ASX Announcement **20 February 2020**

DataDot Technology Limited - Appendix 4D and Financial Report

DataDot Technology Limited attaches the following documents relating to its results for the half-year ended 31 December 2019:

- Appendix 4D; and
- Financial Report.

These reports have been authorised for release by the DataDot Technology Limited Board of Directors.

For further details contact the undersigned.

Yours faithfully

DataDot Technology Limited
Patrick Raper
Company Secretary
Email: praper@datadotdna.com

About DataDot: DataDot Technology Limited provides world leading asset identification, management, protection and authentication solutions that deliver great value to customers. For more information please visit www.datadotdna.com.

APPENDIX 4D
Half Yearly Report
for the half year ended 31 December 2019

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DataDot Technology Limited

ABN : 54 091 908 726

Appendix 4D

Half Year Financial Report

Reporting period	**Half year ended 31 December 2019**
Previous reporting period	Half year ended 31 December 2018

Results for announcement to the market	**31 Dec 19**	31 Dec 18	Change		Change
	$	$	$		%
Revenue	**1,913,237**	1,786,595	126,642	%	7.09
Gross Profit	**1,049,936**	870,909	179,027	%	20.56
Expenses	**1,166,264**	1,526,134	(359,870)		(23.58)%
EBITDA	**(112,859)**	(535,639)	422,780	%	78.93
Loss from ordinary activities after tax attributable to members	**(228,522)**	(658,118)	429,596	%	65.28
Net loss attributable to members	**(228,522)**	(658,118)	429,596	%	65.28
Net tangible asset backing per ordinary share shown in cents	**0.0000**	0.0001	(0.0001)		(100.00)%

Dividends

No dividends were paid or made payable during the half year ended or since 31 December 2019.

Commentary

Please refer to the attached Directors' report which does not form part of the financial report for the half year ended 31 December 2019.

Other information

Control gained over entities having a material effect

N/A

Loss of control over entities having a material effect

N/A

Dividend or distribution reinvestment plans

N/A

Details of associates and joint venture entities

N/A

Audit status

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

Attachments

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

Signed By

Ray Carroll - Chairman

20 February 2020

Financial Report
for the half year ended 31 December 2019

Contents | **Page**

Your directors submit their report, together with the financial statements of the consolidated entity ("DataDot") consisting of DataDot Technology Limited and the entities it controlled at the end of or during the half year ended 31 December 2019.

Directors

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

Mr Ray Carroll (Chairman)
Mr David Lloyd (Chairman of the Audit and Risk Management Committee)
Mr Bradley Kellas (Managing Director)

Principal activities

The principal activities of DataDot during the year were:

(a) to manufacture and distribute high security DataTraceID authentication solutions;
(b) to develop and distribute customised solutions combining DataDotID, DataTraceID and Vault Asset registration;
(c) to manufacture and distribute asset identification solutions that include:
  (i) DataDotID - polymer and metallic microdots containing etched data that is unique to the assets to which the microdots are attached; and
  (ii) Vault Asset Registers - databases that record asset identification data and are accessible by law enforcement agencies and insurance investigators.

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

Review of operations

Earnings for first half of FY 2019/20 have improved against the prior comparable period (pcp) with the following metrics in particular supporting the improvement:

Group Revenue grew by 7.09% against pcp from $1,786k to $1,913k.
Gross Profit improved by 20.56% against pcp from $870k to $1,049k.
Expenses decreased by 23.58% against pcp from $1,526k to $1,166k.
Loss from Ordinary Activities improved 65.28% against pcp from a Loss of $658k to $228k.

The main drivers of the improved performance were an increase in revenues from our South Africa Distributor arising out of new sales to the motor industry in Europe and Russia, together with a determined cost savings drive across all activities and regions.

Operating expenses decreased by 23.58% against pcp to $1,166k.
These improvements were driven by:

- Restructuring and reduction of personnel;
- Replacement and / or renegotiating supplier pricing for both COGS and overhead expenses; and
- Rationalising manufacturing and distribution procedures and associated expenses including in particular the Spokane factory which will finally close in May 2020 at the expiry of the lease.

Further cost efficiency improvements are expected to be realised in 2H FY2020 as a result of our ongoing cost efficiency drive.

Having achieved significant cost reductions in 1H FY2020, the primary focus for 2H FY2020 is to further grow the revenues out of South Africa to Europe and Russia, to extend services and products to existing customers and to capitalise on new Vault revenues.

Outlook

The outlook for the Company remains positive.

During the half-year ended 31 December 2019, the company experienced growth in revenue of $126,642 (7.1%) against the prior corresponding period, incurred an operating loss before tax of $228,522 (2018: loss of $658,118), had net current assets of $631,161 (2018: $287,854) and negative operating cash flows of $69,121 (2018: negative operating cash flows of $346,133).

These performance measures show an improving financial performance and position for the group consistent with the Rescue Plan agreed by shareholders in May 2019. The benefits from cost reduction strategies and plans already implemented are yet to be fully realised. Our customers that are driving revenue growth have indicated that this growth is likely to continue in 2H FY 2020 and beyond. There remain untapped revenue growth opportunities from the license agreement with Property Vault. These positive developments and the continuing pursuit of other prospective opportunities indicate that, additional external funds are unlikely to be required to continue to support the operations of the Company and its controlled entities.

The Board and management continues to pursue the re-invigoration of relationships in the motor vehicle, crime prevention and anti-counterfeiting industries including with our customers and distributors in South Africa, North America and Europe and there has been growth from some of these relationships in the six months to December 2019 over the prior period.

Payments to suppliers and staff in 1H FY2020 reflects a lower overall cost base from the implementation of cost saving measures and efficiency gains achieved. Restructuring costs on a reduced basis will continue to be incurred up to the end of Q3 of FY2020 after which the company will see the full benefit.

As a result of these matters, concern as to whether the company will realise its assets and settle its liabilities and commitments in the normal course of business and at the amounts stated in the financial report has significantly diminished.

Events After Reporting Period

Subsequent to the end of the financial period ending 31 December 2019, the company has moved from its old premises in Frenchs Forest to new premises in Brookvale. This relocation has resulted in the release from the old lease on 1 February 2020 and the commencement of a more cost-effective arrangement at premises that are smaller and more suitable.

There is an annual saving in rent of approximately $80,000. In addition, the company will benefit from the release in 2H FY 2020 of a net amount of approximately $25,000 from Make Good Provisions and Lease incentives not previously brought to account.

Auditor’s independence declaration

The lead auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001*, for the half year ended 31 December 2019 has been received and can be found on page 6 of the financial report.

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

Ray Carroll
Chairman
Sydney
20 February 2020

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The Directors
DataDot Technology Limited
8 Ethel Avenue
BROOKVALE NSW 2086

20 February 2020

Dear Directors

DataDot Technology Limited

As lead auditor for the review of DataDot Technology Limited for the half-year ended 31 December 2019, 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 audit.

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

Yours sincerely

Andrew Hunt
Principal

Consolidated Statement of Profit or Loss for the half year ended 31 December 2019

	Notes	31 Dec 2019 $	31 Dec 2018 $
Revenue			
Sale of goods		**1,265,689**	1,436,754
Service and licence fees		**72,137**	152,186
Royalties		**575,411**	197,655
		1,913,237	1,786,595
Cost of sales		**863,301**	915,686
Gross Profit		**1,049,936**	870,909
Other income	2	**3,469**	119,586
Expenses			
Administrative expenses		**857,813**	1,329,820
Marketing expenses		**44,150**	1,217
Occupancy expenses		**162,925**	170,577
Restructuring Expenses		**12,066**	-
Travel expenses		**89,310**	24,520
		1,166,264	1,526,134
EBITDA		**(112,859)**	(535,639)
Depreciation, Amortisation and Impairment		**58,012**	112,576
Finance costs		**50,316**	2,505
Share of profits from associated entity		**-**	-
Loss before income tax expense		**(221,187)**	(650,720)
Income tax expense	6	**7,335**	7,398
Loss after income tax expense for the period		**(228,522)**	(658,118)
Loss for the period attributable to :-			
Owners of DataDot Technology Limited		**(228,522)**	(658,118)
Basic loss per share (cents per share)		**(0.03)**	(0.08)
Diluted loss per share (cents per share)		**(0.03)**	(0.08)

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

Consolidated Statement of Comprehensive Income

for the half year ended 31 December 2019

	31 Dec 2019	31 Dec 2018
	$	$
Loss after income tax expense for the period	**(228,522)**	(658,118)
Other comprehensive income :-		
Items that may be classified subsequently to profit or loss :-		
Exchange difference on translation of foreign operations	**(24,458)**	6,576
Total comprehensive income for the period net of tax	**(252,980)**	(651,542)
Total comprehensive income attributable to :-		
Owners of DataDot Technology Limited	**(252,980)**	(651,542)

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

Consolidated Statement of Financial Position

as at 31 December 2019

	Notes	**31 Dec 2019**	30 Jun 2019
		$	$
Current Assets			
Cash and cash equivalents	5	**625,532**	194,752
Trade and other receivables		**598,835**	544,975
Inventories		**358,507**	421,702
Grant receivable		**-**	47,700
Total Current Assets		**1,582,874**	1,209,129
Non-Current Assets			
Plant and equipment		**558,715**	265,425
Intangibles		**-**	-
Investments		**120**	120
Deferred Tax		**-**	16,264
Total Non-Current Assets		**558,835**	281,809
Total Assets		**2,141,709**	1,490,938
Current Liabilities			
Trade and other payables		**672,835**	712,997
Borrowings current		**3,884**	2,323
Employee benefits		**69,573**	80,872
Provisions		**56,997**	81,424
Other current liabilities		**148,424**	43,659.00
Total Current Liabilities		**951,713**	921,275
Non-Current Liabilities			
Borrowings		**951,010**	454,831
Employee benefits		**6,000**	8,504
Other non-current liabilities		**218,133**	120
Total Non-Current Liabilities		**1,175,143**	463,455
Total Liabilities		**2,126,856**	1,384,730
Net Assets		**14,853**	106,208
Equity			
Issued capital	7	**39,751,363**	39,692,526
Accumulated losses		**(37,898,618)**	(37,670,096)
Reserves		**(1,837,892)**	(1,916,222)
Total Equity		**14,853**	106,208

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

Consolidated Statement of Changes in Equity

for the half year ended 31 December 2019

	Attributable to equity holders of the parent					
	Issued capital $	Accumulated losses $	Foreign currency translation reserve $	Employee equity benefit reserve $	Other reserve $	Total equity $
Balance at 1 July 2018	39,692,526	(35,368,779)	(1,749,866)	355,197	(678,623)	2,250,455
Loss after income tax expense for the period	-	(658,118)	-	-	-	(658,118)
Other comprehensive income for the period, net of tax	-	-	6,576	-	-	6,576
Total comprehensive income for the period	-	(658,118)	6,576	-	-	(651,542)
Transactions with owners in their capacity as owners :-						
Share based payments	-	-	-	27,049	-	27,049
Share Issues	-	-	-	-	-	-
Share Issue Costs	-	-	-	-	-	-
Balance at 31 December 2018	39,692,526	(36,026,897)	(1,743,290)	382,246	(678,623)	1,625,962
Balance at 1 July 2019	**39,692,526**	**(37,670,096)**	**(1,730,988)**	**398,220**	**(583,454)**	**106,208**
Loss after income tax expense for the period	**-**	**(228,522)**	**-**	**-**	**-**	**(228,522)**
Other comprehensive income for the period, net of tax	**-**	**-**	**(28,181)**	**-**	**-**	**(28,181)**
Total comprehensive income for the period	**-**	**(228,522)**	**(28,181)**	**-**	**-**	**(256,703)**
Convertible Note Reserve	**-**	**-**	**-**	**-**	**103,821**	**103,821**
Transactions with owners in their capacity as owners :-						
Share based payments	**-**	**-**	**-**	**2,690**	**-**	**2,690**
Share Issues	**60,078**	**-**	**-**	**-**	**-**	**60,078**
Share Issue Costs	**(1,241)**	**-**	**-**	**-**	**-**	**(1,241)**
Balance at 31 December 2019	**39,751,363**	**(37,898,618)**	**(1,759,169)**	**400,910**	**(479,633)**	**14,853**

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

Consolidated Statement of Cash Flows

for the half year ended 31 December 2019

	Notes	31 Dec 2019 $	31 Dec 2018 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		**2,156,253**	2,050,964
Payments to suppliers and employees (inclusive of GST)		**(2,182,088)**	(2,579,982)
Interest paid		**(52,254)**	(2,505)
Income tax paid		**8,967**	(7,573)
Receipt of government grant		-	192,963
Net cash flows (used in) / received from operating activities		**(69,121)**	(346,133)
Cash flows from investing activities			
Interest received		-	543
Purchase of plant and equipment		**(160,758)**	(38,731)
Payments for development costs and other intangibles		-	(4,793)
Net cash flows used in investing activities		**(160,758)**	(42,981)
Cash flows from financing activities			
Proceeds from capital raising		**58,840**	-
Proceeds from convertible notes issued		**600,000**	-
Proceeds from Borrowings		**1,818**	-
Net cash flows from financing activities		**660,658**	-
Net increase / (decrease) in cash and cash equivalents		**430,780**	(389,114)
Cash and cash equivalents at the beginning of the financial period		**194,752**	1,125,253
Effect of exchange rate changes on cash and cash equivalents		-	1,619
Cash and cash equivalents at end of period	5	**625,532**	737,758

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

1 Summary of significant accounting policies

The financial statements cover DataDot Technology Limited as a consolidated entity consisting of DataDot Technology Limited and its subsidiaries. The financial statements are presented in Australian dollars, which is DataDot Technology's functional and presentation currency.

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

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

The financial statements were authorised for issue, in accordance with a resolution of directors on 20 February 2020.

Basis of preparation

These general purpose financial statements for the interim half-year reporting period ended 31 December 2019 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

Going Concern

The financial statements of the company have been prepared on a going concern basis, which indicates continuity of business activities and the realisation of assets and settlement of liabilities in the normal course of business.

During the half-year ended 31 December 2019, the company experienced growth in revenue of $126,642 (7.1%) against the prior corresponding period, incurred an operating loss before tax of $228,522 (2018: loss of $658,118), and had net current assets of $631,161 (2018: $287,854) and negative operating cash flows of $69,121 (2018: negative operating cash flows of $346,133).

These performance measures show an improving financial performance and position for the group consistent with the Rescue Plan agreed by shareholders in May 2019. The benefits from cost reduction strategies and plans already implemented are yet to be fully realised. Our customers that are driving revenue growth have indicated that this growth is likely to continue in 2H FY 2020 and beyond. There remain untapped revenue growth opportunities from the licence agreement with Property Vault. These positive developments and the continuing pursuit of other pipeline opportunities indicate that , additional external funds are unlikely to be required to continue to support the operations of the Company and its controlled entities.

The Board and management continues to pursue the re-invigoration of relationships in the motor vehicle, crime prevention and anti-counterfeiting industries including with our customers and distributors in South Africa, North America and Europe, and there has been growth from some of these relationships in the six months to December 2019 over the prior period.

As a result of these matters, the material uncertainty related to events or conditions that may cast significant doubt on whether the Company will continue as a going concern and, therefore, whether it will realise its assets and settle its liabilities and commitments in the normal course of the business and at the amounts stated in the financial report has significantly diminished.

At the date of this report, the directors are of the opinion that there are reasonable grounds to expect that the Company will be able to continue as a going concern.

As such the financial report is prepared on a going concern basis.

Should the directors consider the current actions are failing to gain traction, alternative measures would be pursued which would include:

- Raising additional funds through the issue of equity or convertible financial instruments or similar;
- The Company continually curtails its ongoing operating costs. This could include reducing headcount or the amounts to be paid to management and Directors for the next financial year; and
- Restructure of the business through other merger or sale opportunities.

1 Summary of significant accounting policies (continued)

The Directors believe that the Company will be successful in managing the above matters and accordingly, they have prepared the financial report on a going concern basis. At this time the directors are of the opinion that no asset is likely to be realised for an amount less than the amount at which it is recorded in the financial statements at 31 December 2019.

New and Amended Standards Adopted by the Group

The Group has considered the implications of new or amended Accounting Standards which have become applicable for the current financial reporting period. The Group has changed its accounting policies as a result of adopting the following standards:

AASB 9 : Financial Instruments , and
AASB 15 : Revenue from Contracts with Customers.
AASB 16 : Leases

AASB 9: Financial Instruments

The Group classifies its financial assets and liabilities, which comprise cash and cash equivalents, receivables, other financial assets (term deposits) and accounts payable, into one of the categories discussed below, depending on the purpose for which the asset was acquired. The Group's accounting policy for each category is as follows:

Amortised cost

These assets arise principally from the provision of goods and services to customers (eg trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions for trade receivables are recognised based on the simplified approach within AASB 9 using the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within cost of sales in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

From time to time, the Group elects to renegotiate the terms of trade receivables due from customers. Such renegotiations will lead to changes in the timing of payments rather than changes to the amounts owed and, in consequence, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in the consolidated statement of comprehensive income (operating profit).

The Group's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the consolidated statement of financial position.

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short term highly liquid investments with original maturities of three months or less.

Financial Liabilities

Trade and other payables are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method. 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.

1 Summary of significant accounting policies (continued)

AASB 15: Revenue from Contracts with Customers

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a good or service to a customer. The following specific recognition criteria must also be met before revenue is recognised:

Sale of Goods

Revenue is recognised when control of the products has transferred to the customer. For such transactions, this is when the products are delivered to the customers or when the products leave the warehouse depending on the contractual agreement. Revenue from these sales is based on the price stipulated in the contract. Revenue is only recognised to the extent that there is a high probability that a significant reversal of revenue will not occur.

A receivable will be recognised when the goods are delivered or left the warehouse. The group's right to consideration is deemed unconditional at this time as only the passage of time is required before payment of that consideration is due. There is no significant financing component because sales are made within a credit term of 30 to 60 days.

License fee income

Revenue is recognised when DataDot has an unconditional entitlement to the fee and occurs when performance obligations are met over a period of time as stipulated by the licence agreement.

Royalty income

Revenue is recognised when the performance obligations are met at a point in time being when the underlying goods are sold.

AASB 16 : Leases

AASB 16 relating to the accounting for the Group’s operating leases has been implemented effective from 1 July 2019. This applies to the lease for the new premises at Brookvale in NSW and to the existing premises in Norwich UK. Other premises leases at Frenchs Forest and Spokane have not been included as these leases are either expiring or terminated by agreement within six months of the balance date and are therefore considerd to be covered by the exception for short term and low value leases. The amounts of the committments taken up in the reporting period are shown in the notes to these accounts.

2 Other Income

	31 Dec 2019	31 Dec 2018
	$	$
Interest income	**384**	543
Government grant: Research and development grant *	**-**	115,958
Sundry income	**3,085**	3,085
	3,469	119,586

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

3 Expenses

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

	31 Dec 2019	31 Dec 2018
Cost of sales		
Stock obsolescence	**17,136**	22,200
Administrative expenses		
Net gain / (loss) on foreign currency	**(5,016)**	3,477
Employee benefits	**500,597**	790,036
Employee share based expenses	**2,688**	27,049
Superannuation expenses	**40,258**	65,436
Depreciation	**38,461**	65,493
Amortisation	**19,528**	47,083
	596,516	998,574
Occupancy expenses		
Minimum lease payments	**107,199**	147,976
Finance costs		
Convertible Notes and Bank loans and overdrafts	**49,056**	9
Other borrowings	**-**	6,408
Finance charges payable under finance leases and hire purchase contracts	**-**	4,712
	49,056	11,129

4 Fair values of financial instruments

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

5 Cash and cash equivalents

	31 Dec 2019	31 Dec 2018
Reconciliation of cash	**$**	$
Cash at the end of the financial period shown in the consolidated statement of cash flows is reconciled as follows		
Cash at bank and on hand	**625,532**	**737,758**
Bank overdraft	**-**	-
Balance as per statement of cash flows	**625,532**	737,758

6 Income Tax

	31 Dec 2019	31 Dec 2018
Major components of tax expense	**$**	$
Current income tax expense	-	-
Withholding Tax	**7,335**	7,398
Income tax expense	**7,335**	7,398

7 Equity - Contributed equity

	31 Dec 2019 Shares	31 Dec 2018 Shares	31 Dec 2019 $	31 Dec 2018 $
Ordinary shares	**803,318,190**	810,606,351	**39,751,363**	39,692,526

	Date	No of Shares	$
Balance 1 July 2019	1-Jul-19	810,606,351	39,692,526
Issue of Shares - Share Placement	30-Aug-19	5,265,275	36,856
Issue of Shares - Share Placement	1-Nov-19	3,572,978	23,223
Cancellation of Loan Scheme Shares	21-Nov-19	(16,126,414)	-
		803,318,190	39,752,605
Share Issue transactions costs		-	(1,241)
Balance 31 December 2019		**803,318,190**	**39,751,363**

8 Segment Information

Segment descriptions

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

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

Products and services by segment

Two reportable segments have been identified as follows:

DataDotID - polymer and metallic microdots containing etched data that is unique to the assets to which the microdots are attached.

DataTraceID – a high speed, high security, machine readable system for authenticating materials, products and assets.

Accounting policies and intersegment transactions

The accounting policies used by DataDot in reporting segments internally is the same as those contained in the prior period with the exception of the new policies adopted as disclosed in Note 1. The adoption of these policies did not have a material impact on segment reporting. Intersegment pricing is determined on an arm's length basis. Intersegment transactions are eliminated on consolidation.

The following tables present the revenue, profit/(loss) before tax, assets and liabilities information regarding operating segments for half years ended 31 December 2019 and 31 December 2018.

8 Segment Information (continued)

Segment Performance Period ended 31 December 2019	DataDot $	DataTraceID $	Eliminations $	Total $
Revenue from external customers	1,788,249	124,988	-	1,913,237
Intersegment revenue	79,895	1,575	(81,470)	-
Total revenue	1,868,143	126,564	(81,470)	1,913,237
Gross profit	1,727,926	100,552	(778,542)	1,049,936
Depreciation, amortisation and disposals	(53,103)	(4,909)	-	(58,012)
Finance revenue	383	-	-	383
Finance costs	(50,316)	-	-	(50,316)
Net (loss) / profit after income tax	(66,479)	(162,043)	-	(228,522)
Segment assets	3,321,703	511,945	(1,691,938)	2,141,709
Segment liabilities	1,147,917	1,740,960	(762,020)	2,126,856

Period ended 31 December 2018	DataDot $	DataTraceID $	Eliminations $	Total $
Revenue from external customers	1,424,447	362,148	-	1,786,595
Intersegment revenue	154,122	7,887	(162,009)	-
Total revenue	1,578,569	370,035	(162,009)	1,786,595
Gross profit	1,322,884	211,024	(662,999)	870,909
Depreciation, amortisation and disposals	(103,178)	(9,398)	-	(112,576)
Finance revenue	543	-	-	543
Finance costs	(2,505)	-	-	(2,505)
Net profit / (loss) after income tax	(706,236)	48,118	-	(658,118)
Segment assets	4,723,983	399,834	(2,395,015)	2,728,802
Segment liabilities	1,425,393	2,172,715	(2,495,268)	1,102,840

9 Leases

The Group adopted IFRS16 relating to Leases effective from 1 July 2019
Details of those Leases to which IFRS16 has been applied are as follows:

Sydney Manufacturing Facility and Head Office:

Start Date = 8 December 2019	
Term = 3 years	
NPV of rent due to owner as at 31 December =	209,871
WDV of Right to Occupy Premises as at 31 December =	205,187
The Discount Rate applied to cash flows from commencement is 8%	

Norwich Manufactirung Facility and European Head Office

Start Date = 27 June 2018	
Term = 5 years	
NPV of rent due to owner as at 31 December =	101,025
WDV of Right to Occupy Premises as at 31 December =	101,976
The Discount Rate applied to cash flows from 1 July 2019 is 8%	

The Lease at Rodborough Road Frenchs Forest was surrendered on 31 January 2020 and therefore was exempted from the application of IFRS16.

The Lease at Wellesley St Spokane expires in May 2020 and therefore was exempted from the application of IFRS16. No premises will be required in Spokane from the termination date of the current Lease.

10 Events after the reporting period

In January 2020 the Company moved its Sydney premises from Frenchs Forest to Brookvale.

The Lease at Frenchs Forest that had an original expiry date of November 2022 was surrendered effective 31 January 2020 by agreement with the owner and the incoming tenant.

A surrender fee of $27,318 (excluding GST), equivalent to two months rent, was paid to the owner in February 2020.

An incentive fee of $26,938 (excluding GST), approximately equivalent to two months rent, is payable to the incoming tenant in exchange for the provision of a significant portion of the make good requirements of the surrendered lease.

As a result of the surrender of the Frenchs Forest Lease, a net amount of approximately $25,000 will be taken up as surplus or profit in 2H FY2020 arising from the net effect of the above surrender fee, the above incentive fee, the new premises fitout and permitted use expenses, the final make good expenses at Frenchs Forest and the release of the make good and lease incentive provisions that are on hand as at 31 December 2019.

Directors' Declaration

for the half year ended 31 December 2019

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 31 December 2019 and of its performance for the financial half year ended on that date;
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

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

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

On behalf of the directors

Ray Carroll - Chairman
20th February 2020
Sydney

Independent Auditor's Review Report to the Members of DataDot Technology Limited

Conclusion

We have reviewed the half-year financial report of DataDot Technology Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year then ended, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

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 the Group is not in accordance with the *Corporations Act 2001* including:

(i) Giving a true and fair view of the Group's financial position as at 31 December 2019 and of its financial performance for the half-year ended on that date; and

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

Emphasis of matter – Material uncertainty relating to going concern

We draw attention to Note 1 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

Directors' responsibility for the Half-Year Financial Report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2019 and its financial 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 the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Andrew Hunt
Principal

Parramatta, 20 February 2020