



ABN 54 091 908 726

Financial Report for the half-year ended 31 December 2010



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Corporate Information

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This half-year report covers the consolidated entity comprising DataDot Technology Limited (DDT) 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 on page 4. The Directors’ Report is unaudited and does not form part of the financial report.

DIRECTORS	COMPANY SECRETARY	REGISTERED OFFICE
Mr B. Rathie (Chairman) Mr B. Bootle (Managing Director and Chief Executive Officer) Mr G. Flowers Ms A. Coutts	Mr G.J. Loughlin	Unit 9 19 Rodborough Road Frenchs Forest NSW 2086 Phone (02) 8977 4900 Fax (02) 9975 4700
AUDITORS	BANKERS	COMPANY WEBSITE
PKF Level 10 1 Margaret Street Sydney NSW 2000	Commonwealth Bank Forestway Shopping Centre Forestway, Frenchs Forest Sydney NSW 2086	www.datadotdna.com
SHARE REGISTER	STOCK EXCHANGE	OTHER INFORMATION
Ordinary shares and Options Registries Ltd Level 7, 207 Kent Street Sydney NSW 2000 Phone 1300 737 760 Fax 1300 653 459	The Company is listed on the Australian Stock Exchange. The Home Exchange is Sydney.	DataDot Technology Ltd, incorporated and domiciled in Australia, is a publicly listed company limited by shares.

Directors' Report

Your Directors submit their report for the half-year ended 31 December 2010.

DIRECTORS

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

Mr B. Rathie (Chairman)

Mr B.W. Bootle (Managing Director and Chief Executive Officer)

Mr G. Flowers

Ms A. Coutts

REVIEW AND RESULTS OF OPERATIONS

For the six months to 31 December 2010, total revenues for DataDot Technology Limited (DataDot) were \$4,137,264, a decrease of \$954,699 (18.7%) from \$5,091,963 in 2009. Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) for the same period were \$677,621, a decrease of \$126,545 from \$804,166 in 2009.

Consolidated net profit from continuing operations after income tax for the half-year was \$481,530 (2009: \$632,300), including a one-time favourable adjustment of \$552,134 for the revaluation of DataDot's investment in DataTraceDNA Pty Limited (DataTrace).

These results reflect global trading conditions that continue to challenge both sales volumes and sales revenues in most markets. In Europe and Asia Pacific, consumer demand in DataDot's key auto market was weaker than anticipated, resulting in fewer sales of auto kits to Original Equipment Manufacturers (OEM) customers. Further, some DataTrace orders received before 31 December 2010 were not completely fulfilled by the end of the reporting period.

Although total expenses were lower than in the same period of the prior year, they were higher than would otherwise have been achieved due to the decision to fund several key steps in DataDot's growth strategy. Additional expenses incurred specifically to generate growth over the longer term included the appointment of business development personnel, an increase in marketing expenditure and the transaction costs incurred in acquiring the CSIRO's half-share of DataTrace, which included full absorption in December of DataTrace costs as well as income.

Operating cash flows were markedly lower in the December 2010 half year compared with the December 2009 half year, however, they remained positive. As at 31 December 2010, cash balances held by the company amounted to \$5.2 million.

Asia Pacific

Product sales for the half-year decreased by \$860,486 (26.6%) from \$3,231,658 in 2009 to \$2,371,172 in 2010, primarily due to the loss of one auto OEM customer during the prior year and delayed OEM purchases in Australia due to new model releases later in the year. Net profit decreased to \$445,875 from \$1,299,384, a decrease of \$853,509, reflecting an investment in new business development activities and the establishment of an additional manufacturing facility in Taiwan.

Directors' Report (continued)

REVIEW AND RESULTS OF OPERATIONS (continued)

Americas

Revenues in the Americas increased by 11% to \$497,253 from \$447,737 in the prior year. The half-year loss for the Americas was \$23,609, a significant improvement on the prior half-year loss of \$145,179. New distributors were appointed in Argentina, Brazil and Chile.

Europe

Notwithstanding that all existing OEM customers continued to apply DataDot products to vehicles included in their programs, European revenues were 47% lower than the prior year (\$998,962 in 2010 compared to \$1,884,392 in 2009) due to lower consumer demand and the effect of adverse currency movements. Several expected sales orders for DataDot products were not received by 31 December 2010, which reflected greater softness than anticipated in the European vehicle market. The European profit contribution was 88.9% lower than the prior year (\$82,279 in 2010 compared to \$738,350 in 2009).

AgTechnix Pty Limited

In AgTechnix's first reporting period, the half-year to 31 December 2010, revenues were \$55,384 and the net loss was \$18,828. The technology continues to be tested in controlled environments by several international seed breeding companies in Asia Pacific, India and Europe.

DataTrace DNA Pty Limited

On 1 December 2010, DataDot acquired the 50% shareholding in DataTrace DNA Pty Limited (DataTrace) owned by CSIRO, so becoming the sole shareholder and owner of DataTrace and making DataTrace a wholly-owned subsidiary of DataDot. For the five months to 30 November 2010 when DataTrace was accounted for as a joint venture, the share of loss from DataTrace was \$111,716.

For the month of December 2010, DataTrace revenue was \$427,102 and net profit was \$231,975 (as part of the consolidated DataDot Group). During December a number of transactions were completed that contributed positively to this result. The final fulfilment of some of these orders will occur during the second half of the financial year.

In addition to DataDot acquiring CSIRO's 50% shareholding in DataTrace, CSIRO assigned the associated intellectual property to DataTrace, so providing DataTrace with access to the currency, personal identity and national security markets that had previously been closed to DataTrace under the terms of its licence to commercialise the intellectual property.

The total transaction was valued at \$1,395,015 and consideration (net of CSIRO's half-share of valuation costs) was 33,718,327 ordinary DataDot shares valued at 4.1 cents per share. The issue of the shares was approved by shareholders at the 2010 AGM. As a result of this transaction CSIRO became the largest shareholder in DataDot, initially holding 8.93% of issued share capital though this has since been diluted to 7.1% of issued capital.

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.

Directors' Report (continued)

REVIEW AND RESULTS OF OPERATIONS (continued)

This transaction will streamline the management and strategic direction of DataTrace. This initiative is strategically important as the technology underpins many of the products that we have been developing and full ownership of DataTrace gives the company access to additional growth markets from which it was previously excluded.

Share Purchase Plan

Between 8 November and 3 December 2010, DataDot raised \$3 million in capital under an underwritten Share Purchase Plan ("Plan") offered to eligible shareholders, being those whose address in the Share Register was Australia or New Zealand. Under the Plan eligible shareholders were invited to subscribe for ordinary shares at 4.1 cents per share, the same value used in the CSIRO-DataDot-DataTrace transaction.

Total capital raised under the Plan was \$3 million, of which \$2.098 million was subscribed by shareholders and the balance of \$902,000 was funded under an Underwriting Agreement with KTM Capital Pty Limited. The Plan increased the number of ordinary shares on issue by 73,170,732.

Share Placement

On 15 December 2010, DataDot raised an additional \$970,000 in capital by issuing 23,658,537 ordinary shares at 4.1 cents per share to Mr Collin Hwang, owner of DataDot Technology Taiwan Pte Limited ("DataDot Taiwan"). This share placement further consolidates the strategic alliance between DataDot and DataDot Taiwan, previously announced at DataDot's AGM on 26th November, which together are forming a joint venture company to distribute both DataDot and DataTrace products in China. The joint venture company, DataDot Technology (Asia) Pty Limited, will be funded by DataDot Taiwan but controlled by DataDot, which will appoint a majority of directors. It is presently in the process of being incorporated pursuant to usual Taiwanese procedures.

The Board and Management are committed to implementation of the growth and diversification strategies outlined in the 2010 Annual Report and at the Annual General Meeting in November 2010 as evidenced by investments made this year. In the view of Board and Management, these strategies offer the best approach to growth and profitability as well as reducing risk at a time of challenging trading conditions and volatile currency markets. DataDot's financial position is strong, with cash reserves of over \$5 million ensuring funding is in place to support the ongoing development and commercialisation of new products and markets which will be key contributors to medium and long term growth and will reduce concentration risk.

We have confidence in DataDot's future where our technology and products will be providing security and brand protection in many high value product markets around the world.

The auditor's independence declaration as required under section 307c of the Corporations Act 2001 is set out on page 7 and forms part of the Directors' Report.

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



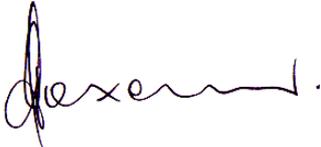
B. Rathie
Chairman
Sydney, 18 February 2011

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of DataDot Technology Limited for the half year ended 31 December 2010, I declare that to the best of my knowledge and belief there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

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

**PKF**

Grant Saxon
Partner

Sydney
18 February 2011

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Statement of Financial Position

As at 31 December 2010

	Note	Consolidated	
		31 Dec 10 \$	30 Jun 10 \$
ASSETS			
Current Assets			
Cash and cash equivalents	5	5,237,398	1,796,406
Trade and other receivables		1,881,715	1,472,772
Inventories		851,944	654,664
Total Current Assets		7,971,057	3,923,842
Non-Current Assets			
Investment accounted for using the equity method		-	142,840
Plant and equipment		735,029	677,725
Intangible assets		2,537,888	395,324
Deferred tax assets		-	-
Total Non-Current Assets		3,272,917	1,215,889
TOTAL ASSETS		11,243,974	5,139,731
LIABILITIES			
Current Liabilities			
Trade and other payables		1,646,305	1,175,471
Interest-bearing loans and borrowings		44,407	52,432
Income tax payable		-	-
Provisions		277,891	272,668
Other current liabilities		142,553	-
Total Current Liabilities		2,111,156	1,500,571
Non-Current Liabilities			
Interest-bearing loans and borrowings		89,615	109,827
Provisions		6,310	3,514
Other non-current liabilities		306,766	354,458
Total Non-Current liabilities		402,691	467,799
TOTAL LIABILITIES		2,513,847	1,968,370
NET ASSETS		8,730,127	3,171,361
EQUITY			
Equity attributable to equity holders of the parent			
Contributed equity	7	33,108,418	28,034,195
Accumulated losses		(24,877,310)	(25,368,066)
Reserves		508,146	505,232
Parent interests		8,739,254	3,171,361
Non-controlling interests		(9,127)	-
TOTAL EQUITY		8,730,127	3,171,361

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of Comprehensive Income

For the Half-Year Ended 31 December 2010

	Note	Consolidated	
		31 Dec 10 \$	31 Dec 09 \$
Continuing operations			
Sale of goods		3,703,490	4,634,545
Rendering of services		275,829	353,389
Licence fees		28,242	11,178
Royalties		106,415	86,405
Finance revenue	4(a)(i)	23,288	6,446
Revenue		4,137,264	5,091,963
Cost of sales		(1,289,938)	(1,458,078)
Gross Profit		2,847,326	3,633,885
Other income	4(a)(ii)	552,134	-
Employee benefits expense		(1,426,371)	(1,334,148)
Administrative expenses		(557,205)	(789,833)
Advertising and promotional expenses		(237,775)	(139,062)
Occupancy expenses		(242,274)	(184,271)
Travel expenses		(146,498)	(86,340)
Finance costs	4(a)(iii)	(15,261)	(25,431)
Depreciation and amortisation expense		(176,841)	(141,492)
Bad and doubtful debts		-	(37,523)
Restructuring expenses		-	(198,734)
Share of loss of joint venture		(111,716)	(59,808)
Profit from continuing operations before income tax		485,519	637,243
Income tax expense	4(b)	(3,989)	(4,943)
Net Profit for the period		481,530	632,300
Other comprehensive income			
Foreign currency translation		2,914	89,229
Other comprehensive income for the period net of tax		2,914	89,229
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		484,444	721,529

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of Comprehensive Income (continued)

For the Half-Year Ended 31 December 2010

	Note	Consolidated	
		31 Dec 10 \$	31 Dec 09 \$
PROFIT FOR THE PERIOD IS ATTRIBUTED TO:			
Non-controlling interest		(9,226)	-
Owners of the parent		490,756	632,300
		481,530	632,300
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD			
Non-controlling interest		(9,226)	-
Owners of the parent		493,670	721,529
		484,444	721,529
		Cents	Cents
Earnings per share attributable to the ordinary equity holders of the parent:			
Basic and dilutive, earnings per share		0.14	0.18

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

For the Half-Year Ended 31 December 2010

	Attributable to equity holders of the parent			Total	Non-controlling interest	Total equity
	Ordinary shares	Accumulated losses	Foreign currency translation reserve			
	\$	\$	\$	\$	\$	\$
At 1 July 2010	28,034,195	(25,368,066)	505,232	3,171,361	-	3,171,361
Profit for the period	-	490,756	-	490,756	(9,226)	481,530
Other comprehensive income	-	-	2,914	2,914	-	2,914
Total comprehensive income for the half-year	-	490,756	2,914	493,670	(9,226)	484,444
Transactions with owners in their capacity as owners						
Issue of share capital	5,352,451	-	-	5,352,451	99	5,352,550
Transaction costs on shares issued	(278,228)	-	-	(278,228)	-	(278,228)
At 31 December 2010	33,108,418	(24,877,310)	508,146	8,739,254	(9,127)	8,730,127
At 1 July 2009	28,151,106	(26,299,392)	399,855	2,251,569	-	2,251,569
Profit for the period	-	632,300	-	632,300	-	632,300
Other comprehensive income	-	-	89,229	89,229	-	89,229
Total comprehensive income for the half-year	-	632,300	89,229	721,529	-	721,529
Transactions with owners in their capacity as owners						
Issue of share capital	-	-	-	-	-	-
Transaction costs on shares issued	(116,911)	-	-	(116,911)	-	(116,911)
At 31 December 2009	28,034,195	(25,667,092)	489,084	2,856,187	-	2,856,187

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows

For the Half-Year Ended 31 December 2010

		Consolidated	
	Note	31 Dec 10	31 Dec 09
		\$	\$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		4,297,802	5,647,444
Payments to suppliers and employees (inclusive of GST)		(4,203,098)	(4,103,646)
Interest paid		(15,261)	(10,457)
Income tax paid		(3,989)	(4,943)
		75,454	1,528,398
Cash flows from investing activities			
Proceeds from sale of plant and equipment		-	82,745
Interest received		23,288	1,600
Purchase of plant and equipment		(128,719)	(16,079)
Purchase of intangible assets		(167,375)	(70,644)
Contributions to investment accounted for using the equity method		(416,742)	(85,000)
Payment for acquisition of subsidiary, net of cash acquired		189,963	-
Proceeds/(payments) from/(to) related party loans		-	(174,732)
		(499,585)	(262,110)
Cash flows from financing activities			
Proceeds from issue of shares		3,970,000	-
Transaction costs from issues of shares		(33,228)	(116,911)
Repayment of borrowings		(21,193)	(210,357)
Payment of finance lease liabilities		(7,044)	(109,887)
		3,908,535	(437,155)
Net cash flows provided by / (used in) financing activities			
		3,908,535	(437,155)
Net increase in cash held		3,484,404	829,133
Cash at beginning of period		1,796,406	761,490
Effect of exchange rate on cash holdings in foreign currencies		(43,412)	(19,428)
		5,237,398	1,571,195
Cash at end of period	5	5,237,398	1,571,195

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

For the Half-Year Ended 31 December 2010

1. Corporate Information

The half-year financial report of DataDot Technology Limited (DataDot), for the half-year ended 31 December 2010 was authorised for issue in accordance with a resolution of the directors on 18 February 2011.

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

2. Basis of Preparation and Accounting Policies

Basis of preparation

This general purpose condensed financial report for the half-year ended 31 December 2010 has been prepared and in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

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

It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 June 2010 and considered together with any public announcements made by DataDot during the half-year ended 31 December 2010 in accordance with the continuous disclosure obligations of the ASX listing rules.

Apart from the changes in accounting policy noted below, the accounting policies and methods of computation are the same as those adopted in the most recent annual financial report.

Changes in accounting policy

The following amending Standards and Interpretations have been adopted from 1 July 2010. Adoption of these Standards and Interpretations did not have any effect on the financial position or performance of DataDot.

- AASB 2009-10 *Amendments to Australian Accounting Standards – Classification of Rights Issues* [AASB 132].
- AASB 2010-3 *Amendments to Australian Accounting Standards arising from the Annual Improvement Project* [AASB 3, 7, 121, 128, 131, 132 & 139].
- Interpretation 19 *Extinguishing Financial Liabilities with Equity Instruments*.

DataDot has not elected to early adopt any other new Standards or amendments that are issued but not yet effective.

DATADOT TECHNOLOGY LTD – HALF-YEAR REPORT

Notes to the Financial Statements (Continued)

3. Operating Segments

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

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 note 2 to the financial statements and 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 the half-year periods ended 31 December 2010 and 31 December 2009.

DATADOT TECHNOLOGY LTD – HALF-YEAR REPORT

Notes to the Financial Statements (Continued)

3. Operating Segments (continued)

Half-year ended 31 December 2010	<i>Asia Pacific</i>	<i>Americas</i>	<i>Europe</i>	<i>AgTechnix</i>	<i>DataTraceDNA</i>	<i>Total Operations</i>
	\$	\$	\$	\$	\$	\$
Revenue						
Sales to external customers	1,793,489	428,552	998,962	55,384	427,102	3,703,489
Other revenues from external customers	407,861	2,624	-	-	-	410,485
Inter-segment sales	169,822	66,077	-	-	-	235,899
Total segment revenue	<u>2,371,172</u>	<u>497,253</u>	<u>998,962</u>	<u>55,384</u>	<u>427,102</u>	<u>4,349,873</u>
Inter-segment elimination						(235,899)
Other revenue						23,290
Total revenue per the statement of comprehensive income						<u>4,137,264</u>
Result						
Segment Result	445,875	(23,609)	82,279	(18,828)	231,975	717,692
Unallocated expenses						(105,196)
Profit before tax and finance costs						612,496
Finance costs						(15,261)
Share of loss of joint venture						(111,716)
Net profit before income tax per statement of comprehensive income						485,519
Income tax expense						(3,989)
Net profit after income tax per statement of comprehensive income						<u>481,530</u>
Segment Assets						
Investment in joint venture	-	-	-	-	-	-
Unallocated assets						6,510,945
Total assets						<u>11,243,974</u>
Segment Liabilities						
Unallocated liabilities						1,504,668
Total liabilities	492,820	115,214	399,732	81,697	415,205	<u>2,513,847</u>

DATADOT TECHNOLOGY LTD – HALF-YEAR REPORT

Notes to the Financial Statements (Continued)

3. Operating Segments (Continued)

Half-year ended 31 December 2009	<i>Asia Pacific</i>	<i>Americas</i>	<i>Europe</i>	<i>AgTechnix</i>	<i>DataTraceDNA</i>	<i>Total Operations</i>
	\$	\$	\$	\$	\$	\$
Revenue						
Sales to external customers	2,596,883	283,386	1,754,276	-	-	4,634,545
Other revenues from external customers	437,173	13,799	-	-	-	450,972
Inter-segment sales	197,602	150,552	130,116	-	-	478,270
Total segment revenue	<u>3,231,658</u>	<u>447,737</u>	<u>1,884,392</u>	-	-	<u>5,563,787</u>
Inter-segment elimination						(478,270)
Other revenue						6,446
Total revenue per the statement of comprehensive income						<u>5,091,963</u>
Result						
Segment Result	1,299,384	(145,179)	738,350	-	-	1,892,555
Unallocated expenses						(1,170,073)
Profit before tax and finance costs						722,482
Finance costs						(25,431)
Share of loss of joint venture						(59,808)
Net profit before income tax per statement of comprehensive income						637,243
Income tax expense						(4,943)
Net profit after income tax per statement of comprehensive income						<u>632,300</u>
Segment Assets						
Investment in joint venture	25,192	-	-	-	-	25,192
Unallocated assets						783,930
Total assets						<u>4,879,731</u>
Segment Liabilities						
Unallocated liabilities						1,076,562
Total liabilities						<u>2,023,544</u>

DATADOT TECHNOLOGY LTD – HALF-YEAR REPORT

Notes to the Financial Statements (Continued)

4. Revenue, Income and Expenses

	Consolidated	
	31 Dec 10	31 Dec 09
	\$	\$
(a) Revenue, Income and Expenses from Continuing Operations		
<i>(i) Breakdown of finance revenue:</i>		
Bank interest receivable	23,288	1,600
Interest receivable on loans:		
- Other interest income	-	4,846
Total finance revenue (on historical cost basis)	23,288	6,446
<i>(ii) Other income</i>		
Gain on revaluation of investment in joint venture	552,134	-
<i>(iii) Finance costs</i>		
Bank loans and overdrafts	11,776	3,957
Other loans	1,715	14,974
Finance charges payable under finance leases and hire purchase contracts	1,770	6,500
Total finance costs	15,261	25,431
(b) Income tax expense		
Income tax expense	3,989	4,943
Total income tax expense	3,989	4,943

At 31 December 2010, no deferred tax assets in respect of losses have been recognised. Deferred tax assets and liabilities in respect of temporary differences have been offset against each other with nil impact on the profit and loss.

DATADOT TECHNOLOGY LTD – HALF-YEAR REPORT

Notes to the Financial Statements (Continued)

5. Cash and Cash Equivalents

	Consolidated	
	31 Dec 10	31 Dec 09
	\$	\$
For the purpose of the half-year cash flow statement, cash and cash equivalents are comprised of the following:		
Cash at bank and in hand	5,237,398	1,571,195
	5,237,398	1,571,195

6. Dividends Paid or Proposed

No dividends were declared or paid during the half-year (2009: Nil).

7. Contributed Equity

	Consolidated	
	31 Dec 10	30 Jun 10
	\$	\$
Ordinary Shares		
Issued and fully paid	33,108,418	28,034,195
	33,108,418	28,034,195

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

	Number	\$
<i>Movement in ordinary shares on issue</i>		
At 1 July 2009	344,028,204	28,151,106
Shares issued:		
Less cost of capital raisings (related to 2009 share issue)	-	(116,911)
At 30 June 2010	344,028,204	28,034,195
Shares issued:		
Shares issued for purchase of CSIRO 50% interest in DataTraceDNA 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 DataTrace 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	-	(278,228)
At 31 December 2010	474,575,800	33,108,418

Notes to the Financial Statements (Continued)

8. Commitments and Contingencies

The only changes to the commitments and contingencies disclosed in the most recent annual financial report are specified below.

DataTraceDNA Pty Ltd

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

With the acquisition by DataDot of the remaining 50% of DataTraceDNA Pty Ltd owned by CSIRO, as detailed in note 9 below, the requirement for DataDot to contribute working capital to DataTraceDNA Pty Ltd was removed.

Guarantees

Included in payables to other parties is an amount of £201,545 (\$306,766) which DataDot Technology (UK) Ltd (DDUK) has borrowed on an interest free basis. The loan, which is guaranteed by the Company, 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 (30 June 2010: \$32,750). No liability was recognised by DataDot in relation to the bank guarantee as the fair value of the guarantee is immaterial.

Insurance Company Initiative

Included in provisions is \$1,540 (30 June 2010: \$10,510) being an estimate of amounts payable that may arise under a sales agreement with an insurance company under which the Company 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 and unrecovered. 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.

DATADOT TECHNOLOGY LTD – HALF-YEAR REPORT

Notes to the Financial Statements (Continued)

9. Business Combination

Acquisition of CSIRO interest in DataTraceDNA

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 DataTraceDNA Pty Limited (DataTrace) not already owned by DataDot, so making DataTrace a wholly-owned subsidiary of DataDot. 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.

In addition, CSIRO assigned the DataTrace intellectual property to DataTrace, opening up access to the currency, security & 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.

DataDot has provisionally recognised the fair values of the identifiable assets and liabilities of DataTrace based upon the best information available as of the reporting date.

	Consolidated 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
Unearned revenue	174,375	174,375
	385,728	385,728
Provisional 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	12,564	
The cash inflow on acquisition is as follows:		
Net cash acquired with the subsidiary	189,963	

DATADOT TECHNOLOGY LTD – HALF-YEAR REPORT

Notes to the Financial Statements (Continued)

9. Business Combination (continued)

The consolidated statement of comprehensive income includes sales revenue and net profit for the half-year ended 31 December 2010 of \$427,102 and \$231,975 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, 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 profit of \$648,250 and \$8,533 respectively.

10. Related Party Disclosures

The following table provides the total amount of transactions that were entered into with related parties for the half-year ended 31 December 2010 and 2009.

<i>Related party</i>		<i>Service fees to related parties</i> \$	<i>Amounts owed by related parties</i> \$
Joint venture in which the parent is a venturer			
DataTraceDNA Pty Limited	<i>2010</i>	273,663	-
	<i>2009</i>	350,767	84,568

As detailed above in note 9, DataTraceDNA Pty Limited became a wholly owned subsidiary of DataDot on 1 December 2010 and thus the 2010 service fees to related parties are only for the period from 1 July 2010 to 30 November 2010.

Terms and condition of transactions with related parties

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

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

For the half-year ended 31 December 2010, the Company did not make any allowance for doubtful debts relating to amounts owed by related parties as the payment history has been excellent (2009: \$nil).

11. Events after the Balance Sheet Date

In January 2011, DataDot's Manufacturing and Distribution Licensing Agreement with DataDot Technology (South Africa) (Proprietary) Limited (DTSA) was amended to clarify some terms, and DataTraceDNA Pty Limited entered into a Distribution Deed with DTSA.

In January 2011, DataTrace signed a manufacturing agreement with Surface Technology, Inc of New Jersey, USA. The agreement allows both companies to use DataTraceDNA in a break-through composite plating process that enables DataTraceDNA to be chemically plated onto metal, plastic and glass.

Directors' Declaration

In the opinion of the directors of DataDot Technology Limited:

- (a) the financial statements and notes of the consolidated entity set out in pages 8 to 21 are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
 - (ii) complying with Accounting Standards AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that DataDot Technology Limited will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 305(5) of the *Corporations Act 2001*.

On behalf of the Board



B. Rathie
Chairman
Sydney, 18 February 2011

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of DataDot Technology Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of DataDot Technology Limited, which comprises the statement of financial position as at 31 December 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, other selected explanatory notes and the directors' declaration for the consolidated entity of DataDot Technology Limited. The consolidated entity comprises both DataDot Technology Limited (the company) and the entities it controlled at 31 December 2010 or from time to time during the half-year ended on that date.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of DataDot Technology Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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Independence

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

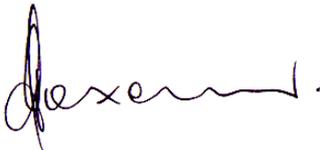
Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.



PKF



Grant Saxon
Partner

Sydney
18 February 2011