Annual Report 2016

DTI GROUP LTD

ABN 15 069 791 091

Digital Technology International

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Corporate Directory

Directors

Chris Morris	Non-Executive Chairman
Richard Johnson	Managing Director / Chief Executive Officer
Neil Goodey	Non-Executive Director
Glyn Denison	Non-Executive Director
Jeremy King	Non-Executive Director

Company Secretary

Bruce Mitchell

Registered and Principal Office

31 Affleck Road
Perth Airport WA 6105
Telephone: 08 9479 1195
Facsimile: 08 9479 1190
Website: www.dti.com.au

Share Register

Computershare Investor Services Pty Limited
Yarra Falls
452 Johnston Street
Abbotsford Vic 3067
Telephone: 1300 850 505
Website: www.investorcentre.com

Stock Exchange Listing

DTI Group Ltd shares are listed on the Australian Securities Exchange (ASX code: DTI)

Corporate Advisor

Pendulum Capital Pty Limited
Level 1, 5 Ord Street
West Perth WA 6005
Telephone: 08 9282 5400

Auditors

BDO Audit (WA) Pty Ltd
38 Station Street
Subiaco WA 6008
Telephone: 08 6382 4600

Bankers

Australia and New Zealand Banking Group Limited
Allendale Square
77 St Georges Terrace
Perth WA 6000

Westpac Banking Corporation
109 St Georges Terrace
Perth WA 6000

Directors' Report

The Directors present their report for the consolidated entity, consisting of DTI Group Ltd ("DTI" or "the Company") and the entities it controlled at the end of, or during, the year ended 30 June 2016 ("Group") and the auditor's report thereon.

Directors

The names and details of the Company's Directors in office during the financial year and until the date of this report are set out below. Directors were in office for this entire period unless otherwise stated.

Chris Morris
Non-Executive Chairman

Term of Office

Chris was appointed Non-Executive Chairman of DTI on 29 June 2011.

Skills and Experience

Chris has worked across the global securities industry for more than 30 years. He co-founded Computershare in 1978 and oversaw its listing on ASX in 1994. Chris's long-term strategic vision and passion for the industry have been instrumental in transforming Computershare from an Australian business into a successful global public company.

Other Directorships and Offices (current)

Non-Executive Director of Computershare Limited
Non-Executive Chairman of Smart Parking Limited

Other Directorships and Offices (former)

Nil

Board and Committee Memberships

Chairman of the Nominations and Remuneration Committee

Richard Johnson
Managing Director / Chief Executive Officer

Term of Office

Richard joined DTI as General Manager in 2005 and commenced the role as Chief Executive Officer in 2006. On 9 August 2011 he joined the Board as Managing Director.

Skills and Experience

Richard's qualifications include a Bachelor of Science in Electrical Engineering from the University of Calgary, and a Master of Engineering Studies and a Master of Business Administration from the University of Western Australia. He has more than 20 years experience in the transit technology sector. Richard held senior management positions at ERG Limited which developed, supplied and managed integrated fare collection systems for the transit industry around the world.

Other Directorships and Offices (current and former)

Nil

Board and Committee Memberships

Member of the Nominations and Remuneration Committee

Neil Goodey
Non-Executive Director

Term of Office

Neil co-founded DTI on 8 June 1995 and held the position of Managing Director until 2008.

Skills and Experience

Over the last 25 years Neil has founded and managed a number of successful technology-driven companies, including DTI. He created the software-focused vision for DTI and worked directly with the Company's engineering team to develop DTI's products and underlying intellectual property.

Other Directorships and Offices (current and former)

Nil

Board and Committee Memberships

Member of the Nominations and Remuneration Committee
Member of the Audit, Risk and Compliance Committee

Glyn Denison
Non-Executive Director

Term of Office

Glyn was appointed a Director on 19 January 2004. He was formerly an Executive Director of DTI responsible for business development before relinquishing his executive responsibilities in December 2006.

Skills and Experience

Glyn's qualifications include a Bachelor of Engineering and a Diploma in Business and Administration. He has over 30 years experience in the development of international distribution of technical products for the public transport industry, including senior roles at ERG Limited. Glyn has extensive knowledge of the public transit sector, including the existing customer base of DTI and its business partners.

Other Directorships and Offices (current)

Non-Executive Chairman of OBJ Ltd
Chairman of Wesbuilders Cooperative Limited

Other Directorships and Offices (former)

Nil

Board and Committee Memberships

Member of the Nominations and Remuneration Committee
Member of the Audit, Risk and Compliance Committee

Jeremy King
Non-Executive Director

Term of Office

Jeremy was appointed a Director on 29 June 2011.

Directors' Report (contd)

Skills and Experience

Jeremy is a corporate lawyer by background and holds a Bachelor of Laws. He has over 15 years experience in domestic and international legal, financial and corporate matters. Jeremy has extensive corporate experience, particularly in relation to cross-border private equity and leveraged buy-out acquisitions, as well as acting for banks, financial institutions and corporate issuers in respect of various debt and equity capital raisings.

Other Directorships and Offices (current)

Director and Company Secretary of Smart Parking Limited
Non-Executive Director Transcendence Technologies Ltd
Non-Executive Director Cott Oil and Gas Ltd
Non-Executive Director Red Mountain Mining Ltd

Other Directorships and Offices (former)

Non-Executive Director of CEB Resources PLC
Non-Executive Director of Orca Energy Limited
Chairman of Continuation Investments Limited

Board and Committee Memberships

Chairman of the Audit, Risk and Compliance Committee
Member of the Nominations and Remuneration Committee

Company Secretary

Bruce Mitchell
Date of appointment – 27 May 2012

Bruce is a qualified Chartered Accountant and has over 20 years experience in senior financial roles. He joined DTI in 2012 as Chief Financial Officer and is responsible for the management and administration of all aspects relating to both internal and external financial accounting and reporting. Prior to joining DTI, Bruce gained experience working as a financial director for several South African-based companies. He has worked across varied industries including information technology and manufacturing.

Bruce has a Bachelor of Accounting Science (Honours) from the University of South Africa, and a Bachelor of Commerce from the University of Natal.

Principal activities

DTI is a global leader of integrated surveillance, passenger communication systems, and fleet management solutions for the global mass transit industry and other related markets. DTI's customers are transit agencies, transit vehicle manufacturers, law enforcement authorities and high-value freight operators. The Company offers the following products and services:

- Advanced surveillance solutions – specialised hardware systems, incorporating video, audio, GPS tracking, communications and high-speed recording technology; supported by sophisticated device and data management software to provide comprehensive, fleet-wide, CCTV and vehicle management solutions.
- Passenger communication solutions – specialised hardware systems, incorporating real time passenger information through graphical and high brightness displays as well as public address and hearing aid loop communications, passenger emergency communications, driver awareness systems incorporating live viewing of passengers, and infotainment systems; supported by sophisticated device and content management software to provide a comprehensive, fleet-wide, passenger information management solution.

- Managed services – back-end control room communications and infrastructure comprising wide-area urban surveillance, driver development and risk mitigation, video management, vehicle data analysis and monitoring, schedule adherence analysis, IT infrastructure, help desk, technical support and monitoring, and first line maintenance.

DTI markets and distributes its product range to customers worldwide, both directly and in conjunction with a network of integrators and business partners.

DTI is a company limited by shares that is incorporated and domiciled in Australia. The Company is publicly listed on the Australian Securities Exchange under the code “DTI”.

Review of operations

DTI experienced stronger sales in the 2016 financial year, which were up 10.3% to $16.22 million compared to sales in the prior year of $14.71 million. This increase was principally due to improved sales in the US market.

Importantly, DTI’s recurring revenue totalled $8.95 million for the year which represents 55.2% of total sales, up from 38.0% at the half year. This recurring revenue includes $2.57 million from maintenance activities plus a further $6.38 million of ongoing monthly sales to existing clients including bus and rail manufacturers. These ongoing monthly sales are primarily due to fleet renewal programs where contracts can extend for up to a decade. For example, DTI announced in July 2014 that its advanced surveillance solution has been specified in a bus procurement tender issued by the San Francisco MTA. The bus procurement tender includes the manufacture of up to 454 buses over a five-year period with orders having now commenced. Other examples include bus procurements for the Brisbane City Council, Perth PTA, Philadelphia and light rail vehicles for San Francisco. With DTI’s advanced surveillance solution being increasingly specified as the system of choice, we expect to see this recurring revenue to continue to increase going forward in future years.

The outlook for the 2017 financial year remains strong with contracted and expected revenue currently totalling $15.0 million. This compares to $10.8 million at this time 12 months ago for the 2016 financial year and $9.7 million at this time 24 months ago for the 2015 financial year. The contracted and expected revenue has increased due to stronger recurring revenue coupled with revenue from new project wins such as Dallas Area Rapid Transit, Mersey Rail, Wright Bus, Alstom North West Rail, and Alstom London Underground Northern Line.

The future outlook for DTI is positive, reinforced by the record number of prospects currently being pursued which total over 100 with a corresponding value over $400 million compared to $200 million 12 months ago. The challenge is converting the opportunities into projects or purchase orders in an ongoing timely manner.

Americas

DTI experienced strong sales in the USA in the 2016 financial year with sales of $6.46 million compared to $3.89 million in the previous financial year. A large portion of these sales were for new bus procurements for a major USA city, where to date over 3,600 buses have been equipped with the DTI surveillance solution. Supply to this city commenced following a successful trial in 2009, and the success of the DTI technology has seen procurement continue into its seventh year.

In July 2014, DTI announced that its advanced surveillance solution had been specified in a bus procurement tender issued by the San Francisco MTA (“SFMTA”). The bus procurement tender includes the manufacture of up to 454 buses over a five-year period with sales commencing in the first half of this financial year. Further to this, the DTI solution was recommended for additional vehicle procurements with the SFMTA, such as the 64 vehicle light rail project which includes options for up to 260 rail cars over 13 years.

In August 2015, DTI was notified that its advanced surveillance solution was specified in a bus procurement tender issued by the South Eastern Pennsylvania Transportation Authority (“SEPTA”), which serves the five counties in and around Philadelphia, PA. SEPTA is the nation’s sixth largest transit property and is truly multi-modal, providing bus, trackless trolley, light rail, heavy rail, regional rail and customised community transit (para transit) services. SEPTA’s video surveillance programme is the largest in the USA, and it is a key contributor to the authority’s plummeting costs for claims and litigation over the past several years. The bus procurement tender relates to the manufacture of up to 525 buses over a five-year period with orders having now commenced.

Directors' Report (contd)

Furthermore, DTI has been specified for SEPTA's next procurement of 44 Silverliner 6 rail cars. As with the SFMTA, this confirms strong USA transit agency support for DTI's products over the coming years. In May 2016, DTI announced that it was successful in a project to supply 231 systems for SEPTA's existing Silverliner 4 rail cars.

In April 2016, DTI announced the award of a contract with Dallas Area Rapid Transit (DART) for the supply and installation of advanced surveillance systems on 48 light rail vehicles (LRVs) for the city of Dallas, valued at approximately USD$2.6 million (A$3.4 million) plus options for the supply and installation of an additional 115 LRVs valued at approximately US$6.3 million (A$8.2 million). Deliveries for the initial 48 systems are expected to commence in the first half of FY17 and will be delivered over a 12 month period. The DTI solution will be supplied with full 4G/LTE 'live' streaming functionality which includes seamless integration into the existing station and platform camera systems.

The advanced nature of the DTI solution is reinforced in the minutes of the DART board which stated: "On December 15, 2015, a Request for Proposals (RFP) notification was sent to 531 firms for Furnishing and Installing Closed-Circuit TV (CCTV) on Light Rail Vehicles (LRVs). By the closing date of February 9, 2016, four proposals were received. DTI USA Inc., received the highest scores among the offerors. They possess the technical and financial capacity to perform the contract. The pricing is determined to be fair and reasonable, and this firm is recommended for award … The evaluation of technical proposals resulted in DTI USA Inc.'s being the only acceptable proposal. This is due to all other proposal equipment could not meet the solicitation specifications."

In January 2015, DTI created a wholly owned subsidiary in the US. The subsidiary has become an effective structure for DTI to market directly to specific customers in the large North American market. This subsidiary forms an important part of DTI's growth strategy of extending the reach of DTI's offering to transit operators primarily in bus and rail in North America. As part of the strategy, DTI commenced direct sales in the US market in June 2015. In March 2016, DTI recruited an additional business development resource in the US who has extensive experience in transit sales and is also an Emeritus member of the Business Members Board of Governors at the American Public Transportation Association.

Australasia

DTI maintained a strong market position in the Australasian transit sector with sales of $8.34 million being slightly above the sales in the previous financial year of $7.88 million. This revenue included ongoing monthly sales to a wide range of customers in Perth, Adelaide, Canberra, Tasmania, Melbourne, Sydney and Brisbane.

In September 2015, DTI advised that it had signed a two-year contract extension for the support and maintenance of over 900 surveillance systems on Brisbane City Council (BCC) buses as well as an extension to the standing arrangement for the provision of new surveillance systems. The extension also includes the support and maintenance of back office systems at seven depots across the Brisbane area. BCC procured an additional 137 surveillance systems in the second half of the 2016 financial year.

In October 2015, DTI announced that it had received an order by Alstom Transport India Limited ("Alstom") for the supply of passenger communication and surveillance systems for trains being delivered to the Sydney Metro Northwest project. The order for the procurement contract includes the provision of systems on 22 new trains valued at approximately $5.3 million with deliveries expected to commence in the middle of the 2017 financial year. Importantly, the procurement fulfils DTI's strategy to offer an expanded technology suite integrating both transit surveillance and passenger communication systems. The passenger communication system component comprises just over 80% of the value of the contract and represents a significant capability expansion when compared to a surveillance only solution. Alstom, which is headquartered in France, is one of the largest train builders in the western world. This project provides a significant opportunity to strengthen DTI's relationship with Alstom in the future. In January 2016, DTI was one of only 90 key suppliers invited to Alstom's 2020 global supplier event in Chennai, India. These 90 suppliers represented approximately 50% of Alstom's global procurement value.

Europe, Middle East, Africa (EMEA)

DTI experienced weaker sales in the EMEA market with sales decreasing from $2.93 million in the 2015 financial year to $1.42 million in the 2016 financial year. However, the forward outlook for DTI in the EMEA market remains positive with a key number of recent project wins combined with an excellent list of prospects.

DTI opened an office in the city of Besançon in July 2014 as its base for the French market. In August 2014, DTI announced an order with its French partner, Cibest, for 36 advanced video surveillance systems for the Marseille Metro. Building on this success, DTI received a further order for Marseille Metro in December 2015 for the supply of passenger communication systems to be installed on all 36 of metro trains in Marseille.

In December 2015, DTI also advised that Cibest had been awarded a five-year framework agreement for the supply of video surveillance systems by L'Association pour la Gestion Indépendante des Réseaux (AGIR) which is an association of 172 independent transport providers. The framework agreement caters for the standardised procurement by AGIR members for video surveillance solutions. While the DTI solution is the sole surveillance system nominated by AGIR, the AGIR agreement does not bind members to purchase the DTI solution.

In December 2015, DTI received an order for a trial surveillance system by our Dutch partner, VisiOn Isp, to retrofit Stadler trains in the Dutch city of Utrecht. This is DTI's first supply to Stadler Rail AG, the Swiss train builder, and subject to the trial being successful an additional 24 trains may be procured.

DTI also confirmed in December 2015 that it had been successful in its tender for advanced automatic passenger counting on 8 trains for Merseyrail which operate in the Liverpool area. Carrying approximately 110,000 passengers each weekday, Merseyrail forms one of the most heavily used railway networks in the UK outside of London.

In March 2016, DTI announced it had signed a contract for advanced surveillance systems for two fleets of vehicles totalling 168 rail cars operated by Iarnród Éireann ("Irish Rail"). The systems will provide the customer, Irish Rail, with high-definition, forward- and rear-facing cameras and the very latest DTI designed and manufactured mobile digital recording platform (MDR-6). The DTI solution chosen by Irish Rail will also utilise the existing CCTV cameras within the passenger saloons and is supplied with full Wi-Fi, 3G/4G 'live' streaming and GPS capability.

DTI confirmed in March 2016 that it had received an order from leading vehicle manufacturer Wright Bus Ltd for the supply of advanced surveillance systems for 80 double deck vehicles ordered for the City of Dublin. Each vehicle is being equipped with DTI's latest advanced MDR6 digital surveillance system with integral switching, enhanced 'dual drive' redundancy and communications infrastructure for system management and data downloads plus 12 external and internally mounted cameras including high-definition IP forward-facing and both high-definition IP and analogue internal cameras. This DTI solution is also supplied with full Wi-Fi, 3G/4G 'live' streaming and GPS capability.

In May 2016, DTI announced that it had received an order from its South African business partner for supply of advanced surveillance systems on metro police vehicles in South Africa. The initial purchase order was valued at approximately $220,000 and involved the supply of surveillance systems on 27 police cars plus additional static equipment which was delivered before the end of June 2016. DTI successfully participated in an international tender process involving the supply and installation of up to 900 systems for police vehicles over the next three years. As well as the supply of the police car systems, static ANPR cameras will be supplied in the future which integrate with the city's monitoring systems to allow the coordination of vehicle information between static and mobile solutions.

Directors' Report (contd)

In August 2016, DTI announced the receipt of an order from Alstom UK for the supply, and installation of advanced CCTV surveillance systems for the prestigious Northern Line fleet maintained and operated by Alstom on behalf of Transport for London on the London Underground. The project involves the supply, installation and long-term support of 212 future-proofed and innovative surveillance systems for the entire Northern Line fleet of vehicles, coupled with secure infrastructure facilities providing system health and video data across multiple depots. With an expected project value of £886,000 (A$ 1.5 million), deliveries for the systems are expected to commence late in the first half of the 2017 financial year and completed before the end of the financial year. The systems will include the very latest on-board surveillance technology with the deployment of DTI's market-leading, feature-rich MDR-6 recording unit, including integral switching, Wi-Fi, dual-redundant HDDs, 4G and 'dead reckoning' GPS capability. Each train will also be equipped with DTI's high-resolution colour cameras. This latest project is the first for DTI on the London Underground.

In July 2016, DTI recruited an additional business development resource based in Belgium to promote DTI's solution to Belgium, Dutch, German and Scandinavian countries.

Technology Development Activities

DTI continues to build on its suite of solutions to maintain its leadership position in surveillance and passenger information systems and fleet management solutions for the global mass transit industry and other related markets. One key element of this strategy includes continuing to invest in the Company's research and development (R&D) program to develop new or improved products and solutions. Custom modifications to DTI's product range are carried out by the Company's in-house development team. DTI's ability to modify both hardware and software, coupled with a close relationship to the end customer, allows for specific customer requirements to be quickly and effectively delivered.

As part of this investment, DTI has purchased the latest generation testing equipment including: a vibration test bench which simulates the vibration environment exerted on equipment, a shock test bench which simulates high impact effects, a DC power analyser which provides productivity gains for sourcing and measuring DC voltage and current into equipment under test by integrating up to 4 advanced power supplies with digital multimeters, scope, and data logging features, and a Digital Signal Analyser which tests multiple high speed serial lanes or massive parallel network buses providing quick analysis of design interfaces. The Digital Signal Analyser is the only one of its kind in Australia.

DTI is currently developing an extensive range of third generation passenger communication equipment to be used as part of the Alstom North West Rail project. Equipment being developed includes an advanced digital video surveillance and passenger information server with communications infrastructure for system management and data downloads. The server, called the TDR6, will contain and manage all of the audio and display message information as part of the communications system. Other developments include an IP-based audio communications system comprising public address, hearing aid loops, plus an automated voice announcement system. The audio communications system provides computer and GPS driven automated announcements for next stop, door open and close and other en-route passenger information messages, passenger emergency intercom units. External LED driven destination indication signs are also being developed along with a 48" wide-screen LCD route displays, and internal passenger information displays. All displays are IP-based, as well as digitally controlled and automated in conjunction with the audio communications system. Also being developed is a driver display screen which provides status information and also interfaces with the surveillance system to provide low latency live views from all cameras in up to 6 cars of the train plus a second 6 car coupled train.

DTI's comprehensive back-end CCTV management solution which centralises and coordinates the vehicle CCTV and other data continues to be improved and enhanced. The latest generation is called DTI Central. DTI Central caters for improved enterprise views, more redundancy, improved logging, improved job queuing, increased scalability, easier configuration of many aspects of the system and updated user interfaces. DTI Central will cater for increased integration with other solutions as they arise in the Smart City environment.

As part of DTI's comprehensive rail product suite, development continued on a pantograph and overhead wire infrastructure inspection solution which uses machine vision and video analytics. These systems will be incorporated in the DTI Central maintenance suite to provide rail maintenance staff with easy to reference pantograph infrastructure condition with alerts to potential threats and loss of service on the rail line. DTI has applied for four patents for this technology and currently has trials in Australia, France, Turkey, and Poland.

DTI has also progressed trials in Poland and Australia on automated passenger counting to commercialisation with a project for Merseyrail in the UK. The video based passenger counting module is a cost-effective way to count and monitor passenger numbers on rail or bus fleets. With discreet overhead cameras above doorways, this technology uses a virtual trip-wire zone for detection of human forms. Every time passengers cross a line or enter a designated area in either direction, the software registers a count (in/out) and updates the database. This information is processed and stored on an on-board database partition within the DTI recorder.

The development of the MDR6 product commenced in the 2015 financial year and has now been commercialised with first deliveries commencing in the second half of 2016. The MDR6 is based on the cost-effective MDR5L which includes the integration of technologies into the product such as dual frequency wireless networking, 3G/4G communications, lower power components, a smaller footprint, 16 full-frame rate camera channels. The MDR6 also includes eight transit rated Power over Ethernet ports catering specifically for the next generation of high resolution megapixel IP cameras.

Quality Assurance Activities

DTI qualified for ISO9001:2008 Quality Assurance accreditation with an audit in July 2015 by internationally recognised accreditation firm Bureau Veritas. As the world's most widely recognised quality management standard, ISO9001 outlines ways to achieve, as well as benchmark, consistent performance and service. The ISO9001 accreditation provides further assurance to customers and will cater to broadening business opportunities globally.

Cash position

The Company's cash balance reduced to $0.6 million from $3.8 million at the end of June 2015. This was predominantly due to the significant investment of $3.3 million made in internally generated Intangible assets.

Statement of Financial Position

The Company's balance sheet remains strong in 2016. There is very low debt and liquidity is robust with the ratio of current assets to current liabilities being 3.0 (2015: 4.1). In 2016 large investments were made in internally generated Intangible assets in the form of numerous new products and Property, Plant and Equipment through financial leases of specialised technical equipment for R&D testing.

Results and dividends

The result of the consolidated Group for the financial year ended 30 June 2016 was a $31,558 profit (2015: $113,517 profit) after a $11,746 share of Virtual Observer's loss for the year (2015: $11,803 loss), a $34,820 share of DTI EMEA's loss for the year (2015: $169,964 loss), a $2,415 share of DTI USA Inc.'s profit for the year (2015: $3,861 profit), a $10,140 share of DTI USA Holdings Inc.'s profit for the year (2015: $4,574 profit) and a net foreign exchange loss of $294,814 (2015: $295,351 gain).

Total Revenue was $16.2 million, which is 10% higher than the prior year at $14.7 million, mainly due to improved sales in the Americas market. Costs of Materials were slightly lower, primarily resulting from further cost reduction efforts. Employee Benefit expenses were contained, with the majority of R&D employees' costs being capitalised to the development costs and then amortised. Certain R&D projects moved into the revenue generating stage with amortisation commencing and this led to higher Depreciation and Amortisation expenses.

Directors' Report (contd)

Administration expenses increased due to higher professional fees, bank fees and insurances associated with the large number of sales contracts being tendered on and entered into, plus DTI's listed entity status and the additional R&D Tax Incentive claim for expenditure incurred in prior years. The high costs involved in entering into the Poland market and of establishing an office in South Africa continued to increase Marketing expenses. Other expenses rose with increased travel and subcontractors' costs. During the 2016 financial year, the Company re-lodged its income tax returns with the Australian Taxation Office (ATO) for tax years 2012 to 2015, claiming further R&D costs not previously claimed under the R&D Tax Incentive scheme. The re-lodged income tax returns have all been assessed by the ATO and this has resulted in additional R&D Grant Income of $1,889,267. It also had the effect of increasing the tax expense by adjusting for costs previously claimed as an income tax deduction and subsequently claimed as R&D Tax Incentive Costs. An amount of $0.8 million of the total R&D Grant income of $4.5 million was transferred out of the Profit and Loss Statement and set off against the Intangible asset as it related to capitalised development costs; this led to the Tax Expense being unexpectedly high.

The EBITDA result of the consolidated Group for the financial year ended 30 June 2016 was a $3,645,667 profit (2015: $1,529,197 profit) being positively influenced by adjustments to prior year R&D Tax claims.

No dividends have been paid or declared since the end of the previous financial year (2015: nil) and the Directors do not recommend any dividend be paid.

The outlook remains strong and DTI has entered the 2017 financial year with a very robust list of prospects bolstered by ongoing contracts and orders.

Significant changes in the state of affairs

There have been no significant changes in the state of affairs of DTI.

Events since the end of the financial year

No matters or circumstance have arisen that have significantly affected, or may significantly affect, the operations of DTI, the results of those operations or the state of affairs of DTI in subsequent years that is not otherwise disclosed in this report.

Likely developments and expected results of operations

DTI remains confident in its outlook as it seeks to drive growth via its strong pipeline of opportunities. The Company's ongoing investment in R&D aims to strive for continued innovation and market leadership of the products and services that DTI offers to the global mass transit industry and other related markets.

Environmental regulation

The Company is not subject to any environmental regulation. The Directors have considered compliance with the *National Greenhouse and Energy Reporting Act 2007* which requires entities to report greenhouse gas emissions and energy use. The Directors have assessed that there are no current reporting requirements, but the Company may be required to do so in the future.

Directors' meetings

The number of Directors' meetings and number of meetings attended by each of the Directors of the Company during the financial year are as follows:

Director	Board Meetings		Audit Committee Meetings		Remuneration Committee Meetings	
	Attended	Eligible	Attended	Eligible	Attended	Eligible
Neil Goodey	5	5	4	4	3	3
Glyn Denison	4	5	4	4	3	3
Chris Morris	5	5	–	–	3	3
Richard Johnson	5	5	–	–	–	–
Jeremy King	5	5	4	4	3	3

Information on Directors' interests in securities of DTI

Current Directors	Interest in Securities at the Date of this Report	
	Shares [1]	Options
Neil Goodey	6,575,198	–
Glyn Denison	2,887,638	–
Chris Morris	18,048,144	–
Richard Johnson	494,908	–
Jeremy King	369,573	–

Note:

[1] Shares means fully paid ordinary shares in the capital of the Company.

Remuneration report (audited)

This Remuneration Report, which forms part of the Directors' Report, sets out information about the remuneration of Key Management Personnel (KMP) of the Group.

Details of KMP

Details of the KMP of the Group, during or since the end of the financial year are set out below:

Directors

Chris Morris	Non-Executive Chairman
Richard Johnson	Managing Director / Chief Executive Officer
Neil Goodey	Non-Executive Director
Glyn Denison	Non-Executive Director
Jeremy King	Non-Executive Director

Other KMP

Jean-Michel Florent	Chief Operating Officer
Bruce Mitchell	Chief Financial Officer

Unless otherwise disclosed, the KMP held their position from 1 July 2015 until the date of this report.

Directors' Report (contd)

Remuneration Policy and Link to Performance

The Board has established the current remuneration structure and policies of the Company to ensure that they are aligned to the needs of the business, and meet the Company's remuneration principles. The Nominations and Remuneration Committee will annually review the remuneration policies and remuneration of the KMP. This review will include the determination of incentive packages of executive KMP. From time to time, the committee may also engage external remuneration consultants to assist with this review.

The Company's remuneration policy for the Managing Director / Chief Executive Officer (CEO) is detailed in a Management Compensation Plan (MCP). The CEO is the only member of the KMP currently participating in the MCP.

DTI wishes to structure the total remuneration of the CEO in a way that not only incentivises the CEO to deliver on short-term financial performance but also encourages him to build long-term shareholder value.

The MCP is based on the concept of a total package guide which is an indication of what the CEO's total remuneration would be if budgeted financial performance is achieved and the CEO performed satisfactorily. If the business and/or the CEO perform below standard then the total remuneration will be less. If financial performance exceeds budget and there is above average performance by the CEO then the package can increase by up to 18.75% of the targeted total remuneration.

The composition of the total package guide is:

- base salary – 75% of package guide;
- bonus payment (ST Bonus) – 12.5% of package guide or up to 25% of the base salary for exceptional performance payable in cash; and
- long-term incentive (LT Incentive) – 12.5% of package guide payable in equity securities unless otherwise determined by the Board. This can be up to 33.3% of the base salary for exceptional performance.

The ST Bonus and LT Incentive are determined following the finalisation of the audited annual financial results. If employment has ceased for any reason on or before the date when the ST bonus and LT Incentive are paid or are due for payment, eligibility to receive the ST Bonus payment and LT Incentive lapses.

The CEO can elect to receive the ST Bonus payment in equity securities, subject to shareholder approval.

The non-financial ratings for both the bonus payment and LT Incentive are a guide only and individual scores may not be disclosed to the CEO unless a score of less than two out of four on any criteria is assessed.

The Board reserves the right not to pay any bonus or LT Incentive if earnings are significantly below budget.

Assessing Performance and Claw-back of Remuneration

The Nominations and Remuneration Committee is responsible for assessing performance against KPIs and recommending to the Board the bonus payment and LT Incentive to be paid.

In the event of serious misconduct or a material misstatement in the Company's financial statements, the Board can cancel or defer performance-based remuneration and may also claw back performance-based remuneration paid in previous financial years.

Elements of Executive Remuneration

Fixed Remuneration

Executive KMP and other executive management may receive their fixed remuneration as cash, or cash with non-monetary benefits such as health insurance, and car allowances. Fixed remuneration is reviewed annually, or on promotion. Superannuation is calculated on fixed remuneration at the rate of 9.5%.

Bonuses

Executive KMP and other executive management may receive a cash bonus as determined by the CEO and approved by the Board following a performance review by the CEO.

LT Incentives

The CEO's LT Incentive is determined in accordance with his Management Compensation Plan and is further explained in the Relationship between Remuneration and DTI Performance section below.

The LT Incentives of the other executive management are shares in the DTI Employee Share Plan and are further explained in the Relationship between Remuneration and DTI Performance section below.

Relative Proportions of Fixed and Variable Remuneration Expense

The following table shows the relative proportions of remuneration that are linked to performance and those that are fixed based on the amounts disclosed as statutory remuneration expense.

	Fixed Remuneration		At Risk – Short-term Bonus		At Risk – Long-term Incentive	
Executive KMP	2016 %	2015 %	2016 %	2015 %	2016 %	2015 %
Richard Johnson	63	63	16	16	21	21
Jean-Michel Florent	100	100	–	–	–	–
Bruce Mitchell	100	100	–	–	–	–

Notes:

- Richard Johnson (CEO) receives a base salary of $240,000 plus superannuation at the rate of 9.5%, with eligibility for ST Bonuses of up to $60,000 and LT Incentives of up to $80,000 under the MCP. Details of the MCP are provided in a separate section of this Remuneration Report.
- Jean-Michel Florent (COO) and Bruce Mitchell (CFO) are paid fixed salaries and may receive a cash bonus based on a performance assessment carried out by the CEO and approved by the Board and are also eligible to participate in the DTI Employee Share Plan (DESP). Details of the cash bonus paid and the DESP are set out in a separate section of this Remuneration Report.

Employment Contracts with KMP

Component	Managing Director / Chief Executive Officer	Other Executive KMP
Fixed remuneration	$240,000	$175,000–$219,810
Contract duration	Ongoing contract	Ongoing contract
Notice period – individual	4 weeks	8 weeks
Notice period – company	Between 1 and 5 weeks depending on service and age of employee	Between 1 and 5 weeks depending on service and age of employee
Termination payments	None specified	None specified
In the event of serious misconduct, termination may be without notice and without payment in lieu.		

Note:

The Managing Director / Chief Executive Officer is eligible for compensation under the MCP as provided in a separate section of this remuneration report.
Other Executive KMP are eligible to participate in the DTI Employee Share Plan

Directors' Report (contd)

Non-Executive Director Remuneration

Non-Executive Directors receive a Board fee and fees for chairing or participating on Board committees, as set out below. They do not receive performance-based pay or retirement allowances. The fees are inclusive of superannuation. The Chairman does not receive additional fees for participating in or chairing committees. Fees are to be reviewed annually by the Nominations and Remuneration Committee.

The Chairman of the Board receives a fixed fee of $50,000 per annum. Other Non-Executive Directors each receive an annual Board fee of $30,000 plus an additional $5,000 per annum Audit, Risk and Compliance Committee fee. A further fee of $5,000 per annum is paid to the chairman of the Audit, Risk and Compliance Committee. No additional fees apply with respect to the Nominations and Remuneration Committee. The maximum annual aggregate Directors' fee pool limit is $250,000.

All Non-Executive Directors have entered into a service agreement with the Company in the form of a letter of appointment. The letter summarises various matters relating to the appointment including the position's role and responsibilities, time commitments, remuneration and expenses, outside interests, securities dealing policy and the treatment of confidential information. These matters are consistently applied for each Non-Executive Director.

KMP Remuneration

Details of the nature and amount of each element of the remuneration of each KMP for the current and prior financial year are as follows:

2016		Short-term Benefits			Post-Employment Benefits		
Director	Salary and fees $	Cash bonus $	Travel allowance $	Annual and long service leave $	Super-annuation $	Share-based payments (Note *) $	Total $
Neil Goodey	31,964	–	–	–	3,036	–	35,000
Glyn Denison	35,000	–	–	–	–	–	35,000
Chris Morris	50,000	–	–	–	–	–	50,000
Richard Johnson	240,000	21,000	4,800	18,877	19,308	–	303,985
Jeremy King	40,000	–	–	–	–	–	40,000
Jean-Michel Florent	234,582	1,043	5,690	12,259	19,308	2,507	275,389
Bruce Mitchell	173,333	10,000	–	4,375	17,256	2,343	207,307
Total	**804,879**	**32,043**	**10,490**	**35,511**	**58,908**	**4,850**	**946,681**

Notes:

- Richard Johnson (CEO) was awarded a ST Bonus of $9,000 and a LT Incentive of $12,000 for performance during the 2016 financial year, which were accrued in the 2016 financial year.
- Jean-Michel Florent (COO) was awarded a performance cash bonus of $1,043 for performance during the 2016 financial year, which was accrued in the 2016 financial year. On 15 April 2016, he was issued with 115,000 shares in the Company for no cash consideration in terms of the DTI Employee Share Plan (DESP). Subject to him remaining in the employment of the Company, these DESP shares will vest one third per year on the anniversary date of 15 April over the next three years. The bonus was based on a review of his performance in relation to sales targets for the financial year by the CEO and approved by the Board and is not linked to the MCP.
- Bruce Mitchell (CFO) was awarded a performance cash bonus of $10,000 subsequent to the end of the 2016 financial year for performance during the 2016 financial year. The Company has not accrued for the bonus which will therefore be expensed in FY2017. On 15 April 2016, he was issued with 107,500 shares in the Company for no cash consideration in terms of the DTI Employee Share Plan (DESP). Subject to him remaining in the employment of the Company, these DESP shares will vest one third per year on the anniversary date of 15 April over the next three years. The bonus was based on a review of his performance for the financial year by the CEO and approved by the Board and is not linked to the MCP.

2015		Short-term Benefits			Post-Employment Benefits		
Director	Salary and fees $	Cash bonus $	Travel allowance $	Annual and long service leave $	Super-annuation $	Share-based payments (Note *) $	Total $
Neil Goodey	27,172	–	–	–	2,581	–	29,753
Glyn Denison	27,450	–	–	–	2,331	–	29,781
Chris Morris	36,855	–	–	–	–	–	36,855
Richard Johnson	240,000	104,000	4,660	10,523	27,316	-	386,499
Jeremy King	31,562	–	–	–	–	–	31,562
Jean-Michel Florent	190,338	15,943	11,660	12,138	19,171	–	249,250
Bruce Mitchell	168,206	30,000	–	5,231	17,405	–	220,842
Total	**721,583**	**149,943**	**16,320**	**27,892**	**68,804**	**–**	**984,542**

Notes:

- Richard Johnson (CEO) was awarded a ST Bonus of $14,000 and a LT Incentive of $24,000 for performance during the 2015 financial year, both of which were accrued in the 2015 financial year. Richard Johnson received a ST Bonus of $18,000 and a LT Incentive of $18,000, both of which were taken as cash payments, for his performance for the 2014 financial year but were not accrued in FY2014 and therefore expensed in FY2015.
- Jean-Michel Florent, (COO) was awarded a performance cash bonus of $1,988 subsequent to the end of the 2015 financial year. The Company has not accrued for the bonus which will therefore be expensed in FY2016. The COO received a cash bonus of $13,955 for performance during the 2014 financial year which was not accrued in FY2015 and has been expensed in the 2015 financial year. The bonus was based on a review of his performance in relation to sales targets for each of the financial years by the CEO and approved by the Board and is not linked to the MCP. In the first year, commission of 2% on the sales to a new customer is earned, 1% in the second year and 0.5% in each subsequent year thereafter.
- Bruce Mitchell (CFO) was awarded a performance cash bonus of $15,000 subsequent to the end of the 2015 financial year. The Company has not accrued for the bonus which will therefore be expensed in FY2016. The CFO also received a cash bonus of $15,000 for performance during the 2014 financial year which was not accrued in FY2015 and has been expensed in the 2015 financial year. The cash bonus is at the discretion of the Board and is based on a review by the CEO of non-financial criteria relating to the Chief Financial Officer's role for each of the financial years. It is approved by the Board and is not linked to the MCP.

* Expenses relating to vesting of the shares issued under the DTI employee Share Plan.

Relationship between Remuneration and DTI Performance

The relationship between remuneration and DTI's FY2016 performance for the following executive KMPs is set out below.

Richard Johnson

- Cash bonus based on the achievement of budgeted EBITDA (70% weighting) and the achievement of other criteria including projects and margins, business expansion, service levels and product reliability (30% weighting). The composition of the cash bonus is 12.5% of the package guide or up to 25% of the base salary for exceptional performance.
- LT Incentive based on the achievement of earnings per share performance compared to the previous period (50% weighting) and non-financial performance including leadership, replicability and character (50% weighting). The LT Incentive forms 12.5% of the package guide or up to 33% of the base salary for exceptional performance.

Jean-Michel Florent

Cash bonus based on sales in which he was directly involved. In the first year, commission of 2% on the sales to a new customer is earned, 1% in the second year and 0.5% in each subsequent year thereafter.

Shares in the DTI Employee Share Plan is based on years of service with the Company and fixed remuneration.

Bruce Mitchell

The cash bonus is at the discretion of the Board and is based on non-financial criteria relating to the Chief Financial Officer's role.

Shares in the DTI Employee Share Plan is based on years of service with the Company and fixed remuneration.

Directors' Report (contd)

Performance-based Remuneration Granted and Forfeited during the Year

The following bonuses relate to performance for the 2016 and 2015 financial years awarded under the Company's MCP. The bonuses for the 2016 financial year were awarded subsequent to the end of the financial year; however, an accrual was recorded in FY2016. No accrual was recorded for the bonus relating to performance of the CEO for FY2015 and it was therefore expensed in FY2016.

2016	Short-term Benefits			LT Incentives		
	Total Opportunity (Note 1) $	Awarded %	Forfeited %	Total Opportunity $	Shares / Cash Granted (Note 2) $	Shares / Cash Forfeited $
Bonus relating to the 2016 financial year performance (accrued in FY2016)						
Richard Johnson	60,000	15	85	80,000	12,000	68,000
Bonus relating to the 2015 financial year performance (accrued in FY2016)						
Richard Johnson	60,000	23	77	80,000	24,000	56,000

Notes:

1 The CEO was awarded a ST Bonus of $9,000 and a LT Incentive of $12,000 for performance during FY2016, which were accrued in FY2016. The CEO received a ST bonus of $14,000 and a LT Incentive of $24,000, for his performance for FY2015

2 The CEO does not participate in the Company's Employee Share Plan.

No other KMP were awarded bonuses under the Company's MCP for the 2016 or 2015 financial years.

Statutory Performance Indicators

DTI aims to align executive remuneration to the Company's strategic and business objectives and the creation of shareholder wealth. The following table shows measures of the Group's financial performance over the last two years as required by the *Corporations Act 2001*. However, these are not necessarily consistent with the measures used in determining the variable amounts of remuneration to be awarded to KMPs. As a consequence, there may not always be a direct correlation between the statutory key performance measures and the variable remuneration awarded.

Performance Indicators	FY2016	FY2015
Profit / (loss) after tax	$31,558	$113,517
Dividends	nil	nil
Share price	$0.40	$0.30
Basic earnings per share	0.03 cents	0.1 cents

DTI Employee Share Plan

The DTI Employee Share Plan (DESP) is a scheme under which shares may be issued by the Company to employees for no cash consideration and has been put in place by the Company. All permanent employees (excluding directors) who have been continuously employed by the group for a period of at least one year are eligible to participate in the scheme. Employees may elect not to participate in the scheme.

The shares are recognised at the closing share price on the grant date (31c on 15 April 2016) as an issue of treasury shares by the trust and as part of employee benefit costs over the period the shares vest. The shares vest one third per year on the anniversary date of 15 April over the next three years.

DTI Capital Pty Ltd (Trustee), a wholly owned subsidiary of the Company, has been appointed by the Company to act as the trustee of the DESP. The Company has issued 2,000,000 DESP shares to the Trustee to hold for the benefit of employees until the DESP shares cease to be subject to any vesting conditions, at which time the DESP shares will be transferred to the employee or sold on behalf of the employee, with the sale proceeds remitted to the employee.

Treasury shares are shares in the Company that are held by DTI Capital Ltd for the purpose of issuing shares under the DESP. The shares are held as treasury shares until such time as they are vested. Forfeited DESP shares may be reallocated in subsequent grants.

Reconciliation of Ordinary Shares Held by KMP

KMP	Balance at the Start of the Year	Granted as Compensation (Note 2)	Received on Exercise of Options	Acquired (Disposed)	Balance at the End of the Year
Neil Goodey	6,575,198	–	–	–	6,575,198
Glyn Denison	2,887,638	–	–	–	2,887,638
Chris Morris	18,048,144	–	–	–	18,048,144
Richard Johnson	469,908	–	–	25,000	494,908
Jeremy King	350,000	–	–	19,573	369,573
Jean-Michel Florent	527,000	115,000	–	–	642,000
Bruce Mitchell	249,000	107,500	–	170,550	527,050

Notes:

1 None of the shares are held nominally by the Directors or any other KMP.

2 Subject to the KMP remaining in the employment of the Company, these DESP shares, which are shares issued under the treasury shares, will vest will vest one third per year on the anniversary date of 15 April over the next three years.

Loans Given to KMP

No loans have been given or provided to KMP.

Other Transactions with KMP

Computershare Investor Services Pty Limited provides share registry service to DTI. Chris Morris (Non-Executive Chairman of DTI) is a Non-Executive Director of Computershare Limited. DTI paid Computershare Investor Services Pty Limited $16,829 during the current year (2015: $12,798). Transactions with Computershare Investor Services Pty Limited are based on normal commercial terms and conditions.

Reliance on External Remuneration Consultants

There has not been any reliance on external remuneration consultants.

Adoption of Remuneration Report

At the 2015 Annual General Meeting, the resolution adopting the 2015 remuneration report was carried unanimously.

The Company received more than 97% of "yes" votes on its Remuneration Report for the 2015 financial year. The Company did not receive any specific feedback at the Annual General Meeting or throughout the year on its remuneration practices.

This concludes the remuneration report, which has been audited.

Auditor's independence

In relation to the audit of the financial report for the year ended 30 June 2016, the auditors have issued the Directors with an independence declaration. Refer to page 55 for the specific declaration.

Directors' Report (contd)

Non-audit services

The Board is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- All non-audit services are reviewed and approved by Board prior to commencement to ensure they do not conversely affect the integrity and objectivity of the auditor.
- The nature of the services provided does not compromise the general principles relating to auditor independence as set out in the APES Code of Ethics for Professional Accountants.

The total fees for non-audit services paid to the auditor or related practices of the auditor during the year ended 30 June 2016 were $7,896 (2015: $11,720).

Proceedings on behalf of the Company

No person has applied to the court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

Indemnification of officers and auditors

During the financial year, the Company paid a premium in respect of a contract insuring the Directors of the Company and all executive officers of the Company against a liability incurred as such Director, secretary or executive officer to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

Signed in accordance with a resolution of the Directors made pursuant to s298(2) of the *Corporations Act 2001*.

Richard Johnson
Managing Director
29 August 2016, Perth, Australia

Financial Statements

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2016

	Note	2016 $	2015 $
Revenue from continuing operations	2(a)	16,216,338	14,705,897
Other income	2(b)	3,584,157	1,338,250
Change in inventory of finished goods	2(c)	375,935	736,816
Raw materials and consumables used	2(c)	(7,833,633)	(7,736,182)
Employee benefits expense		(4,656,116)	(4,821,419)
Depreciation and amortisation expense	2(h)	(1,060,299)	(884,832)
Administration expenses		(1,727,711)	(985,215)
Marketing expenses		(1,144,030)	(1,033,018)
R&D expenses		(57,237)	(14,158)
Other expenses		(963,419)	(610,736)
Finance costs	2(d)	(18,020)	(4,892)
Profit from operations before income tax		2,715,965	690,511
Income tax expense	3	(2,684,407)	(576,994)
Profit after income tax		31,558	113,517
Profit is attributable to:			
Owners of DTI Group Ltd		31,558	113,517
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		(56,729)	(60,276)
Total other comprehensive loss		(56,729)	(60,276)
Total comprehensive loss for the year		(25,171)	53,241
Total comprehensive loss is attributable to:			
Owners of DTI Group Ltd		(25,171)	53,241
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
Basic earnings per share (cents per share)	8.5	0.03	0.14
Diluted earnings per share (cents per share)	8.5	0.03	0.14

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

Consolidated Statement of Financial Position

as at 30 June 2016

	Note	2016 $	2015 $
Current assets			
Cash and cash equivalents	4.1	633,489	3,839,829
Other financial assets	4.2	–	400,063
Trade and other receivables	4.3	8,655,529	6,309,975
Inventories	5.1	5,844,736	4,612,086
Other current assets		132,274	130,640
Total current assets		15,266,028	15,292,593
Non-current assets			
Other receivables	4.3	389,786	531,032
Property, plant and equipment	5.2	1,089,929	573,076
Intangible assets	5.3	4,370,112	2,517,548
Total non-current assets		5,849,827	3,621,656
Total assets		21,115,855	18,914,249
Current liabilities			
Trade and other payables	4.4	4,015,498	3,214,436
Borrowings	4.5	186,035	19,042
Provisions	5.4	859,864	505,735
Total current liabilities		5,061,397	3,739,213
Non-current liabilities			
Borrowings	4.6	305,077	46,704
Provisions	5.4	34,369	70,273
Deferred tax liabilities	3(c)	1,021,205	380,305
Total non-current liabilities		1,360,651	497,282
Total liabilities		6,422,048	4,236,495
Net assets		14,693,807	14,677,754
Equity			
Contributed equity	7.1	13,723,974	13,723,974
Reserves	7.4(a)	(94,142)	(78,637)
Retained profits	7.4(b)	1,063,975	1,032,417
Total equity		14,693,807	14,677,754

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

Consolidated Statement of Changes in Equity

for the year ended 30 June 2016

	Contributed Equity $	Options Reserve $	Employee Share Plan Reserve $	Foreign Currency Translation Reserve $	Retained Profits $	Total $
At 30 June 2014	9,274,384	1,156,957	–	(18,361)	(238,057)	10,174,923
Profit for the year	–	–	–	–	113,517	113,517
Other comprehensive income/(loss)	–	–	–	(60,276)	–	(60,276)
Total comprehensive income/(loss) for the year	–	–	–	(60,276)	113,517	53,241
Transactions with owners in their capacity as owners						
Transfer option reserve to retained earnings	–	(1,156,957)	–	–	1,156,957	–
Issue of share capital (net of transactions costs)	4,449,590	–	–	–	–	4,449,590
At 30 June 2015	13,723,974	–	–	(78,637)	1,032,417	14,677,754
Profit for the year	–	–	–	–	31,558	31,558
Shares issued to employees	–	–	41,222	–	–	41,222
Other comprehensive income/(loss)	–	–	–	(56,727)	–	(56,727)
Total comprehensive income/(loss) for the year	–	–	41,222	(56,727)	31,558	16,053
Transactions with owners in their capacity as owners						
Issue of share capital (net of transactions costs)	–	–	–	–	–	–
At 30 June 2016	13,723,974	–	41,222	(135,364)	1,063,975	14,693,807

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

Consolidated Statement of Cash Flows

for the year ended 30 June 2016

	Note	2016 $	2015 $
Cash flows from operating activities			
Receipts from customers		15,978,596	14,661,528
Payments to suppliers and employees		(16,632,064)	(16,304,326)
Interest received		91,540	51,038
R&D grant received		991,861	833,895
Interest paid		(17,926)	(4,892)
Tax paid		(219,292)	(134,677)
Net cash inflow / (outflow) from operating activities	6(b)	192,715	(897,434)
Cash flows from investing activities			
Payments for plant and equipment		(852,146)	(179,578)
Payments for intangible assets		(3,392,153)	(1,089,396)
Payment of term deposit		400,063	–
Net cash outflow from investing activities		(3,844,236)	(1,268,974)
Cash flows from financing activities			
Proceeds from issues of shares		5,635	4,734,111
Share issue expenses		–	(290,156)
Proceeds from borrowings		510,356	–
Repayment of borrowings		(84,990)	(12,986)
Net cash inflow from financing activities		431,001	4,430,969
Net increase / (decrease) in cash and cash equivalents		(3,220,520)	2,264,561
Cash and cash equivalents at the beginning of the year		3,839,829	1,447,821
Effect of foreign exchange on opening balances		14,180	127,447
Cash and cash equivalents at the end of the year	6(a)	633,489	3,839,829

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

Notes to the Consolidated Financial Statements

Note 1: Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is the Board which assesses the financial performance and position of the group, and makes strategic decisions.

Description of Segments

The Board examines the group's performance from a geographic perspective and has identified three reportable segments of its business, as set out in the table below. Revenue is allocated to a segment based on the location of the customer.

Segment Results and Other Segment Disclosures

	Australasia $	EMEA $	Americas $	Total $
2016				
Total segment revenue	8,337,765	2,355,764	6,594,128	17,287,657
Inter-segment revenue	–	(936,370)	(134,949)	(1,071,319)
Revenue from external customers	8,337,765	1,419,394	6,459,179	16,216,338
EBITDA	3,677,255	(844,060)	812,472	3,645,667
Material items of income or expense				
R&D grant income	3,730,354	–	–	3,730,354
Cost of sales – materials	3,574,434	475,019	3,408,246	7,457,699
Employee expenses and overheads	4,483,679	1,826,752	2,238,461	8,548,892
Material non-cash items other than depreciation and amortisation included in EBITDA	–	–	–	–
Non-current assets	5,445,553	403,065	1,209	5,849,827
2015				
Total segment revenue	7,883,743	4,209,951	3,914,537	16,008,231
Inter-segment revenue	–	1,279,831	22,503	1,302,334
Revenue from external customers	7,883,743	2,930,120	3,892,034	14,705,897
EBITDA	2,037,428	(767,324)	259,093	1,529,197
Material items of income or expense				
R&D grant income	991,861	–	–	991,861
Cost of sales – materials	2,922,635	1,790,623	2,286,108	6,999,366
Employee expenses and overheads	4,210,891	1,906,821	1,346,834	7,464,546
Material non-cash items other than depreciation and amortisation included in EBITDA	–	–	–	–
Non-current assets	3,061,909	559,747	–	3,621,656

Note 1: Segment information (contd)

Revenues of approximately $4,162,104 (2015: $2,894,369) are derived from a single external customer. These revenues are attributed to the Americas segment.

Reconciliation of EBITDA to profit before income tax is as follows:

	2016 $	2015 $
EBITDA	3,645,667	1,529,197
Interest revenue	148,617	51,038
Finance costs	(18,020)	(4,892)
Depreciation and amortisation	(1,060,299)	(884,832)
Profit before income tax from continuing operations	2,715,965	690,511

Note 2: Revenue and expenses

Accounting Policy

Revenues are recognised at fair value of the consideration received net of the amount of GST or value added tax payable to the taxation authorities. Sales revenue represents sales of products or services. Sales of products are recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. Risks and rewards are considered passed to the buyer at the time of delivery of the goods to the customer.

Service revenue is recognised when the fees in respect of services rendered are earned, usually when services have been provided to customers.

Interest income is recognised on a time proportion basis using the effective interest method.

		2016 $	2015 $
(a)	**Revenue**		
	Revenue from sale of goods	13,642,242	12,145,455
	Revenue from the rendering of services	2,574,096	2,560,442
		16,216,338	14,705,897
(b)	**Other Income**		
	R&D grant Note 2(b)(i)	3,730,354	991,861
	Net foreign exchange gains / (losses)	(294,814)	295,351
	Interest received	148,617	51,038
		3,584,157	1,338,250

(i) Government grants

Government grants are assistance by the government in the form of transfers of resources to the Company in return for past or future compliance with certain conditions relating to the operating activities of the entity. Government grants include government assistance where there are no conditions specifically relating to the operating activities of the Company other than the requirement to operate in certain regions or industry sectors.

Government grants relating to income are recognised as income over the periods necessary to match them with the related costs and grants relating to assets are regarded as a reduction in asset. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognised as income of the period in which it becomes receivable.

Of the R&D Grant Income of $3,730,354 for 2016, $1,841,087 relates to R&D expenditure incurred in the 2016 financial year and $1,889,267 to R&D expenditure incurred in financial years 2012 to 2015, not previously claimed under the R&D Grant Incentive scheme.

During the 2016 financial year, the Company relodged its income tax returns with the Australian Taxation Office (ATO) for tax years 2012 to 2015, claiming further R&D costs not previously claimed under the R&D Tax Incentive scheme. The re-lodged income tax returns have all been assessed by the ATO and this has resulted in additional R&D Grant Income of $1,889,267.

Consistent with the requirements of AASB 120: Government Grants, R&D Grant Income in the 2016 financial year of $1,475,525 related to expenditure on capitalised intangible assets and this has been set off against the value of those intangible assets after reducing it by the amount of amortisation recognised in the 2016 financial year. This net set off amount was $814,583 in the 2016 financial year.

		2016 $	2015 $
(c)	**Material cost of sales**		
	Material cost of sales	7,457,698	6,999,366
(d)	**Finance costs**		
	Interest:		
	Non-related entities	6,503	156
	Borrowing Costs	22	–
	Chattel Mortgage	7,633	–
	Finance lease charges	3,862	4,736
		18,020	4,892
(e)	**Operating lease payments**		
	Minimum lease payments	187,091	144,291
(f)	**Defined contribution superannuation expense**		
	Superannuation	545,235	462,197
(g)	**Share-based payment expense**		
	Employee share based payment expense	41,222	–
(h)	**Depreciation and amortisation expense**		
	Depreciation	337,229	258,232
	Amortisation	723,070	626,600
		1,060,299	884,832

Note 3: Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable income will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in associates and are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and that they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the consolidated statement of profit or loss and other comprehensive income, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

During the 2016 financial year, the Company re-lodged its income tax returns with the Australian Taxation Office (ATO) for tax years 2012 to 2015, claiming further R&D costs not previously claimed under the R&D Tax Incentive scheme. The re-lodged income tax returns have all been assessed by the ATO and this has resulted in additional R&D Grant Income of $1,889,267. It also had the effect of increasing the tax expense by adjusting for costs previously claimed as an income tax deduction and subsequently claimed as R&D Tax Incentive Costs.

		2016 $	2015 $
(a)	**Income tax expense**		
	Current tax expense	847,897	348,510
	Deferred tax	480,614	254,153
	Adjustments for current tax of prior periods (refer Note 2)	1,355,896	(25,669)
		2,684,407	576,994
(b)	**Numerical reconciliation of income tax expense to prima facie tax payable**		
	Profit before income tax expense	2,715,965	690,511
	Prima facie tax payable on profit at 30% (2015: 30%)	814,789	207,153
	Tax effect of:		
	R&D tax incentive	973,757	356,960
	R&D amendments – grant Income	(322,405)	–
	Other	(228,352)	(13,417)
	Other non-deductible	13,265	–
	Under / over (prior year adjustments and deferred tax) (refer Note 2)	1,389,866	–
	Effect of lower statutory income tax rate in the UK and USA	5,935	(43,136)
	Deferred taxes not brought to account	37,552	69,434
	Income tax expense	2,684,407	576,994
(c)	**Deferred income tax balances recognised in the accounts**		
	Deferred tax liabilities		
	Work in progress	(1,509,469)	(695,899)
	IP capitalised	–	(98,111)
	Unrealised foreign exchange gain	(43,968)	(48,307)
	Property, plant and equipment	(10,617)	–
	Interest receivable	(17,123)	–
	Other	(7,339)	(6,974)
	Set off of deferred tax liabilities	567,311	468,986
	Net recognised deferred tax liability	(1,021,205)	(380,305)
	Deferred tax assets		
	Annual leave provision	179,595	150,298
	Property, plant and equipment	20,384	35,951
	Long service leave provision	29,048	21,082
	Accrued audit fees and other creditors	13,144	23,475
	Superannuation provision	48,660	228
	Investments	–	79,916
	Patents	10,503	10,503
	Capital raising fees	83,917	121,044
	Provision for diminution in trading stock	41,400	24,193
	Provision for doubtful debts	2,296	2,296
	Tax losses carried forward	75,424	–
	Set off of deferred tax liabilities	(567,311)	(468,986)
	Unrealised foreign exchange gain/losses	62,940	–
	Net recognised deferred tax assets	–	–

Note 3: Income tax (contd)

Net deferred tax assets are be brought to account when it is probable that immediate sufficient tax profits will be available against which temporary differences and tax losses can be utilised.

Franking credits available for subsequent financial years based on a tax rate of 30% are $818 (2015: $5,978).

Note 4: Financial assets and liabilities

Note 4.1: Cash and cash equivalents

	2016 $	2015 $
Cash	633,224	3,839,279
Petty Cash	265	550
	633,489	3,839,829

Note 4.2: Other financial assets

Term deposits	–	400,063

Note 4.3: Trade and other receivables

Trade receivables and other receivables are recorded at amounts due less any allowance for doubtful debts.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The amount of the allowance is recognised in the profit or loss.

	2016 $	2015 $
Current		
Trade receivables	5,882,968	5,452,900
Accrued debtors	116,862	124,977
R&D grant/income tax receivable	2,655,699	732,098
	8,655,529	6,309,975
Non-current		
Accrued debtors	389,786	531,032

(a) Impaired trade receivables

At 30 June 2016 current trade receivables of the Group with a nominal value of $7,651 (2015: $7,651) were impaired.

It was assessed that no portion of these receivables is expected to be recovered and the full amount has been provided for.

	2016 $	2015 $
Movements in the provision for impairment of receivables are as follows:		
At July 1	7,651	22,621
Provision for impairment recognised during the year	–	–
Receivables written off during the year as uncollectable	–	(14,970)
	7,651	7,651

The creation and release of the provision for impaired receivables has been included in 'other expenses' in the statement of profit or loss and other comprehensive income. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

(b) Past due but not impaired

At 30 June 2016 trade receivables of $3,138,858 (2015: $2,207,599) were past due, but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2016 $	2015 $
Up to 3 months	1,168,342	1,530,082
3 to 6 months	440,826	360,091
Over 6 months	1,529,690	317,426
	3,138,858	2,207,599

The trade receivables do not contain impaired assets and are past due. Based on the credit history of these trade receivables, it is expected that these amounts will be received when due. The Group does not hold any collateral in relation to these receivables

The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due. The Group does not hold any collateral in relation to these receivables.

(c) Foreign exchange and interest rate risk

Information on the Group's exposure to foreign currency risk and interest rate risk in relation to trade and other receivables is provided in Note 7.2.

(d) Fair value and credit risk

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

Credit risk is assessed at the time a customer applies to open a credit account with the Group and is monitored thereafter on a regular basis. Management assesses the credit quality of the customer, taking into account its financial position, past experience, trade references, external rating where obtained and other factors, then sets credit limits. The compliance with credit limits by customers is regularly monitored by management.

(e) Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Fair value hierarchy

The following tables detail the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Unobservable inputs for the asset or liability.

2016 Consolidated	**Level 1 $**	**Level 2 $**	**Level 3 $**	**Total $**
Assets				
Accrued debtor	–	–	506,647	506,647
Total assets	–	–	506,647	506,647

2015 Consolidated	**Level 1 $**	**Level 2 $**	**Level 3 $**	**Total $**
Assets				
Accrued debtor	–	–	655,999	655,999
Total assets	–	–	655,999	655,999

There were no transfers between levels during the financial years.

The carrying amounts of trade and other receivables and trade and other payables are assumed 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 liabilities.

Valuation techniques for fair value measurements categorised within Level 2 and Level 3

The accrued debtor amount relates to a sale to a customer of equipment which is being paid off in instalments. The loan is being repaid over a ten-year period to June 2021 and is interest-free. The fair value of $506,647 has been calculated based on cash flows discounted using a rate of 10%. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of receivables set out above.

The Level 3 assets unobservable inputs and sensitivity are as follows:

2016

Description	**Unobservable Inputs**	**Range (Weighted Average)**	**Sensitivity**
Accrued debtor	Discount rate	10.0% to 11.0%	1.0% change would increase/decrease fair value by $6,563

2015

Description	**Unobservable Inputs**	**Range (Weighted Average)**	**Sensitivity**
Accrued debtor	Discount rate	10.0% to 11.0%	1.0% change would increase/decrease fair value by $65,600

Note 4.4: Trade and other payables

Trade payables and other accounts payable are recognised when the Company becomes obliged to make future payments resulting from the purchase of goods and services. The amounts are unsecured and are usually paid within 60 to 90 days of recognition.

	2016 $	2015 $
Trade payables	3,471,592	2,881,343
Other payables	323,860	203,440
ATO and HMRC (including PAYG)	(21,444)	79,260
Superannuation liability	162,199	759
FBT liability	13,382	8,456
Payroll tax liability	65,909	41,178
	4,015,498	3,214,436

Risk exposure

Information about the Group's exposure to foreign exchange is provided in Note 7.2.

Note 4.5: Borrowings (current)

In December 2015 and April 2016, DTI negotiated chattel mortgage loans with the ANZ bank to finance the purchase of specialised technical equipment for R&D. The total amount utilised under the facility is $517,735 at interest rates of 3.99% and 3.90% respectively. The loans are repayable monthly over a 36 month period.

	2016 $	2015 $
Secured:		
Net carrying amount – Capital Finance Australia Ltd loan	17,547	19,042
Net carrying amount – ANZ Ltd loan	168,488	–
Total current borrowings	186,035	19,042

- Further information on loans to related parties is set out in Note 8.6.
- The loans were based on normal commercial terms and conditions.
- Refer to Note 7.2 for risk exposures and risk management details.

Accounting Policy

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transactions costs) and the redemption amount is recognised in the consolidated statement of profit or loss and other comprehensive income over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities, which are not an incremental cost relating to the actual draw-down of the facility, are recognised as prepayments and amortised on a straight-line basis over the term of the facility.

Financing Facility

Asset financing facilities of $491,112 were available at 30 June 2016 and were fully utilised.

Note 4.6: Borrowings (non-current)

	2016 $	2015 $
Secured		
Net carrying amount – Capital Finance Australia Ltd loan	40,948	46,704
Net carrying amount – ANZ Ltd loan	264,129	–
Total non-current borrowings	305,077	46,704

Refer to Note 7.2 for risk exposures and risk management details.

Note 5: Non-financial assets and liabilities

Note 5.1: Inventories

	2016 $	2015 $
Raw materials / unassembled stock	4,148,998	3,214,953
Finished goods	1,834,858	1,477,776
Provision for inventory obsolescence (Note (a))	(139,120)	(80,643)
	5,844,736	4,612,086

(a) A provision for inventory obsolescence was established in a previous year. It was re-assessed and adjusted this financial year and is included in the raw materials and consumables used number in the statement of profit or loss and other comprehensive income. The movement in the provision is comprised as follows:

	2016	2015
At July 1	(80,643)	(64,704)
Provision for inventory obsolescence recognized during the year	(58,477)	(15,939)
	(139,120)	(80,643)

Accounting Policy

Inventories are valued at the lower of cost and net realisable value. Costs are assigned to inventory on hand by the method most appropriate to each particular class of inventory, with the majority being valued on a weighted average basis by location. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Note 5.2: Property, plant and equipment

	2016 $	2015 $
Buildings		
At cost	119,668	119,668
Less accumulated depreciation	(45,702)	(33,735)
	73,966	85,933
Workshop and R&D plant and equipment		
At cost	1,229,329	592,219
Less accumulated depreciation	(587,822)	(430,384)
	641,507	161,835

	2016 $	2015 $
Office equipment and software		
At cost	1,175,315	960,278
Less accumulated depreciation	(878,787)	(736,008)
	296,528	224,270
Motor vehicles		
At cost	214,891	214,891
Less accumulated depreciation	(136,963)	(113,853)
	77,928	101,038
Total written down value	1,089,929	573,076
Movements in carrying amounts		
Buildings		
Balance at the beginning of the year	85,933	85,140
Additions	–	12,604
Depreciation expense	(11,967)	(11,811)
Carrying amount at the end of the year	73,966	85,933
Workshop and R&D plant and equipment		
Balance at the beginning of the year	161,835	216,517
Additions	637,109	57,217
Depreciation expense	(157,437)	(111,899)
Carrying amount at the end of the year	641,507	161,835
Office equipment and software		
Balance at the beginning of the year	224,270	219,406
Additions	215,036	109,757
Depreciation expense	(142,779)	(104,702)
Foreign currency translation	1	(191)
Carrying amount at the end of the year	296,528	224,270
Motor vehicles		
Balance at the beginning of the year	101,038	130,858
Additions	–	–
Depreciation expense	(23,110)	(29,820)
Carrying amount at the end of the year	77,928	101,038

Accounting Policy

Plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is provided on property, plant and equipment. Depreciation is calculated on either a diminishing value or straight line basis so as to allocate the net cost or other re-valued amount of each asset over its estimated useful life or in the case of certain leased plant and equipment the shorter lease term.

The following estimated useful lives are used in the calculation of depreciation:

- plant and equipment – 2.5 to 5 years
- motor vehicles under finance lease – 5 years
- buildings – 10 years.

Note 5.3: Intangible assets

	Development Costs $	Goodwill $	Patents $	Total $
At 30 June 2016				
Cost (gross carrying amount)	8,529,075	2,432	308,205	8,839,712
Accumulated amortisation	(3,586,075)	–	(68,942)	(3,655,017)
R&D grant income not recognisable	(814,583)	–	–	(814,583)
Net carrying amount	4,128,417	2,432	239,263	4,370,112
Movements in carrying amounts				
Balance at 1 July 2015	2,364,504	2,432	150,612	2,517,548
Additions	3,277,720	–	112,498	3,390,218
Amortisation expense	(699,224)	–	(23,847)	(723,071)
R&D grant income not recognisable	(814,583)	–	–	(814,583)
Carrying amount at 30 June 2016	4,128,417	2,432	239,263	4,370,112

	Development Costs $	Goodwill $	Patents $	Total $
At 30 June 2015				
Cost (gross carrying amount)	5,251,356	2,432	195,707	5,449,495
Accumulated amortisation	(2,886,852)	–	(45,095)	(2,931,947)
Net carrying amount	2,364,504	2,432	150,612	2,517,548
Movements in carrying amounts				
Balance at 1 July 2014	1,934,955	2,432	117,299	2,054,686
Additions	1,038,576	–	50,820	1,089,396
Amortisation expense	(609,027)	–	(17,507)	(626,534)
Carrying amount at 30 June 2015	2,364,504	2,432	150,612	2,517,548

Accounting Policy

Amortisation of Capitalised Development Costs

During the period, DTI has reassessed the accounting estimates of the amortisation of its Capitalised Development Costs. DTI has determined that a straight line basis in accordance with AASB108 para.40, is a more appropriate method rather than amortisation based on the revenue method. This is a change in accounting estimates resulting in amortisation estimates being $699,224 rather than $270,252 in the current period.

Impairment of assets

At each reporting date, the entity reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

Intangibles

Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in profit or loss in the year in which the expenditure is incurred.

Capitalised Development Costs

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will be a success considering its commercial and technical feasibility and its costs can be measured reliably. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services and direct labour. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

The intangible assets in existence as at 30 June 2012 have been assessed as having a finite life and are amortised using the straight line method over a period of 4 years. Intangible assets arising after 1 July 2012 were amortised in proportion to the sales of the commercial units they relate to, as this was deemed to be a more accurate and reasonable basis. Due to changes in accounting standards, as of 1 July 2015, the intangible assets in existence have been assessed as having a finite life and are amortised using the straight line method over a period of years dependant on the estimate of which they will bring commercial benefit.

The carrying value of an intangible asset arising from development expenditure is tested for impairment annually when the asset is not yet available for use, or more frequently when an indication of impairment arises during the reporting period. All other intangible assets are tested for impairment whenever events or changes in circumstances indicate that the company amount may not be recoverable.

A summary of the policies applied to the Group’s intangible assets is as follows:

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

Note 5.3: Intangible assets (contd)

Patents have been assessed as having a useful life and are amortised using the straight line method over a period of 10 years. The patents have been granted for between 15 and 20 years by the relevant government agency.

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

Description of the Group's Intangible Assets

(a) Development costs

Development costs are carried at cost less accumulated amortisation and accumulated impairment losses. The intangible assets of $66,052 in existence as at 30 June 2012 have been assessed as having a finite life and are amortised using the straight line method over a period of four years. Intangible assets arising from 1 July 2012 of $2,685,831 are amortised on straight line basis. The remaining amount of development costs not ready for use of $1,376,534 has been subject to impairment testing. 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 was needed for 2016 and 2015.

(b) Goodwill

Goodwill has been externally acquired and is carried at cost less accumulated impairment losses. The goodwill arose on the acquisition of the remaining 50.5% of Virtual Observer Pty Ltd on 28 June 2012 and represents the difference between the purchase price and the net liabilities.

(c) Patents

Patents have been externally acquired and are carried at cost less accumulated impairment losses. This intangible asset has been assessed as having a useful life and is amortised using the straight line method over a period of 10 years. The patents have been granted for between fifteen and twenty years by the relevant government agency. 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.

(d) Impairment

The recoverable amount of intangible assets has been determined using the value in use method. Value in use has been derived from calculating the discounted net cash flows expected to be derived from the asset. The cash flow for 2016 has been based on the actual 2016 results, which is reasonable with a conservative approach used for budgeting by management. The cash flow for 2017 has been based on the 2017 budget. The cash flow for 2018 to 2021 have been based on extrapolating 2017 by using an inflation/growth rate of 5%. Cash flows have been estimated over five years, as beyond five years would be difficult to support and justify. The cash flows have excluded cash flow from financing activity (interest) and non-cash items (depreciation).

A discount factor of 9.0% has been used.

Note 5.4: Provisions

	2016 $	2015 $
Current		
Employee entitlements – long service leave	62,459	–
Employee entitlements – annual leave	602,695	505,735
Provision for tax payable	194,710	
	859,864	505,735
Non-current		
Employee entitlements – long service leave	34,369	70,273

Accounting Policy

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of wages and salaries, annual leave, long service leave and sick leave expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Note 6: Notes to the cash flow statement

For statement of cash flow purposes, cash and cash equivalents includes cash on hand and deposits held at call with financial institutions.

(a) Reconciliation of cash

For the purpose of the cash flow statement, cash includes cash on hand and in banks and short term deposits with banks. Cash at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the statement of financial position as follows:

	2016 $	2015 $
Australian Dollar bank accounts	236,999	2,974,102
British Sterling bank accounts	97,671	116,053
US Dollar bank accounts	189,366	689,441
Euro bank accounts	109,188	59,683
Petty cash	265	550
	633,489	3,839,829

(b) Reconciliation of profit after income tax to the net cash used in operating activities

	2016 $	2015 $
Operating profit	31,558	113,517
Non-cash items:		
Depreciation and amortisation	1,060,299	884,832
Employee Share Plan expense	41,222	–
Grant income	(3,730,384)	(991,861)
Exchange differences on foreign operations	(70,907)	(187,598)
Change in operating assets and liabilities		
(Increase) / decrease in trade and other receivables	2,335,024	355,700
(Increase) / decrease in inventories	(1,232,650)	(2,068,146)
(Increase) / decrease in other assets	(1,634)	(39,996)
Increase / (decrease) in trade and other payables	898,022	837,858
Increase / (decrease) in provision	221,265	21,765
Increase / (decrease) in deferred tax	640,900	176,495
Net inflow / (outflow) from operating activities	192,715	(897,434)

Non-cash financing and investing activities

Shares were issued to employees on the conversion of options under the DTI Employee Option Plan (refer Note 8.1: Share-based payments).

Note 7: Equity

Note 7.1: Contributed equity

		2016 No.	2016 $	2015 No.	2015 $
(a)	**Ordinary shares**				
	Balance at the beginning of financial year	91,627,118	13,723,975	76,451,011	9,274,384
	Issued under IPO	–	–	6,680,000	2,004,000
	Shares issued on option conversion	–	–	8,496,107	2,735,747
	Shares issued in terms of Employee Share Plan	2,000,000	–	–	–
	Capital raising costs	–	–	–	(290,156)
	Treasury Shares	(2,000,000)	–		
	Balance at the end of the financial year	91,627,118	13,723,975	91,627,118	13,723,975

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

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

(b) Employee Share Plan

The DTI Employee Share Plan (DESP) is a scheme under which shares may be issued by the Company to employees for no cash consideration and has been put in place by the Company. All permanent employees (excluding directors) who have been continuously employed by the group for a period of at least one year are eligible to participate in the scheme. Employees may elect not to participate in the scheme.

The shares are recognised at the closing share price on the grant date (31c on 15 April 2016) as an issue of treasury shares by the trust and as part of employee benefit costs over the period the shares vest. The share vest one third per year on the anniversary date of 15 April over the next three years.

DTI Capital Pty Ltd (Trustee), a wholly owned subsidiary of the Company, has been appointed by the Company to act as the trustee of the DESP. The Company has issued 2,000,000 DESP shares to the Trustee to hold for the benefit of employees until the DESP shares cease to be subject to any vesting conditions, at which time the DESP shares will be transferred to the employee or sold on behalf of the employee, with the sale proceeds remitted to the employee.

Treasury shares are shares in the Company that are held by DTI Capital Ltd for the purpose of issuing shares under the DESP. The shares are held as treasury shares until such time as they are vested. Forfeited DESP shares may be reallocated in subsequent grants.

Accounting Policy

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. If the Company re-acquires its own equity instruments, for example as a result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in profit or loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

Note 7.2: Financial risk management

The Group's principal financial instruments are cash, trade and other receivables, trade and other payables, and borrowings. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and other receivables and trade payables, which arise directly from its operations. The Group does not enter into derivative transactions. The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, credit risk and foreign exchange risk. The Board reviews and agrees policies for managing each of these risks.

The following table details the Group's exposure to interest rate risk as at 30 June 2016. The amounts disclosed in the table are the contractual undiscounted cash flows. The payables cash flows equal their carrying balances as the impact of discounting is not significant.

	Maturing					
	1 Year or Less $	Over 1 to 2 Years $	Over 2 Years $	Total Contractual Cash Flows $	Total Carrying Value $	Weighted Average Active Interest Rate %
30 June 2016						
Financial Liabilities						
Fixed rate						
Other borrowings	202,446	209,136	100,452	512,034	491,112	4.3%
Non-interest bearing						
Payables	4,015,498	–	–	4,015,498	4,015,498	–
	4,217,944	209,136	100,452	4,527,532	4,506,610	

	Maturing					
	1 Year or Less $	Over 1 to 2 Years $	Over 2 Years $	Total Contractual Cash Flows $	Total Carrying Value $	Weighted Average Active Interest Rate %
30 June 2015						
Financial Liabilities						
Fixed rate						
Other borrowings	12,846	12,846	40,055	73,430	65,746	6.5%
Non-interest bearing						
Payables	3,214,436	–	–	3,214,436	3,214,436	–
	3,227,282	12,846	40,055	3,287,866	3,280,182	

Net Fair Value

The carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective net fair values, determined in accordance with the accounting policies disclosed in Note 9.

Credit Risk Exposure

The Group's maximum exposure to credit risk at reporting date in relation to each class of recognised financial assets is the carrying amount of those assets as disclosed in the statement of financial position. There are no historical default rates in respect of receivables. Cash balances and term deposits are held with financial institutions of minimum AA ratings.

Note 7.2: Financial risk management (contd)

Foreign Exchange Risk

The Company has transactions in currencies other than Australian Dollars which carry receivables and payables in the respective currency. These financial instruments are not hedged.

The Company's exposure to foreign currency risk at the end of the reporting period, expressed in Australian dollars, was as follows:

	30 June 2016			30 June 2015		
	USD $	EUR $	GBP $	USD $	EUR $	GBP $
Cash	189,366	109,188	97,672	689,441	59,683	116,053
Trade and other debtors	3,304,942	663,805	234,013	2,686,687	396,155	291,694
Trade payables	(2,396,970)	(118,297)	(2,583,029)	(2,258,193)	(6,668)	(1,625,594)
Average exchange rates	0.74	0.67	0.52	0.77	0.70	0.49

Interest Rate Risk

The Company's loan and lease arrangements are subject to fixed interest rates and therefore would not have been impacted by any increase/decrease in interest rates during the current year.

Profit is sensitive to higher/lower interest income from cash and cash equivalents and term deposits as a result of changes in interest rates. At year end the Company's bank account was earning interest of 1.05%.

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Board's approach to managing liquidity is to ensure, as far as possible, that the Group will always have sufficient liquidity to meet its liabilities when due. As at 30 June 2016 and the date of this report, the Group has sufficient liquid assets to meet its financial obligations.

Sensitivity Analysis

Interest Rate Risk

The Company's loan and lease arrangements are subject to fixed interest rates and therefore would not have been impacted by any increase/decrease in interest rates during the current year. Accordingly, an increase in interest rates would not have impacted the Company's interest expense.

Movements in interest rates on the Company's bank accounts and term deposits would not have a significant impact on the Company's result for the year.

Foreign Exchange Rate Risk

Foreign currency balances held in British Pounds relate to DTI EMEA Ltd. Any movements in the British Pound exchange rate would not impact on profit for the year as any translation differences are taken to the foreign currency translation reserve.

Based on the financial instruments held at 30 June 2016, had the Australian dollar weakened by 5% against the US Dollar, Euro and British Sterling, with all other variables held constant, the Group's pre-tax profit for the year would have been $27,861 (2015: $34,251) lower. If the Australian dollar had strengthened the corresponding impact would be an increase in pre-tax profit by the same amount.

Price Risk

Investments held are not listed or traded in active markets and therefore no price risk arises.

Note 7.3 Capital management

The Company's objectives when managing capital are to:

- safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders; and
- maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Under the terms of the major borrowing facilities with Australia and New Zealand Banking Group Limited (ANZ) that were entered into in December 2015 and then revised in August 2016, the group is required to comply with the following financial covenants:

- the Debt to EBITDA ratio not to exceed 2.75, and
- the Borrowing Base Ratio not to exceed 40%.

The value of Debt to be used in the Debt to EBITDA ratio calculation is the sum of the utilization of the overdraft, asset finance and guarantee ANZ facilities.

The Borrowing Base Ratio is the ratio of the amount owing under the ANZ facility to the sum of eligible stock and eligible debtors.

The group has complied with these covenants throughout the reporting period. As at 30 June 2016, the Debt to EBITDA ratio was 0.53 and the Borrowing Base Ratio was 16%.

Note 7.4: Reserves and accumulated losses

		2016 $	2015 $
(a)	**Reserves**		
	Employee Share Plan reserve	41,222	–
	Foreign currency translation reserve	(135,364)	(78,637)
		(94,142)	(78,637)
	Employee Share Plan Reserve		
	Balance 1 July	–	1,156,957
	Transfer to retained income	41,222	(1,156,957)
	Balance 30 June	41,222	–
	Employee Share Plan Reserve records as an expense over the 3 year vesting period, the value of the DTI Employee Share Plan shares issued. The expense for the current financial year is the pro-rated amount from 15 April to 30 June 2016.		
	Foreign currency translation reserve		
	Balance 1 July	(78,637)	(18,361)
	Currency translation differences – current year	(56,727)	(60,276)
	Balance 30 June	(135,364)	(78,637)
	The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.		

		2016 $	2015 $
(b)	**Retained profits / (accumulated losses)**		
	Movements in retained profits were as follows:		
	Balance 1 July	1,032,417	(238,057)
	Net profit for the year	31,558	113,517
	Transfer from option reserves	–	1,156,957
	Balance 30 June	1,063,975	1,032,417

Note 8: Other information

Note 8.1: Share-based payments

Shares in the DTI Employee Share Plan (DESP) were issued to employees. Details of the DESP are in Note 7.1(b). No share based payments were made during the year ended 30 June 2016.

Employee Share Plan Shares	**2016 No.**	**2016 $**	**2015 No.**	**2015 $**
Outstanding at the beginning of the year	–	–	–	–
Granted during the year	1,891,000	586,210	–	—
Vested during the year	–	–	–	–
Forfeited during the year	–	–		
Outstanding at the end of the year	1,891,000	586,210	–	–

These represent total fair value of shares to be issued under the DESP.

The following table contains the number ("No."), weighted average exercise prices (WAEP) of and movements during the year in share options issued under the former share option plan which has been replaced by the new DTI Employee Share Plan.

Share Options	**2016 No.**	**WAEP $**	**2015 No.**	**WAEP $**
Outstanding at the beginning of the year	–	–	12,370,806	0.322
Expired during the year	–	–	(3,874,699)	0.322
Exercised during the year	–	–	(8,496,107)	0.322
Outstanding at the end of the year	–	–	–	–
Exercisable at the end of the year	–	–	–	–

Note 8.2: Capital and leasing commitments

Leased assets classified as finance leases are recognised as assets. The amount initially brought to account is the present value of minimum lease payments. Finance leased assets are amortised on a diminishing value basis over the estimated useful life of the asset.

Finance lease payments are allocated between interest expense and reduction of lease liability over the term of the lease. The interest expense is determined by applying the interest rate implicit in the lease to the outstanding lease liability at the beginning of each lease payment period. Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Company as lessee, are classified as operating leases (Note 9). Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the period of the lease.

(a) Finance lease commitments

The Company signed two motor vehicle leases commencing in April 2014 and three motor vehicle leases commencing in November 2014. The leases are 5 year finance leases with lease payments paid monthly in advance. There are no terms of renewal, purchase options or escalation clauses in respect of the leases.

In December 2015 and April 2016, DTI negotiated chattel mortgage loans with the ANZ bank to finance the purchase of specialised technical equipment for R&D. The total amount utilised under the facility is $517,735 at interest rates of 3.99% and 3.90% respectively. The loans are repayable monthly over a 36 month period.

	2016 $	2015 $
Minimum finance lease payable:		
Not later than 1 year	202,427	17,757
Later than 1 year but not later than 5 years	323,954	56,998
Minimum lease payments	526,381	74,755
Future finance charges	(35,269)	(9,009)
Present value of minimum lease payments	491,112	65,746

(b) Operating lease commitments

The Company signed an operating lease in June 2012 for the land on which the office and workshop facilities are situated with a lease term of 5 years, with the option to extend for a further 5 years. The Company does not have the option to purchase the leased asset at the expiry of the lease. The Company has been offered an early lease sign-on benefit which the Company will be taking advantage of in August 2016, extending the lease until 2022 and as such has been included below.

The Company signed an operating lease in November 2014 for the lease, commencing 1 January 2015, of office space for DTI EMEA Ltd in the UK with a lease term of 5 years. The Company does not have the option to purchase the leased asset at the expiry of the lease.

	2016 $	2015 $
Non-cancellable operating lease payable:		
Not later than 1 year	146,220	123,231
Later than 1 year but not later than 5 years	592,997	138,829
	739,217	262,060

Note 8.3: Contingent liabilities

	2016 $	2015 $
Bank guarantees for unconditional undertaking of contracts	400,063	400,063

The Company has given bank guarantees relating to performance requirements of contracts. These are secured by term deposits.

Under the contract for the lease of land on which the office and workshop facilities are situated, the Company may at some future point (at the option of the Lessor) be required to “make good” the land and remove the building and any improvements thereon. The Lessor is required to give four years notice of any such requirement. A bank guarantee in relation to this contract of $107,800 is included in the amounts above.

Note 8.4: Events occurring after the reporting period

No matters or circumstance have arisen that have significantly affected, or may significantly affect, the operations of DTI Group Ltd, the results of those operations or the state of affairs of DTI Group Ltd in subsequent years that is not otherwise disclosed in this report.

Note 8.5: Earnings per share

Basic Earnings per Share

Basic earnings per share is calculated by dividing:

- the profit or loss attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares;
- by the weighted average number of ordinary shares outstanding during the financial year,

adjusted for bonus elements in ordinary shares issued during the year.

Diluted Earnings per Share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

	2016 Cents per Share	2015 Cents per Share
Earnings per share		
Basic earnings per share (cents per share)	0.03	0.14
Diluted earnings per share (cents per share)	0.03	0.14

	2016 $	2015 $
Reconciliation of earnings used in calculating earnings per share		
The following reflects the income and share data used in the calculations of basic and diluted earnings per share:		
Net earnings used in calculating basic and diluted earnings per share	31,558	113,517

	2016 Number of Shares	2015 Number of Shares
Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used in calculating basic earnings per share, adjusted to reflect the 7 for 1 share split completed 10 June 2014	91,627,118	80,674,582
Effect of dilutive securities	–	230,043
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	91,627,118	80,904,625

Note: There are no Options or other potential ordinary shares outstanding at 30 June 2016.

Note 8.6: Related-party transactions

(a) Key management personnel

	2016 $	2015 $
Compensation by category: key management personnel		
Short-term benefits	882,923	915,738
Post-employment benefits	58,908	68,804
Share based payments	4,850	–
	946,681	984,542

Computershare Investor Services Pty Limited provides share registry service to DTI. Chris Morris (Non-Executive Chairman of DTI) is also a Non-Executive Director of Computershare Limited. DTI paid Computershare Investor Services Pty Limited $16,829 during the current year (2015: $12,798). Transactions with Computershare Investor Services Pty Limited are based on normal commercial terms and conditions.

Detailed remuneration disclosures are provided in the remuneration report on pages 11 to 17.

(b) Subsidiaries

DTI Group Ltd holds 100% (2015: 100%) of the shares in Virtual Observer Pty Ltd. A loan was created during the current and prior years when payments were made by DTI Group Ltd on behalf of Virtual Observer Pty Ltd. At reporting date 2016 this loan balance was $142, 426 (2015: $110,073).

DTI Group Ltd holds 100% of the shares in DTI EMEA Ltd (2015: 100%). A loan was created during the current and previous years when payments were made by DTI Group Ltd to DTI EMEA Ltd. At reporting date 2016 this loan balance was $1,265,248 (2015: $1,034,852). In addition, sales were made during the year by DTI Group Ltd to DTI EMEA Ltd and at reporting date the debtor balance was $2,495,688 (2015: $2,022,520).

During the previous year, DTI Group Ltd incorporated DTI SaleCo Pty Ltd in which it holds 100% (2015: 100%) of the shares. DTI SaleCo Pty Ltd's name was changed to DTI Capital Pty Ltd during the current year. A loan was created during the current year and prior years when payments were made by DTI Group Ltd on behalf of DTI Capital Pty Ltd. At reporting date 2016 this loan balance was $2,642 (2015: $1,119).

During the previous year, DTI Group Ltd incorporated DTI USA Holdings Inc. (USA entity) in which it holds 100% of the shares (2015: 100%). A loan was created during the current year when payments were made by DTI Group Ltd on behalf of DTI USA Holdings Inc. At reporting date 2016 this loan balance was $61,098 (2015: $4,999).

During the year, DTI USA Holdings Inc. incorporated DTI USA Inc. (USA entity) in which it holds 100% of the shares (2015: 100%). A loan was created during the current year when payments were made by DTI Group Ltd on behalf of DTI USA Inc. At reporting date 2016 this loan balance was $30,161 (2015: $12,544). In addition, sales were made during the year by DTI Group Ltd to DTI USA Inc. and at reporting date the debtor balance was $155,957 (2015: $22,503).

No interest is charged on the loans with subsidiaries and there are no fixed repayment terms for the loans.

Note 8.7: Parent entity financial information: DTI Group Ltd

The individual financial statements for the parent entity show the following amounts:

	2016 $	2015 $
Statement of financial position		
Current assets	20,446,571	16,476,951
Total assets	21,212,023	19,107,562
Current liabilities	(5,550,590)	(3,979,230)
Total liabilities	(6,518,217)	(4,429,808)
Shareholders' equity:		
Issued capital	14,014,131	14,014,131
Reserves	(290,156)	(290,157)
Employee share plan reserve	41,222	–
Retained Income / (accumulated losses)	1,895,927	953,780
	14,693,806	14,677,754
Loss for the year	(381,026)	(323,922)
Total comprehensive loss	(381,026)	(323,922)

Note 9: Summary of significant accounting policies

Statement of Compliance

This financial report includes the consolidated financial statements and notes of the Group. The financial report is a general purpose financial report which has been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards, Australian Accounting Interpretations, and other authoritative pronouncements of the Australian Accounting Standards Board. The Group's financial statements and accompanying notes also comply with International Financial Reporting Standards (IFRS).

DTI is a for-profit company limited by shares incorporated in Australia whose shares have been publicly traded on the Australian Securities Exchange from 9 December 2014.

The financial statements were authorised as per the Directors' declaration on page 52 dated 29 August 2016.

Basis of Preparation

The financial report has been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets.

In the application of IFRS management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of IFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed in Note 1(x) are, where applicable, in the relevant notes to the financial statements.

Accounting Policies

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2016 and the comparative information presented in these financial statements for the year ended 30 June 2015.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(a) Principles of consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group. Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Investment and other financial assets

The Company classifies its financial assets as loans and receivables. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets.

Loans and receivables are included in trade and other receivables (Note 8) in the statement of financial position.

Financial assets are derecognised when the rights to receive the cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Loans and receivables are carried at amortised cost using the effective interest method.

The Company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired.

(c) Financial instruments issued by the Company

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of equity instruments to which the costs relate. Transaction costs are costs that are incurred directly in connection with the issue of those equity instruments and which could not have been incurred had those instruments not been issued.

(d) Foreign currency

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency').

The consolidated financial statements are presented in Australian dollars, which is the Company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statement of profit or loss in finance costs. All other foreign exchange gains and losses are presented in the income statement on a net basis within other income or other expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognised in other comprehensive income.

Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

(e) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of the asset or as part of the item of expense; or
- for receivables and payables which are recognised inclusive of GST.

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

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

(f) New accounting standards and Australian accounting interpretations

New and amended accounting standards adopted

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 July 2015:

- AASB 2015-4 Amendments to Australian Accounting Standards.
- Financial Reporting Requirements for Australian Groups with a Foreign Parent.

The adoption of this standard does not have any impact on DTI.

New accounting standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2016 reporting periods and have not yet been applied in the financial report. The Group's assessment of the impact of these new standards and interpretations is set out below.

AASB Amendment	Affected Standard(s)	Nature of Change to Accounting Policy	Impact	Application Date of Standard	Application Date for Group (Year ended)
AASB 9	Financial Instruments	Changes to classification and measurement requirements of financial instruments and hedge accounting	While the group has yet to undertake a detailed assessment of the changes, no significant impact is anticipated.	1 Jan 18	30 June 19
AASB 15	Revenue from contracts with customers	New standard for the recognition of revenue based on the principle that revenue is recognised when control of a good or service transfers to a customer	Management is currently assessing the impact of the new rules. At this stage, the group is not able to estimate the impact of the new rules on the group's financial statements. The group will make more detailed assessments of the impact over the next 12 months.	1 Jan 18	30 June 19
AASB 16	Leases	AASB 16 eliminates the operating and finance lease classifications for leases currently accounted for under *AASB 117 Leases.* It instead requires an entity to bring most leases onto its balance sheet in a similar way to how existing finance leases are treated under AASB 117. An entity will be required to recognise a lease liability and a right of use asset in its balance sheet for most leases. There are some optional exemptions for leases with a period of 12 months or less and for low value leases.	To the extent that the entity, as lessee, has operating leases outstanding at the date of initial application, 1 January 2019, right-of-use assets will be recognised for the amount of the unamortised portion of the useful life, and the lease liabilities will be recognised at the present value of the outstanding lease payments. Thereafter, earnings before interest, depreciation, amortisation and tax (EBITDA) will increase because operating lease expenses currently included in EBITA will be recognised instead as amortisation of the right-of-use asset, and interest expense on the lease liability. However, there will be an overall reduction in net profit before tax in the early years of a lease because the amortisation and interest charges will exceed the current	1 Jan 19	30 June 20

AASB Amendment	Affected Standard(s)	Nature of Change to Accounting Policy	Impact	Application Date of Standard	Application Date for Group (Year ended)
			straight line expense incurred under *AASB 117 Leases*. This trend will reverse in the later years. The Group will make a more detailed assessment of the impact over the next 12 months.		

(g) Significant accounting estimates and judgements

Revenue recognition

In accordance with the accounting policy detailed in Note 2 the Company recognises revenue at the fair value of the consideration received (net of the amount of GST payable) when the significant risks and reward of ownership of the goods have passed to the buyer at the time of the delivery of goods to the customer, or when services rendered are provided to customers. At 30 June 2016 management has determined that the profits on the contracts have been recognised in the correct reporting period and that there are no future losses on any contracts that should be recognised at 30 June 2016.

Inventory obsolescence

Inventories are accounted for in accordance with the accounting policy detailed in Note 1(m). Where the net realisable value of inventory is lower than its cost the Company recognises a provision for inventory obsolescence. Where stock has been held for 3 consecutive years with no movement and/or stock sold in a 12 month period is less than 20% of the stock on hand, a provision for obsolescence is taken up. At 30 June 2016 management has determined that a provision for inventory obsolescence of $80,643 (2015: $64,704) is still required for inventory where net realisable value is lower than its cost.

Development costs capitalised

Development costs have been capitalised in accordance with the accounting policy detailed in Note 5.3(a). At 30 June 2016 management has assessed that all of the net capitalised development expenditure carried forward at year end, of $4,128,417 (2015: $2,364,504), comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads.

Amortisation of intangible assets

Intangible assets are amortised over their useful life. Amortisation commences when the asset is available for commercial sale.

Share-based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the dated at which they are granted. The fair value is the ASX share price.

Impairment

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. The recoverable amounts of assets are calculated using a number of assumptions as disclosed in Note 5.3(d). DTI Group Ltd has recognised an impairment expense of $0.484 million in respect of its loans to its subsidiaries Virtual Observer Pty Ltd, DTI USA Holdings Inc., and DTI EMEA Ltd, as the loans are greater than the net assets of the subsidiaries. This impairment is eliminated in the consolidated accounts of the Group.

(h) Auditors' remuneration

	2016 $	2015 $
BDO Audit (WA) Pty Ltd		
Remuneration of the auditors of the entities for:		
Auditing or reviewing the current year financial report	49,045	53,768
Auditing or reviewing the half year review	15,590	9,259
	64,635	63,027
BDO LLP		
Remuneration of the auditors of the entities for:		
Auditing or reviewing the current year's financial report	17,979	16,122
	17,979	18,399
Non-audit services performed by BDO during the year comprise:		
Investigating Accountant's Report and review work for proposed initial public offer and ASX listing	–	11,720
DTI EMEA Ltd Tax Consulting	6,271	–
Employee Share Plan Consulting	1,625	–

Note 10: Company information

DTI Group Ltd is a listed public company (ASX: DTI), incorporated and operating in Australia.

Registered office and principal place of business

31 Affleck Road
Perth Airport, WA, 6105
Tel: (08) 9479 1195
Internet: www.dti.com.au

Directors' Declaration

In the opinion of the Directors of DTI Group Ltd ("Company"):

1 The financial statements and accompanying notes set out on pages 19–51 are in accordance with the *Corporations Act 2001*, and:

   (i) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

   (ii) give a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date.

2 In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

3 The Company has included in the notes to the financial statements an explicit and unreserved Statement of Compliance with International Financial Reporting Standards.

The directors have been given the declarations by the managing director / chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors by:

Richard Johnson
Managing Director

29 August 2016, Perth, Australia

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Fax: +61 8 6382 4601
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INDEPENDENT AUDITOR'S REPORT

To the members of DTI Group Limited

Report on the Financial Report

We have audited the accompanying financial report of DTI Group Limited, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Stat*ements, that the financial statements comply with *International Financial Reporting Standards.*

Auditor's Responsibility

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

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

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

Independence

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

Opinion

In our opinion:

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

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

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

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

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 11 to 17 of the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit con ducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of DTI Group Limited for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

BDO

Dean Just

Director

Perth, 29 August 2016

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Fax: +61 8 6382 4601
www.bdo.com.au

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Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

DECLARATION OF INDEPENDENCE BY DEAN JUST TO THE DIRECTORS OF DTI GROUP LIMITED

As lead auditor of DTI Group Limited for the year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of DTI Group Limited and the entities it controlled during the period.

Dean Just

Director

BDO Audit (WA) Pty Ltd

Perth, 29 August 2016

Shareholder Information

The shareholder information set out below was applicable at 10 August 2016.

Distribution of Equity Securities

Size of Holding	Number of Shareholders	Percentage of Shareholding
1 – 1,000	25	0.00
1,001 – 5,000	355	1.08
5,001 – 10,000	266	2.31
10,001 – 100,000	305	10.62
100,001 and over	63	85.99
Total	**1,014**	**100.00**

There were 35 holders of less than a marketable parcel of ordinary shares.

Twenty Largest Registered Shareholders

Name	Number of Shares	Percentage of Issued Shares
Invia Custodian Pty Ltd <The Morris Family A/C>	17,348,144	18.53
Utilico Investments Ltd	12,468,750	13.32
Bluekara Pty Ltd <Goodey Family A/C>	4,646,880	4.96
Legrande Investments Pty Ltd	3,924,709	4.19
Pendulum Investments Pty Ltd	3,648,869	3.90
Fineshore Pty Ltd <Tufilli Family Trust>	2,825,650	3.02
Citicorp Nominees Pty Ltd	2,245,459	2.40
LTC Management Pty Ltd <LTC Superannuation Fund>	2,007,642	2.14
DTI Capital Pty Ltd	2,000,000	2.14
Mr Glyn Denison <Glyn Denison Family A/C>	1,955,660	2.09
Mr Neil Edward Goodey	1,928,318	2.06
Wood Street Pty Ltd	1,785,227	1.91
The Stephens Group Pty Ltd	1,600,000	1.71
Super Rab Pty Ltd <R A Black Pers S/F Rab A/C>	1,400,000	1.50
Mr Nino Andonio Tufilli	1,344,599	1.44
Bernville Pty Ltd	1,200,000	1.28
Dalcrest Investment Pty Ltd	1,191,664	1.27
Zanea Pty Ltd	1,106,000	1.18
Cleary Nominees Pty Ltd	1,102,796	1.18
Bond Street Custodians Ltd <SMET – D02102 A/C>	1,000,000	1.07
Total	**66,730,367**	**71.29**

Substantial Shareholders

Name	Number of Ordinary Shares in the Substantial Shareholding
Chris Morris	18,048,144
Utilico Investments Ltd	12,468,750
Neil Goodey	6,575,198
LeGrande Investments Pty Ltd	5,116,373

Voting Rights

Subject to any special rights or restrictions attached to any class or classes of shares in the Company, at a general meeting every holder of shares present in person or by proxy, body corporate representative or attorney has one vote on a show of hands and one vote for each Share held on a poll.

Votes are cast by a show of hands unless a poll is demanded. The chairperson of the meeting or least five Shareholders entitled to vote on the resolution or shareholders with at least 5% of the votes that may be cast on the resolution may demand a poll.

Escrowed Shares

The number of shares subject to voluntary escrow is nil (2015: 70,917,925). Following the release of the 2015 Annual Report, the holding lock on the escrowed shares was lifted; thereby, ending the voluntary escrow period.

On-market Buyback

The Company is not currently conducting an on-market buyback of its shares.