

# APPENDIX 4E AND FINANCIAL STATEMENTS

DTI Group Ltd  
30 June 2018

RESULTS FOR ANNOUNCEMENT TO THE MARKET





## ASX announcement

30 August 2018

# DTI FY18 Results

## Summary and Highlights

- Revenue of \$19.1 million (FY17: \$15.9 million)
- Revenue growth of 20.4 per cent
- EBITDA loss of \$10.1 million (FY17: \$3.0 million)
- Underlying EBITDA loss of \$2.7 million (FY17: \$0.5 million)
- NPAT of \$(11.4) million (FY16: \$(5.8) million)
- Earnings adversely impacted by impairment charges against product development costs, inventory and receivables together with ongoing costs associated with new product development and completion of prior period projects
- DTI records its largest contracted order book<sup>1</sup>, in excess of \$45 million (2017 : \$30 million)
- \$6.2 million capital raising completed
- DTI has been lost time injury (“LTI”) free since 2015 and has a LTI frequency rate (“LTIFR”) of zero

## Financial Performance

DTI Group Ltd (DTI) today announced its results for the year ended 30 June 2018. DTI recorded an EBITDA loss of \$10.1 million (FY17: \$(3.0) million) on revenue of \$19.1 million (FY17: \$15.9 million). The result was adversely impacted by impairment charges against product development costs, inventory and receivables together with ongoing costs associated with new product development and completion of prior period projects.

Non-recurring costs of \$7.9 million associated impairment charges and redundancies contributed to the negative earnings result. The Board of Directors decided to impair the carrying value of development costs associated with new products which contributed significantly to the reported loss.

DTI reported a full-year net loss after tax of \$(11.4) million (FY17: \$(5.8) million).

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<sup>1</sup> Includes Lol/LoA and contracts at advanced stage of negotiation



## ASX announcement

### Financial Position

During the year DTI completed a \$6.2 million capital raising which strengthened its balance sheet and provides working capital to execute upcoming projects. DTI significantly improved its working capital management, reducing net working capital from \$11.2 million to \$8.4 million.

DTI has negligible debt and cash at 30 June of \$5.1 million. DTI recorded negative cash from operations of \$0.3 million, a significant improvement on the prior year of negative \$3.6 million.

### Pipeline and Order Book

DTI enjoys a contracted order book in excess of \$37 million, as at 30 June 2018, and \$45 million including contracts under negotiation. The Order Book has consistently increased year-on-year since June 2015 and by over 25 per cent since 30 June 2017. During FY18 DTI has again been successful in acquiring significant contracts in the rail and bus sectors.

DTI has an identified Opportunity Pipeline in excess of \$405 million which is expected to be awarded over the next four to five years. The rail sector contributes approximately 84 per cent of this pipeline with the balance in the bus and law enforcement sectors. Europe, Middle East and Africa (EMEA) is a strong geographic focus for the business with in excess of 54 per cent of the Opportunity Pipeline sourced in this region.

### FY18 Strategy focus

DTI established core strategies to be achieved in FY18 to position the Company for a return to financial health as set out below:

Grow revenue:	DTI achieved 20 per cent revenue growth in FY18. Particularly pleasing was the growth in recurring revenue which improved by 62 per cent on the previous period.
Stabilise Production Costs:	DTI has stabilised the design on its core new products.
Cost Down Products:	There continues to be significant opportunities for DTI to engineer costs down in its new products.
Operating costs	During FY18 DTI was able to reduce Corporate Overheads by 39 per cent to \$2.9 million. DTI now has stabilised its operating cost structure and considers it has the capacity and resources to continue its identified R&D activities and support customers.



## ASX announcement

### Outlook

DTI is operating in a growth market underwritten by strong public and private sector demand with increased opportunities arising from changes in technology and development of new products. DTI has a highly scalable business model capable of growing revenue by leveraging its core technology platform. DTI has converted opportunities in the sector into a growing contracted order book and achieved significant growth in FY18. DTI expects to maintain this revenue growth.

For further information please contact Peter Tazewell, Chief Executive Officer on +61 8 9273 2905 or email [peter.tazewell@dti.com.au](mailto:peter.tazewell@dti.com.au)

### About DTI Group

DTI develops and provides world-leading surveillance and commuter communication systems technology and services to the mobile transit industry worldwide. Core technology development and system design activities are undertaken from the Company's head office in Perth, Australia.

Results for announcement to the market

Appendix 4E

Preliminary Final Report  
Period Ended 30 June 2018

Name of entity

DTI Group Ltd

ABN or equivalent company reference

15 069 791 091

Period ended ('Current Period')

30 June 2018  
Previous corresponding period: 30 June 2017

*Extracts from this report for announcement to the market*

				\$000s
Revenues from ordinary activities	Up	20.4%	to	19,103.1
Profit/(loss) from ordinary activities after tax attributable to members	Down	94.7%	to	(11,384.3)
Net profit/(loss) after tax for period attributable to members	Down	n/a	to	(11,384.3)
<b>Dividends (distributions)</b>	<b>Amount per security</b>		<b>Franked amount per security</b>	
Final dividend	nil		N/A	
Interim Dividend	nil		N/A	
Record date for determining entitlements to the dividend	N/A			
Brief explanation of any of the figures reported above and short details of any bonus or cash issue or other item(s) of importance not previously released to the market:				
<i>Not applicable</i>				

**Commentary on Results**

For commentary on the results of DTI Group Ltd refer to the announcement relating to the release of the DTI Group Ltd results in conjunction with the details and explanations provided herewith and in the accompanying financial statements for the year ended 30 June 2018.

**Ratios and Other measures**

**NTA backing**

Net tangible asset backing per ordinary security

Current Period	Previous corresponding Period
\$0.068	\$0.134

**Dividends**

Date the dividend is payable

N/A
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Record date to determine entitlements to the dividend

N/A
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**Amount per security**

Final Dividend:

Current year  
Previous year

Interim Dividend:

Current year  
Previous year

Amount per security	Franked amount per security
nil	nil
nil	nil
nil	nil
nil	nil

**Total Dividends**

Total Dividend:

Current year  
Previous year

Amount per security	Total amount (\$000s)
nil	nil
nil	nil

**Control gained over entities having material effect**

During the year ended 30 June 2018 there was no control gained over entities having material effect on the financial results or financial position of the Consolidated Entity.

**Loss of control of entities having material effect**

During the year ended 30 June 2018 there was no loss of control over entities having material effect on the financial results or financial position of the Consolidated Entity.

**Audit Status**

This report is based on financial statements that have been audited. There is no dispute or qualification of the financial statements. The Independent auditor's report is included in the 2018 Audited Annual Report.



Raj Surendran  
Chief Financial Officer

29 August 2018  
Perth, Western Australia

# Annual Report 2018

D T I G R O U P L T D



## 2018 Year End Report

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The Directors present their report, together with the consolidated financial statements of the Group comprising of DTI Group Limited ("DTI" or "the Company") and its subsidiaries for the financial year ended 30 June 2018 and the auditor's report thereon.

## Directors

The directors of the Company at any time during or since the end of the financial year are:

### **Neil Goodey**

*Non-Executive Chairperson*

*Qualifications & Experience:*

Neil Goodey was appointed to the role of Non-Executive Chairperson of DTI on 24 August 2017. Mr Goodey co-founded DTI in 1995 and held the position of Managing Director until 2008. Mr Goodey has been a director for over 23 years.

Over the last 26 years, Mr Goodey 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.

Mr Goodey was a member of the Remuneration and Nominations Committee and the Audit, Risk and Compliance Committee.

*Other Directorships:*

*None*

### **Peter Tazewell**

*Managing Director*

*Qualifications & Experience:*

Mr Tazewell is a qualified chartered accountant with over 30 years' of varied management, financial and corporate experience including finance, accounting, corporate strategy, purchase/supply and identification evaluation and execution of significant corporate transactions.

*Education:*

Bachelor of Commerce – University of Western Australia

*Memberships:*

Fellow of the Institute of Chartered Accountants

*Other Directorships:*

*None*

### **Richard Johnson**

*Executive Director*

*Qualifications & Experience:*

Richard Johnson joined DTI as General Manager in 2005 and was appointed to the Board as an Executive Director on 9 August 2011. He has served as a director of the Company for seven years.

Mr Johnson has more than 20 years' experience in the transit technology sector. Prior to joining DTI, he held senior management positions at ERG Limited which developed, supplied and managed integrated fare collection systems for the transit industry around the world.

*Education:*

Bachelor of Science (Electrical Engineering) - University of Calgary

Master of Engineering Studies – University of Western Australia

Master of Business Administration - University of Western Australia

*Other Directorships:*

*None*

## **Glyn Denison**

*Non-Executive Director*

### *Qualifications & Experience:*

Glyn Denison was appointed to the Board of DTI on 19 January 2004 with executive responsibilities for business development. Mr Denison relinquished his executive responsibilities in December 2006 and has remained on the Board as a Non-Executive Director. Mr Denison has been a director of the Company for over 14 years.

Mr Denison 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. Mr Denison has extensive knowledge of the public transit sector, including the existing customer base of DTI and its business partners.

Mr Denison was a member of the Remuneration and Nominations Committee and the Audit, Risk and Compliance Committee.

### *Education:*

Bachelor of Engineering – University of Western Australia

Diploma in Business and Administration – Curtin University

### *Other Directorships:*

Mr Denison is a Non-Executive Chairman of McDowall Affleck Pty Ltd and Wesbuilders Cooperative Limited.

## **Jeremy King**

*Independent Non-Executive Director*

### *Qualifications & Experience:*

Jeremy King is a corporate lawyer and was appointed to the Board of DTI on 29 June 2011. He is qualified as a lawyer in Western Australia and England and Wales and has been a director of DTI for seven years.

Mr King has over 16 years' experience in domestic and international legal, financial and corporate matters. He 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.

Mr King was a member of the Remuneration and Nominations Committee and Chairperson of the Audit, Risk and Compliance Committee.

### *Education:*

Bachelor of Laws – University of Western Australia

### *Other Directorships:*

Mr King is a Non-Executive Director of Transcendence Technologies Ltd, Red Mountain Mining Ltd, HER Resources Ltd, Smart Parking Limited and Pure Minerals Limited.

Mr King was formerly a Non-Executive Director of CEB Resources plc and Orca Energy Limited and Chairperson of Continuation Investments Ltd.

## **Chris Morris**

*Non-Executive Chairman/Director*

### *Qualifications & Experience:*

Chris Morris was appointed as Non-Executive Chairperson of DTI on 29 June 2011 and served in that role for six years to 24 August 2017. Mr Morris resigned from the board of DTI on 4 January 2018.

Unless otherwise stated, the above named directors held their current position for the whole of the financial year and since the end of the financial year.

## Company Secretary

### Raj Surendran

Mr Raj Surendran was appointed as Company Secretary and Chief Financial Officer of the Company on 10 July 2017 and held that position at the date of this report. Mr Surendran is a qualified accountant and holds a Masters of Business Administration from the University of Western Australia.

## Directors' meetings

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

Directors	Board of Directors		Remuneration and Nomination Committee		Audit, Risk and Compliance Committee	
	Held	Attended	Held	Attended	Held	Attended
<b>N Goodey<sup>1</sup></b>	9	9	1	1	1	1
<b>PJ Tazewell</b>	9	9				
<b>R Johnson</b>	9	9				
<b>G Denison</b>	9	9	1	1	1	1
<b>J King</b>	9	8	1	1	1	1
<b>C Morris<sup>2</sup></b>	9	4	1	1		

1 Mr Goodey was appointed to the role of Non-Executive Chairman on 24 August 2017.

2 Mr Morris resigned as Non- Executive Chairman on 24 August 2017 and from the board on 4 January 2018. There were four Board meetings held while Mr Morris was a director.

As a result of a performance evaluation undertaken in 2017, the Board agreed to dissolve both its Audit, Risk and Compliance Committee and Nominations and Remuneration Committee. This was on the basis that the size and complexity of the underlying business did not warrant the costs and additional time input of the committee members.

## Principal activities

The principal activities of the Group during the course of the financial year were the development, manufacture and supply of integrated surveillance, passenger communication systems, and fleet management solutions for the global mass transit industry and other related markets.

There were no significant changes in the nature of the activities of the Group during the year.

## Operating and Financial Review

### Overview

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.

### Shareholder returns

The table below sets out summary information about the Group's earnings and movement in shareholder wealth for the five years to 30 June 2018.

		FY18	FY17	FY16	FY15	FY14
<b>Revenue</b>	\$	19,103,076	15,867,660	16,216,338	14,705,897	19,798,072
<b>EBITDA</b>	\$	(10,127,646)	(3,024,987)	3,645,667	1,529,197	3,076,060
<b>Net profit/(loss) after tax</b>	\$	(11,384,311)	(5,847,874)	31,558	690,511	1,115,975
<b>Share price at start of year</b>	\$	0.17	0.39	0.29	n/a	n/a
<b>Share price at end of year</b>	\$	0.06	0.17	0.39	0.29	n/a
<b>Dividends</b>	cps	-	-	-	-	-
<b>Basic (loss)/ earnings per share</b>	cps	(8.72)	(5.32)	0.03	0.14	1.46
<b>Return on Capital Employed</b>	%	(65.60)	(13.5)	22.7	10.08	38.53

Net profit/(loss) amounts have been calculated in accordance with Australian Accounting Standards (AASBs).

## Review of Financial Condition

### FY18 Financial Performance

During the year ended 30 June 2018 DTI recorded revenue of \$19.1 million (2017: \$15.9 million). This represents a 20 per cent increase compared to the prior year and is attributed to a strong order book and increased sales in the rail and overseas bus sectors. DTI's revenue continues to be largely dependent upon capital projects and there is a strong focus on increasing revenue from maintenance and recurring equipment sales. Revenue from these sources was \$9.9 million (2017: \$5.5 million) which represents a 79 per cent increase compared to the prior year and is a strong endorsement of the Company's strategy to drive recurring revenue from its increased project based revenue.

DTI recorded negative EBITDA of \$10.1 million for the year ended 30 June 2018 (2017: \$3.0 million). Reported EBITDA was adversely impacted by the identification and impairment of unrecoverable assets, the execution of several contracts with less than optimum margins and the impairment of capitalised development costs. These matters are further elaborated in the discussion on Underlying EBITDA below.

Corporate overheads of \$2.9 million (2017: \$4.8 million) reduced by 39 per cent compared to the prior year. This decrease is largely attributable to reduced professional and consulting fees. Employee benefits expense of \$7.7 million (2017: \$7.5 million) was 2.0 per cent higher than the prior year and included redundancy payments totalling \$0.3 million.

Research and Development (R&D) continues to be a strong focus of the business with \$3.6 million (2017: \$7.1 million) committed to these activities during the year. Whilst R&D continues to remain a key focus of the business, the R&D spend during FY18 returned to the long term average spend following the elevated spending levels of FY17 which was driven by the large number of new products developed and delivered during that year.

### Underlying EBITDA

During the year DTI recorded a number of non-recurring expenses attributed to events from earlier reporting periods. In order to present an underlying EBITDA result, these items have been identified in the following table:

Reconciliation of Underlying EBITDA	FY18	1H	2H
<b>Statutory EBIT</b>	<b>(13,125,393)</b>	<b>(7,359,956)</b>	<b>(5,765,437)</b>
Depreciation/Amortisation	2,997,747	1,332,869	1,664,878
<b>Reported EBITDA</b>	<b>(10,127,646)</b>	<b>(6,027,087)</b>	<b>(4,100,559)</b>
Foreign exchange gains	(471,013)	(317,437)	(153,576)
Impairment of intangible assets	5,163,573	571,904	4,591,669
Impairment of inventory	2,045,819	2,010,819	35,000
Impairment of trade receivables	383,015	482,136	(99,121)
Redundancies	270,272	-	270,272
<b>Underlying EBITDA<sup>1</sup></b>	<b>(2,735,980)</b>	<b>(3,279,665)</b>	<b>543,685</b>

<sup>1</sup> Underlying EBITDA excludes non-recurring costs and foreign exchange losses.

## Net Impairment charges:

DTI regularly reviews the capitalised value of intangible assets to confirm that the carrying value can be recovered against future product sales. Where a product has become obsolete or is determined not to generate sufficient sales to support the carrying value then the intangible asset is impaired.

During the financial year DTI performed a comprehensive review of its Statement of Financial Position with a focus on asset recoverability and valuation and as a result of this review DTI impaired certain inventory, which was no longer deemed commercial and long-standing receivables, which were determined to be unrecoverable.

As at 30 June 2018, the market capitalisation of DTI did not exceed its net assets, which is an indicator of asset impairment under accounting standards. For the purpose of impairment testing the intangibles are allocated to one Cash-generating unit (CGU) on the group level. The recoverable amount of the CGU was then determined using the value in use model which requires the use of key assumption and judgements relating to future revenues, anticipated gross profit margin, growth rates expected and discount rate. The calculations use cash flow projections based on financial budgets approved by the board covering a period of five years.

The Board determined that the underlying assumptions supporting the impairment model were sufficiently sensitive to create uncertainty of the model outcomes. As a result, the Board has taken the decision to impair the balance of capitalised development costs by \$5,163,573 (2017:\$261,456) to a nil amount.

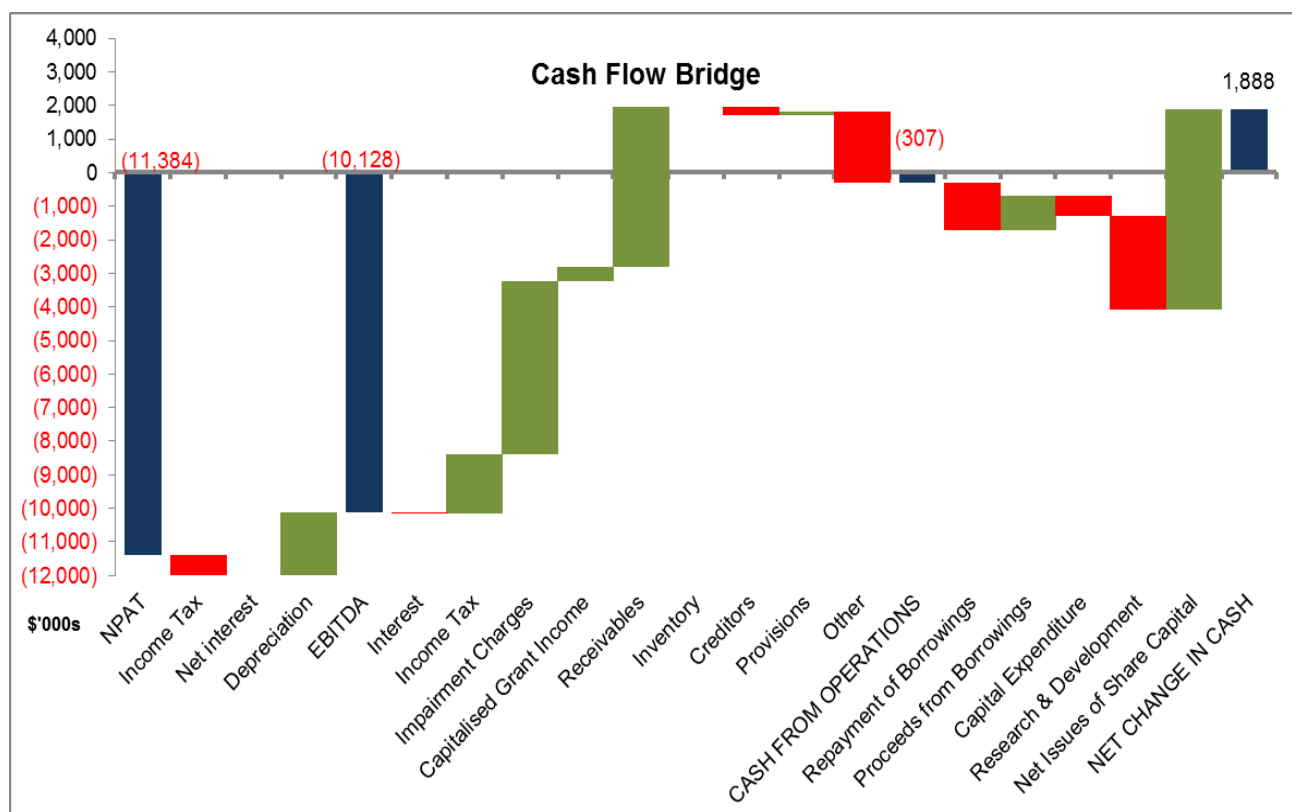
## Cash Flow

DTI generated negative cash flow from operations of \$0.3 million during the financial year. Net cash inflow for the year was \$1.9 million. Key impacts on net cash flow included:

- i) Reduction in receivables through improved cash collection;
- ii) Continued investment in R&D activities amounting to \$3.6 million; and
- iii) \$6.0 million net capital raising completed in June 2018.

Rail projects typically have a larger investment in engineering and design and can be subject to delays outside of DTI's control. The working capital intensity of these rail projects gives rise to irregular cash flows which requires a higher level of liquidity to support the business.

DTI recorded an improved cash position at year end, primarily attributed to the \$6.0 million net capital raising during the year.



**Financial Position** As at the end of the financial year, DTI maintained positive cash reserves of \$5.1 million and high levels of liquid working capital. DTI has no term debt and the only financial indebtedness relates to equipment finance leases which will be fully satisfied in April 2019. The Directors consider that the current level of working capital is sufficient to support the current operations of the Company.

As described in the Financial Statements, DTI continues to be in technical breach of one of its financial covenants with ANZ Banking Group Limited (ANZ) due to the negative earnings result in FY17 and FY18. ANZ has provided a waiver of this breach until the next review in September 2018.

## Review of principal business

DTI services the global mass transit market providing a range of products and solutions associated with surveillance and passenger information. The principal underlying drivers for DTI business are:

- i) Increased public and private investment in public transport infrastructure;
- ii) Requirement for improved security and surveillance on mass transit systems; and
- iii) Increased demand for passenger information systems on mass transit systems.

DTI considers these are strong drivers of demand for its products and services which will continue into FY19 and beyond.

## **Operational performance**

Throughout FY18 DTI continued to win a number of significant new contracts on the basis of its unique product offering. During this period DTI was awarded an extension of its contract with Dallas Area Rapid Transit Authority (DART) as well as new contracts to provide integrated CCTV and passenger information systems to Mwasalat (Oman National Bus operator). Subsequent to the year-end DTI was awarded a major contract with Metro Trains Melbourne Pty Ltd, in relation to integrated CCTV and passenger information systems for its ComEng fleet of trains.

DTI continued to benefit from its relationship with Alstom Transport, developing new products for its PRASA project in South Africa as well as commencing the CCTV refurbishment for the Northern Line in London. During FY18 DTI completed installation of digital surveillance equipment on 48 light rail vehicles (LRVs) operated by DART and was awarded a contract extension for a further 115 LRVs which are expected to be completed in March 2019.

DTI continues to provide long-term maintenance and support services to municipal transit authorities in Australia (Brisbane City Council, Public Transit Authority of Western Australia, Department of Planning, Transport and Infrastructure of South Australia, Metro Tasmania Pty Ltd and Action Bus (Canberra)) and in the UK. DTI was recently awarded a maintenance contract for Broward County in Florida, USA and continues to supply its mobile video surveillance solutions to transit operators in Broward County, San Francisco and Philadelphia.

DTI successfully completed a third party compliance audit relating to ISO17025:2005 standard for Testing and Calibration and has achieved Compliance Certification. The ISO17025 Compliance Certification demonstrates DTI's technical proficiency and ability to produce accurate test results for its design and manufactured products. DTI also continues to maintain ISO9001 accreditation.

DTI is also in the process of qualifying for IRIS ISO22163:2017 (Railway Quality Management System) standard. DTI aims to achieve this important status during FY19. This positions DTI strongly to become a preferred supplier in tendering for railway projects on a global basis.

## **Significant changes in state of affairs**

During the financial year DTI undertook an entitlement's issue (Capital Raising) which raised a gross amount of \$6.2 million. The proceeds of this Capital raising were applied to working capital requirements.

As noted above in the Director's Report, the Board has decided to impair the capitalised development costs associated with the development of its next generation of rail products. The decision to impair the carrying value of these assets does not represent the Board's view on the long term value that is expected to be delivered by this product development expenditure.

Other than as set out above, in the opinion of the directors, there were no significant changes in the state of affairs of the Group that occurred during the financial year under review.



## Outlook

### Opportunity Pipeline

DTI continues to enjoy strong demand for its products and services and an Opportunity Pipeline exceeding \$405 million, a reduction of 12 per cent since the previous year. Investment in public transit infrastructure continues to be strong as evidenced by DTI's growing Order Book, which has increased 51 per cent since the previous year.

DTI's key opportunities continue to be primarily in the EMEA and North American markets, underpinned by ongoing investment in the UK rail sector and US bus sector.

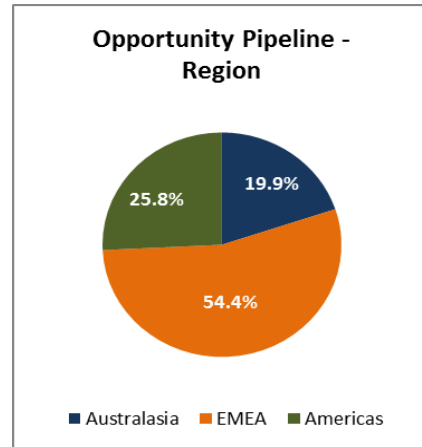


Chart 1: Company Data

### Order Book

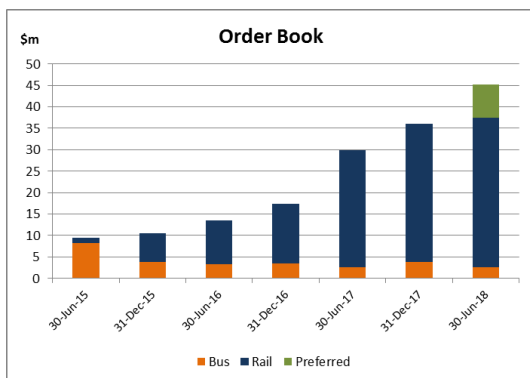


Chart 2: Company Data

Recent contract awards have seen DTI increase its pro-forma contracted order book to approximately \$45 million<sup>2</sup> at 30 June 2018, a 51 per cent increase on the previous year and 26 per cent compared to 31 December 2017. This is again a record value of contracted work awarded to DTI and supports the business for strong revenue growth over future years.

The volume of contracted work remains strongly weighted towards rail contracts however, the recent completion of the Oman Bus project should position DTI to generate ongoing revenue in this market and region.

### Business Strategies

DTI's business strategy has been to continually innovate by applying leading edge technology to the transit industry and developing innovative new products and solutions. DTI has successfully developed new products including a multi-use digital video recorder (DVR) for bus, light-rail and rail uses, a heavy duty DVR designed for heavy rail, a transit audio communication system for integrated platform and on-vehicle communications and a 48" LCD passenger information display for presenting video and dynamic images. DTI has also successfully deployed products developed for the rail market into the bus market.

With the increased acceptance of pure digital systems DTI has also identified a market for a compact digital recorder for the bus market. DTI has commenced development of the CDR6 digital video recorder which will be positioned for the bus market.

<sup>2</sup> Includes Letter of Intent and contracts in advanced negotiation

While DTI will continue its strategy of developing innovative new products, there is an ongoing requirement to invest in significant marketing efforts to maximise the current investment in these new products.

## Future Developments

Having regard to its current balance of contracted work DTI expects to deliver ongoing revenue growth during FY19. The opportunity to win new contracted work from its range of new products is strong and DTI is focused on building its backlog of contracted work in order to demonstrate strong future revenue.

## Dividends

In respect of the financial year ended 30 June 2018, no interim dividend was paid and the directors have determined that no final dividend will be paid.

## Events since the end of the financial year

There has not arisen, in the interval between the end of the financial year and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

## Likely developments and expected results of operations

The Group will continue to pursue its policy of developing surveillance, communications and passenger information technologies for the global mass transit market. DTI remains confident in its outlook as it seeks to drive growth via its strong pipeline of opportunities. The Group'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.

Further information about likely developments in the operations of the Group has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Group.

## Environmental regulation

The Company is not subject to any specific 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' interests

The relevant interest of each director in the shares, debentures, interests in registered schemes and rights or options over such instruments issued by the companies within the Group and other related bodies corporate, as notified by the directors to the ASX in accordance with S205G(1) of the *Corporations Act 2001*, at the date of this report is as follows:

	Ordinary Shares	DTI Group Limited Options over Ordinary Shares	Rights over Ordinary Shares
<b>N Goodey</b>	6,575,198	Nil	Nil
<b>PJ Tazewell</b>	360,000	Nil	Nil
<b>R Johnson</b>	841,344	Nil	Nil
<b>G Denison</b>	3,030,495	Nil	Nil
<b>J King</b>	767,892	Nil	Nil
<b>C Morris<sup>1</sup></b>	n/a	Nil	Nil

<sup>1</sup> Mr Morris resigned from the board on 4 January 2018. Mr Morris's relevant interest in the Company continues to be disclosed via his Substantial Shareholder Notice.

## Indemnification of officers and auditors

The Company has also agreed to indemnify the current directors of its controlled entities for all liabilities to another person (other than the Company or a related body corporate) that may arise from their position, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

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.

## 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:

- 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 2018 were \$7,234 (2017: \$9,210) in relation to UK Tax services.

## 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*.

## Auditor's independence declaration

The auditor's independence declaration is set out on page 71 and forms part of the directors' report for the financial year ended 30 June 2018.

## Corporate Governance Statement

The Board of DTI is responsible for the corporate governance of the company and its subsidiaries. The Board has governance oversight of all matters relating to the strategic direction, corporate governance, policies, practices, management and operations of DTI with the aim of delivering value to its Shareholders and respecting the legitimate interests of other stakeholders, including employees, customers and suppliers.

Under ASX Listing Rule 4.10.3, DTI is required to provide in its annual report details of where shareholders can obtain a copy of a corporate governance statement, disclosing the extent to which the Company has followed the ASX Corporate Governance Council Principles and Recommendations in the reporting period. DTI has published its corporate governance statement on the "Corporate Governance" page of its web site at [www.dti.com.au](http://www.dti.com.au)

## Audited Remuneration Report

This Remuneration Report, which forms part of the Directors' Report, sets out information about the remuneration of Key Management Personnel (KMP) of the Group for the financial year ended 30 June 2018.

The term Key Management Personnel refers to those persons having authority and responsibility for planning, controlling and directing the activities of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the consolidated entity. Any reference to "Executives" in this report refers to those KMP who are not Non-Executive Directors. The prescribed details for each person covered by this report are detailed below under the following headings:

- Key management personnel
- Remuneration policy
- Remuneration structure
- Relationship between the remuneration policy and company performance
- Remuneration of directors and key management personnel
- Key terms of employment contracts
- Key management personnel equity holdings

### Key Management Personnel

The directors and other Key Management Personnel of the consolidated entity during or since the end of the financial year were:

#### Non-Executive Directors

The following persons acted as non-executive directors of the Company during the financial year:

Mr N Goodey	(Chairperson since 24 August 2017)
Mr G Denison	
Mr J King	
Mr C Morris	(Chairperson until 24 August 2017, resigned from the board on 4 January 2018)

Unless otherwise stated, the named persons held their current position for the whole of the financial year and since the end of the financial year.

#### DTI Executives

The following persons were employed as Group executives during the financial year:

Mr P Tazewell	(Chief Executive Officer and Managing Director)
Mr R Johnson	(Executive Director - Commercial)
Mr R Surendran <sup>i</sup>	(Chief Financial Officer/Company Secretary)
Mr B Mitchell <sup>ii</sup>	(Chief Financial Officer/Company Secretary)
Mr A Oldland <sup>iii</sup>	(General Manager - Operations)

## Audited Remuneration Report

Except as noted below, the abovenamed persons held their current position for the whole of the financial year and since the end of the financial year.

- i) Mr Surendran joined the Company on 10 July 2017 and was designated a KMP from that date.
- ii) Mr B Mitchell ceased employment with the Company on 24 July 2017 and ceased to be a KMP from that date.
- iii) Mr Oldland ceased employment with the Company on 10 January 2018 and ceased to be a KMP from that date.

## Remuneration Policy

### Non-Executive Directors

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.

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 for membership of the Audit, Risk and Compliance Committee. A further fee of \$5,000 per annum is paid to the chairman of the Audit, Risk and Compliance Committee. However, with the dissolution of the Audit, Risk and Compliance and Nominations and Remuneration Committees, Non-Executive Directors will no longer be entitled to receive membership fees to the Audit Committee. No additional fees apply with respect to the Nominations and Remuneration Committee. The maximum annual aggregate Directors' fee pool limit is \$250,000. Fees will be reviewed annually by the Board in the future.

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.

### DTI Executives

The Company's remuneration policy for DTI executives is to fairly and responsibly reward them having regard to the performance of the Group, the performance of the executive and prevailing remuneration expectations in the market.

The Company also seeks to establish remuneration structures that align the interests of its key management personnel with the interests of the Company and its shareholders. DTI has established a Management Compensation Plan (MCP) under which certain executives are entitled to receive short-term incentives (STI) and long term incentives (LTI) based on the delivery of key Group and individual outcomes, and the profitability of the DTI Group. At present, only Mr Tazewell and Mr Johnson are participants of the MCP.

## Audited Remuneration Report

Other DTI executives do not have a formal STI or LTI component of their remuneration package however they may receive a cash bonus as a STI, at the discretion of the Board.

As detailed in this report, no DTI executives received any STI or LTI payments in respect of FY18.

The amount of compensation for current and future periods for DTI executives is based on consideration of market factors, comparison to peers and reference to the individual's experience and performance. Overall, remuneration policies are subject to the discretion of the Board and can be changed to reflect the competitive market and business conditions when in the interest of the Company and shareholders.

### Performance Evaluation

Each DTI executive is subject to a review of their individual performance each year in accordance with the Company's Development and Appraisal Process. This process usually takes place in September each year.

## Remuneration Structure

### DTI executive

The remuneration structure for DTI executives participating in the MCP is based on the concept of a total package target (TPT) assuming budgeted financial performance is achieved and the participants performed satisfactorily. If the business and/or the participants 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 per cent of the TPT. The TPT comprises three components:

- i) A fixed component, representing base salary plus superannuation, which comprises 75 per cent of the TPT;
- ii) a variable component, represented by a STI paid as a cash bonus, which comprises 12.5 per cent of the TPT. This component can increase to 25 per cent of the fixed component for exceptional performance; and
- iii) a variable component, represented by a LTI in the form of an equity issue of DTI shares, which comprises 12.5 per cent of the TPT. This component can increase to 33.3 per cent of the fixed component for exceptional performance.

The STI and LTI 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 STI and LTI are paid or are due for payment, eligibility to receive the STI and LTI lapses. The participants may elect to receive the STI payment in equity securities, subject to shareholder approval.

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.

The Board of DTI Group reserves the right not to pay an STI or LTI if financial performance, earnings per share and/or operational performance have not met the expectations of the Board.

During FY18 the budget targets were not achieved and no accrual for payments under the MCP have been made.

## Audited Remuneration Report

The remuneration structure for DTI executives not participating in the MCP is based on a fixed component, representing base salary plus superannuation. DTI Executives may be granted a cash bonus at the discretion of the Board.

### Fixed Component

Fixed remuneration comprises base salary, employer superannuation contributions and other allowances and non-cash benefits. Each Executive's fixed remuneration is reviewed and benchmarked annually.

### Variable Component – STI and LTI

Variable remuneration for participants in the MCP comprises STIs linked to Company and individual performance over one year, and LTIs linked to performance over a period greater than a year.

The following table sets out the maximum variable remuneration each Executive Officer could have achieved, on an annualised basis, in FY18, expressed as a percentage of total remuneration, if maximum performance was achieved for the STI and LTI components of their variable components.

Executives	Fixed		Variable – STI		Variable – LTI	
	2018	2017	2018	2017	2018	2017
<b>Peter Tazewell</b> <i>Managing Director</i>	63.3	63.3	15.8	15.8	20.9	20.9
<b>Richard Johnson</b> <i>Executive Director</i>	63.2	63.2	15.8	15.8	21.0	21.0
<b>Raj Surendran</b> <i>Chief Financial Officer</i>	100.0	n/a	n/a	n/a	n/a	n/a
<b>Bruce Mitchell</b> <i>Chief Financial Officer</i>	n/a	100.0	n/a	n/a	n/a	n/a
<b>Andy Oldland</b> <i>General Manager - Operations</i>	n/a	100.0	n/a	n/a	n/a	n/a
<b>Jean-Michel Florent</b> <i>Chief Operating Officer</i>	n/a	100.0	n/a	n/a	n/a	n/a

### Key Performance indicators (KPIs) for incentive payments

The KPIs for incentive payments for those executives participating in the MCP are as follows:

Incentive	Metric	Weighting (%)	Test	Outcome
STI	Budgeted EBITDA	70.0	Achievement of Budgeted EBITDA	Below target
STI	Other - subjective	30.0	Successful project execution, achievement of anticipated margins, Business expansion, service levels and product reliability	Below target
LTI	EPS accretion	50.0	Compared to prior year	Below target
LTI	Other – subjective	50.0	Leadership, replicability and character	At target



## Audited Remuneration Report

### Relationship between the remuneration policy and company performance

One of the directors' remuneration objectives is to align the interests of its key management personnel with the interests of the Company and its shareholders. In FY18 this was achieved through the participation of the Company's two principal executives in the MCP which placed a material proportion of executives' remuneration at risk. It is intended to introduce an incentive plan for other executives in the future.

As noted previously, no awards of STI will be made to DTI executives in relation to FY18. Refer Table on page 21 for further remuneration details of key management personnel.

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

#### **Peter Tazewell**

- ST Incentive cash bonus based on the achievement of budgeted EBITDA (50 per cent weighting), achievement of revenue, profit before and after tax and operating and investing cash flow (20 per cent weighting) and the achievement of other criteria including expansion and diversification, business plans and strategy (30 per cent weighting). The composition of the cash bonus is 12.5 per cent of the package guide or up to 25 per cent of the base salary for exceptional performance.
- LT Incentive based on the achievement of earnings per share performance compared to the previous period (50 per cent weighting) and non-financial performance including shareholder and broker relationships, communication and presentation skills, board-reporting and management information systems, risk assessment and problem solving, forward thinking and innovative mindset (50 per cent weighting). The LT Incentive forms 12.5 per cent of the package guide or up to 33.3 per cent of the base salary for exceptional performance.

The board has determined not to award any STI or LTI entitlements for FY18.

#### **Richard Johnson**

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

Mr Johnson was awarded a share based payment of \$9,034 (54,750 shares) as an LTI in FY17 however this was not accrued for in the financial year and has yet to be paid. The board has determined not to award any STI or LTI entitlements for FY18.

## Audited Remuneration Report

### Remuneration of directors and key management personnel

Details of the elements comprising the remuneration of the Company's key management personnel are set out in the following table. The table does not include the following components of remuneration because they were not part of the remuneration package offered to Executives during FY16:

- Short term cash profit sharing bonuses;
- Payments made to KMP in respect of a period before or after the person held the KMP position;
- Long term incentives distributed in cash;
- Post employment benefits other than superannuation; and
- Non-monetary benefits.

## Audited Remuneration Report

		Short-term Benefits			Post Employment Benefits	Long-term Benefits	Share Based Payments	Total	Proportion Performance related
		Salary & fees	STI/Other	Total	Super-annuation benefits	Long Service Leave			
		\$	\$	\$	\$	\$	\$	\$	%
<b>Executive Directors</b>									
PJ Tazewell (MD & CEO)	2018	300,000	-	300,000	25,000	-	-	325,000	0.0%
	2017	175,000	-	175,000	12,183	-	-	187,183	0.0%
R Johnson <sup>1</sup> (Executive Director)	2018	264,292	-	264,292	22,800	4,000	-	291,092	0.0%
	2017	247,760	-	247,760	19,615	5,954	9,034	282,363	3.2%
<b>Non - Executive Directors</b>									
N Goodey	2018	47,184	-	47,184	4,483	-	-	51,667	0.0%
	2017	31,964	-	31,964	3,036	-	-	35,000	0.0%
G Denison	2018	35,000	-	35,000	-	-	-	35,000	0.0%
	2017	35,000	-	35,000	-	-	-	35,000	0.0%
J King	2018	40,000	-	40,000	-	-	-	40,000	0.0%
	2017	40,000	-	40,000	-	-	-	40,000	0.0%
C Morris <sup>2</sup>	2018	18,333	-	18,333	-	-	-	18,333	0.0%
	2017	50,000	-	50,000	-	-	-	50,000	0.0%
<b>Executive officers</b>									
R Surendran <sup>3</sup> (CFO/Co. Secretary)	2018	215,205	-	215,205	21,973	-	-	237,178	0.0%
	2017	-	-	-	-	-	-	-	n/a
B Mitchell <sup>4</sup> (CFO/Co. Secretary)	2018	27,492	-	27,492	1,023	-	-	28,515	n/a
	2017	175,000	-	175,000	17,373	-	-	192,373	0.0%
A Oldland <sup>5</sup> (GM - Operations)	2018	125,306	-	125,306	11,619	-	-	136,925	n/a
	2017	52,051	-	52,051	4,945	-	-	56,996	0.0%
JM Florent <sup>6</sup> (COO)	2018	-	-	-	-	-	-	-	n/a
	2017	124,147	-	124,147	7,519	-	(2,507)	129,159	n/a
<b>Total</b>	<b>2018</b>	<b>1,072,812</b>	<b>-</b>	<b>1,072,812</b>	<b>86,898</b>	<b>4,000</b>	<b>-</b>	<b>1,163,710</b>	
<b>Total</b>	<b>2017</b>	<b>930,922</b>	<b>-</b>	<b>930,922</b>	<b>64,671</b>	<b>5,954</b>	<b>6,527</b>	<b>1,008,074</b>	

1. Mr Johnson was awarded a LTI of \$9,034 for performance during FY17 that was not accrued in FY17. During FY18 Mr Johnson elected to forgo some accrued annual leave entitlements in favour of a cash payment which is reflected in his short term benefits.
2. Mr Morris resigned from the Board on 4 January 2018.
3. Mr Surendran commenced as CFO & Company Secretary on 10 July 2017.
4. Mr Mitchell ceased to be a KMP on 24 July 2017.
5. Mr Oldland ceased to be a KMP on 10 January 2018.
6. Mr Florent ceased to be a KMP on 16 November 2016.

## Audited Remuneration Report

### Key terms of employment contracts

The Company has formal employment contracts with each of its former and continuing executives as set out below:

Name	Fixed Remuneration	MCP Participant	Duration	Notice Period	Termination Benefits
<b>Peter Tazewell</b>	\$325,000	Yes	Ongoing	Four weeks	None
<b>Richard Johnson</b>	\$262,800	Yes	Ongoing	Four weeks	None
<b>Raj Surendran</b>	\$240,900	No	Ongoing	Four weeks	None
<b>Bruce Mitchell</b>	\$175,000	No	Ceased	Four weeks	None
<b>Andy Oldland</b>	\$219,000	No	Ceased	Four weeks	None
<b>Jean-Michel Florent</b>	\$235,109	No	Ceased	Eight weeks	None

\* Refer page 17 and 18 for details of MCP plan and criteria.

The Company also has letters of appointment with each of its Non-executive directors.

### Loans to Key management personnel

There are no loans from the Company to a KMP.

### Key management personnel equity holdings

The movement during the reporting period in the number of shares in DTI Group Limited held directly, indirectly or beneficially, by each key management person, including related parties, is as follows:

2018	Balance at 1 July 2017 No.	Granted as Remuneration No.	On Exercise of Options No.	Net Other Change No.	Balance at 30 June 2018 No.
<b>Directors</b>					
N Goodey	6,575,198	-	-	-	6,575,198
P Tazewell	150,000	-	-	210,000	360,000
R Johnson	494,908	-	-	346,436	841,344
G Denison	3,030,495	-	-	-	3,030,495
J King	451,701	-	-	316,191	767,892
C Morris <sup>1</sup>	24,549,506	-	-	-	n/a
<b>Executives</b>					
R Surendran	-	-	-	-	-
B Mitchell <sup>2</sup>	533,835	-	-	-	n/a
A Oldland	-	-	-	-	n/a

1 Mr Morris ceased to be a KMP on 4 January 2018 and the presentation in this table may not indicate the status of his shareholding at the end of the relevant reporting period. Mr Morris's relevant interest in DTI shares is disclosed by way of a Substantial Shareholder notice.

2 Mr Mitchell ceased to be a KMP on 24 July 2017 and the presentation in this table may not indicate the status of his shareholding at the end of the relevant reporting period.

3 Mr Odland ceased to be a KMP on 10 January 2018 and the presentation in this table may not indicate the status of his shareholding at the end of the relevant reporting period.

## Audited Remuneration Report

2017	Balance at 1 July 2016 No.	Granted as Remuneration No.	On Exercise of Options No.	Net Other Change No.	Balance at 30 June 2017 No.
<b>Directors</b>					
C Morris	18,048,144	-	-	6,501,362	24,549,506
P Tazewell	-	-	-	150,000	150,000
R Johnson	494,908	-	-	-	494,908
G Denison	2,887,638	-	-	142,857	3,030,495
N Goodey	6,575,198	-	-	-	6,575,198
J King	369,573	-	-	82,128	451,701
<b>Executives</b>					
JM Florent <sup>1</sup>	642,000	-	-	(115,000)	n/a
B Mitchell	527,050	-	-	6,785	533,835
A Oldland	-	-	-	-	-
R Surendran	-	-	-	-	-

<sup>1</sup> Mr Florent ceased to be a KMPs on 16 November 2016 the presentation in this table may not indicate the status of his shareholding at the end of the relevant reporting period.

### DTI Employee Share Plan

The DTI Employee Share Plan (DESP) has been established to permit shares to be issued by the Company to employees for no cash consideration. 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 (\$0.31 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 subsequent 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 issued 2,000,000 DESP shares to the Trustee on 15 April 2016 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. As at 30 June 2018, 47,025 shares had vested with eligible employees and transferred to them, 933,642 shares had vested with eligible employees, but remain registered with the Trustee, 545,333 had been allocated to eligible employees and not yet vested and 474,000 shares remain unallocated.

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.

## Audited Remuneration Report

### Other Transactions with KMP

Computershare Investor Services Pty Limited provides share registry service to DTI. Chris Morris (Former Non-Executive Chairman of DTI) is also a Non-Executive Director of Computershare Limited. DTI paid Computershare Investor Services Pty Limited a total amount of \$37,152 during the current year. An amount of \$15,355 (2017:\$29,001) was paid in relation to the capital raising and \$21,797 (2017:\$23,379) relates to normal trading activities. 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 2017 Annual General Meeting, the resolution adopting the 2017 Remuneration Report was carried unanimously.

The Company received more than 80.6 per cent of "yes" votes on its Remuneration Report for the 2017 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.

Signed in accordance with a resolution of the Directors made pursuant to section 298(2) of the *Corporations Act 2001*.



PETER TAZEWELL  
Managing Director

29 August 2018  
Perth, Australia

## Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2018

	Note	2018 \$	2017 \$
Sales Revenue	2	19,103,076	15,867,660
Cost of Goods Sold		(15,899,380)	(12,093,221)
<b>Gross Margin</b>		3,203,696	3,774,439
Operational overheads		(3,618,772)	(2,675,437)
Impairment costs	2	(7,592,407)	(519,584)
Other income	2	818,463	1,194,021
Corporate overheads		(2,938,626)	(4,798,426)
Depreciation/amortisation	2	(2,997,747)	(1,802,083)
Net interest and finance loss	2	(39,976)	(75,729)
<b>Net Loss Before Tax</b>		(13,165,369)	(4,902,799)
Tax benefit/(expense)	3	1,781,058	(945,075)
<b>Net Loss After Tax</b>		(11,384,311)	(5,847,874)
<b>Other comprehensive (loss)/income</b>			
Items that may be reclassified to profit or loss:			
Exchange differences		(481,747)	587,176
<b>Total other comprehensive (loss)/income</b>		(481,747)	587,176
<b>Total comprehensive loss for the period</b>		(11,866,058)	(5,260,698)
<b>Total comprehensive loss is attributable to:</b>			
Owners of DTI Group Ltd		(11,866,058)	(5,260,698)
<b>Loss per share for loss attributable to the ordinary equity holders of the Company:</b>			
Basic loss per share (cents per share)	21	(8.72)	(5.32)
Diluted loss per share (cents per share)	21	(8.72)	(5.32)

*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 2018

	Note	2018 \$	2017 \$
<b>Current assets</b>			
Cash and cash equivalents	4	5,130,652	3,139,852
Trade and other receivables	5	7,335,246	11,814,282
Inventories	8	7,999,326	8,000,144
Other current assets		93,573	234,272
<b>Total current assets</b>		<b>20,558,797</b>	<b>23,188,550</b>
<b>Non-current assets</b>			
Other receivables	5	–	285,195
Property, plant and equipment	9	1,114,907	996,688
Intangible assets	10	315,806	5,607,876
<b>Total non-current assets</b>		<b>1,430,713</b>	<b>6,889,759</b>
<b>Total assets</b>		<b>21,989,510</b>	<b>30,078,309</b>
<b>Current liabilities</b>			
Trade and other payables	6	5,528,770	5,774,436
Borrowings	7	112,966	489,032
Provisions	11	1,156,059	1,021,005
Current tax liabilities	3	–	402,246
<b>Total current liabilities</b>		<b>6,797,795</b>	<b>7,686,719</b>
<b>Non-current liabilities</b>			
Borrowings	7	–	16,564
Provisions	11	46,255	83,454
Deferred tax liabilities	3	63,522	1,451,927
<b>Total non-current liabilities</b>		<b>109,777</b>	<b>1,551,945</b>
<b>Total liabilities</b>		<b>6,907,572</b>	<b>9,238,664</b>
<b>Net assets</b>		<b>15,081,938</b>	<b>20,839,645</b>
<b>Equity</b>			
Contributed equity	13	30,955,098	24,969,359
Reserves	16	295,050	654,185
Accumulated losses	16	(16,168,210)	(4,783,899)
<b>Total equity</b>		<b>15,081,938</b>	<b>20,839,645</b>

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 2018

	Contributed Equity \$	Employee Share Plan Reserve \$	Foreign Currency Translation Reserve \$	Accumula- ted Losses \$	Total \$
<b>At 30 June 2016</b>	13,723,974	41,222	(135,364)	1,063,975	14,693,807
Loss for the year	–	–	–	(5,847,874)	(5,847,874)
Other comprehensive income/(loss)	–	–	587,176	–	587,176
Total comprehensive income/(loss) for the year	–	–	587,176	(5,847,874)	(5,260,698)
<b>Transactions with owners in their capacity as owners</b>					
Recognition of share- based payments	–	161,151	–	–	161,151
Issue of share capital	11,565,561	–	–	–	11,565,561
Capital raising costs	(320,176)	–	–	–	(320,176)
<b>At 30 June 2017</b>	24,969,359	202,373	451,812	(4,783,899)	20,839,645
Loss for the year	–	–	–	(11,384,311)	(11,384,311)
Other comprehensive income/(loss)	–	–	(481,747)	–	(481,747)
Total comprehensive income/(loss) for the year	–	–	(481,747)	(11,384,311)	(11,866,058)
<b>Transactions with owners in their capacity as owners</b>					
Recognition of share- based payments	–	122,612	–	–	122,612
Issue of share capital	6,206,919	–	–	–	6,206,919
Capital raising costs	(221,180)	–	–	–	(221,180)
<b>At 30 June 2018</b>	30,955,098	324,985	(29,935)	(16,168,210)	15,081,938

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 2018

	Note	2018 \$	2017 \$
<b>Cash flows used in operating activities</b>			
Receipts from customers		21,177,089	14,221,566
Payments to suppliers and employees		(24,124,418)	(19,902,012)
Interest received		6,576	37,263
R&D grant received		2,690,218	2,440,024
Interest paid		(46,552)	(112,993)
Tax paid		(9,593)	(306,817)
<b>Net cash outflow used in operating activities</b>	12(b)	<b>(306,680)</b>	<b>(3,622,969)</b>
<b>Cash flows used in investing activities</b>			
Payments for plant and equipment		(587,822)	(448,153)
Payments for intangible assets		(2,810,682)	(4,669,320)
<b>Net cash outflow used in investing activities</b>		<b>(3,398,504)</b>	<b>(5,117,473)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issues of shares		6,206,919	11,565,561
Share issue expenses		(221,180)	(320,176)
Proceeds from borrowings		1,000,000	257,885
Repayment of borrowings		(1,392,630)	(243,401)
<b>Net cash inflow from financing activities</b>		<b>5,593,109</b>	<b>11,259,869</b>
<b>Net increase in cash and cash equivalents</b>			
		1,887,925	2,519,427
Cash and cash equivalents at the beginning of the year		3,139,852	633,489
Effect of foreign exchange on opening balances		102,875	(13,064)
<b>Cash and cash equivalents at the end of the year</b>	12(a)	<b>5,130,652</b>	<b>3,139,852</b>

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

## Note 1: Segment information

Operating segments were reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

The CODM is the Chief Executive Officer (CEO) who monitors the operating results of the consolidated group and organises its business activities and product lines to serve the global mass transit industry. The performance of the consolidated group is evaluated based on Earnings before Interest, Taxes, Depreciation and Amortisation (“EBITDA”) which is measured in accordance with the Group’s accounting policies.

The following is an analysis of the Group’s revenue and results from continuing operations by reportable segment. The comparative results have been adjusted to conform to changes in the presentation of the current period.

<b>Segment Revenues and Results</b>	<b>2018</b>		<b>2017</b>	
	\$		\$	
Sales Revenue	19,103,076		15,867,660	
Cost of Goods Sold	(15,899,380)		(12,093,221)	
<b>Gross Margin</b>	3,203,696		3,774,439	
<b>Gross Margin</b>	17%		24%	
Impairment of intangible assets	(5,163,573)		(261,456)	
Impairment of inventory	(2,045,819)		(258,128)	
Impairment of trade receivables	(383,015)		–	
Other Income	818,463		1,194,021	
Operational overheads	(3,618,772)	–	(2,675,437)	–
Corporate overheads	(2,938,626)	(6,557,398)	(4,798,426)	(7,473,863)
<b>EBITDA</b>	(10,127,646)		(3,024,987)	
Depreciation/amortisation	(2,997,747)		(1,802,083)	
<b>EBIT</b>	(13,125,393)		(4,827,070)	
Net Interest and finance loss	(39,976)		(75,729)	
<b>Net loss before tax</b>	(13,165,369)		(4,902,799)	
Tax benefit/(expense)	1,781,058		(945,075)	
<b>Net loss after tax</b>	(11,384,311)		(5,847,874)	

## Note 1: Segment information (cont'd)

<b>Segment Assets and Liabilities</b>	<b>2018</b>	<b>2017</b>
	\$	\$
<b>Total Assets &amp; Liabilities</b>		
Consolidated total assets	21,989,510	30,078,309
Consolidated total liabilities	6,907,572	9,238,664
<b>Geographical Assets</b>		
Australia	14,670,741	22,053,963
Others	7,318,769	8,024,346
	21,989,510	30,078,309
<b>Geographical Liabilities</b>		
Australia	5,582,756	8,102,508
Others	1,324,816	1,136,156
	6,907,572	9,238,664

### **Major customers**

DTI supplies goods and services to a broad range of customers in the transit industry. During the reporting period, four (2017: two) major customers accounted for in excess of 30 per cent (2017: 25 per cent) of group revenue.

## 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 or at the point where billing threshold has been met.

Service revenue is recognised when the fees in respect of services rendered are earned, usually when services have been provided to customers or as per terms and conditions of service contracts.

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

	<b>2018</b>	<b>2017</b>
	\$	\$
<b>(a) Revenue</b>		
Revenue from installation and sale of goods	16,192,063	13,214,665
Revenue from maintenance services	2,911,013	2,652,995
	19,103,076	15,867,660
<b>(b) Other Income</b>		
R&D grant (i)	347,450	1,194,021
Foreign exchange gain	471,013	–
	818,463	1,194,021

## Note 2: Revenue and expenses (cont'd)

### (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.

The requirements of AASB 120: Government Grants, R&D Grant Income, requires that income earned from the grant in relation to expenditure on capitalised intangible assets, are offset against the value of those intangible assets. This is done after reducing it by the amount of amortisation recognised in the financial year as follows:

	2018 \$	2017 \$
R&D grant income earned in current year	1,158,169	3,108,001
R&D grant income offset (included in Note 10)	(810,719)	(1,913,980)
R&D grant income recognised in the Statement of Profit or Loss and Other Comprehensive Income	347,450	1,194,021
	2018 \$	2017 \$
<b>(c) Net finance costs</b>		
Interest expense	(46,552)	(112,993)
Interest received	6,576	37,264
	(39,976)	(75,729)
<b>(d) Share-based payment expense</b>		
Employee share based payment expense	(122,612)	(161,151)
<b>(e) Depreciation and amortisation expense</b>		
Depreciation	(469,603)	(545,963)
Amortisation	(2,528,144)	(1,256,120)
	(2,997,747)	(1,802,083)
<b>(f) Impairment expense</b>		
Inventory	(2,045,819)	(258,128)
Intangible assets	(5,163,573)	(261,456)
Trade receivables	(383,015)	–
	(7,592,407)	(519,584)
<b>(g) Employee benefits – Wages &amp; Salaries</b>	(7,657,246)	(7,506,765)
<b>(h) Foreign exchange losses</b>	–	(165,680)

## 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.

## Note 3: Income tax (cont'd)

	2018 \$	2017 \$
<b>(a) Income tax (benefit)/expense</b>		
Current tax expense	–	402,246
Deferred tax	(1,388,405)	430,722
Adjustments for current tax of prior periods	(392,653)	112,107
	<u>(1,781,058)</u>	<u>945,075</u>
<b>(b) Numerical reconciliation of income tax (benefit)/expense to prima facie tax (receivable)/payable</b>		
Loss before income tax (benefit)/expense	(13,165,369)	(4,902,799)
Prima facie tax benefit on loss at 27.5% (2017:30%)	(3,620,476)	(1,470,840)
Tax effect of:		
R&D tax incentive	135,386	1,785,243
Other	80,035	(1,469)
Other non-deductible	1,122,342	186,435
Under/over (prior year adjustments and deferred tax)	(448,334)	(22,134)
Effect of lower / higher statutory income tax rate in the UK and USA	225,918	171,174
Deferred taxes previously unrecognised	–	(3,083)
Deferred taxes not brought to account	724,071	299,749
	<u>(1,781,058)</u>	<u>945,075</u>
<b>(c) Deferred income tax balances recognised in the accounts</b>		
<b>Deferred tax liabilities</b>		
Work in progress	(1,562,306)	(2,172,934)
Unrealised foreign exchange gain	(181,474)	–
Property, plant and equipment	(10,617)	(10,617)
Project WIP	(329,103)	(287,165)
Set off of deferred tax liabilities	2,019,978	1,018,789
Net recognised deferred tax liability	<u>(63,522)</u>	<u>(1,451,927)</u>
<b>Deferred tax assets</b>		
Annual leave provision	199,967	237,560
Long service leave provision	84,724	52,377
Accrued audit fees and other creditors	102,300	58,290
Superannuation provision	14,048	53,781
Patents	10,503	10,503
Capital raising fees	148,159	156,657
Provision for diminution in trading stock	10,500	48,900
Provision for doubtful debts	109,211	2,295
Tax losses carried forward	1,769,649	603,442
Set off of deferred tax liabilities	(2,019,979)	(1,018,789)
Unrealised foreign exchange gain/losses	–	90,679
Development costs	286,561	–
Deferred tax asset not brought to account as realisation is not probable	(715,643)	(295,695)
Net recognised deferred tax assets	<u>–</u>	<u>–</u>

## Note 3: Income tax (cont'd)

Net deferred tax assets are 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.

	2018 \$	2017 \$
<b>(d) Current tax liabilities</b>		
Income tax payable	–	402,246

Franking credits available for this financial year is \$44,481 (2017:\$5,978).

	2018 \$	2017 \$
<b>(e) Reconciliation</b>		
The overall movement in deferred tax account is as follows:		
Opening balance	(1,451,927)	(1,021,205)
Charge to statement of profit or loss and other comprehensive income	1,388,405	(430,722)
Closing balance	(63,522)	(1,451,927)

## Note 4: Cash and cash equivalents

	2018 \$	2017 \$
Cash	5,130,652	3,139,718
Petty Cash	–	134
	5,130,652	3,139,852

## Note 5: Trade and other receivables

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

### Significant Estimate

#### Trade Receivable

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.



## Note 5: Trade and other receivables (cont'd)

**R&D Grant Receivable**

R&D Receivable is based on best estimate prepared by the Group's tax advisor.

	2018 \$	2017 \$
<b>Current</b>		
Trade receivables (net of impairment)	5,959,021	8,603,337
GST/VAT receivables	218,056	102,944
R&D grant/income tax receivable	1,158,169	3,108,001
	<u>7,335,246</u>	<u>11,814,282</u>
<b>Non-current</b>		
Accrued debtors	–	285,195

**(a) Impaired trade receivables**

At 30 June 2018 current trade receivables of the Group with a value of \$383,015 (2017: \$7,651) were impaired.

It was assessed that a nominal portion of these receivables is expected to be recovered and the full amount has been provided for.

	2018 \$	2017 \$
<b><i>Movements in the provision for impairment of receivables are as follows:</i></b>		
Opening at 1 July	7,651	7,651
Receivable written off during the year as uncollectable	383,015	–
Amount recovered	(26,628)	–
Closing at 30 June	<u>364,038</u>	<u>7,651</u>

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 2018 trade receivables of \$1,921,471 (2017: \$2,159,232) were past due, but not impaired. These relate to a number of independent customers for whom there is no recent history of default. DTI is confident that these receivables are collectible and are active in the management and reduction of these overdue amounts. The ageing analysis of these trade receivables is as follows:

## Note 5: Trade and other receivables (cont'd)

	2018 %	2017 %	2018 \$	2017 \$
Up to 3 months	71	34	1,357,065	728,314
3 to 6 months	6	16	114,481	340,450
Over 6 months	23	50	449,925	1,090,468
	100	100	1,921,471	2,159,232

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 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 14.

### (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.

## Note 6: 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.

	2018 \$	2017 \$
Trade payables	4,873,882	5,054,932
Other payables	581,994	275,507
ATO and HMRC (including PAYG)	–	152,370
Superannuation liability	46,826	179,270
FBT liability	–	49,898
Payroll tax liability	26,068	62,459
	5,528,770	5,774,436

### Risk exposure

Information about the Group's exposure to foreign exchange is provided in Note 14.

## Note 7: Borrowings

In December 2015 and April 2016, the Company 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 \$112,966 at interest rates of 3.99 per cent and 3.90 per cent respectively. The loans are repayable monthly over a 36 month period and will be fully paid off in April 2019.

	2018 \$	2017 \$
<b>Current Secured:</b>		
Net carrying amount – Capital Finance Australia Ltd loan	16,564	24,385
Net carrying amount – ANZ Ltd loan	96,402	271,233
Net carrying amount – Monument Premium Funding	–	193,414
	<u>112,966</u>	<u>489,032</u>
<b>Non-current Secured:</b>		
Net carrying amount – Capital Finance Australia Ltd loan	–	16,564
Net carrying amount – ANZ Ltd loan	–	–
	<u>–</u>	<u>16,564</u>

- Further information on loans to related parties is set out in Note 22.
- The loans were based on normal commercial terms and conditions.
- Refer to Note 14 for risk exposures and risk management details.
- Refer to Note 15 for capital 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 utilised at 30 June 2018 was \$112,966 (2017:\$517,735).

### Reconciliation of borrowings arising from financing activities:

	2017 \$	Cash flows \$	Non-cash changes Addition \$	Fair value changes \$	2018 \$
Borrowings	<u>505,596</u>	<u>(392,630)</u>	–	–	<u>112,966</u>

## Note 8: Inventories

	2018 \$	2017 \$
Raw materials / unassembled stock	9,043,371	6,944,172
Work in progress	1,036,774	1,478,087
Impairment of inventory (i)	(2,045,819)	(258,128)
Provision for inventory obsolescence (ii)	(35,000)	(163,987)
	7,999,326	8,000,144

- (i) An impairment adjustment of \$2,045,819 (2017:\$258,128) was provided for components and finished goods relating to projects that were not deemed to be recoverable.
- (ii) A provision for inventory obsolescence of \$35,000 (2017:\$163,987) is included in the cost of goods sold in the statement of profit or loss and other comprehensive income. In determining the obsolescence provision management reviewed all inventory items and assessed future demand for these items along with projected maintenance requirements for the support of existing contracts over the coming years.

**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 9: Property, plant and equipment

	2018 \$	2017 \$
<b>Buildings</b>		
At cost	126,525	124,826
Less accumulated depreciation	(71,314)	(59,303)
	55,211	65,523
<b>Workshop and R&amp;D plant and equipment</b>		
At cost	2,055,314	1,518,122
Less accumulated depreciation	(1,227,761)	(901,579)
	827,553	616,543
<b>Office equipment and software</b>		
At cost	1,378,448	1,329,517
Less accumulated depreciation	(1,192,441)	(1,073,444)
	186,007	256,073
<b>Motor vehicles</b>		
At cost	214,891	214,891
Less accumulated depreciation	(168,755)	(156,342)
	46,136	58,549
Written Down Value	1,114,907	996,688
<b>Movements in carrying amounts:</b>		
<b>Buildings</b>		
Balance at the beginning of the year	65,523	73,966
Additions	1,699	5,156
Depreciation expense	(12,011)	(13,599)
Carrying amount at the end of the year	55,211	65,523
<b>Workshop and R&amp;D plant and equipment</b>		
Balance at the beginning of the year	616,543	641,507
Additions	537,192	289,807
Depreciation expense	(326,182)	(314,771)
Carrying amount at the end of the year	827,553	616,543
<b>Office equipment and software</b>		
Balance at the beginning of the year	256,073	296,528
Additions	48,931	157,759
Depreciation expense	(118,997)	(198,214)
Carrying amount at the end of the year	186,007	256,073
<b>Motor vehicles</b>		
Balance at the beginning of the year	58,549	77,928
Depreciation expense	(12,413)	(19,379)
Carrying amount at the end of the year	46,136	58,549

**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.

## Note 9: Property, plant and equipment (cont'd)

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 10: Intangible assets

	Development Costs \$	Goodwill \$	Patents \$	Total \$
<b>At 30 June 2018</b>				
Cost (gross carrying amount)	15,833,540	2,432	483,742	16,319,714
Accumulated amortisation	(7,271,345)	–	(167,936)	(7,439,281)
Impairment expense	(5,422,597)	(2,432)	–	(5,425,029)
R&D grant income not recognisable	(3,139,598)	–	–	(3,139,598)
Net carrying amount	–	–	315,806	315,806
<b>Movements in carrying amounts</b>				
Balance at 1 July 2017	5,291,134	2,432	314,310	5,607,876
Additions	2,755,014	–	55,668	2,810,682
Amortisation expense	(2,473,972)	–	(54,172)	(2,528,144)
Impairment expense	(5,161,141)	(2,432)	–	(5,163,573)
R&D grant income not recognisable	(810,719)	–	–	(810,719)
R&D grant income not received	399,684	–	–	399,684
Net carrying amount	–	–	315,806	315,806
<b>At 30 June 2017</b>				
Cost (gross carrying amount)	13,078,526	2,432	428,074	13,509,032
Accumulated amortisation	(4,797,373)	–	(113,764)	(4,911,137)
Impairment expense	(261,456)	–	–	(261,456)
R&D grant income not recognisable	(2,728,563)	–	–	(2,728,563)
Net carrying amount	5,291,134	2,432	314,310	5,607,876
<b>Movements in carrying amounts</b>				
Balance at 1 July 2016	4,128,417	2,432	239,263	4,370,112
Additions	4,549,451	–	119,869	4,669,320
Amortisation expense	(1,211,298)	–	(44,822)	(1,256,120)
Impairment expense	(261,456)	–	–	(261,456)
R&D grant income not recognisable	(1,913,980)	–	–	(1,913,980)
Net carrying amount	5,291,134	2,432	314,310	5,607,876

## Note 10: Intangible assets (cont'd)

### Accounting Policy

#### *Amortisation of Capitalised Development Costs*

In prior financial 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.

#### *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 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.

## Note 10: Intangible assets (cont'd)

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

<b>Policy</b>	<b>Patents</b>	<b>Development Costs</b>
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

### Significant estimates: Useful life of Patents and Development cost

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 net development costs 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

#### (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 per cent of Virtual Observer Pty Ltd on 28 June 2012 and represents the difference between the purchase price and the net liabilities. This is fully impaired as at 30 June 2018

#### (c) Patents

Patents have been externally acquired and are carried at cost less accumulated amortisation and 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.



## Note 10: Intangible assets (cont'd)

### (d) Impairment

As at 30 June 2018, the market capitalisation of DTI did not exceed its net assets, which is an indicator of asset impairment under accounting standards. For the purpose of impairment testing the intangibles are allocated to one Cash-generating unit (CGU) on the group level. The recoverable amount of the CGU was then determined using the value in use model which requires the use of key assumption and judgements relating to future revenues, anticipated gross profit margin, growth rates expected and discount rate. The calculations use cash flow projections based on financial budgets approved by the board covering a period of five years.

The Board determined that the underlying assumptions supporting the impairment model were sufficiently sensitive to create uncertainty of the model outcomes. As a result, the Board has taken the decision to impair the balance of capitalised development costs by \$5,163,573 (2017:\$261,456) to a nil amount.

## Note 11: Provisions

	2018 \$	2017 \$
<b>Current</b>		
Employee entitlements – long service leave	236,158	91,136
Employee entitlements – annual leave	668,901	795,570
Provision for warranty	251,000	134,299
	1,156,059	1,021,005
<b>Non-current</b>		
Employee entitlements – long service leave	46,255	83,454

### 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.

The provision for warranty claims represents the present value of the directors' best estimate of the future outflow of economic benefits that will be required under the group's obligations for warranties under local sale of goods legislation. The estimate has been made on the basis of historical warranty trends and may vary as a result of new materials, altered manufacturing processes or other events affecting product quality.

## Note 12: 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:

	2018 \$	2017 \$
Australian Dollar bank accounts	4,285,655	820,680
British Sterling bank accounts	70,887	93,363
US Dollar bank accounts	254,622	1,900,285
Euro bank accounts	519,488	325,390
Petty cash	–	134
	5,130,652	3,139,852

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

	2018 \$	2017 \$
<b>Net loss after tax</b>	(11,384,311)	(5,847,874)
<i>Non-cash items:</i>		
Depreciation and amortisation	2,997,747	1,802,083
Employee share plan expense	122,612	161,151
Impairment of intangible assets	5,163,573	261,456
R&D grant income offset against intangible assets	810,719	1,913,980
R&D grant income not received	(399,684)	–
Exchange differences on foreign operations	(584,622)	595,671
<b>Change in operating assets and liabilities</b>		
Decrease/(increase) in trade and other receivables	4,764,231	(3,054,162)
Decrease/(increase) in inventories	818	(2,155,408)
Decrease/(increase) in other assets	140,699	(101,998)
(Decrease)/increase in trade and other payables	(245,666)	1,758,938
Increase in provision	97,855	404,936
(Decrease)/increase in tax liabilities	(402,246)	207,536
(Decreased)/increase in deferred tax	(1,388,405)	430,722
Net outflow from operating activities	(306,680)	(3,622,969)

### Non-cash financing and investing activities

Shares were issued to employees on the conversion of options under the DTI Employee Option Plan (refer Note 17: Share-based payments).

## Note 13: Contributed equity

	2018 No.	2018 \$	2017 No.	2017 \$
<b>Ordinary shares</b>				
Balance at the beginning of financial year	124,671,579	24,969,359	91,627,118	13,723,974
Issued of share capital	88,670,271	6,206,919	33,044,461	11,565,561
Capital raising costs	–	(221,180)	–	(320,176)
Shares exercised under employee share plan	47,025	–	–	–
Balance at the end of the financial year*	213,388,875	30,955,098	124,671,579	24,969,359

\*Balance excludes Treasury Shares held in trust for DESP. Balance of Treasury shares is 1,952,975 shares.

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  
**Employee Share Plan**

The DTI Employee Share Plan (DESP) has been established by the Board to permit shares to 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 issued 2,000,000 DESP shares to the Trustee on 15 April 2016 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. As at 30 June 2018, 47,025 shares had vested with eligible employees and transferred to them, 933,642 shares had vested with eligible employees, but remain registered with the Trustee, 545,333 had been allocated to eligible employees and not yet vested and 474,000 shares remain unallocated.

Treasury shares are shares in the Company that are held by DTI Capital Ltd for issuing shares under the DESP. The shares are held as treasury shares until 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 14: 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 2018. 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			Total Contractual Cash Flows \$	Total Carrying Value \$	Weighted Average Active Interest Rate %
	1 Year or Less \$	Over 1 to 2 Years \$	Over 2 Years \$			
<b>30 June 2018</b>						
<b>Financial Liabilities</b>						
<b>Fixed rate</b>						
Other borrowings	114,645	–	–	114,645	112,966	3.90%
<b>Non-interest bearing</b>						
Payables	5,528,770	–	–	5,528,770	5,528,770	–
	5,643,415	–	–	5,643,415	5,641,736	–
	Maturing			Total Contractual Cash Flows \$	Total Carrying Value \$	Weighted Average Active Interest Rate %
	1 Year or Less \$	Over 1 to 2 Years \$	Over 2 Years \$			
<b>30 June 2017</b>						
<b>Financial Liabilities</b>						
<b>Fixed rate</b>						
Other borrowings	507,117	16,923	–	524,040	505,596	6.7%
<b>Non-interest bearing</b>						
Payables	5,777,436	–	–	5,777,436	5,777,436	–
	6,284,553	16,923	–	6,301,476	6,283,032	

## Note 14: Financial risk management (cont'd)

**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 24.

**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.

**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 2018			30 June 2017		
	USD \$	EUR \$	GBP \$	USD \$	EUR \$	GBP \$
Cash	254,622	519,488	70,887	423,765	325,390	93,363
Trade and other debtors	2,806,817	1,745,707	242,354	3,985,984	1,861,763	1,909,039
Trade and other payables	(4,057,378)	(4,824)	(199,319)	(4,241,787)	(22,274)	(334,987)
	(995,939)	2,260,371	113,922	167,962	2,164,879	1,667,415
Exchange rates	0.74	0.63	0.56	0.77	0.67	0.59

**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 1.50 per cent (2017:1.68 per cent).

**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 2018 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.

## Note 14: Financial risk management (cont'd)

### *Foreign Exchange Rate Risk*

Based on the financial instruments held at 30 June 2018, had the Australian dollar weakened by 5 per cent 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 \$72,545 higher (2017:\$288,252 lower). If the Australian dollar had strengthened the corresponding impact would be a decrease 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 15: 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 per cent.

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 Company has been in technical breach of these Debt to EBITDA ratio covenants since 31 December 2016. ANZ has advised that it will take no recovery action as a result of this technical breach, with the next review of the facility due 30 September 2018.

As at 30 June 2018, the Debt to EBITDA ratio was negative 43.43 (2017:1.60) and the Borrowing Base Ratio was one per cent (2017:10 per cent).

## Note 16: Reserves and accumulated losses

	2018 \$	2017 \$
<b>Reserves</b>		
Employee Share Plan reserve	324,985	202,373
Foreign currency translation reserve	(29,935)	451,812
	<u>295,050</u>	<u>654,185</u>
<b>Employee Share Plan Reserve</b>		
Balance 1 July	202,373	41,222
Arising on share-based payments	122,612	161,151
Balance 30 June	<u>324,985</u>	<u>202,373</u>

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 for the full year.

	2018 \$	2017 \$
<b>Foreign currency translation reserve</b>		
Balance 1 July	451,812	(135,364)
Currency translation differences – current year	(481,747)	587,176
Balance 30 June	<u>(29,935)</u>	<u>451,812</u>

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

	2018 \$	2017 \$
<b>Accumulated losses</b>		
Balance 1 July	(4,783,899)	1,063,975
Net loss for the year	(11,384,311)	(5,847,874)
Balance 30 June	<u>(16,168,210)</u>	<u>(4,783,899)</u>

## Note 17: Share-based payments

Shares in the DTI Employee Share Plan (DESP) were issued to employees. Details of the DESP are in Note 13. No share based payments were made during the year ended 30 June 2018.

	2018		2017	
	Allocated	Avail. To Allocate	Allocated	Avail. To Allocate
Opening Balance	1,636,000	364,000	1,891,000	109,000
Shares Granted	–	–	–	–
Shares allocated	–	–	–	–
Shares vested to employees	–	–	–	–
Shares forfeited	(110,000)	110,000	(255,000)	255,000
Shares available / Closing Balance	1,526,000	474,000	1,636,000	364,000

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

## Note 18: 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. 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 with Capital Finance Australia Ltd for a period of five years 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 \$112,966 at interest rates of 3.99% and 3.90% respectively. The loans are repayable monthly over a 36 month period.



## Note 18: Capital and leasing commitments (cont'd)

	2018 \$	2017 \$
<i>Minimum finance lease payable:</i>		
Not later than 1 year	114,645	480,875
Later than 1 year but not later than 5 years	–	43,165
Minimum lease payments	114,645	524,040
Future finance charges	(1,679)	(18,444)
Present value of minimum lease payments	112,966	505,596

**(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 was offered an early lease sign-on benefit in August 2016, which extended the lease until 2022.

DTI EMEA Ltd 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.

	2018 \$	2017 \$
<i>Non-cancellable operating lease payable:</i>		
Not later than 1 year	145,732	138,946
Later than 1 year but not later than 5 years	612,834	466,665
	758,566	605,611

**(c) Bank Guarantees and Insurance Bonds**

	2018 \$	2017 \$
Bank guarantees for unconditional undertaking of contracts	107,800	400,063
Insurance bonds	7,063,370	3,545,586
	7,171,170	3,945,649

The Company has given bank guarantees relating to performance requirements of contracts. 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 (2017:\$107,800) is included in the amounts above.

The insurance bonds relate to guarantees to an unrelated party for the performance in a contract. No liability is expected to arise.

## Note 19: Contingent liabilities

There were no contingent liabilities or assets as at 30 June 2018.

## Note 20: 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 21: Earnings/(Loss) per share

### Basic Earnings / (Loss) 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 / (Loss) per Share

Diluted earnings/(loss) 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.

	2018 Cents per Share	2017 Cents per Share
<b>Loss per share</b>		
Basic loss per share (cents per share)	(8.72)	(5.32)
Diluted loss per share (cents per share)	(8.72)	(5.32)
	2018 \$	2017 \$
<b>Reconciliation of losses used in calculating loss per share</b>		
<i>The following reflects the income and share data used in the calculations of basic and diluted earnings per share:</i>		
Net loss used in calculating basic and diluted earnings per share	(11,384,311)	(5,847,874)
	2018 Number of Shares	2017 Number of Shares
<b>Weighted average number of shares used as the denominator</b>		
Weighted average number of ordinary shares used in calculating basic earnings/(loss) per share	124,671,579	91,627,118
Weighted average additional shares issued during the period	5,830,794	18,301,836
Adjusted weighted average number of ordinary shares used in calculating diluted earnings/(loss) per share	130,502,373	109,928,954

## Note 22: Related-party transactions

**(a) Key management personnel**

	2018 \$	2017 \$
<b>Compensation by category: key management personnel</b>		
Short-term benefits	1,072,812	930,922
Long-term benefits	4,000	5,954
Post-employment benefits	86,898	64,670
Share based payments	–	6,527
	<b>1,163,710</b>	<b>1,008,073</b>

Computershare Investor Services Pty Limited provides share registry service to DTI. Chris Morris (Non-Executive Chairman of DTI) was a Non-Executive Director of Computershare Limited. DTI paid Computershare Investor Services Pty Limited a total amount of \$37,152 (2017:\$52,380) during the current year. An amount of \$15,355 (2017: \$29,001) was paid in relation to the capital raising and \$21,797 (2017: \$23,379) relates to normal trading activities. 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 15 to 24.

**(b) Subsidiaries**

The consolidated financial statements include the following subsidiaries:

Name	Incorporation	Shares	Equity %	
			2018	2017
DTI Capital Pty Ltd	Australia	Ordinary	100	100
Virtual Observer Pty Ltd	Australia	Ordinary	100	100
DTI EMEA Ltd	UK	Ordinary	100	100
DTI USA Holdings Inc	USA	Ordinary	100	100
DTI USA Inc <sup>(i)</sup>	USA	Ordinary	100	100
Digital Technology International (SA) Proprietary Limited <sup>(ii)</sup>	South Africa	Ordinary	100	n/a

(i) This entity is owned by DTI USA Holdings Inc.

(ii) On 11 July 2017, DTI EMEA Ltd incorporated a wholly owned subsidiary in South Africa, Digital Technology International (SA) Proprietary Limited.

## Note 23: Parent entity financial information: DTI Group Ltd

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

	2018 \$	2017 \$
<b>Statement of Financial Position</b>		
<b>Assets</b>		
Current assets	13,302,512	15,522,564
Non-current assets	6,225,185	13,492,442
<b>Total assets</b>	<b>19,527,697</b>	<b>29,015,006</b>
<b>Liabilities</b>		
Current liabilities	4,368,709	6,556,695
Non-current liabilities	77,050	1,588,341
<b>Total liabilities</b>	<b>4,445,759</b>	<b>8,145,036</b>
<b>Net Assets</b>	<b>15,081,938</b>	<b>20,869,970</b>
<b>Shareholders' equity:</b>		
Issued capital	30,955,098	24,969,359
Employee share plan reserve	324,985	202,373
Accumulated losses	(16,198,145)	(4,301,762)
<b>Total Equity</b>	<b>15,081,938</b>	<b>20,869,970</b>
<b>Statement of Profit or Loss and Other Comprehensive Loss</b>		
Loss for the year	(11,896,383)	(5,230,371)
Other comprehensive loss	-	-
<b>Total comprehensive loss</b>	<b>(11,896,383)</b>	<b>(5,230,371)</b>

## Note 24: 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 65 dated 29 August 2018.

### 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.

Refer to Note 24(h) for future disclosure on significant accounting estimates and judgement.

### 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 2018 and the comparative information presented in these financial statements for the year ended 30 June 2017.

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.

## Note 24: Summary of significant accounting policies (cont'd)

### **(a) Principles of consolidation (cont'd)**

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 5 & 7) 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').

## Note 24: Summary of significant accounting policies (cont'd)

### (d) Foreign currency (cont'd)

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.

## Note 24: Summary of significant accounting policies (cont'd)

### (e) Goods and services tax (cont'd)

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) Comparative Figures

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

### (g) New accounting standards and Australian accounting interpretations

*New and amended accounting standards adopted*

#### **New and amended standards adopted by the Group**

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2017:

- AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses
- AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107, and
- AASB 2017-2 Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle

The adoption of these amendments did not have any impact on the amounts recognised in prior periods and will also not affect the current or future periods.

The amendments to AASB 107 require disclosure of changes in liabilities arising from financing activities, see note 7.



## Note 24: Summary of significant accounting policies (cont'd)

### *New accounting standards and interpretations not yet adopted*

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2018 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.

<b>AASB Amendment</b>	<b>Affected Standard(s)</b>	<b>Nature of Change to Accounting Policy</b>	<b>Impact</b>	<b>Application Date of Standard</b>	<b>Application Date for Group (Year ended)</b>
AASB 9	Financial Instruments	Changes to classification and measurement requirements of financial instruments and hedge accounting	The entity has short term trade receivables. When this Standard is adopted, the entity's loss allowance of trade receivables is expected to increase. The group is currently assessing the impact of this transition at 1 July 2018.	1 Jan 2018	30 Jun 2019
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	The entity operates in the technology industry in the provision of sales of goods and services and recognises revenue when significant risk and control of ownership of the goods have passed to the customer and can be measured reliably. For sales of goods, revenue is recognised at time of delivery to the customer and for services when the services are performed over the period of the contract. When the Standard is first adopted, the likely impact would be the allocation of revenue based on standalone selling price on the various performance obligation in a contract/purchase order which would be sale of goods,	1 Jan 2018	30 Jun 2019

AASB Amendment	Affected Standard(s)	Nature of Change to Accounting Policy	Impact	Application Date of Standard	Application Date for Group (Year ended)
			<p>installation and maintenance/ technical support. This may result in revenue being deferred on transition date 1 July 2018. At 30 June 2018, the group is still assessing the quantification of the impact.</p>		
<p>Interpretation 22</p>	<p>Foreign Currency Transactions and Advance Consideration</p>	<p>Where foreign currency consideration is received or paid in advance under AASB 121 The Effects of Changes in Foreign Exchange Rates, the interpretation clarifies that the related asset, expense or income is recognised using the exchange rate on the date that the non-monetary asset (prepayment) or non-monetary liability (deferred income) is initially recognised.</p>	<p>The entity currently recognises assets, expenses and income arising from advance receipts and payments in a foreign currency at the exchange rate on the date that they qualify for recognition under Australian Accounting Standards (i.e. the date that the prepayment and deferred income amounts are derecognised). Any difference between the amounts recognised for assets, expenses and income and the related prepayment and deferred income is recognised in profit or loss.</p> <p>From 1 July 2018, assets, expenses and income will be recognised on derecognition of prepayments and deferred income at the exchange rate on the date that the prepayment or</p>	<p>1 Jan 2018</p>	<p>30 Jun 2019</p>

AASB Amendment	Affected Standard(s)	Nature of Change to Accounting Policy	Impact	Application Date of Standard	Application Date for Group (Year ended)
			<p>deferred income was originally paid or received.</p> <p>Comparatives will not be restated.</p>		
AASB 16	Leases	<p>AASB 16 eliminates the operating and finance lease classifications for leases currently accounted for under <i>AASB 117 Leases</i>. 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.</p> <p>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.</p>	<p>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.</p> <p>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 straight line expense incurred under <i>AASB 117 Leases</i>.</p> <p>This trend will reverse</p>	1 Jan 2019	30 Jun 2020

AASB Amendment	Affected Standard(s)	Nature of Change to Accounting Policy	Impact	Application Date of Standard	Application Date for Group (Year ended)
			in the later years. The Group will make a more detailed assessment of the impact over the next 12 months.		

## Note 24: Summary of significant accounting policies (cont'd)

### **(h) 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 2018 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 2018.

#### *Inventory obsolescence*

Inventories are accounted for in accordance with the accounting policy detailed in Note 8. 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 three consecutive years with no movement and/or stock sold in a 12 month period is less than 20 per cent of the stock on hand, a provision for obsolescence is taken up. At 30 June 2018 management has determined that a provision for inventory obsolescence of \$35,000 (2017:\$163,987) after \$2,010,819 of impairment is required for inventory where net realisable value is lower than its cost.

#### *Development costs capitalised*

Development costs are carried at cost less accumulated amortisation and accumulated impairment losses. The net development costs 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

#### *Impairment*

As at 30 June 2018, the market capitalisation of DTI did not exceed its net assets, which is an indicator of asset impairment under accounting standards. . For the purpose of impairment testing the intangibles are allocated to one Cash-generating unit (CGU) on the group level. The recoverable amount of the CGU was then determined using the value in use model which requires the use of key assumption and judgements relating to future revenues, anticipated gross profit margin, growth rates expected and discount rate. The calculations use cash flow projections based on financial budgets approved by the board covering a period of five years.

The Board determined that the underlying assumptions supporting the impairment model were sufficiently sensitive to create uncertainty of the model outcomes. As a result, the Board has taken the decision to impair the balance of capitalised development costs by \$5,163,573 (2017:\$261,456) to a nil amount.

#### *Amortisation of intangible assets*

Intangible assets are amortised over their useful lives (5 to 10 years). 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.

## Note 24: Summary of significant accounting policies (cont'd)

### (i) Auditor's remuneration

	2018 \$	2017 \$
<b>BDO Audit (WA) Pty Ltd</b>		
Remuneration of the auditors of the entities for:		
Auditing or reviewing the current year financial report	51,500	50,000
Auditing or reviewing the half year review	30,750	25,771
	<u>82,250</u>	<u>75,771</u>
<b>BDO LLP</b>		
Remuneration of the auditors of the entities for:		
Auditing or reviewing the current year's financial report	18,928	21,497
Non-audit services performed by BDO during the year comprise:		
DTI EMEA Ltd Tax Consulting	7,234	8,610
Employee Share Plan Consulting	–	600

## Note 25: 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](http://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 25–64 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 2018 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:

A handwritten signature in blue ink, appearing to read 'Peter Tazewell', written over a faint blue circular stamp.

**Peter Tazewell**  
Managing Director

29 August 2018, Perth, Australia

## INDEPENDENT AUDITOR'S REPORT

To the members of DTI Group Ltd

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of DTI Group Ltd (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, 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, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the Corporations Act 2001, including:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the Corporations Regulations 2001.

#### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Financial Report section of our report. We are independent of the Group in accordance with the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

#### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



## Recoverability of Inventory

Key audit matter	How the matter was addressed in our audit
<p>As disclosed in Note 8 of the financial report, an impairment of inventory and provision for inventory obsolescence was recognised.</p> <p>This area is considered a key audit matter given the nature of inventories, the carrying value of inventory and the extent of management estimates and judgements involved in assessing inventory impairment and provisioning for obsolescence.</p> <p>Refer to Note 8 of the financial report for a description of the accounting policy and significant estimates and judgements applied to these arrangements.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• Reviewing inventory turnover for the period to ensure that appropriate levels of inventory is being held in relation to level of sales;</li> <li>• Selecting a sample from the inventory listing and agreeing to purchase invoices to ensure inventory items are initially recorded at their acquisition cost;</li> <li>• Assessing the net realisable value of inventories, by selecting items on a sample basis and comparing to the estimated selling price (less estimated costs of completion and estimated selling costs);</li> <li>• Assessing management’s estimation of costs to complete work in progress and anticipated selling costs of inventory based on sales contracts;</li> <li>• Reviewing the inventory ageing report to understand the nature and amount of any inventory provisioning for aged inventory;</li> <li>• Making enquiries of management regarding obsolete and slow moving inventory items, including inspecting the condition of inventory on hand to confirm saleability; and</li> <li>• Assessing the adequacy of financial report disclosures.</li> </ul>

## Recoverability of Intangible Assets

Key audit matter	How the matter was addressed in our audit
<p>As disclosed in Note 10 of the financial report, an impairment of intangible assets was recognised.</p> <p>This area is considered a key audit matter given the carrying value of intangible assets and the extent of management estimates and judgements specifically concerning a value in use cash flow forecast used in assessing the recoverability of the intangible assets.</p> <p>These judgements and estimates include the expectation of future revenues, anticipated gross profit margin, growth rates expected and the discount rate applied.</p> <p>Refer to Note 10 of the financial report for a description of the accounting policy and significant estimates and judgements applied to these arrangements.</p>	<p>Our procedures included, but were not limited to the following:</p> <ul style="list-style-type: none"> <li>• Assessing the appropriateness of the Group’s categorisation of Cash Generating Units (CGUs) and the allocation of assets to the carrying value of CGUs based on our understanding of the Group’s business and the Group’s internal reporting;</li> <li>• Evaluating management’s ability to accurately forecast cash flows by assessing the precision of the prior year forecasts against actual outcomes;</li> <li>• Assessing other observable indicators of fair value including the market capitalisation of the Group;</li> <li>• Evaluating management’s assumptions used in value-in-use model and fair value less cost of disposal model;</li> <li>• Challenging key inputs used in the discounted cash flows calculations including the following: <ul style="list-style-type: none"> <li>• Comparing the discount rate utilised by management to an independently calculated discount rate by our valuation specialist;</li> <li>• Comparing growth rates with historical data and economic and industry growth forecast;</li> <li>• Comparing the Group’s forecast cash flows to the board approved budget;</li> <li>• Performing sensitivity analysis on the revenue, growth rates and gross profit margins and discount rates;</li> </ul> </li> <li>• Assessing the adequacy related disclosures in Note 10 of the financial report</li> </ul>



## Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the directors 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 preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at:

[http://www.auasb.gov.au/auditors\\_responsibilities/ar1.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf)

This description forms part of our auditor's report.



## Report on the Remuneration Report

### Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 15 to 24 of the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of DTI Group Ltd, for the year ended 30 June 2018, complies with section 300A of the Corporations Act 2001.

### Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit (WA) Pty Ltd

A handwritten signature in blue ink, appearing to read 'Dean Just', is written over a faint, larger 'BDO' logo.

Dean Just

Director

Perth, 29 August 2018

## 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 2018, 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 Ltd and the entities it controlled during the period.



Dean Just  
Director

BDO Audit (WA) Pty Ltd  
Perth, 29 August 2018

<b>Directors</b>	Neil Goodey Peter Tazewell Richard Johnson Glyn Denison Jeremy King	Non-Executive Chairman Managing Director and Chief Executive Officer Executive Director Non-Executive Director Non-Executive Director
<b>Company Secretary</b>	Raj Surendran	
<b>Registered and Principal Office</b>	31 Affleck Road Perth Airport WA 6105 Telephone: (08) 9479 1195 Facsimile: (08) 9479 1190 Website: <a href="http://www.dti.com.au">www.dti.com.au</a>	
<b>Auditor</b>	BDO Audit (WA) Pty Ltd 38 Station Street Subiaco WA 6008	
<b>Share Registrar</b>	Computershare Investor Services Pty Limited Yarra Falls 452 Johnston Street Abbotsford Vic 3067	
<b>Corporate Advisor</b>	Pendulum Capital Pty Limited Level 1, 5 Ord Street West Perth WA 6005 Telephone: 08 9282 5400	
<b>Bankers</b>	Australia and New Zealand Banking Group Limited Allendale Square 77 St Georges Terrace Perth WA 6000	
<b>Stock Exchange Listing</b>	DTI Group Ltd shares are listed on the Australian Securities Exchange (ASX code: DTI)	

## Additional ASX Information



The shareholder information set out below was applicable at 27 August 2018.

### Ordinary Share Capital

215,341,850 fully paid ordinary shares (inclusive of DTI Treasury shares) held by 894 individual shareholders. All issued ordinary shares carry one vote per share and are entitled to dividends.

### Distribution of Holders of Equity Securities

Size of Holding	Number of Shareholders	Percentage of Shareholding
1 – 1,000	39	0.00
1,001 – 5,000	237	0.31
5,001 – 10,000	174	0.64
10,001 – 100,000	324	5.65
100,001 and over	106	93.40
<b>Total</b>	<b>880</b>	<b>100.00</b>

There were 329 holders of less than a marketable parcel of ordinary shares.

### Twenty Largest Registered Shareholders

Name	Number of Shares	Percentage of Issued Shares
JP MORGAN NOMINEES AUSTRALIA LIMITED	63,994,352	29.72
INVIA CUSTODIAN PTY LIMITED <THE MORRIS FAMILY A/C>	63,961,245	29.70
INDUCAM NV/C	6,203,078	2.88
BLUEKARA PTY LTD <GOODEY FAMILY A/C>	4,646,880	2.16
WOOD STREET PTY LTD	3,034,886	1.41
LEGRANDE INVESTMENTS PTY LTD	2,608,485	1.21
LTC MANAGEMENT PTY LTD	2,046,353	0.95
LTC MANAGEMENT PTY LTD <LTC SUPERANNUATION FUND>	2,007,642	0.93
MR LESLIE KROLL	2,000,000	0.93
MR GLYN DENISON <GLYN DENISON FAMILY A/C>	1,955,660	0.91
DTI CAPITAL PTY LTD	1,952,975	0.91
MR NEIL EDWARD GOODEY	1,928,318	0.90
ENERVIEW PTY LTD	1,700,000	0.79
FINESHORE PTY LTD <TUFILLI FAMILY A/C>	1,696,121	0.79
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,561,124	0.72
ANNAPURNA PTY LTD	1,500,000	0.70
BOND STREET CUSTODIANS LIMITED <SMET - D02102 A/C>	1,400,000	0.65
SUPER RAB PTY LTD <R A BLACK PERS S/F RAB A/C>	1,400,000	0.65
MR ADRIAN RICHARD CREEDON	1,300,000	0.60
BERNVILLE PTY LTD	1,200,000	0.56
<b>Total</b>	<b>168,097,119</b>	<b>78.06</b>

## Substantial Shareholders

The names of substantial shareholders which have notified the Company in accordance with section 671B of the Corporations Act 2001 are:

Name	Fully Paid Ordinary Shares	
	Number	%
Finico Pty Ltd & Associates	64,301,245	29.9
UIL Limited	54,502,619	25.3

## 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 per cent 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 (2017: Nil).

## On-market Buyback

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

<b>Company Secretary</b>	Raj Surendran
<b>Registered and Principal Office</b>	31 Affleck Road Perth Airport WA 6105 Telephone: (08) 9479 1195 Facsimile: (08) 9479 1190 Website: <a href="http://www.dti.com.au">www.dti.com.au</a>
<b>Share Registrar</b>	Computershare Investor Services Pty Limited Yarra Falls 452 Johnston Street Abbotsford Vic 3067