DATADOT TECHNOLOGY LIMITED
ABN: 54 091 908 726

APPENDIX 4E
Preliminary Financial Report
30 June 2007

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Audit

The financial information included in this document for the year ended 30 June 2007 is unaudited and has been derived from the draft financial report of DataDot Technology Limited for the year ended 30 June 2007.

Annual General Meeting

The Company's annual general meeting will be held on 1 November 2007. Further details will be provided to shareholders in due course.

Results for announcement to market

		% change	**30 June 2007**
Revenues from ordinary activities	up	28% to	12,069,743
Loss from ordinary activities after tax attributable to members	up	41% to	(2,023,454)
Net loss for the period attributable to members	up	41% to	(2,023,454)

Dividends

No dividends have been declared or paid during the year.

Control over entities

No control was gained or lost during the year.

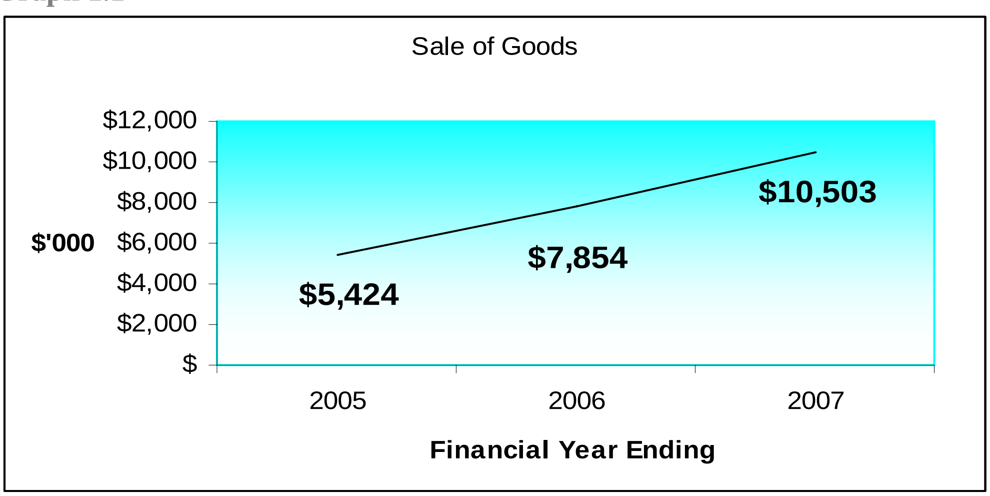
Discussion and analysis of financial results

- Total revenue $12,069,743;
- Sale of goods increased 34%;
- South African sales revenue increased 135%;
- Australasian sales revenue increased 30%;
- Core EBITDA up 169%;
- Net tangible assets per security increased from 1.49 cents to 5.58 cents per share;
- Net assets increased 281%;
- Cash increased 304%;

Overview

The group has had a solid year of growth with sales of goods up 34% on the previous year. Graph 1.1 depicts the continuing trend of increasing revenues from the sale of goods.

Graph 1.1



The growth in sale of goods is largely attributable to organic growth in 2 of the 4 market segments. South African sale of goods increased 135% from $1,302,535 to $3,064,914 and Australasian sales of goods increased 30% from $4,129,550 to $5,354,217.

To provide clarity in the core performance of our operations, we present the core EBITDA. Core EBITDA excludes all net finance costs and taxation, share based-payments, the contribution to profit / loss from the DataTrace DNA joint venture and any non-recurring items. The differences between Core EBITDA and EBITDA are set out in Table 1.1.

Table 1.1	*2007*	*2006*
	$	*$*
Core EBITDA	597,168	(862,104)
Interest Expense	(210,907)	(231,480)
Income Tax Expense	(82,663)	-
Depreciation & Amortisation	(448,504)	(495,892)
Impact of equity accounting for statutory purposes		
Share of jointly controlled entity	(722,640)	154,891
Share based payments	(195,478)	(745,515)
Non-recurring items	(960,430)	750,000
Loss after income tax	(2,023,454)	(1,430,100)

The core EBITDA is $597,168 for the 2007 financial year. The Group has therefore increased its revenue and improved its core EBITDA on the previous year.

Summarised operating results by segment are disclosed in Table 1.2

Table 1.2	*2007*		*2006*	
	Total Revenues	*Results*	*Total Revenues*	*Results*
	$	*$*	*$*	*$*
Geographic segments				
Australasia	6,944,692	1,640,973	4,888,260	789,452
USA	1,854,093	(622,068)	2,096,745	(122,897)
Europe	426,114	(427,547)	398,403	(78,331)
South Africa	3,064,914	615,774	1,302,535	25,288
	12,289,813	1,207,132	8,685,943	613,512
Consolidated entity adjustments	(511,284)	-	(92,765)	-
Non-segment unallocated revenues and expenses	291,214	(2,404,296)	870,399	(1,967,023)
Finance costs	-	(210,907)	-	(231,480)
Share of profit / (loss) of joint venture	-	(722,640)	-	154,891
Income tax expense	-	(82,663)	-	-
Consolidated entity sales and loss from ordinary activites before income tax expense	12,069,743	(2,213,374)	9,463,577	(1,430,100)

USA Operations

Management has completed a detailed review of the US subsidiary and has now taken corrective action to stem the losses (2007 DataDot Technology USA, Inc loss of $622,068). US operations have been restructured with flow on cost benefits. The dual locations of the US operations have been consolidated into one new purpose-built manufacturing facility. The yearly cost savings amount to approximately $375,000.

UK Operations

The UK subsidiary loss of $427,547 is a reflection of an extended pre-growth phase. The Board is confident of the growth potential for DataDot Technology UK Ltd and believes that in the 2008 financial year significant revenues will begin to flow into this subsidiary from its expansion into Europe.

Operating Expenses

The Group's operating expenses increased to $9,644,118 from $8,610,963 in the 2006 financial year, an increase in operating expenses of $1,033,155 (12%). This increase includes:

• Non-recurring costs	$585,430
• Increase in costs incurred on behalf of DataTrace DNA	$501,570
Total	$1,087,000

Cash

There was an increase in cash in the year ended 30 June 2007 of $3,575,487 (2006: decrease of $2,838,198). There was a significant increase in cash flows from financing activities for the year ended 30 June 2007 due to share placement and exercise of options during the year.

Operating activities consumed $958,259 (2006: $1,542,338). This reduction is largely due to an increase in cash generated from sales.

Cash outflows from investing activities during the year ended 30 June 2007 increased to $3,275,884 (2006: $1,428,061), which was mainly attributable to investing in the joint venture, DataTrace DNA Pty Ltd and to a lesser extent the DataDot Robot.

DataDot "Robot"

The DataDot Robot is a fully automated DataDotDNA spray application system that will ultimately replace the time-consuming process of applying DataDotDNA to vehicles manually.

Using the DataDot Robot 7,000 DataDotDNA are applied to a vehicle in under 60 seconds, compared with manual application that takes up to 8 minutes. This allows the DataDot Robot to be introduced on vehicle assembly lines or in import pre-delivery centres for fully-imported cars, so improving significantly the economics of whole-of-vehicle-marking for vehicle manufacturers. This automated function overcomes one of the primary objections of vehicle manufacturers to whole-of-vehicle-marking, namely, the inability to date of DataDotDNA application to fit within the cycle time of the vehicle manufacturing process.

The DataDot Robot is now operating in the largest vehicle import centre in Australia, where it was launched to industry and government agencies by Victoria Police at an event convened by the National Motor Vehicle Theft Reduction Council.

The DataDot Robot was developed in conjunction with financial grants from the Australian Government's AusIndustry and the National Motor Vehicle Theft Reduction Council. Recently the AusIndustry grant was increased by an additional $383,591 together with an extension of time for final development of both the "on line" version of the Robot, which will apply DataDotDNA to vehicles on assembly lines, and "off line" version, which will apply DataDotDNA after final assembly.

The DataDot Robot will greatly enhance the Group's entry into OE vehicle fitment in all markets.

DataDot Technology Limited
Preliminary Consolidated Income Statement
FOR THE YEAR ENDED 30 JUNE 2007

		CONSOLIDATED	
		2007	*2006*
	Note	*$*	*$*
Continuing operations			
Sale of goods		10,502,986	7,854,457
Rendering of services		1,219,218	717,648
Licence fees		56,325	771,123
Finance revenue		291,214	120,349
Revenue		12,069,743	9,463,577
Cost of sales		(3,816,137)	(2,546,748)
Gross profit		8,253,606	6,916,829
Other income		172,361	109,143
Employee benefits expense		(5,810,255)	(5,273,024)
Administrative expenses		(1,736,399)	(1,164,367)
Advertising and promotional expenses		(417,152)	(303,110)
Occupancy expenses		(472,048)	(497,198)
Travel expenses		(535,297)	(502,207)
Finance costs		(210,907)	(231,480)
Depreciation and amortisation expense		(448,504)	(495,892)
Bad and doubtful debts		(13,556)	(143,685)
Share of profit / (loss) of joint venture	3	(722,640)	154,891
Loss from continuing operations before income tax expense		(1,940,791)	(1,430,100)
Income tax expense		(82,663)	-
Loss from continuing operations after income tax		(2,023,454)	(1,430,100)
Attributable to:			
Minority interest		189,922	-
Members of the Parent		(2,213,376)	(1,430,100)
Earnings per share (cents per share)			
- basic for loss attributable from continuing operations attributable to ordinary equity holders of the parent	1	(1.56)	(1.21)

DataDot Technology Limited
Preliminary Consolidated Balance Sheet
AS AT 30 JUNE 2007

	Note	*CONSOLIDATED* *2007* *$*	*2006* *$*
ASSETS			
Current Assets			
Cash and cash equivalents	2	4,730,149	1,169,581
Trade and other receivables		3,492,748	2,534,870
Inventories		513,360	395,062
Total Current Assets		8,736,257	4,099,513
Non-Current Assets			
Receivables		-	26,648
Other financial assets		-	-
Investment accounted for using the equity method	3	2,983,344	1,209,997
Plant and equipment		1,219,356	965,087
Intangible assets	4	2,045,641	907,831
Deferred tax assets		39,677	-
Total Non-Current Assets		6,288,018	3,109,563
TOTAL ASSETS		15,024,275	7,209,076
LIABILITIES			
Current Liabilities			
Trade and other payables		1,871,398	1,645,790
Interest bearing loans and borrowings		297,434	1,289,843
Income Tax Payable		117,726	-
Provisions		592,795	275,986
Total Current Liabilities		2,879,353	3,211,619
Non-Current Liabilities			
Interest bearing loans and borrowings		383,332	381,546
Other-non current liabilities	5	1,337,004	785,142
Provisions		25,650	104,775
Total Non-Current liabilities		1,745,986	1,271,463
TOTAL LIABILITIES		4,625,339	4,483,082
NET ASSETS		10,398,936	2,725,994
EQUITY			
Equity attributable to equity holders of the parent			
Contributed equity	6	26,456,519	16,695,271
Accumulated losses		(16,210,047)	(13,996,674)
Reserves		(37,457)	27,397
Parent interests		10,209,015	2,725,994
Minority interests		189,921	-
TOTAL EQUITY		10,398,936	2,725,994

DataDot Technology Limited
Preliminary Consolidated Statement of Changes in Equity
FOR THE YEAR ENDED 30 JUNE 2007

	Attributable to equity holders of the parent				*Minority interest*	*Total equity*
	Issued Capital	*Accumulated losses*	*Foreign currency translation reserve*	*Total*		
CONSOLIDATED	$	$	$	$	$	$
At 1 July 2005	15,127,788	(12,861,479)	44,682	2,310,991	-	2,310,991
Adjustment on application of AASB 132 and AASB 139	-	294,905	-	294,905	-	294,905
Currency translation differences	-	-	(17,285)	(17,285)	-	(17,285)
Total income and expense for period recognised directly in equity	-	-	(17,285)	(17,285)	-	(17,285)
(Loss) for the period	-	(1,430,100)	-	(1,430,100)	-	(1,430,100)
Total income / expense for the period	-	(1,430,100)	(17,285)	(1,447,835)	-	(1,447,835)
Issue of share capital	821,968	-	-	821,968	-	821,968
Cost of share-based payments	745,515	-	-	745,515	-	745,515
At 30 June 2006	16,695,271	(13,996,674)	27,397	2,725,994	-	2,725,994
Currency translation differences	-	-	(64,854)	(64,854)	-	(64,854)
Total income and expense for period recognised directly in equity	-	-	(64,854)	(64,854)	-	(64,854)
(Loss) for the period	-	(2,213,374)	-	(2,213,374)	189,922	(2,023,452)
Total income / expense for the period	-	(2,213,374)	(64,854)	(2,278,228)	189,922	(2,088,306)
Issue of share capital	9,897,500	-	-	9,897,500	-	9,897,500
Transaction costs on shares issued	(331,730)	-	-	(331,730)	-	(331,730)
Cost of share-based payments	195,478	-	-	195,478	-	195,478
At 30 June 2007	26,456,519	(16,210,048)	(37,457)	10,209,014	189,922	10,398,936

Preliminary Consolidated Cash Flow Statement
FOR THE YEAR ENDED 30 JUNE 2007

		CONSOLIDATED	
		2007	*2006*
	Note	*$*	*$*
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		12,266,842	8,445,147
Payments to suppliers and employees (inclusive of GST)		(13,186,555)	(9,828,555)
Interest paid		(210,907)	(197,208)
Receipt of government grant		172,361	38,278
Net cash (used in) operating activities	2	(958,259)	(1,542,338)
Cash flows from investing activities			
Proceeds from sale of plant and equipment		-	348,701
Interest received		291,214	120,349
Purchase of plant and equipment		(453,952)	(361,408)
Purchase of intangible assets		(1,239,946)	(828,217)
Purchase of investment accounted for using the equity method		(2,495,186)	(1,055,106)
Receipt of government grant		621,986	347,620
Loans to controlled and jointly controlled entities			-
Net cash (used in) investing activities		(3,275,884)	(1,428,061)
Cash flows from financing activities			
Proceeds from issue of shares		9,052,500	412,500
Transaction costs from issue of shares		(331,730)	-
Proceeds from borrowings		-	219,392
Repayment of borrowings		(135,914)	
Repayment of related party loans		(548,709)	(157,202)
Repayment of finance lease payments		(226,517)	(342,489)
Net cash provided by financing activities		7,809,630	132,201
Net increase / (decrease) in cash held		3,575,487	(2,838,198)
Cash at beginning of year		1,169,581	4,024,831
Effect of exchange rate on cash holdings in foreign currencies		(14,919)	(17,052)
Cash at end of year	2	4,730,149	1,169,581

NOTES TO THE FINANCIAL STATEMENTS

1. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent (after deducting interest on the convertible redeemable preference shares) 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:

	CONSOLIDATED	
	2007	*2006*
	$	*$*
Net loss attributable to ordinary equity holders of the parent from continuing operations	(2,213,376)	(1,430,100)
	Number	*Number*
Weighted average number of ordinary shares for basic earnings per share	142,322,122	118,340,733
The following potential ordinary shares are not dilutive and are therefore excluded from the weighted average number of ordinary shares for the purposes of diluted earnings per share:		
Convertible Notes	-	3,591,648
Share options	19,745,000	25,795,000
The following options are not treated as potential ordinary shares as their exercise price exceeds current market price.	1,000,000	

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.

NOTES TO THE FINANCIAL STATEMENTS

2. CASH ASSETS

Reconciliation to Cash Flow Statement

	CONSOLIDATED	
	2007	*2006*
	$	*$*
For the purposes of the Cash Flow Statement, cash and cash equivalents comprise the following at 30 June:		
Cash on hand and at bank	4,730,149	1,169,581
Reconciliation of net loss after tax to net cash flows from operations		
Loss from ordinary activities after income tax	(2,023,454)	(1,402,079)
Add / (less) items classified as investing / financing activities:		
(Profit) / loss on sale of plant and equipment	-	(617)
Share of joint venture profit	722,640	(154,891)
Interest received	(291,214)	(120,349)
Add / (less) non-cash items:		
Depreciation and amortisation	448,504	495,892
Share options expensed	195,477	745,515
Inventory write down	7,170	18,191
Provision for:		
– doubtful debts	7,835	140,961
Net cash used in operating activities before change in assets and liabilities	(933,042)	(277,377)
(Increase) / decrease in trade and other debtors	(423,966)	(1,506,529)
(Increase) / decrease in other assets	9,387	(70,100)
(Increase) / decrease in inventory	(125,469)	(38,933)
(Increase) / decrease in deferred tax assets	(39,677)	-
(Decrease) / increase in creditors and accruals	195,282	254,181
(Decrease) / increase in current tax liability	122,340	-
(Decrease) / increase in provisions	236,886	96,420
Net cash used in operating activities	(958,259)	(1,542,338)

NOTES TO THE FINANCIAL STATEMENTS

	CONSOLIDATED	
	2007	*2006*
	$	*$*
3. INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD		
Investment in an joint venture	2,983,344	1,209,997

The Company has a 50% interest in DataTrace DNA Pty Ltd, which is involved in the high security authentication solutions for bulk products. The joint venture agreements were executed on the 31st of October 2005.

DataTrace DNA Pty Ltd is a small proprietary company incorporated in Australia.

Pursuant to a shareholder agreement the company has the right to cast 50% of the votes at shareholder meetings.

There were no impairment losses relating to the investment in the joint venture.

The following table illustrates summarised financial information relating to the Group's investment in DataTrace DNA Pty Ltd:

	CONSOLIDATED	
	2007	*2006*
Summarised financial information of jointly controlled entity:	*$*	*$*
Current assets	2,328,354	1,211,400
Non-current assets	2,426,784	1,127,903
Total assets	4,755,138	2,339,303
Current liabilities	(1,931,775)	(974,414)
Non-current liabilities	-	-
Total liabilities	(1,931,775)	(974,414)
Net assets	2,823,363	1,364,889
Income	256,725	1,118,410
Expenses	1,702,005	808,628
Share of the jointly controlled entity's profit:		
Profit / (Loss) before income tax	(722,640)	154,891
Income tax expense	-	-
Profit / (Loss) after income tax	(722,640)	154,891

No dividends were received by the Company during the year from the joint venture entity.

4 INTANGIBLE ASSETS

	CONSOLIDATED Development costs $	Patent costs $	Total $
At 1 July 2006			
Cost (gross carrying amount)	968,217	-	968,217
Accumulated amortisation	(60,386)	-	(60,386)
Net carrying amount	907,831	-	907,831
Year ended 30 June 2007			
At 1 July 2006, net of accumulated amortisation	907,831	-	907,831
Additions	1,055,202	98,633	1,153,,835
Additions – internal development	86,111	-	86,111
Disposals	-	-	-
Amortisation	(98,209)	(3,927)	(102,136)
At 30 June 2007, net of accumulated amortisation	1,950,935	94,706	2,045,641
At 30 June 2007			
Cost	2,109,530	98,633	2,208,163
Accumulated depreciation	(158,595)	(3,927)	(162,522)
Net carrying amount	1,950,935	94,706	2,045,641)

Development costs have been capitalised at cost. The intangible assets have been assessed as having a finite life. Development costs relating to the DataDot Automated Applicator Cell (DAAC) of $1,795,296 will be amortised once the project has been completed. All other intangible assets are amortised using the straight line method over a period of 3 years. 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.

No impairment loss was recognised for continuing operations in the 2007 financial year. The recoverable amount of the DAAC has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management covering a five-year period. The average discount rate applied to cash flow projections is 23%.

	CONSOLIDATED Development costs $
Year ended 30 June 2006	
At 1 July 2005, net of accumulated amortisation	350,000
Additions	663,557
Additions – internal development	164,660
Disposals	(210,000)
Amortisation	(60,386)
At 30 June 2006, net of accumulated amortisation	907,831
At 30 June 2006	
Cost	968,217
Accumulated depreciation	(60,386)
Net carrying amount	907,831

	CONSOLIDATED 2007 $	2006 $
5. OTHER NON-CURRENT LIABILITIES		
Unearned revenue	-	-
Unsecured loans from:		
Amounts payable to other parties (i)	367,398	437,522
Government grant (ii)	969,606	347,620
	1,337,004	785,142

(i) Included in payables to other parties is an amount of £155,630 ($367,398) 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. This financial liability is carried at amortised cost using the effective interest method.
(ii) The grant relates to an asset and will be release to the income statement over the expected useful life of the relevant asset by equal annual instalments upon completion of the grant project.

	CONSOLIDATED 2007 $	2006 $
6 CONTRIBUTED EQUITY		
Ordinary Shares		
Issued and fully paid	26,456,519	16,695,271

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

	Number	$
Movement in ordinary shares on issue		
At 1 July 2005	115,684,556	15,127,788
Shares issued:		
Conversion of convertible notes	3,751,276	409,468
Exercise of share options	2,550,000	412,500
Cost of share-based payments	-	745,515
At 1 July 2006	121,985,832	16,695,271
Shares issued:		
For cash at $0.42 per share	18,250,000	7,665,000
Less :cost of capital raisings	-	(331,729)
Conversion of convertible notes	3,591,648	845,000
Exercise of share options	5,750,000	1,387,500
Cost of share-based payments	-	195,477
At 30 June 2007	149,577,480	26,456,519