	**-**	**(261,912)**	**(1,713,793)**
Transactions with owners in their capacity as owners							
Share-based payment	**-**	**-**	**-**	**174,857**	**-**	**-**	**174,857**
Acquisition of non-controlling interest in AgTechnix Pty Limited	**-**	**-**	**-**	**-**	**(309,424)**	**309,424**	**-**
Balance at 30 June 2012	**33,102,482**	**(27,248,431)**	**479,205**	**323,713**	**(309,424)**	**(46,149)**	**6,301,396**
Balance at 1 July 2010	28,034,195	(25,368,066)	505,232	-	-	-	3,171,361
Loss for the period	-	(489,639)	-	-	-	(93,760)	(583,399)
Other comprehensive income	-	-	35,128	-	-	-	35,128
Total comprehensive income for the year	-	(489,639)	35,128	-	-	(93,760)	(548,271)
Transactions with owners in their capacity as owners							
Issue of share capital	5,352,451	-	-	-	-	99	5,352,550
Transaction costs on shares issued	(284,164)	-	-	-	-	-	(284,164)
Share-based payment	-	-	-	148,856	-	-	148,856
Balance at 30 June 2011	33,102,482	(25,857,705)	540,360	148,856	-	(93,661)	7,840,332

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows

For the Year Ended 30 June 2012

	Note	2012 $	2011 $
Cash from operating activities:			
Receipts from customers (inclusive of GST)		**7,135,984**	8,128,266
Payments to suppliers and employees (inclusive of GST)		**(8,593,470)**	(9,154,423)
Interest paid		**(13,789)**	(25,775)
Income tax paid		**(124,920)**	(40,613)
Receipt of government grant		**11,500**	98,000
Net cash flows from / (used in) operating activities	9	**(1,584,695)**	(994,545)
Cash flows from investing activities:			
Interest received		**72,097**	99,996
Purchase of plant and equipment		**(148,193)**	(419,765)
Purchase of intangible assets		**(593,824)**	(466,426)
Contributions to investment accounted for using the equity method		**-**	(416,742)
Payment for acquisition of subsidiary, net of cash acquired		**-**	189,963
Proceeds/(payments) from/(to) related party loans		**-**	120,151
Net cash flows from / (used in) investing activities		**(669,920)**	(892,823)
Cash flows from financing activities:			
Proceeds from the issue of shares	18	**-**	3,970,000
Transaction costs from issue of shares	18	**-**	(284,164)
Proceeds from borrowings		**195,000**	-
Repayment of borrowings		**(48,247)**	(43,128)
Payment of finance lease liabilities		**-**	(12,259)
Net cash flows from / (used in) financing activities		**146,753**	3,630,449
Net cash increase / (decreases) in cash and cash equivalents		**(2,107,862)**	1,743,081
Cash and cash equivalents at beginning of year		**3,528,593**	1,796,406
Effect of exchange rate on cash holdings in foreign currencies		**(11,364)**	(10,894)
Cash and cash equivalents at end of year	9	**1,409,367**	3,528,593

The accompanying notes form part of these financial statements.

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2012

The financial report of DataDot Technology Limited (DataDot) for the year ended 30 June 2012 was authorised for issue in accordance with a resolution of the Board of Directors on 24 September 2012.

DataDot Technology Limited (the parent) is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange.

The nature of the operations and principal activities of DataDot are described in the directors' report.

1 Summary of significant accounting policies

(a) Basis of preparation

The financial report is a general purpose financial statement that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*. DataDot Technology Limited is a for-profit entity for the purpose of preparing the financial statements.

Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards (IFRS).

Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

(b) Comparative figures

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

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of DataDot Technology Limited and its subsidiaries (as outlined in note 23(a)) as at and for the period ended 30 June each year (DataDot). Interests in associates and joint ventures are equity accounted and are not part of the Consolidated Group (see note (j) below).

Subsidiaries are all those entities over which DataDot has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is obtained by DataDot and cease to be consolidated from the date on which control is transferred out of DataDot.

Investments in subsidiaries held by DataDot Technology Limited are accounted for at cost in the separate financial statements of the parent entity less any impairment charges.

1 Summary of significant accounting policies (continued)

(c) Basis of consolidation (continued)

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

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

The group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the group. 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.

If DataDot loses control over a subsidiary, it

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

(d) Going concern

DataDot has indicated that market volatility and economic slowdown in international markets in which it trades, particularly Italy, have negatively affected financial performance during FY2012. DataDot anticipates that these markets will improve during the course of FY2013 but as this is not guaranteed continued economic slowdown is possible. The company has reduced its annual cost base by more than $900,000 and rationalised under-performing activities. Despite these efforts, there is a risk as to whether European and other markets will stabilise and begin to recover during FY2013. The directors are confident that DataDot is a going concern and able to pay its debts as and when they fall due. Furthermore, the directors have identified the ability to raise additional working capital to fund its operations during the current financial year, should this become necessary.

(e) 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:

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

1 Summary of significant accounting policies (continued)

(e) Foreign currency translation (continued)

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.

As at the reporting date the assets and liabilities of these subsidiaries are translated into the presentation currency of DataDot Technology Limited at the rate of exchange ruling at the statement of financial position date and their statements of comprehensive income are translated at the weighted average exchange rate for the year.

Exchange variations resulting from the translation are recognised in the foreign currency translation reserve in equity. These variations are recognised in the statement of comprehensive income in the period in which the subsidiary is disposed.

(f) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included within interest-bearing loans and borrowings in current liabilities on the statement of financial position.

(g) Trade and other receivables

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

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

1 Summary of significant accounting policies (continued)

(h) Inventories

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

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

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

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

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

(i) Investments and other financial assets

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

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

Recognition and derecognition

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

Subsequent measurement

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

1 Summary of significant accounting policies (continued)

(i) Investments and other financial assets (continued)

Subsequent measurement (continued)

(ii) Loans and receivables
Loans and receivables including loans to key management personnel are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in statement of comprehensive income when the loans and receivables are derecognised or impaired. These are included in current assets, except for those with maturities greater than 12 months after reporting date, which are classified as non-current.

(j) Interest in a jointly controlled entity

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

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

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

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

(k) Plant and equipment

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

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

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

1 Summary of significant accounting policies (continued)

(k) Plant and equipment (continued)

Derecognition

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

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

(l) Leases

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

Group as a lessee

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

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

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

(m) Impairment of financial assets

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

(i) Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of the loss is recognised in profit or loss.

1 Summary of significant accounting policies (continued)

(m) Impairment of financial assets (continued)

(i) Financial assets carried at amortised cost (continued)

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

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

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

(n) Impairment of non-financial assets other than intangibles

Non-financial assets other than intangibles are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

DataDot conducts an annual internal review of asset values, which is used as a source of information to assess for any indicators of impairment. External factors, such as changes in expected future processes, technology and economic conditions, are also monitored to assess for indicators of impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

1 Summary of significant accounting policies (continued)

(n) Impairment of non-financial assets other than intangibles (continued)

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

(o) Goodwill and intangibles

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired.

Intangible assets acquired separately are initially measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in profit or loss in the year in which the expenditure is incurred.

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

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

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.

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2012

1 Summary of significant accounting policies (continued)

(o) Goodwill and intangibles (continued)

Research and development costs
Research costs are expensed as incurred. An intangible asset arising from development expenditure on an internal project is recognised only when DataDot can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure so capitalised is amortised over the period of expected benefits from the related project.

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

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

Development costs
Useful lives
Finite
Amortisation method used
Amortised over the period of expected future benefit from the related project on a straight-line basis.
Internally generated or acquired
Internally generated
Impairment testing
Annually for assets not yet available for use and more frequently when an indication of impairment exists. The amortisation method is reviewed at each financial year-end.

Patent costs
Useful lives
Finite
Amortisation method used
Amortised over the period of the patent on a straight-line basis.
Internally generated or acquired
Acquired
Impairment testing
Annually and more frequently when an indication of impairment exists. The amortisation method is reviewed at each financial year-end.

The patents have been granted for a minimum of 10 years.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

1 Summary of significant accounting policies (continued)

(p) Trade and other payables

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

(q) Interest-bearing loans and borrowings

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

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

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

Borrowing costs

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

(r) Provisions and employee benefits

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

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

1 Summary of significant accounting policies (continued)

(r) Provisions and employee benefits (continued)

Employee leave benefits

(i) Wages, salaries, annual leave and sick leave
Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in 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. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(ii) Long service leave
The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(s) Share-based payment transactions

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

The 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.

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 comprehensive income for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding entry to equity.

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated to do so. Any award subject to a market condition is considered to vest irrespective of whether or not that market condition is fulfilled, provided that all other conditions are satisfied.

1 Summary of significant accounting policies (continued)

(s) Share-based payment transactions (continued)

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (see note 8).

(t) Contributed equity

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

(u) Revenue recognition

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

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

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

(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.

1 Summary of significant accounting policies (continued)

(u) Revenue recognition (continued)

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

(v) Income tax and other taxes

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

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

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

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

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

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

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

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

1 Summary of significant accounting policies (continued)

(v) Income tax and other taxes (continued)

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

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

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

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

Tax consolidation
DataDot Technology Limited and its wholly owned Australian controlled entities implemented the tax consolidated legislation as of 1 July 2003. In addition, DataTrace DNA Pty Limited became part of the tax consolidation group in December 2010 when it became a wholly owned subsidiary of DataDot Technology Limited. 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.

AgTechnix Pty Limited became a wholly owned subsidiary of DataDot Technology Limited on 29 June 2012 and is now part of the tax consolidated group.

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2012

1 Summary of significant accounting policies (continued)

(v) Income tax and other taxes (continued)

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

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

(w) Government grants

Government grants are recognised in the statement of financial position as a liability when the grant is received.

When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

When the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of comprehensive income over the expected useful life of the relevant asset by equal annual instalments.

(x) Earnings per share

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

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

- Costs of servicing equity (other than dividends) and preference share dividends.
- The after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses.
- Other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares.

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(y) Adoption of new and revised accounting standards

During the current year, DataDot adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory.

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2012

1 Summary of significant accounting policies (continued)

(z) New accounting standards for application in future periods

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 DataDot:

Standard name	Effective date for entity	Requirements	Impact
AASB 9 Financial Instruments and amending standards AASB2009-11/AASB 2010-7	AASB9 - 30 June 2015 AASB2010-7 30 June 2014	- Changes to the classification and measurement requirements for financial assets and financial liabilities. - New rules relating to derecognition of financial instruments.	The impact of AASB 9 has not yet been determined.
AASB 10 Consolidated Financial Statements / AASB 11 Joint Arrangements.	30 June 2014	AASB 10 includes a new definition of control, which is used to determine which entities are consolidated, and describes consolidation procedures. The Standard provides additional guidance to assist in the determination of control where this is difficult to assess. AASB 11 focuses on the rights and obligations of a joint venture arrangement, rather than its legal form (as is currently the case). IFRS 11 requires equity accounting for joint ventures, eliminating proportionate consolidation as an accounting choice.	DataDot will review its controlled entities to determine whether they should be consolidated under AASB 10, no changes are anticipated. All joint ventures of DataDot are equity accounted and therefore minimal impact is expected due to the adoption of AASB 11.
AASB 12 Disclosures of Interests in Other Entities	30 June 2014	AASB 12 includes disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.	Additional disclosures will be required under AASB 12 but there will be no changes to reported position and performance.
AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle	30 June 2014	Addresses a range of improvements resulting from the 2009-2011 Annual Improvement Cycle.	No impact expected.

1 Summary of significant accounting policies (continued)

(z) New accounting standards for application in future periods (continued)

Standard name	Effective date for entity	Requirements	Impact
AASB 13 Fair Value Measurement.	30 June 2014	AASB 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across Accounting Standards but does not change when fair value is required or permitted. There are a number of additional disclosure requirements.	Fair value estimates currently made by the entity will be revised and potential changes to reported values may be required. The entity has not yet determined the magnitude of any changes which may be needed. Some additional disclosures will be needed.
AASB 2010-8 Amendment to Australian Accounting Standards – Deferred tax: Recovery of underlying assets	30 June 2013	Adds a presumption to AASB 112 that the recovery of the carrying amount of an investment property at fair value will be through sale.	No impact expected.
AASB 2010-10 Amendment to Australian Accounting Standards – Severe hyperinflation and removal of fixed dates for first-time adopters	30 June 2014	Makes amendments to AASB 1	No impact since the entity is not a first-time adopter of IFRS.
AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements	30 June 2014	Amends AASB 124 to remove the disclosure requirements regarding individual KMP. Early adoption not permitted.	Various KMP disclosures will be removed.
AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities	30 June 2014	Amends AASB 7 to require disclosure of information that will enable users of financial statements to evaluate the effect or potential effect of netting arrangements.	No impact expected.
AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities	30 June 2015	Adds application guidance to AASB 132 to address inconsistencies identified in applying some of the offsetting criteria of AASB 132.	No impact expected.

1 Summary of significant accounting policies (continued)

(aa) Critical Accounting Estimates and Judgments

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods. Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

(i) Significant accounting judgements

Impairment of non-financial assets other than goodwill

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

Capitalised development costs

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

Taxation

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

No deferred tax assets are recognised in DataDot’s financial statements for the carried forward tax losses for the Parent entity, DataDot Technology (Australia) Pty Limited, DataDot Technology (USA) Inc., or DataDot Technology (UK) Limited. As at 30 June 2012 the amount of deferred tax assets attributable to revenue losses not brought to account was $8,290,926 (2011: $7,662,146)

1 Summary of significant accounting policies (continued)

(aa) Critical Accounting Estimates and Judgments (continued)

Taxation (continued)

Assumptions about the generation of future taxable profits and repatriation of retained earnings depend on management's estimates of future cash flows. These depend on estimates of future production and sales volumes, operating costs, restoration costs, capital expenditure, dividends and other capital management transactions. Judgements are also required about the application of income tax legislation. These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the statement of financial position and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the statement of comprehensive income.

ii) Significant accounting estimates and assumptions

Impairment of goodwill and intangibles with indefinite useful lives

DataDot determines whether goodwill and intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash generating units to which the goodwill and intangibles with indefinite useful lives are allocated. The assumptions used in the estimation of recoverable amount are discussed in note 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.

Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience as well as lease terms (for leased equipment). In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful life are made when considered necessary.

2 Operating Segments

Segment Information

Identification of reportable segments

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

Three of the operating segments are identified by management based on the location of the selling segment. Two 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.

Types of 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;
- **DataThreadDNA** - a continuous strand of DataDotDNA integrated into fine thread; and
- **DataBaseDNA** - a global database that records asset identification data and is accessible by law enforcement agencies and insurance investigators.

The two operating segments that are identified by product offerings managed on a global basis are:

- **DataTraceDNA®** – a high speed, high security, machine readable system for authenticating materials, products and assets; and

- **AgTechnix** - 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 years ended 30 June 2012 and 30 June 2011.

Major Customers

DataDot has a number of customers to which it provides both products and services. In Australasia, one customer accounts for 17% of total revenue (2011: 16%) and in Europe one customer accounts for 11% of total revenue (2011: 17%).

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2012

2 Operating Segments (continued)

Segment Performance

Year ended 30 June 2012	Asia Pacific $	Americas $	Europe $	AgTechnix $	DataTraceDNA $	Total $
Revenue						
Sales to external customers	3,172,344	835,845	1,621,669	89,235	976,825	6,695,918
Other revenues from external customers	374,711	766	-	-	-	375,477
Inter-segment sales	1,335,784	139,732	3,784	-	125,087	1,604,387
Total segment revenue	4,882,839	976,343	1,625,453	89,235	1,101,912	8,675,782
Inter-segment elimination	-	-	-	-	-	(1,604,386)
Other revenue	-	-	-	-	-	72,097
Total revenue per the statement of comprehensive income	-	-	-	-	-	7,143,493
Result						
Segment Results	614,704	76,975	(231,313)	(431,252)	(400,731)	(371,617)
Unallocated expenses	-	-	-	-	-	(1,777,038)
Loss before tax and finance costs	-	-	-	-	-	(2,148,655)
Finance costs	-	-	-	-	-	(18,333)
Loss before income tax per statement of comprehensive income	-	-	-	-	-	(2,166,988)
Income tax expense	-	-	-	-	-	514,350
Loss after income tax per statement of comprehensive income	-	-	-	-	-	(1,652,638)
Assets and Liabilities						
Segment Assets	3,186,979	521,376	992,097	141,992	2,257,137	7,099,581
Investment in joint venture	-	-	-	-	-	-
Unallocated assets	-	-	-	-	-	1,492,764
Total Assets	-	-	-	-	-	8,592,345
Segment Liabilities	1,015,361	111,948	161,996	134,312	98,276	1,521,893
Unallocated liabilities	-	-	-	-	-	769,056
Total Liabilities	-	-	-	-	-	2,290,949
Other segment information						
Capital expenditure	135,666	2,051	9,039	1,261	176	148,193
Depreciation	127,837	16,700	8,376	5,669	18,544	177,126
Amortisation	145,484	-	-	1,137	97,694	244,315

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2012

2 Operating Segments (continued)

Segment Performance (continued)

Year ended 30 June 2011	Asia Pacific $	Americas $	Europe $	AgTechnix $	DataTraceDNA $	Total $
Revenue						
Sales to external customers	3,416,741	800,590	1,834,256	123,278	617,471	6,792,336
Other revenues from external customers	586,268	8,825	-	-	-	595,093
Inter-segment sales	651,255	128,486	-	-	73,128	852,869
Total segment revenue	4,654,264	937,901	1,834,256	123,278	690,599	8,240,298
Inter-segment elimination	-	-	-	-	-	(852,869)
Other revenue	-	-	-	-	-	99,996
Total revenue per the statement of comprehensive income	-	-	-	-	-	7,487,425
Result						
Segment Results	472,437	(27,484)	223,283	(187,519)	71,372	552,089
Unallocated expenses	-	-	-	-	-	(879,281)
Profit before tax and finance costs	-	-	-	-	-	(327,192)
Finance costs	-	-	-	-	-	(22,403)
Share of loss of joint venture	-	-	-	-	-	(111,716)
Profit before income tax per statement of comprehensive income	-	-	-	-	-	(461,311)
Income tax expense	-	-	-	-	-	(122,088)
Profit after income tax per statement of comprehensive income	-	-	-	-	-	(583,399)
Assets and liabilities						
Segment assets	1,044,237	481,938	1,019,648	87,857	2,044,934	4,678,614
Investment in joint venture	-	-	-	-	-	-
Unallocated assets	-	-	-	-	-	5,280,146
Total assets	-	-	-	-	-	9,958,760
Segment liabilities	799,310	118,528	515,707	275,178	205,243	1,913,966
Unallocated liabilities	-	-	-	-	-	204,462
Total liabilities	-	-	-	-	-	2,118,428
Other segment information						
Capital expenditure	371,401	5,128	8,870	23,645	48,703	457,747
Depreciation	169,836	17,698	6,649	2,027	9,396	205,606
Amortisation	90,911	-	-	562	56,903	148,376

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2012

3 Other Income

	2012 $	2011 $
Gain on revaluation of interest in DataTrace (refer note 24(b))	**-**	552,134
Government grants:		
Export market development grant	**-**	98,000
Global growth funding grant	**10,000**	-
Australian apprenticeships employer incentives	**1,500**	-
	11,500	650,134

The export market development and global growth funding grants are provided to assist the development of export sales.

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

4 Expenses

	2012 $	2011 $
(a) Finance Costs		
Bank loans and overdrafts	**10,334**	16,952
Other loans	**7,726**	5,451
Finance charges payable under finance leases and hire purchase contracts	**273**	-
Total finance costs (on a historical basis)	**18,333**	22,403
(b) Depreciation and Amortisation Included in the Statement of Comprehensive Income		
Included in Depreciation and Amortisation expense:		
Depreciation	**177,126**	202,195
Amortisation	**244,315**	148,192
Total Depreciation and Amortisation	**421,441**	350,387
(c) Foreign Exchange Differences and Allowance for Impairment of Inventories Included in the Statement of Comprehensive Income		
Included in Cost of Sales and Administrative Expenses:		
Gain on foreign currency	**60,065**	215,183
Allowance for impairment of inventories	**-**	(63,012)
	60,065	152,171

4 Expenses (continued)

	2012 $	2011 $
(d) Lease Payments Included in the Statement of Comprehensive Income		
Included in Occupancy Expenses:		
Minimum lease payments - operating lease	**198,402**	269,853
Included in Administrative Expenses		
Minimum lease payments - operating lease	**9,676**	15,306
Included in Cost of Sales		
Minimum lease payments - operating lease	**56,086**	9,531
	264,164	294,690
(e) Employee Benefits Expense		
Wages and salaries	**2,616,852**	2,469,201
Workers compensation costs	**32,027**	44,115
Superannuation	**208,406**	183,200
Long service leave provision	**12,873**	22,615
Annual leave provision	**(377)**	24,005
Payroll Tax	**119,255**	118,101
Other employee benefits	**69,041**	118,835
Share based payment expense (note 26)	**129,387**	148,856
	3,187,464	3,128,928
(f) Research and Development Costs		
Included in administrative expenses: Research & development costs	**64,911**	109,444
(g) Bad and Doubtful Debts		
Bad and Doubtful Debts	**201,475**	45,186
(h) Restructuring Expenses		
The major cost components of restructuring are termination payments associated with cessation of employment	**315,297**	-

5 Income tax expense

(a) Income tax expense/(benefit)

	2012 $	2011 $
The major components of income tax expense are:		
Current income tax expense/(benefit)	**(514,350)**	**122,088**
Deferred income tax (note 6)	**-**	**-**
Income tax expense/(benefit)	**(514,350)**	**122,088**

(b) Numerical reconciliation between aggregate tax expense recognised in the statement of comprehensive income and tax expense calculated per the statutory income tax rate

	2012 $	2011 $
A reconciliation between tax expense and the product of accounting profit/(loss) before income tax multiplied by DataDot's applicable income tax rate is as follows:		
Accounting profit/(loss) before tax from continuing operations	**(2,166,988)**	(461,311)
Total accounting profit/(loss) before tax	**(2,166,988)**	(461,311)
At the statutory income tax rate of 30% (2011: 30%)	**(650,096)**	(138,393)
Foreign tax rate adjustment	**32,332**	30,163
Adjustment for income assessable in overseas tax jurisdictions	**68,792**	90,214
Research and development expenditure added back	**221,351**	-
Research and development deduction	**(508,687)**	(241,940)
Expenditure not allowable	**43,952**	20,960
Revenue not assessable	**-**	(165,640)
Other	**(31,387)**	51,072
Previously unrecognised tax losses brought to account	**(319,387)**	-
Unused tax losses and tax offsets not recognised as deferred tax assets	**628,780**	475,652
Aggregate income tax expense/(benefit)	**(514,350)**	122,088

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2012

6 Income tax assets and liabilities

Recognised deferred tax assets and liabilities

	2012 $	2011 $
Opening balance	**-**	-
Deferred tax asset credited to income	**922,211**	937,741
Deferred tax liability charged to income	**(922,211)**	(937,741)
Closing balance	**-**	-

Deferred tax assets and liabilities

Deferred income tax at 30 June relates to the following:

	2012	2011
Deferred tax liabilities		
Development costs	**496,469**	459,170
Plant and equipment	**13,987**	15,256
Goodwill	**377,658**	377,658
Accounts receivable	**34,097**	85,657
Gross deferred tax liabilities	**922,211**	937,741
Set-off of deferred tax assets	**(922,211)**	(937,741)
Net deferred tax liabilities	**-**	-
Deferred tax assets		
Tax losses	**634,231**	487,579
Foreign currency balances	**609,296**	730,573
Goodwill	**101,026**	116,010
Plant and equipment	**-**	-
Provisions	**82,826**	122,732
Accruals	**40,667**	66,935
Equity raising costs	**80,174**	51,034
Legal fees	**18,408**	34,755
Doubtful debts	**2,939**	2,939
Other	**33,355**	82,912
	1,602,922	1,695,469
Set-off of deferred tax liabilities	**(922,211)**	(937,741)
Net deferred tax assets arising from temporary differences not brought to account	**680,711**	757,728

Deferred tax assets not taken to account

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

	2012 $	2011 $
The amount of the potential deferred tax assets attributable to revenue losses not brought to account	**8,290,926**	7,662,146
Less losses recognised as realisation of benefit is deemed to be sufficiently probable	**(634,231)**	(487,579)
	7,656,695	7,174,567

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 consolidation

DataDot Technology Limited and its 100% owned Australian resident subsidiaries have formed a tax consolidated group with effect from 1 July 2003. In December 2010, DataTrace DNA Pty Limited became a member of the tax consolidated group after becoming a wholly owned subsidiary of DataDot Technology Limited. DataDot Technology Limited is the head entity of the tax consolidated group. Members of the group have not entered into a tax sharing arrangement in order to allocate income tax expense to the wholly owned subsidiaries on a pro-rata basis. There is no agreement for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. At the reporting date, the possibility of default is remote.

AgTechnix Pty Limited became a wholly owned subsidiary of DataDot Technology Limited on 29 June 2012 and is now part of the tax consolidated group.

7 Dividends

No dividends were declared or paid during the year (2011: Nil).

DataDot has no franking credits available.

8 Earnings per Share

Basic earnings per share amounts are calculated by dividing net profit/(loss) for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

The following reflects the income and share data used in the basic earnings per share computations:

	2012 $	2011 $
Net profit/(loss) from continuing operations attributable to ordinary equity holders of the parent	**(1,390,726)**	(489,639)
Net profit/(loss) attributable to ordinary equity holders of the parent	**(1,390,726)**	(489,639)

	2012 No.	2011 No.
Weighted average number of ordinary shares for basic earnings per share	**474,575,800**	415,921,639
Effect of dilution:		
Share rights	**16,471,712**	9,579,452
Weighted average number of ordinary shares adjusted for the effect of dilution	**491,047,512**	425,501,091

There have been no transactions involving ordinary shares or potential ordinary shares that would significantly change the number of ordinary shares or potential ordinary shares outstanding between the reporting date and the date of completion of these financial statements.

The following options are not treated as potential ordinary shares as their exercise price exceeds current market price	**-**	500,000

9 Cash and Cash Equivalents

	2012 $	2011 $
Cash at bank and on hand	**1,409,367**	3,528,593

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

Cash Flow Information

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

	2012 $	2011 $
Loss after income tax	**(1,652,638)**	(583,399)
Add/(less) items classified as investing/financing activities:		
Share of joint venture loss/(profit)	**-**	111,716
Interest received	**(72,097)**	(99,996)
Add/(less) non-cash items:		
Depreciation and amortisation	**421,442**	353,982
Non-cash borrowing costs	**33,940**	25,804
Share based payments	**174,857**	148,856
Gain on revaluation of investment	**-**	(552,134)
Impairment losses	**-**	(63,012)
Impairment of superseded patents	**194,703**	-
Warranty provision	**-**	20,000
Impairment for doubtful accounts	**201,475**	45,186
Loss on disposal of property, plant & equipment	**3,990**	-
Net cash used in operating activities before change in assets and liabilities	**(694,328)**	(592,997)
(Increase)/decrease in trade and other receivables	**(403,684)**	(78,927)
(Increase)/decrease in other assets	**-**	65,950
(Increase)/decrease in inventories	**(476,325)**	(106,275)
(Decrease)/increase in trade and other payables	**97,139**	(255,407)
(Decrease)/increase in current tax liabilities	**(59,345)**	78,223
(Decrease)/increase in other liabilities	**(141,872)**	(144,854)
(Decrease)/increase in provisions	**93,720**	39,742
Net cash provided by / (used in) operating activities	**(1,584,695)**	(994,545)

	2012 $	2011 $
Non-cash financing and investing activities		
Share-based payment for acquisition of subsidiary	**-**	987,436
Share-based payment for intellectual property	**-**	395,015
Non-cash financing and investing activities	**-**	1,382,451

10 Trade and Other Receivables

	Note	2012 $	2011 $
Trade receivables		**1,169,858**	1,277,826
Allowance for impairment loss	10(a)	**(92,859)**	(9,797)
		1,076,999	1,268,029
Prepayments		**161,722**	224,415
Other		**94,899**	179,679
		1,333,620	1,672,123

(a) Allowance for impairment loss

Trade receivables are non-interest bearing and are generally on 30-60 day terms. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. An impairment charge of $201,475 (2011: $45,186) 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:

	2012	2011
At 1 July	**9,797**	117,459
Charge for the year	**201,475**	45,186
Amount written off (included in bad and doubtful debt expense)	**(118,413)**	(152,848)
At 30 June	**92,859**	9,797

At 30 June, the ageing analysis of trade receivables is as follows:

	Total $	0-30 Days $	31-60 Days $	61-90 Days PDNI * $	61-90 Days CI * $	+91 Days PDNI * $	+91 Days CI * $
2012	**1,169,858**	**752,373**	**218,546**	**54,182**	**-**	**134,960**	**9,797**
2011	1,277,826	749,562	227,382	11,893	-	279,192	9,797

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

(b) Fair value and credit risk

Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value. The maximum exposure to credit risk is the fair value of receivables. Collateral is not held as security, nor is it DataDot's policy to transfer (on-sell) receivables to special purpose entities.

Refer to note 25 for more information on the risk management policy of DataDot and the credit quality of DataDot’s trade receivables.

10 Trade and Other Receivables (continued)

(c) Foreign exchange and interest rate risk

Details regarding foreign exchange and interest rate risk exposure are disclosed in note 25.

11 Inventories

	2012 $	2011 $
Raw materials	**1,422,234**	1,063,902
Finished goods	**61,678**	20,827
	1,483,912	1,084,729

Inventory expense

Inventories recognised as an expense for the year totalled $1,515,469 (2011: $1,266,845). This expense has been included in the cost of sales line item.

12 Plant and Equipment

	2012 $	2011 $
Owned plant and equipment		
At cost	**2,491,835**	2,340,685
Accumulated depreciation	**(1,686,425)**	(1,520,908)
Total owned plant and equipment	**805,410**	819,777
Leased plant and equipment		
Cost	**118,453**	125,039
Accumulated depreciation	**(94,972)**	(85,166)
Total leased plant and equipment	**23,481**	39,873
Leasehold improvements		
Cost	**155,753**	153,253
Accumulated depreciation	**(148,433)**	(145,448)
Total leasehold improvements	**7,320**	7,805
Total Plant and Equipment		
Cost	**2,766,041**	2,618,977
Accumulated depreciation	**(1,929,830)**	(1,751,522)
Total Plant and Equipment	**836,211**	867,455

12 Plant and Equipment (continued)

Movements in Carrying Amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Plant and equipment $	Leased plant and equipment $	Leasehold improvements $	Total $
Year ended 30 June 2012				
At 1 July 2011, net of accumulated depreciation	**819,777**	**39,873**	**7,805**	**867,455**
Additions	**145,693**	**-**	**2,500**	**148,193**
Disposals	**(4,192)**	**-**	**-**	**(4,192)**
Depreciation charge for the year	**(165,517)**	**(9,805)**	**(2,986)**	**(178,308)**
Exchange adjustments	**9,650**	**(6,587)**	**-**	**3,063**
Balance at 30 June 2012	**805,411**	**23,481**	**7,319**	**836,211**
Balance at 30 June 2011				
At 1 July 2010, net of accumulated depreciation	625,950	51,741	34	677,725
Additions	443,653	4,565	9,529	457,747
Additions through business combination	19,758	-	-	19,758
Transfers to Intangibles	(61,399)	-	-	(61,399)
Depreciation charge for the year	(202,044)	(9,846)	(1,758)	(213,648)
Exchange adjustments	(6,141)	(6,587)	-	(12,728)
Balance at 30 June 2011	819,777	39,873	7,805	867,455

(a) Plant and equipment pledged as security for liabilities

Leased assets and assets under hire purchase contracts are pledged as security for the related finance lease and hire purchase liabilities.

Plant and equipment with a carrying amount of $805,410 (2011:$819,777) are pledged as securities for current and non-current liabilities as disclosed in note 15.

During the year, DataDot acquired plant and equipment and leasehold improvements with an aggregate value of $ Nil (2011: $4,565) by means of finance leases.

(b) Plant and equipment in the course of construction

Included in plant and equipment at 30 June 2012 is an amount of $65,278 (2011: $439,447) relating to expenditures for plant and equipment in the course of construction.

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2012

13 Intangible Assets

(a) Carrying values table

	2012 $	2011 $
Development costs		
Cost	**1,578,121**	1,128,310
Accumulated amortisation	**(688,093)**	(504,819)
Net carrying amount	**890,028**	623,491
Patent costs		
Cost	**1,098,545**	957,649
Accumulated amortisation & impairment losses	**(334,995)**	(95,543)
Net carrying amount	**763,550**	862,106
Goodwill		
Cost	**1,258,864**	1,258,864
Net carrying amount	**1,258,864**	1,258,864
Computer software		
Cost	**72,727**	69,611
Accumulated amortisation	**(23,322)**	(8,212)
Net carrying value	**49,405**	61,399
Total Intangible Assets	**2,961,847**	2,805,860

13 Intangible Assets (continued)

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

	Development costs $	Patent Costs $	Goodwill $	Computer software $	Total $
Year ended 30 June 2012					
Opening balance	**623,491**	**862,106**	**1,258,864**	**61,399**	**2,805,860**
Additions	**449,812**	**140,896**	**-**	**3,116**	**593,824**
Amortisation	**(183,275)**	**(44,749)**	**-**	**(15,110)**	**(243,134)**
Impairment losses	**-**	**(194,703)**	**-**	**-**	**(194,703)**
Balance at 30 June 2012	**890,028**	**763,550**	**1,258,864**	**49,405**	**2,961,847**
Year ended 30 June 2011					
Opening balance	109,309	286,015	-	-	395,324
Additions	299,265	524,193	-	-	823,458
Additions through business combinations	319,203	87,776	1,258,864	-	1,665,843
Transfers from plant and equipment	-	-	-	61,399	61,399
Amortisation	(104,286)	(35,878)	-	-	(140,164)
Balance at 30 June 2011	$ 623,491	$ 862,106	$ 1,258,864	$ 61,399	$ 2,805,860

(c) Description of DataDot Technology Limited's intangible assets

(i) Development costs

Development costs are carried at cost less accumulated amortisation and accumulated impairment losses. The intangible assets have been assessed as having finite lives. All intangible assets are amortised using the straight line method over a period of 3 to 5 years. The amortisation has been recognised in the statement of comprehensive income in the line item “depreciation and amortisation expense”. If an impairment indication arises, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying amount.

In 2012, $449,812 of development costs associated with development of Project Thor (next generation DataDots), Beacon DataDot system, DataDot silicone tip pen applicator, DataTrace authenticators and tracers were incurred with $183,275 of associated amortisation being expensed during the period. There were no indicators that the development costs are impaired.

13 Intangible Assets

(c) Description of DataDot Technology Limited's intangible assets (continued)

(ii) Patents

Patent costs are carried at cost less accumulated amortisation and accumulated impairment losses. These intangible assets have been assessed as having a finite life and are amortised using the straight line method over the period of the patent. The amortisation has been recognised in the income statement in the line item 'depreciation and amortisation expense'. If an impairment indication arises, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying amount.

In 2012, $140,896 of costs associated with the lodging, renewal and maintenance of patents were incurred with $44,749 of associated amortisation being expensed during the period. A comprehensive review of patents identified patents that had been superseded or intentionally abandoned. An impairment charge of $194,703 was incurred to reflect the reduced value of these patents.

(iii) Goodwill

After initial recognition, goodwill acquired in a business combination is measured at cost less any accumulated impairment losses. Goodwill is not amortised but is subject to impairment testing on at least an annual basis or whenever there is an indication of impairment.

(iv) Impairment testing of Goodwill

Goodwill arising from the acquisition of DataTraceDNA Pty Limited has been allocated to the cash-generating unit of DataTraceDNA, which is also a discrete operating segment of DataDot.

The recoverable value of the DataTraceDNA cash-generating unit is determined based on value-in-use calculations. Value-in-use is calculated based on the present value of cash flow projections over a 5 year period with the terminal value calculated on the year 5 projected cashflows divided by the discount rate less the growth rate. The cash flows are discounted using the yield of 10 year government bonds adjusted for market risk and inherent uncertainty across the periods.

Management has based the value-in-use calculations on the DataTrace budget approved by the DataDot Board. The budget uses estimated growth rates to project revenue. Costs are calculated taking into account historical gross margins as well as estimated inflation rates over the period.

The cash flows are discounted using a discount rate of 25%. The discount rate of 25% pre-tax 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 that business. Cash flows beyond the five year period are extrapolated using an estimated growth rate of 3%. The growth rate does not exceed the long term average growth rate for the business in which the cash generating unit operates.

14 Trade and other payables

	2012 $	2011 $
Trade payables	**621,191**	440,650
Sundry creditors and accruals	**440,726**	524,460
	1,061,917	965,110

(a) Fair value and credit risk

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

(b) Interest rate, foreign exchange and liquidity risk

Details regarding foreign exchange and interest rate risk exposure are disclosed in note 25.

15 Interest Bearing Loans and Borrowings

Current *Secured:*	Maturity	2012 $	2011 $
Obligations under finance leases and hire purchase contracts	2013	**1,457**	2,498
Bank Loan	2013	**58,625**	49,787
		60,082	52,285
Non-current *Secured*:			
Lease Liabilities		**-**	1,457
Bank Loan		**-**	57,085
		-	58,542

(a) Fair value

The carrying value of DataDot's current and non-current borrowings approximate their fair value.

(b) Interest rate, foreign exchange and liquidity risk

Details regarding foreign exchange and interest rate risk exposure are disclosed in note 25.

15 Interest Bearing Loans and Borrowings (continued)

(c) Assets pledged as security

Lease liabilities are effectively secured as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default.

The bank loan is in the form of a commercial loan. A fixed and floating charge over the assets of DataDot Technology Limited and DataDot Technology (Australia) Pty Limited has been provided to the bank as security for the loan. Plant and equipment with a carrying amount of $805,410 (2011: $819,777) are pledged as securities for current and non-current liabilities. The loan is repayable over 36 monthly periods.

(d) Defaults and breaches

During the current and prior years, there were no defaults or breaches on any of the loans.

16 Provisions

	2012 $	2011 $
Current		
Long service leave	**89,763**	73,024
Annual leave	**190,583**	213,086
Restructuring provision	**103,687**	-
Provision for Theft Excess Rebate	**20,000**	20,000
Provision for Swann Insurance	**1,540**	1,540
Make good provision	**50,000**	50,000
	455,573	357,650
Non-current		
Long service leave	**4,407**	8,274

Movements in each class of provision during the financial year, other than provisions relating to employee benefits are set out below:

	Restructuring Provision $	Theft Excess Rebate Provision $	Swann Insurance Provision $	Make Good Provision $	Total $
Balance at 1 July 2011	-	20,000	1,540	50,000	71,540
Provisions made during the period	103,687	-	-	-	103,687
Provisions used during the period	-	-	-	-	-
Provisions reversed during the period	-	-	-	-	-
Balance at 30 June 2012	103,687	20,000	1,540	50,000	175,227
Balance at 1 July 2010	16,667	-	10,510	50,000	77,177
Provisions made during the period	-	20,000	-	-	20,000
Provisions used during the period	(16,667)	-	-	-	(16,667)
Provisions reversed during the period	-	-	(8,970)	-	(8,970)
Balance at 30 June 2011	-	20,000	1,540	50,000	71,540

Notes to the Consolidated Financial Statements

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16 Provisions (continued)

(a) Long Service Leave Provision

Refer to note 1(v) for the relevant accounting policy and a discussion of the significant estimations and assumptions applied in the measurement of this provision.

(b) Restructuring Costs Provision

In 2012 the Board and Management implemented major cost reductions and as a result of DataDot's restructure achieved significant additional sustained savings. The major cost components of the restructuring were termination payments associated with cessation of employment together with costs incurred in closing facilities surplus to requirements.

(c) Theft Excess Rebate Provision

Included in provisions is an estimate of amounts payable that may arise under an agreement with an Australian motor vehicle distributor in which DataDot has agreed to remit the theft excess (to a maximum of $800) payable by automobile owners in the event that vehicles to which this provision applies are stolen and remain unrecovered (subject to certain conditions).

(d) Swann Insurance Provision

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

(e) Make Good Provision

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.

17 Other Liabilities

	2012 $	2011 $
Current unsecured loans from:		
Amounts payable to other parties	**688,822**	-
Unearned revenues	-	141,873
	688,822	141,873
Non-current unsecured loans from:		
Amounts payable to other parties	-	456,471

17 Other Liabilities (continued)

Included in current liabilities is an amount payable to other parties of $373,671 (£239,457) which DataDot Technology (UK) Limited (DDUK) borrowed on an interest free basis in 2002 for the establishment of the UK business. The loan, which is guaranteed by DataDot, is repayable on the earlier of the termination of the DDUK shareholders agreement, the DDUK licence agreement and 15 December 2012. This financial liability is carried at amortised cost using the effective interest method. In 2011, this amount was treated as a non-current liability. In August 2012, £100,000 of the loan was repaid by DDUK in conjunction with the share sale agreement, with the remaining £150,000 to be repaid over in December 2012, July 2013, December 2013 and June 2014, as outlined in note 29.

Also included in current liabilities is an amount of $315,151 which is funding that has been received from IPECO Pty Limited for AgTechnix Pty Limited. The funding will be repaid from profits generated by AgTechnix over the next three years. If insufficient profits are generated during the three years then the remaining balance will be extinguished at the end of the three year period.

18 Contributed Equity

(a) Ordinary Shares

	2012 $	2011 $
Issued and fully paid	**33,102,482**	33,102,482

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

	Number	$
Movement in ordinary shares on issue		
At 30 June 2010	344,028,204	28,034,195
Shares issued for purchase of CSIRO 50% interest in DataTrace DNA Pty Limited at $0.041 per share (net of half-share of cost of independent valuation)	24,083,804	987,436
Shares issued for assignment of DataTraceDNA intellectual property from CSIRO at $0.041 per share	9,634,523	395,015
Share purchase plan at $0.041 per share	73,170,732	3,000,000
Share placement at $0.041 per share	23,658,537	970,000
Less cost of capital raisings	-	(284,164)
At 30 June 2011	474,575,800	33,102,482
Shares issued:	-	-
At 30 June 2012	**474,575,800**	**33,102,482**

Notes to the Consolidated Financial Statements

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18 Contributed Equity (continued)

(b) Capital Management

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

As disclosed in Note 15, DataDot had total interest bearing liabilities of $60,082 as at 30 June 2012 (2011: $110,827). DataDot is not subject to any externally imposed capital requirements.

19 Accumulated Losses

	2012 $	2011 $
Balance at 1 July	**(25,857,705)**	(25,368,066)
Net loss attributable to equity holders of the parent	**(1,390,726)**	(489,639)
Balance at 30 June	**(27,248,431)**	(25,857,705)

20 Reserves

Foreign currency translation reserve		
Balance at beginning of financial year	**540,360**	505,232
Currency translation differences arising during the year	**(61,155)**	35,128
Balance at end of financial year	**479,205**	540,360
Employee equity benefits reserve		
Balance at beginning of financial year	**148,856**	-
Share-based payments	**174,857**	148,856
Balance at end of financial year	**323,713**	148,856
Other reserves		
Balance at beginning of financial year	**-**	-
Acquisition of non-controlling interest in AgTechnix Pty Limited (refer note 24(a))	**(309,424)**	-
Balance at end of financial year	**(309,424)**	**-**
Total Reserves	**493,494**	689,216

20 Reserves (continued)

(a) Foreign Currency Translation Reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

(b) Employee Equity Benefits Reserve

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 27 for further details of these plans.

(c) Other Reserves

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. Refer to note 24 for further details of these transactions.

21 Commitments

(a) Finance Lease Commitments

DataDot has finance leases and hire purchase contracts for various items of plant and machinery with a carrying amount of $3,271 (2011: $4,565). The leases have terms of renewal but no purchase options and escalation clauses. Renewals are at the option of the specific entity that holds the lease. Included in the finance lease commitments are finance leases entered into after 30 June 2012 for the purchase of production equipment with a value of $149,612 (2011: nil).

	2012	2011
	$	$
Payable - minimum lease payments:		
- not later than 12 months	**51,328**	2,498
- between 12 months and 5 years	**99,741**	1,457
Minimum lease payments	**151,069**	3,955

(b) Operating Lease Commitments

DataDot leases property under non-cancellable leases expiring from 12 months to 52 months. Lease payments comprise a base amount plus an incremental allowance for inflation.

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

Payable - minimum lease payments:		
- not later than 12 months	**127,816**	231,906
- between 12 months and 5 years	**15,798**	141,190
Minimum lease payments	**143,614**	373,096

21 Commitments (continued)

(c) Remuneration Commitments

	2012 $	2011 $
Commitments for the payment of salaries and other remuneration under long-term employment contracts in existence at the reporting date but not recognised as liabilities, payable:		
- not later than 12 months	**176,435**	343,944
- greater than 5 years	**-**	-
	176,435	343,944

Amounts disclosed as remuneration commitments include commitments arising from the service contracts of executives referred to in the Remuneration Report of the Directors Report that are not recognised as liabilities and are not included in the compensation of Key Management Personnel. There are no remuneration commitments for Directors as their remuneration under the DataDot Constitution is on a day to day basis.

22 Contingent Liabilities

(a) Guarantees

Included in current liabilities is an amount payable to other parties of $373,671 (£239,457) which DataDot Technology (UK) Ltd (DDUK) has borrowed on an interest free basis. The loan, which is guaranteed by DataDot, is repayable on the earlier of the termination of the DDUK shareholders agreement, the DDUK licence agreement and 15 December 2012

DataDot has issued bank guarantees of $38,050 (2011: $38,050). No liability was recognised by DataDot in relation to the bank guarantee as the fair value of the guarantee is immaterial.

(b) Insurance Company Initiative

Included in provisions is $1,540 (2011: $1,540) being an estimate of amounts payable that may arise under a sales agreement with an insurance company under which DataDot has agreed to remit the insurance policy excess on behalf of insurance policy holders who have applied dots to their vehicles and whose vehicles have been stolen. The estimate is based on the probability of claims being made. Should these estimates prove incorrect then an adjustment may have to be made to either increase or decrease the amount due and payable.

(d) Theft Excess Rebate Contingencies

Included in provisions is $20,000 (2011: $20,000) being an estimate of amounts payable that may arise under an agreement with an Australian motor vehicle distributor in which DataDot has agreed to remit the theft excess (to a maximum of $800) payable by automobile owners in the event that vehicles to which this provision applies are stolen and remain unrecovered (subject to certain conditions). 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.

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For the Year Ended 30 June 2012

22 Contingent Liabilities (continued)

(e) Tax Related Contingencies

Ongoing transactions - transfer pricing

DataDot has offshore operations in the United States and the United Kingdom. As disclosed in note 23, there are intra Group transactions, which include DataDot and its subsidiaries. These transactions are on an arm's length basis and are conducted at normal market prices and on normal commercial terms.

Whilst there are no investigations currently in progress, such transactions are not subject to any statutory limit in Australia. Transfer pricing is an area of focus for the United States Internal Revenue Service, the United Kingdom Inland Revenue and the ATO. At present, it is expected that any impact of an investigation if and when held would not be material to DataDot.

23 Related Party Transactions

(a) Subsidiaries

		Country of Incorporation	% Equity Interest 2012	% Equity Interest 2011	Investment 2012 $	Investment 2011 $
DataDot Technology (Australia) Pty Limited		Australia	100	100	100	100
DataDot Technology USA Inc.		United States	100	100	181,818	181,818
DataDot Technology (UK) Limited		United Kingdom	72	72	846	846
AgTechnix Pty Limited		Australia	100	51	200	101
DataTrace DNA Pty Limited		Australia	100	100	2,395,015	2,395,015
DataDot Technology (Asia) Pte. Limited	(1)	Taiwan	50	50	-	-
DataDot N.Z. Pty Limited		New Zealand	100	100	-	-
DataDot Technology (Europe) Limited	(2)	United Kingdom	100	100	-	-
					2,577,979	2,577,880

1. DataDot Technology (Asia) Pte. Limited is a controlled entity of DataDot Technology Limited by virtue of appointing a majority of directors to the Board of DataDot Technology (Asia) Pte. Limited. As at 30 June 2012, this controlled entity was dormant.

2. This company is a subsidiary of DataDot Technology (UK) Limited.

(b) Ultimate Parent Company

DataDot Technology Limited is the ultimate parent of DataDot.

(c) Key Management Personnel

Details regarding key management personnel, including remuneration paid are included in note 27.

23 Related Party Transactions (continued)

(d) Transactions with Related Parties

DataDot's interest in subsidiaries is set out in Note 23(a). Transactions between DataDot Technology Limited and its subsidiaries arise from granting loans, provision of management services, sale of inventory and royalties. Non-current loans to these entities are interest free, are unsecured and are required to be repaid once sufficient operating cash flows permit repayment.

	2012 $	2011 $
Aggregate amount of other transactions with non-director related parties:		
Revenue from management fees from DataTrace DNA Pty Limited	**-**	273,663
Related party funding from IPECO Pty Limited for AgTechnix Pty Ltd	**195,000**	120,151

The funding from IPECO Pty Limited for AgTechnix Pty Limited relates to funding received prior to the acquisition of the minority shareholding by DataDot (refer note 24(a)).

24 Acquisitions

(a) Acquisition of Minority Shareholding in AgTechnix Pty Limited

On 29 June 2012, DataDot acquired the remaining 49% of AgTechnix Pty Limited (AgTechnix) A class shares and 50% of AgTechnix B class shares owned by IPECO Pty Limited, so becoming the sole shareholder and owner of AgTechnix and making AgTechnix a fully integrated, wholly-owned subsidiary of DataDot. The acquisition was undertaken to better utilise existing product support capacity within DataDot and to rationalise operating costs, including the costs to DataDot and Ipeco of maintaining a separate JV company. AgTechnix will be operated utilising existing DataDot resources and as such AgTechnix will have no staffing or other operating costs going forward. The shares were transferred for a nominal consideration. DataDot recognised a decrease in non-controlling interests of $309,424 and an increase in equity attributable to owners of the parent of $309,424 as shown in other reserves.

Over the past two years, DataDot and IPECO Pty Limited have each provided funding to AgTechnix for a total of $315,151 for each entity. This funding is classified as Other Current Liabilities and described in note 9 above. No additional funding will be provided to AgTechnix. The funding will be repaid to DataDot and IPECO equally from profits generated by AgTechnix over the next three years. If insufficient profits are generated during the three years then the remaining balance will be extinguished at the end of the three year period.

(b) Acquisition of CSIRO interest in DataTrace DNA Pty Limited

On 1 December 2010, DataDot Technology Limited (DataDot) acquired Australia's Commonwealth Scientific and Industrial Research Organisation's (CSIRO) equity interest in the 50% of DataTrace DNA Pty Limited (DataTrace) not already owned by DataDot, so making DataTrace a wholly-owned subsidiary of DataDot. DataTrace manufactures and distributes high security authentication solutions. The agreed value of the 50% equity interest was $1,000,000 based on an independent valuation. Consideration of $1,000,000 (net of CSIRO's half-share of valuation costs) was given in the form of 24,083,804 ordinary DataDot shares valued at $0.041 per share. The share price was established by reference to the volume weighted average share price of the Company's shares over the six months to 31 August 2010. As part of the acquisition of DataTrace, DataDot's investment in DataTrace was revalued to reflect fair value, resulting in a one-off gain of $552,134.

24 Business Combinations (continued)

(b) Acquisition of CSIRO interest in DataTrace DNA Pty Limited (continued)

In addition, CSIRO assigned the DataTrace intellectual property to DataTrace, opening up access to the currency, security and identity documents, and national security markets that were previously inaccessible to DataTrace under the CSIRO-DataTrace licensing arrangements. This component of the transaction had the agreed value of $395,015. Consideration was made on the same valuation basis and given in the form of 9,634,523 ordinary shares in DataDot.

At June 30 2011, DataDot recognised the following fair values of the identifiable assets and liabilities of DataTrace.

	Fair value at acquisition date $	Carrying value $
Cash and cash equivalents	189,963	189,963
Trade and other receivables	186,374	186,374
Inventories	323,790	323,790
Plant and equipment	19,758	19,758
Intangible assets	406,979	406,979
	1,126,864	1,126,864
Trade and other payables	211,353	211,353
Other current liabilities	174,375	174,375
	385,728	385,728
Fair value of identifiable net assets	741,136	
Goodwill arising on acquisition	1,258,864	
Less: 50% interest in DataTrace already owned by DataDot	(1,000,000)	
Consideration	1,000,000	
Acquisition-date fair-value of consideration transferred:		
Shares issued, at fair value	1,000,000	
Direct costs relating to the acquisition (expensed within administrative expenses in the statement of comprehensive income)	12,564	
The cash inflow on acquisition is as follows:		
Net cash acquired with the subsidiary	189,963	

The consolidated statement of comprehensive income includes sales revenue and net profit for the year ended 30 June 2011 of $690,599 and $71,372 respectively, as a result of the acquisition of CSIRO's 50% share in DataTrace. DataDot's 50% share in DataTrace for the period from 1 July 2010 until date of acquisition was accounted for as a joint venture by applying the equity method, with the share of loss for the period being $111,716. Had the acquisition of the remaining share of DataTrace occurred at the beginning of the reporting period, the consolidated statement of comprehensive income would have included revenue and a loss of $911,747 and ($152,060) respectively.

25 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 and commodity and equity price risk.

Interest Rate Risk

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

Foreign exchange risk

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

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

DataDot does require its operating units to use forward currency contracts to eliminate the currency exposures on any individual transactions in excess of $100,000 for which payment is anticipated more than one month after DataDot has entered into a firm commitment for a sale or purchase. There has been no such transaction during the year. It is DataDot's policy not to enter into forward contracts until a firm commitment is in place and to negotiate the terms of the hedge derivatives to exactly match the terms of the hedged item to maximise hedge effectiveness.

At 30 June 2012 DataDot had the following exposure to foreign currency that is not designated in cash flow hedges:

	2012 $	2011 $
Financial Assets		
Cash and cash equivalents	**412,863**	615,021
Trade and other receivables	**1,049,570**	910,068
	1,462,433	1,525,089
Financial Liabilities		
Trade and other payables	**722,096**	276,896
Interest bearing loans and borrowings	**-**	-
	722,096	276,896
Net exposure	**740,337**	1,248,193

25 Financial Risk Management (continued)

The following sensitivity analysis is based on the foreign currency rate risk exposures in existence at the statement of financial position date. At 30 June 2012, if the Australian dollar moved against the UK Pound and the US Dollar, as illustrated in the table below, with all other variables held constant, post tax profit/(loss) and equity would have been affected as follows:

Judgements of reasonably possible movements:

	Post Tax Profit/(Loss) Higher/(Lower) $	Equity Higher/(Lower) $
Year Ended 30 June 2012		
+ 5 %	**(19,819)**	**(249,248)**
- 10 %	**48,033**	**587,464**
Year Ended 30 June 2011		
+ 5 %	(3,970)	(229,654)
- 10 %	9,263	535,859

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

Price risk

DataDot's exposure to commodity price risk is minimal.

Credit Risk

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

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

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

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

25 Financial Risk Management (continued)

Liquidity risk

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

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

At reporting date, DataDot had total credit facilities of $188,658. $58,625 was utilised as a bank loan repayable in 36 monthly repayments with 12 monthly repayments outstanding. $30,117 was provided through Lines of Credit and was available for immediate use. $42,262 was utilised in the provision of bank guarantees against commercial leases on real property. $57,655 was utilised against a corporate credit card facility and 444,406 was available for immediate use.

The table below reflects all contractually fixed pay-offs and receivables for settlement, repayments and interest resulting from recognised financial liabilities as of 30 June 2012. For all obligations shown the respective undiscounted cash flows for the respective upcoming fiscal years are presented. Cash flows for financial assets and liabilities without fixed amount of timing are based on the conditions existing as at 30 June 2012.

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

	2012	2011
	$	$
6 months or less	**190,068**	26,143
6 - 12 months	**29,312**	26,142
1 - 5 years	**528,067**	515,013
Total	**747,447**	567,298

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2012

25 Financial Risk Management (continued)

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

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

	Within 1 Year		1 to 5 Years		Over 5 Years		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
	$	$	$	$	$	$	$	$
Financial Assets								
Cash & cash equivalents	**1,409,367**	3,528,593	**-**	-	**-**	-	**1,409,367**	3,528,593
Trade & other receivables	**1,901,008**	1,672,123	**-**	-	**-**	-	**1,901,008**	1,672,123
	3,310,375	5,200,716	**-**	-	**-**	-	**3,310,375**	5,200,716
Financial Liabilities								
Trade & other payables	**1,063,374**	969,065	**-**	-	**-**	-	**1,063,374**	969,065
Interest bearing loans & borrowings	**60,082**	52,285	**-**	58,542	**-**	-	**60,082**	110,827
Other non-current liabilities	**-**	-	**-**	456,471	**-**	-	**-**	456,471
	1,123,456	1,021,350	**-**	515,013	**-**	-	**1,123,456**	1,536,363
Net maturity	**2,186,919**	4,179,366	**-**	(515,013)	**-**	-	**2,186,919**	3,664,353

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2012

26 Share-based Payment Plans

(a) Employee Share Option Plan (ESOP)

DataDot has an employee share option plan last approved by shareholders at the 2006 annual general meeting. The plan provides for directors and employees to receive a number of options over ordinary shares as determined by the Board. Each option is convertible into one ordinary share. The exercise price of the options is determined by the board, but in respect of options granted from 1 July 2005, can be no less than $0.25. The options expire on the earlier of their expiry date and a date referable to the date the director or employee ceases to be employed by DataDot.

No options have been granted under the ESOP since August 2006. The 500,000 options that were granted in August 2006 with an exercise price of $0.42 each were out of the money at 30 June 2011 and expired on 7 August 2011. There are no remaining options on issue under the ESOP.

The Board does not intend to issue any further share options under the ESOP, and accordingly has not sought renewed shareholder approval of the scheme within the last three years under ASX Listing Rule 7,2, Exception 9(b).

(b) Executive Share Rights Plan (ESRP)

DataDot has an executive share rights plan approved by shareholders at the 2010 annual general meeting. The plan provides for the issue of share rights to executives for no consideration. Each share right converts into one fully paid ordinary share 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 intervals of 18 months, 30 months and 42 months after the date of issue. A trading restriction applies for a further 12 months after vesting and share rights expire 8 years after issue.

Share rights were issued to one KMP during the current financial year. A summary of all share rights issued is as follows:

	Grant Date	Number Granted	Vested Number	Forfeited Number	Unvested Number	Vesting Date	Expiry Date	Exercise Price $	Fair Value at Grant Date $
DOT1 - Tranche 1	1/1/2011	6,475,000	-	(250,000)	6,225,000	1/7/2012	1/1/2018	-	0.044
DOT1 - Tranche 2	1/1/2011	6,475,000	-	(3,350,000)	3,125,000	1/7/2013	1/1/2018	-	0.044
DOT1 - Tranche 3	1/1/2011	6,475,000	-	(3,350,000)	3,125,000	1/7/2014	1/1/2018	-	0.044
DOT2 - Tranche 1	1/9/2011	1,500,000	-	(1,500,000)	-	1/3/2013	1/9/2018	-	0.043
DOT2 - Tranche 2	1/9/2011	1,500,000	-	(1,500,000)	-	1/3/2014	1/9/2018	-	0.043
DOT2 - Tranche 3	1/9/2011	1,500,000	-	(1,500,000)	-	1/3/2015	1/9/2018	-	0.043
Total Share Rights		23,925,000	-	(11,450,000)	12,475,000				

The fair value of the share rights is equivalent to the share price of DataDot on the date of issue (grant date) as no adjustments are required to be made for exercise price or share price volatility.

26 Share-based Payment Plans

(c) Summary of Employee Share Options and Executive Share Rights

	Share Options		Share Rights	
	2012 Number	2011 Number	2012 Number	2011 Number
Balance at beginning of the financial year	**500,000**	500,000	**19,425,000**	-
Granted during the financial year	**-**	-	**4,500,000**	19,425,000
Exercised during the financial year	**-**	-	**-**	-
Lapsed during the financial year	**(500,000)**	-	**(11,450,000)**	-
Balance at end of the financial year	**-**	500,000	**12,475,000**	19,425,000

27 Key Management Personnel

(a) Details of Key Management Personnel

(i) Directors

B. Rathie	Executive Chairman (appointed Executive Chairman 17 January 2012)
G. Flowers	Director (non-executive)
A. Coutts	Director (non-executive)
B. Bootle	Chief Executive Officer and Managing Director (ceased 16 January 2012)

(ii) Executives

R. Hawkey	Chief Financial Officer
G. Loughlin	Company Secretary and Strategic Development Manager
G. Schmidt	Director, Business Development
G. George	Research and Development Manager
J. Kraft	Technology Group Manager (appointed KMP 1 July 2011)
P. Kibler	Managing Director, DataDot Technology (UK) Ltd (ceased 31 December 2011)
G. Gothard	General Manager, Business Development (ceased 15 February 2012)
N. Mulcahy	Chief Executive Officer, AgTechnix Pty Limited (ceased 30 June 2012)

There were no other changes of key management personnel after reporting date and the date the financial report was authorised for issue.

(b) Compensation of Key Management Personnel

The Remuneration Report contained in the Directors' Report contains details of the remuneration paid or payable to each member of DataDot's key management personnel for the year ended 30 June 2012. The totals of remuneration paid to key management personnel of DataDot during the year are as follows:

	2012 $	2011 $
Short-term employee benefits	**1,574,484**	1,502,189
Post-employment benefits	**164,192**	92,554
Other long-term benefits	-	-
Termination benefits	**276,778**	-
Share-based payments	**257,642**	119,349
	2,273,096	1,714,092

27 Key Management Personnel (continued)

(c) Key management personnel options and rights holdings

Details of share options and share rights provided as remuneration and shares issued on the exercise of such options together with terms and conditions of the share options and share rights can be found in the Remuneration Report within the Director's Report.

30 June 2012	Balance at beginning of year	Granted as remuneration	Exercised	Other changes	Balance at the end of year	Vested during the year	Vested and exercisable
Directors							
B. Rathie	-	-	-	-	-	-	-
G. Flowers	-	-	-	-	-	-	-
A. Coutts	-	-	-	-	-	-	-
B. Bootle	7,500,000	-	-	(5,000,000)	2,500,000	-	-
Executives							
R Hawkey	4,500,000	-	-	-	4,500,000	-	-
G Loughlin	4,250,000	-	-	(500,000)	3,750,000	-	-
G Schmidt	-	-	-	-	-	-	-
G George	375,000	-	-	-	375,000	-	-
J Kraft	750,000	-	-	-	750,000	-	-
P Kibler	-	-	-	-	-	-	-
G Gothard	1,800,000	-	-	(1,200,000)	600,000	-	-
N Mulcahy	-	4,500,000	-	(4,500,000)	-	-	-
	19,175,000	4,500,000	-	(11,200,000)	12,475,000	-	-

30 June 2011	Balance at beginning of year	Granted as remuneration	Exercised	Other changes	Balance at the end of year	Vested during the year	Vested and exercisable
Directors							
B. Rathie	-	-	-	-	-	-	-
B. Bootle	-	7,500,000	-	-	7,500,000	-	-
G. Flowers	-	-	-	-	-	-	-
A. Coutts	-	-	-	-	-	-	-
Executives							
R Hawkey	-	4,500,000	-	-	4,500,000	-	-
G Loughlin	500,000	3,750,000	-	-	4,250,000	-	500,000
G Gothard	-	1,800,000	-	-	1,800,000	-	-
G George	-	375,000	-	-	375,000	-	-
P Kibler	-	-	-	-	-	-	-
D Barnes	-	-	-	-	-	-	-
	500,000	17,925,000	-	-	18,425,000	-	500,000

27 Key Management Personnel (continued)

(d) Key management personnel shareholdings

The number of ordinary shares in DataDot Technology Limited held by each key management person of DataDot during the financial year is as follows:

	Balance at beginning of year	On exercise of options	Other changes during the year	Balance at end of year
30 June 2012				
Directors				
Bruce Rathie	22,902,448	-	500,000	23,402,448
G Flowers	1,495,126	-	341,667	1,836,793
A Coutts	-	-	-	-
B Bootle	596,890	-	-	596,890
	-	-	-	-
Executives				
R Hawkey	371,952	-	-	371,952
G Loughlin	565,854	-	-	565,854
G Schmidt	-	-	-	-
G George	-	-	-	-
J Kraft	-	-	-	-
P Kibler	-	-	-	-
G Gothard	-	-	-	-
N Mulcahy	249,500	-	-	249,500
	26,181,770	-	841,667	27,023,437

(e) Other key management personnel transactions

For details of other transactions with key management personnel, refer to Note 23: Related Party Transactions.

28 Auditors' Remuneration

The auditor of DataDot Technology Limited is BDO (formerly PKF)

	2012 $	2011 $
Amounts received or due and receivable for audit services by BDO:		
- An audit or review of the financial report of the entity and any other entity in the consolidated group	**113,876**	108,913
- Other services in relation to the entity and any other entity in the consolidated group		
- tax compliance	**33,516**	29,831
- other services	**20,000**	27,853
	167,391	166,597
Amounts received or due and receivable by non BDO audit firms for:		
- An audit or review of the financial report of the entity and any other entity in the consolidated group	**-**	26,517
- taxation services	**624**	9,828
- other services	**12,132**	-
	12,756	36,345

29 Events after the Balance Date

On 15 August 2012, a share sale agreement was executed between DataDot Technology Limited (DataDot) and the twenty per cent shareholder of DataDot Technology UK Limited (DDUK). Under the agreement, all the shares owned by the minority shareholder were purchased by DataDot for an agreed consideration of £150,000. The minority shareholder is also a director of the company that provided DDUK with the interest free loan. This interest free loan is classified as Other Current Liabilities and described in note 17 above. As part of the share sale agreement, £100,000 of the £250,000 loan balance that is due and payable by 15 December 2012 was paid to the minority shareholder, with payment of the remaining £150,000 extended to be due and payable in December 2012 (£5,000), July 2013 (£50,000), December 2013 (£50,000) and June 2014 (£45,000).

DataDot has also executed a share sale agreement with the other minority shareholder who owns eight per cent of DDUK. Under the agreement, all the shares owned by the minority shareholder will be purchased by DataDot for an agreed consideration of £60,000, with £5 being paid immediately and £59,995 payable during FY2013. This agreement became effective on 30 August 2012, at which point DataDot owned 100% of DDUK.

Apart from the matters disclosed above, no matter or circumstance has arisen since 30 June 2012 that has significantly affected, or may significantly affect DataDot’s operations in subsequent financial years, the results of those operations in subsequent years or DataDot’s state of affairs in subsequent financial years.

30 Parent entity financial 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.

	2012 $	2011 $
Assets		
Current assets	**1,716,578**	3,841,889
Non-current assets	**3,706,634**	3,727,416
Total assets	**5,423,212**	7,569,305
Liabilities		
Current liabilities	**4,961,391**	6,012,160
Non-current liabilities	**2,238**	61,719
Total liabilities	**4,963,629**	6,073,879
Equity		
Issued capital	**33,102,482**	33,102,482
Accumulated losses	**(32,966,710)**	(31,755,912)
Reserves	**323,811**	148,856
Total Equity	**459,583**	1,495,426
Comprehensive income		
Total profit or loss for the year of the parent entity	**(1,179,001)**	(994,956)
Total comprehensive income of the parent entity	**(1,179,001)**	(994,956)

Guarantees

Included in current liabilities is an amount payable to other parties of $373,671 (£239,457) which DataDot Technology (UK) Limited (DDUK) borrowed on an interest free basis in 2002 for the establishment of the UK business. The loan, which is guaranteed by DataDot, is repayable on the earlier of the termination of the DDUK shareholders agreement, the DDUK licence agreement and 15 December 2012. This financial liability is carried at amortised cost using the effective interest method.

DataDot has issued a bank guarantee of $32,750 (2011: $32,750). No liability was recognised by DataDot in relation to the bank guarantee as the fair value of the guarantee is immaterial.

Parent Entity Commitments

(i) Remuneration commitments

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:

	2012 $	2011 $
Payable:		
- no later than 1 year	**176,435**	222,947
- greater than 5 years	**-**	-
	176,435	222,947

Directors' Declaration

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 2012 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) of the Corporations Act 2001.

On behalf of the directors

Bruce Rathie
Executive Chairman

24 September 2012

INDEPENDENT AUDITOR'S REPORT

To the members of DataDot Technology Limited

Report on the Financial Report

We have audited the accompanying financial report of DataDot Technology Limited, which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, 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 report.

Opinion

In our opinion:

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

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 13 to 22 of the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of DataDot Technology Limited for the year ended 30 June 2012 complies with section 300A of the *Corporations Act 2001*.

BDO East Coast Partnership

BDO

Grant Saxon

Partner

Sydney, 24 September 2012

Shareholder Information

ASX Additional Information

Additional information required by the ASX Limited Listing Rules and not disclosed elsewhere in this report is set out below. This information is effective as at 3 September 2012.

Statement of Issued Shares

The total number of shareholders is 1,856. There are 480,800,800 ordinary fully paid shares listed on the Australian Securities Exchange. The twenty largest shareholders hold 49.4% of DataDot's issued capital.

Substantial shareholders

The number of substantial shareholders and their associates are set out below:

Shareholders	Number of shares
Bannaby Investments Pty Ltd <Super Fund Account>	28,988,403
T M Consulting Pty Ltd <Super Fund Account>	25,988,403

Voting rights

Ordinary Shares

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.

Options

No voting rights.

On-Market Buyback

There is no current on-market buyback.

Distribution of equity security holders

	Ordinary shares	
Holding	**Shares**	**Share Rights**
1 - 1,000	52	-
1,001 - 5,000	243	-
5,001 - 10,000	270	-
10,001 - 100,000	846	-
100,000 and over	445	5
Total	1,856	5

Securities exchange

The Company is listed on the Australian Securities Exchange.

Other class of equity securities

Share Rights issued: 10,750,000

Voluntary escrow

A total of 6,225,000 ordinary shares are under holding lock until 1st July 2013.

Shareholder Information

Twenty largest shareholders

	Ordinary shares	
	Number held	% of issued shares
Bannaby Investments Pty Ltd <Super Fund A/C>	28,988,403	6.029
T M Consulting Pty Ltd <Super Fund A/C>	25,988,403	5.405
Mr Collin Hwang	23,658,537	4.921
UBS Nominees Pty Ltd	23,490,244	4.886
Katrat Investments Pty Ltd	20,000,000	4.16
Mr Brent McLaws	16,040,000	3.336
CSIRO IP&L	13,718,327	2.853
Navigator Australia Ltd <MLC Investment Sett A/C>	13,292,797	2.765
Mr Evan Philip Clucas & Ms Leanne Jane Weston	13,246,924	2.755
Ms Susan Coldicutt	8,342,775	1.735
Mr Maurice Van Ryn & Mrs Louise Margaret Van Ryn	7,696,058	1.627
Damn Investments Pty Ltd	6,300,161	1.310
Hamish Edward Elliot Brown	6,000,000	1.248
House of Maister Services Limited	4,159,880	0.865
Mr Stephen Mahnken & Mrs Dior Mahnken <Three Fish A/C>	4,000,000	0.832
Mr Nicholas Richard Harold Notley	4,000,000	0.832
Lloyds & Casanove Investment Partners Limited	3,743,998	0.779
City & Westminster Limited	3,640,029	0.757
House of Maister Financial Services Limited	3,640,029	0.757
Mr Erick Adriaanse	3,617,623	0.752
Bannaby Investments Pty Ltd	3,617,623	0.752

Holders of share rights

	Share Rights	
	Number held	% of Issued Share Rights
Mr Ross Hawkey	3,000,000	27.91
Mr Graham Loughlin	2,500,000	23.25
Mr John Kraft	500,000	4.65
Mr Geoff George	250,000	2.33
Dr Gunther Schmidt	4,500,000	41.86