

# APPENDIX 4E AND FINANCIAL STATEMENTS

DTI Group Ltd  
30 June 2019

RESULTS FOR ANNOUNCEMENT TO THE MARKET



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Results for announcement to the market

Appendix 4E

Preliminary Final Report  
Period Ended 30 June 2019

Name of entity

DTI Group Ltd

ABN or equivalent company reference

15 069 791 091

Period ended ('Current Period')

30 June 2019  
Previous corresponding period: 30 June 2018

Extracts from this report for announcement to the market

				\$000s
Revenues from ordinary activities	Up	0.4%	to	19,176.9
Profit/(loss) from ordinary activities after tax attributable to members	Up	17.1%	to	(9,440.7)
Net profit/(loss) after tax for period attributable to members	Up	17.1%	to	(9,440.7)
<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 attached Audited Annual Report with the details and explanations provided in the accompanying financial statements for the year ended 30 June 2019.

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**Ratios and Other measures**

**NTA backing**

Net tangible asset backing per ordinary security

Current Period	Previous corresponding Period
\$0.023	\$0.068

**Dividends**

Date the dividend is payable

N/A
-----

Record date to determine entitlements to the dividend

N/A
-----

**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 2019 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 2019 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. The Independent auditor's report is included in the 2019 Audited Annual Report. Note 19 in the financial report describes the events and conditions which give rise to the existence of a material uncertainty that may cast doubt about the Group's ability to continue as a going concern. The audit opinion is not modified in respect of this matter.

*Michelle Kong*

MICHELLE KONG  
Chief Financial Officer

30 August 2019  
Perth, Western Australia

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# Annual Report 2019

D T I G R O U P L T D

ABN 15 069 791 091



## 2019 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 2019 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:

### **Greg Purdy**

*Non-Executive Chairman*

#### *Qualifications & Experience:*

Greg Purdy was appointed to the Board on 16 October 2018 and the role of Non-Executive Chairman of DTI on 20 November 2018. Mr Purdy is a member of the Australian Institute of Company Directors.

Mr Purdy is an experienced corporate executive with a strong background in technology and communications companies and execution of major technology projects. Mr Purdy is a former senior executive with Hewlett Packard, Telstra and the Tenix Group.

#### *Other Directorships:*

Non-Executive Director of NTT DATA Australia.

### **Steve Gallagher**

*Independent Non-Executive Director*

#### *Qualifications & Experience:*

Steve Gallagher was appointed to the Board on 16 October 2018 and is a member of the Australian Institute of Company Directors and holds a Bachelor of Engineering (Honours) from the University of Melbourne and Bachelor of Commerce from Monash University.

Mr Gallagher has experience in industrial automation, building technology, power systems and payment solutions and has held senior executive positions with a range of engineering technology companies including Vix Technology, ERG Ltd and Siemens AG. More recently Steve was a director of Hong Kong listed CCRTT, a Chinese government-controlled corporation specialising in the development of urban rail transit systems and technology applications for intelligent rail transport.

#### *Other Directorships:*

Non-Executive Director with Optal Ltd, Vix Technology Ltd, Ventura Bus Lines Pty Ltd and Transact1 Pty Ltd.

### **Neil Goodey**

*Independent Non-Executive Director*

#### *Qualifications & Experience:*

Neil Goodey resigned from the role of Non-Executive Chairman of DTI on 20 November 2018 and remains as Non-Executive Director from that date. Mr Goodey co-founded DTI in 1995 and held the position of Managing Director until 2008.

Over the last 27 years, Mr Goodey has founded and managed a number of successful technology-driven companies. He created the software-focused vision for DTI and worked directly with the Company's engineering team to develop DTI's products and underlying intellectual property.

#### *Other Directorships:*

None

**Andrew Lewis***Independent Non-Executive Director**Qualifications & Experience:*

Andrew Lewis was appointed to the Board on 16 October 2018. Mr Lewis holds a Bachelor of Economics from Monash University and has a background in real estate, hospitality and project management and currently holds a senior management position with Morris Group, a privately held business operating across tourism, hospitality, renewable energy, finance, technology and aviation.

*Other Directorships:*

None

**Peter Tazewell***Managing Director**Qualifications & Experience:*

Peter Tazewell resigned from the Board on 30 June 2019. 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 resigned from the board on 16 October 2018. Mr Johnson has more than 20 years' experience in the transit technology sector.

*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***Independent Non-Executive Director**Qualifications & Experience:*

Glyn Denison resigned from the Board on 20 November 2018. 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.

*Education:*

Bachelor of Engineering – University of Western Australia

Diploma in Business and Administration – Curtin University

*Other Directorships:*

Non-Executive Chairman of McDowall Affleck Pty Ltd and Wesbuilders Cooperative Limited.

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## **Jeremy King**

*Independent Non-Executive Director*

### *Qualifications & Experience:*

Jeremy King resigned from the Board on 17 January 2019. He is a qualified lawyer with 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.

### *Education:*

Bachelor of Laws – University of Western Australia

### *Other Directorships:*

Non-Executive Director of Transcendence Technologies Ltd, HER Resources Ltd, Red Mountain Mining Ltd, Cott Oil and Gas Ltd, Smart Parking Limited and Pure Minerals Limited. Formerly a Non-Executive Director of CEB Resources plc and Orca Energy Limited and Chairperson of Continuation Investments Ltd.

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**

### **Ian Hobson**

Mr Ian Hobson was appointed as Company Secretary on 21 February 2019. He is a member of the Institute of Chartered Accountants, Chartered Secretaries Australia and the Australian Institute of Company Directors. My Hobson has previously held senior positions with PwC, Sanford Securities, Ferrier Hodgson and, most recently has owned and operated his own Chartered Accountant and Chartered Company Secretary service.

### **Raj Surendran**

Mr Raj Surendran resigned from the position of Company Secretary on 8 February 2019. He is a qualified accountant and holds a MBA from the University of Western Australia.

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## 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	Held	Attended
<b>G Purdy<sup>1</sup></b>	6	6
<b>S Gallagher<sup>2</sup></b>	6	6
<b>N Goodey</b>	8	8
<b>A Lewis<sup>3</sup></b>	6	6
<b>P Tazewell<sup>4</sup></b>	8	8
<b>R Johnson<sup>5</sup></b>	2	2
<b>G Denison<sup>6</sup></b>	4	3
<b>J King<sup>7</sup></b>	4	4

1. Mr Purdy was appointed to the Board on 16 October 2018 and as Chairman on 20 November 2018.
2. Mr Gallagher was appointed to the Board on 16 October 2018.
3. Mr Lewis was appointed to the Board on 16 October 2018.
4. Mr Tazewell resigned from both the Board and ceased to be KMP on 30 June 2019.
5. Mr Johnson resigned from the Board on 16 October 2018 and ceased to be KMP on 14 August 2019.
6. Mr Denison resigned from the Board on 20 November 2018.
7. Mr King resigned from the Board on 17 January 2019.

## 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 and transit 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 2019.

		FY19	FY18	FY17	FY16	FY15
<b>Revenue</b>	\$	19,176,894	19,103,076	15,867,660	16,216,338	14,705,897
<b>EBITDA</b>	\$	(8,179,879)	(10,127,646)	(3,024,987)	3,645,667	1,529,197
<b>Net profit/(loss) after tax</b>	\$	(9,440,710)	(11,384,311)	(5,847,874)	31,558	690,511
<b>Share price at start of year</b>	\$	0.06	0.17	0.39	0.29	n/a
<b>Share price at end of year</b>	\$	0.03	0.06	0.17	0.39	0.29
<b>Dividends</b>	cps	-	-	-	-	-
<b>Basic (loss)/ earnings per share</b>	cps	(4.42)	(8.72)	(5.32)	0.03	0.14
<b>Return on Capital Employed</b>	%	(153.90)	(65.60)	(13.5)	22.7	10.08

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

## Review of Financial Condition

### FY19 Financial Performance

During the year ended 30 June 2019 DTI recorded revenue of \$19.2 million (2018: \$19.1 million). This represents a 0.4 per cent increase compared to the prior year and is attributed to a similar order book in the rail and bus sectors. DTI's revenue continues to be largely dependent upon capital projects during the year. There is an increased focus on securing revenue from maintenance and recurring equipment sales. Revenue from these sources was \$10.7 million (2018: \$9.9 million) which represents an 8 per cent increase compared to the prior year.

DTI recorded negative EBITDA of \$8.2 million for the year ended 30 June 2019 (2018: negative \$10.1 million). Reported EBITDA was adversely impacted by the identification and impairment of unrecoverable assets and the execution of several contracts with less than optimum margins. These matters are further elaborated in the discussion on Underlying EBITDA below.

Corporate overheads of \$3.4 million (2018: \$2.9 million) increased by 14 per cent compared to prior year. This increase is largely due to increase in legal, professional and consulting fees. Employee benefits expense of \$7.4 million (2018: \$7.7 million) was 4.0 per cent lower than prior year and includes restructuring provision totalling \$0.5 million.

## 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	FY19 \$	FY18 \$
<b>Statutory EBIT</b>	<b>(9,535,657)</b>	<b>(13,125,393)</b>
Depreciation/Amortisation	1,355,778	2,997,747
<b>Reported EBITDA</b>	<b>(8,179,879)</b>	<b>(10,127,646)</b>
Impairment of intangible assets	1,493,687	5,163,573
Impairment of inventory	2,668,910	2,045,819
Impairment of trade receivables	348,326	383,015
Impairment of contract costs	500,000	-
Restructuring/redundancy costs	500,000	270,272
<b>Underlying EBITDA</b>	<b>(2,668,956)</b>	<b>(2,264,967)</b>

### 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, contract costs, which were deemed to be unrecoverable.

As at 30 June 2019, 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 judgments relating to future revenues, anticipated gross margins, growth rates expected and discount rate. The Board determined that the underlying assumptions supporting the impairment model were 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 \$1,493,687 (2018: \$5,163,573).

### Cash Flow

DTI generated negative cash flow from operations of \$0.96 million during the financial year. Net cash outflow for the year was \$3.1 million. Key impacts on net cash flow included:

- i) Continued investment in R&D activities amounting to \$2.0 million;
- ii) Continued working capital intensity, primarily for rail projects, amounting to \$2.6 million; and
- iii) R&D grant received of \$1.6 million relating to FY18 financial year.

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.

## Financial Position

As at the end of the financial year, DTI maintained positive cash reserves of \$2.0 million and sufficient levels of liquid working capital. DTI has no term debt and the only financial indebtedness relates to insurance premium funding.

As described in the Financial Statements as at 30 June 2019, DTI is not in compliance with its financial covenants with Bankwest. Bankwest has provided a waiver of this non-compliance until the next review in September 2019.

## **Review of principal business**

DTI services the global mass transit market. 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 FY20 and beyond.

## **Investments for future performance**

DTI completed a major investment in new products which resulted in material R&D costs incurred and a lag in revenue as these new products were introduced to market. This contributed to the Group's net loss for the year. While R&D activities will continue to be a focus for DTI, it is considered that the level of R&D spend will be reduced in FY20 and be more focused on software features and services.

## **Operational performance**

Throughout FY19 DTI won a number of significant new contracts on the basis of its unique product offering. DTI was awarded contracts to provide surveillance and other associated equipment for London Underground, Virgin Trains, MTM COMENG fleet and London Midland.

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, and Action Bus (Canberra)) and in the UK. DTI is also continuing to supply its mobile video surveillance solutions to long term customers in San Francisco and Philadelphia.

Throughout FY19, DTI made significant investment in new products, primarily for deployment on Alstom trains for the Sydney Metro project. Deliveries of these products (by train-set) commenced in FY17 and continued throughout FY19. The DART project in the USA moved to completion and has entered the warranty phase.

DTI successfully completed an external surveillance audit for its ISO9001:2008 Quality Assurance certification by Bureau Veritas. The ISO9001 accreditation provides further assurance to customers that

they receive the very best in quality and service from our company and will cater to broadening business opportunities globally.

## Significant changes in state of affairs

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 with an Opportunity Pipeline exceeding \$120 million. FY19 was a challenging year for the Group with a significant investment made in developing new products that have positioned the business strongly to drive future revenue growth. Efforts to position DTI with major rail and bus providers should continue to develop into new projects and service opportunities in FY20. A large number of markets indicate major new investment in either new fleets or retrofit of existing fleets. This should position DTI well, as recent product developments can now be offered for these opportunities.

### Order Book

DTI continued to secure new projects including a large rail upgrade project for MTM in Melbourne. This project included core technology offerings for passenger information, hearing loop, CCTV and emergency communications. The Central Line project in the UK was also secured which include camera and digital recording products.

Smaller product and project sales across Europe continued to be awarded to DTI through our system integrator network. Ongoing orders for digital recording systems for new buses in Australia through key bus manufacturers was also a highlight.

### Business Strategies

DTI's business strategy to develop innovative hardware and software products for the transit industry covering passenger information, multi-use digital video recording and emergency communications systems has resulted in a suite of products and solutions ready for the global transit market. DTI will continue to seek new projects in selected markets to capitalise on these new offerings.

Into FY20, DTI will focus on its existing customer base and concentrate on improving its delivery of projects together with ensuring we secure long term maintenance and support agreements.

Product development focus will include exciting new software analytics offerings.

### Future Developments

With regards to its current balance of contracted work, DTI expects to deliver improved revenue and gross margin during the second half of FY20 as a number of projects move into final delivery stages. Focus on growing DTI's service businesses to deliver improved customer service outcomes and increased gross margin contributions to the overall DTI business, will continue. The opportunity to win new contracted work from its range of new products is strong and DTI is focussed on building its backlog of contracted work in order to demonstrate strong future revenue. Cost control across the business will continue to receive attention.

## Dividends

In respect of the financial year ended 30 June 2019, 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

On 20 August 2019, DTI announced it proposes to make a 5 for 9 non-renounceable entitlement offer to raise approximately \$3 million via the issue of approximately 119.6 million new shares at 2.5 cents per share (Entitlement Offer). The Entitlement Offer will be underwritten by Finico Pty Ltd and UIL Limited who are major shareholders of the Company. The proceeds of the capital raising will provide necessary working capital and to strengthen the Company's balance sheet for future growth.

Pursuant to the Underwriting Deeds, the Underwriters also agreed to advance the Underwriter Loans (\$810,552 from UIL and \$971,684 from Finico) to the Company on 20 August 2019, the repayment of which will be satisfied and offset by the Company via the issue of 32,422,088 New Shares to UIL and 38,867,358 New Shares to Finico under the proposed Entitlement Offer.

Other than what has been mentioned above, 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.

## Likely developments and expected results of operations

The Group will continue to pursue its policy of developing 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.

## 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>G Purdy</b>	Nil	Nil	Nil
<b>S Gallagher</b>	Nil	Nil	Nil
<b>N Goodey</b>	6,575,198	Nil	Nil
<b>A Lewis</b>	1,875	Nil	Nil
<b>P Tazewell<sup>1</sup></b>	n/a	Nil	n/a
<b>R Johnson<sup>2</sup></b>	n/a	Nil	n/a
<b>G Denison<sup>3</sup></b>	n/a	Nil	Nil
<b>J King<sup>4</sup></b>	n/a	Nil	Nil

1. Mr Tazewell resigned from both the Board and ceased to be KMP on 30 June 2019.
2. Mr Johnson resigned from the Board on 16 October 2018 and ceased to be KMP on 14 August 2019.
3. Mr Denison resigned from the Board on 20 November 2018.
4. Mr King resigned from the Board on 17 January 2019.

## 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:

- All non-audit services are reviewed and approved by Board prior to commencement to ensure they do not conversely affect the integrity and objectivity of the auditor.



- The nature of the services provided does not compromise the general principles relating to auditor independence as set out in the APES Code of Ethics for Professional Accountants.

The total fees for non-audit services paid to the auditor or related practices of the auditor during the year ended 30 June 2019 were \$7,593 (2018: \$7,234) 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 79 and forms part of the directors' report for the financial year ended 30 June 2019.

### 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 2019.

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 G Purdy	(Appointed to board on 16 October 2018 and as Chairman from 20 November 2018)
Mr S Gallagher	(Appointed to board on 16 October 2018)
Mr N Goodey	(Chairperson until 20 November 2018)
Mr A Lewis	(Appointed to board on 16 October 2018)
Mr G Denison	(Resigned from the Board on 20 November 2018)
Mr J King	(Resigned from the Board on 17 January 2019)

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 F Havelka	(Chief Executive Officer – Appointed on 31 May 2019)
Mr P Tazewell	(Chief Executive Officer and Managing Director – resigned on 30 June 2019)
Mr R Johnson	(Executive Director – resigned from board on 16 October 2018 and ceased to be KMP from 14 August 2019)
Mr I Hobson	(Company Secretary – Appointed on 21 February 2019)

## Audited Remuneration Report

Ms M Kong	(Chief Financial Officer – Appointed on 1 April 2019)
Mr R Surendran	(Chief Financial Officer/Company Secretary – resigned on 8 February as Company Secretary and 4 March 2019 as Chief Financial Officer)

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.

### 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 which 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. During the financial year, only Mr Tazewell and Mr Johnson were 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 FY19.

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 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.

## 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 FY19, 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	
	2019	2018	2019	2018	2019	2018
Peter Tazewell <i>Managing Director</i>	63.3	63.3	15.8	15.8	20.9	20.9
Frank Havelka <i>Chief Executive Officer</i>	100.0	n/a	n/a	n/a	n/a	n/a
Richard Johnson <i>Executive Director</i>	63.2	63.2	15.8	15.8	21.0	21.0
Michelle Kong <i>Chief Financial Officer</i>	100.0	n/a	n/a	n/a	n/a	n/a
Raj Surendran <i>Chief Financial Officer</i>	n/a	100.0	n/a	n/a	n/a	n/a
Bruce Mitchell <i>Chief Financial Officer</i>	n/a	n/a	n/a	n/a	n/a	n/a
Andy Oldland <i>General Manager - Operations</i>	n/a	n/a	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 FY19 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 FY19. Refer Table on page 20 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.
- Mr Tazewell was allocated 300,000 performance rights as an LTI in FY19 which will be subjected to further service and performance conditions. Refer to DTI Employee Performance Rights page 24.

#### **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 allocated 100,000 performance rights as an LTI in FY19 which will be subjected to further service and performance conditions. Refer to DTI Employee Performance Rights page 24.

## 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 FY19:

- 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.

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## Audited Remuneration Report

		Short-term Benefits			Post Employment Benefits	Long-term Benefits	Share Based Payments	Total	Proportion Performance related
		Salary & fees	STI	Total	Super-annuation benefits	Long Service Leave			
		\$	\$	\$	\$	\$	\$		
<b>Non - Executive Directors</b>									
G Purdy <sup>1</sup> (Chairman)	2019	33,288	-	33,288	-	-	-	33,288	0.0%
	2018	-	-	-	-	-	-	-	n/a
S Gallagher <sup>2</sup>	2019	21,250	-	21,250	-	-	-	21,250	0.0%
	2018	-	-	-	-	-	-	-	n/a
N Goodey <sup>3</sup>	2019	36,090	-	36,090	3,429	-	-	39,519	0.0%
	2018	47,184	-	47,184	4,483	-	-	51,667	0.0%
A Lewis <sup>4</sup>	2019	21,250	-	21,250	-	-	-	21,250	0.0%
	2018	-	-	-	-	-	-	-	n/a
G Denison <sup>5</sup>	2019	14,583	-	14,583	-	-	-	14,583	n/a
	2018	35,000	-	35,000	-	-	-	35,000	0.0%
J King <sup>6</sup>	2019	21,853	-	21,853	-	-	-	21,853	n/a
	2018	40,000	-	40,000	-	-	-	40,000	0.0%
C Morris <sup>7</sup>	2019	-	-	-	-	-	-	-	n/a
	2018	18,333	-	18,333	-	-	-	18,333	n/a
<b>Executive Directors/Officers</b>									
PJ Tazewell <sup>8</sup> (MD & CEO)	2019	300,000	-	300,000	20,531	-	3,500	324,031	1.1%
	2018	300,000	-	300,000	25,000	-	-	325,000	0.0%
FJ Havelka <sup>9</sup> (CEO)	2019	29,270	-	29,270	2,375	-	-	31,645	0.0%
	2018	-	-	-	-	-	-	-	n/a
R Johnson <sup>10</sup> (Commercial Exec)	2019	287,177	-	287,177	22,248	12,662	1,167	323,254	0.4%
	2018	264,292	-	264,292	22,800	4,000	-	291,092	0.0%
I Hobson <sup>11</sup> (Co. Secretary)	2019	3,900	-	3,900	-	-	-	3,900	0.0%
	2018	-	-	-	-	-	-	-	n/a
M Kong <sup>12</sup> (CFO)	2019	45,000	-	45,000	4,275	-	-	49,275	0.0%
	2018	-	-	-	-	-	-	-	n/a
R Surendran <sup>13</sup> (CFO/Co. Secretary)	2019	155,171	-	155,171	14,094	-	1,167	170,432	0.7%
	2018	215,205	-	215,205	21,973	-	-	237,178	0.0%
B Mitchell <sup>14</sup> (CFO/Co. Secretary)	2019	-	-	-	-	-	-	-	n/a
	2018	27,492	-	27,492	1,023	-	-	28,515	n/a
A Oldland <sup>15</sup> (GM - Operations)	2019	-	-	-	-	-	-	-	n/a
	2018	125,306	-	125,306	11,619	-	-	136,925	n/a
<b>Total</b>	<b>2019</b>	<b>968,832</b>	<b>-</b>	<b>968,832</b>	<b>66,952</b>	<b>12,662</b>	<b>5,834</b>	<b>1,054,280</b>	
<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>	

## Audited Remuneration Report

1. Mr Purdy was appointed to the Board on 16 October 2018 and as Chairman on 20 November 2018.
2. Mr Gallagher was appointed to the Board on 16 October 2018.
3. Mr Goodey stepped down as Chairman on 20 November 2018 and remains on the Board as a non-executive director.
4. Mr Lewis was appointed to the Board on 16 October 2018.
5. Mr Denison resigned from the Board on 20 November 2018.
6. Mr King resigned from the Board on 17 January 2019.
7. Mr Morris resigned from the Board on 4 January 2018.
8. Mr Tazewell resigned from both the Board and ceased to be KMP on 30 June 2019.
9. Mr Havelka commenced as CEO on 31 May 2019.
10. Mr Johnson resigned from the Board on 16 October 2018 and ceased to be KMP on 14 August 2019.
11. Mr Hobson commenced as Company Secretary on 21 February 2019.
12. Ms Kong commenced as CFO on 1 April 2019.
13. Mr Surendran resigned as Company Secretary on 8 February 2019 and ceased to be a KMP on 4 March 2019.
14. Mr Mitchell ceased to be a KMP on 24 July 2017.
15. Mr Oldland ceased to be a KMP on 10 January 2018.

### 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>Frank Havelka<sup>1</sup></b>	\$372,242	No	Ongoing	Four weeks	None
<b>Michelle Kong</b>	\$213,525	No	Ongoing	Four weeks	None
<b>Peter Tazewell</b>	\$325,000	Yes	Ceased	Four weeks	None
<b>Richard Johnson</b>	\$262,800	Yes	Ceased	Four weeks	None
<b>Raj Surendran</b>	\$240,900	No	Ceased	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

1. Mr Havelka's package includes \$51,240 per annum of remote allowance for living in Perth.

\* Refer page 16 and 17 for details of MCP plan and criteria.

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



## Audited Remuneration Report

### 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:

2019	Balance at 1 July 2018 No.	Granted as Remuneration No.	On Exercise of Options No.	Net Other Change No.	Balance at 30 June 2019 No.
<b>Directors</b>					
G Purdy <sup>1</sup>	n/a	-	-	-	-
S Gallagher <sup>2</sup>	n/a	-	-	-	-
N Goodey	6,575,198	-	-	-	6,575,198
A Lewis <sup>3</sup>	n/a	-	-	-	1,875
P Tazewell	360,000	-	-	-	360,000
G Denison <sup>4</sup>	3,030,495	-	-	-	n/a
J King <sup>5</sup>	767,892	-	-	-	n/a
<b>Executives</b>					
F Havelka <sup>6</sup>	n/a	-	-	-	-
R Johnson	841,344	-	-	-	841,344
M Kong <sup>7</sup>	n/a	-	-	-	-
R Surendran <sup>8</sup>	-	-	-	-	n/a

1. Mr Purdy commenced as KMP from 16 October 2018, and the presentation in this table may not indicate the status of his shareholding at the beginning of the relevant reporting period.
2. Mr Gallagher commenced as KMP from 16 October 2018, and the presentation in this table may not indicate the status of his shareholding at the beginning of the relevant reporting period.
3. Mr Lewis commenced as KMP from 16 October 2018, and the presentation in this table may not indicate the status of his shareholding at the beginning of the relevant reporting period.
4. Mr Denison ceased to be a KMP on 20 November 2018 and the presentation in this table may not indicate the status of his shareholding at the end of the relevant reporting period.
5. Mr King ceased to be a KMP on 17 January 2019 and the presentation in this table may not indicate the status of his shareholding at the end of the relevant reporting period.
6. Mr Havelka commenced as KMP from 31 May 2019, and the presentation in this table may not indicate the status of his shareholding at the beginning of the relevant reporting period.
7. Ms Kong commenced as KMP from 1 April 2019, and the presentation in this table may not indicate the status of her shareholding at the beginning of the relevant reporting period.
8. Mr Surendran ceased to be a KMP on 4 March 2019 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

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 <sup>3</sup>	-	-	-	-	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.
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 Oldland 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.

### 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 (31c on 15 April 2016) as an issue of treasury shares by the trust and as part of employee benefit costs over the period the shares vest. The shares vest one third per year on the anniversary date of 15 April over the 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 has issued 2,000,000 DESP shares to the Trustee to hold for the benefit of employees until the DESP shares cease to be subject to any vesting conditions, at which time the DESP shares will be transferred to the employee or sold on behalf of the employee, with the sale proceeds remitted to the employee.

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

## Audited Remuneration Report

### DTI Employee Performance Rights

On 20 November 2018 during the Annual General Meeting of Shareholders, it was resolved that DTI would be permitted to issue performance rights, options and restricted shares under a new DTI Group Limited Equity Plan. The Company has established the Plan to assist in the motivation, retention and reward of employees and replaces the DESP.

The Plan is designed to align the interests of executives and employees with the interests of shareholders by providing an opportunity for the participants to receive any equity interest in the Company. At the date of this report 273,000 shares and 925,000 Performance Rights have been granted under this plan.

The performance rights have a three-year vesting period and will be subject to a relative total shareholder return hurdle (RTSR Hurdle), which compares the total shareholder return performance of the Group with each of the entities within the S&P/ASX Small Ordinaries Index. The performance rights are valued using a hybrid option pricing model. The model uses a correlated simulation that simultaneously calculates the RTSR of the Company and each constituent of the Peer Group on a risk neutral basis as at the vesting date with regards to the performance period. The fair value at grant date each performance right issued was \$0.035.

Company's RTSR percentile rank against comparator group	Vesting percentage
Less than 50 <sup>th</sup>	Nil
At 50 <sup>th</sup>	50%
Between 50 <sup>th</sup> and 75 <sup>th</sup>	50 – 100% on a straight-line basis
At 75 <sup>th</sup>	100%

### Reliance on External Remuneration Consultants

There has not been any reliance on external remuneration consultants.

### Adoption of Remuneration Report

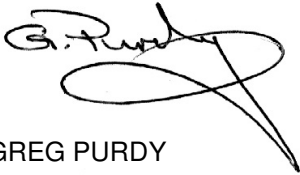
At the 2018 Annual General Meeting, the resolution adopting the 2018 Remuneration Report was carried unanimously.

The Company received more than 98.1 per cent of "yes" votes on its Remuneration Report for the 2018 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.

## Audited Remuneration Report

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



GREG PURDY  
Chairman

30 August 2019  
Perth, Australia

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

for the year ended 30 June 2019

	Note	2019 \$	2018 \$
Sales Revenue	2	19,176,894	19,103,076
Cost of Goods Sold		(17,790,673)	(15,899,380)
<b>Gross Margin</b>		1,386,221	3,203,696
Operational overheads		(2,979,000)	(3,618,772)
Impairment costs	2	(5,010,923)	(7,592,407)
Other income	2	1,774,903	818,463
Corporate overheads		(3,351,080)	(2,938,626)
Depreciation/amortisation	2	(1,355,778)	(2,997,747)
Net interest and finance gain/(loss)	2	36,315	(39,976)
<b>Net Loss Before Tax</b>		(9,499,342)	(13,165,369)
Tax benefit	3	58,632	1,781,058
<b>Net Loss After Tax</b>		(9,440,710)	(11,384,311)
<b>Other comprehensive income/(loss)</b>			
Items that may be reclassified to profit or loss:			
Exchange differences		15,699	(481,747)
<b>Total other comprehensive income/(loss)</b>		15,699	(481,747)
<b>Total comprehensive loss for the period</b>		(9,425,011)	(11,866,058)
<b>Total comprehensive loss is attributable to:</b>			
Owners of DTI Group Ltd		(9,425,011)	(11,866,058)
<b>Loss per share for loss attributable to the ordinary equity holders of the Company:</b>			
Basic loss per share (cents per share)	22	(4.42)	(8.72)
Diluted loss per share (cents per share)	22	(4.42)	(8.72)

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 2019

	Note	2019 \$	2018 \$
<b>Current assets</b>			
Cash and cash equivalents	4	2,033,105	5,130,652
Trade and other receivables	5	3,580,653	7,335,246
Contract assets	2	441,919	–
Contract costs	2	1,376,690	–
Inventories	8	5,626,252	7,999,326
Other current assets		167,391	93,573
<b>Total current assets</b>		<b>13,226,010</b>	<b>20,558,797</b>
<b>Non-current assets</b>			
Property, plant and equipment	9	421,934	1,114,907
Intangible assets	10	261,309	315,806
<b>Total non-current assets</b>		<b>683,243</b>	<b>1,430,713</b>
<b>Total assets</b>		<b>13,909,253</b>	<b>21,989,510</b>
<b>Current liabilities</b>			
Trade and other payables	6	4,008,668	5,528,770
Contract liabilities	2	2,745,739	–
Borrowings	7	46,842	112,966
Provisions	11	1,794,228	1,156,059
<b>Total current liabilities</b>		<b>8,595,477</b>	<b>6,797,795</b>
<b>Non-current liabilities</b>			
Provisions	11	36,760	46,255
Deferred tax liabilities	3	–	63,522
<b>Total non-current liabilities</b>		<b>36,760</b>	<b>109,777</b>
<b>Total liabilities</b>		<b>8,632,237</b>	<b>6,907,572</b>
<b>Net assets</b>		<b>5,277,016</b>	<b>15,081,938</b>
<b>Equity</b>			
Contributed equity	13	30,955,098	30,955,098
Reserves	16	459,336	295,050
Accumulated losses	16	(26,137,418)	(16,168,210)
<b>Total equity</b>		<b>5,277,016</b>	<b>15,081,938</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 2019

Note	Contributed Equity \$	Employee Share Plan Reserve \$	Foreign Currency Translation Reserve \$	Accumulated Losses \$	Total \$
<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 loss	–	–	(481,747)	–	(481,747)
Total comprehensive 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
Impact of changes in accounting policies	25	–	–	(528,498)	(528,498)
<b>Restated equity at the beginning of the year</b>	30,955,098	324,985	(29,935)	(16,696,708)	14,553,440
Loss for the year	–	–	–	(9,440,710)	(9,440,710)
Other comprehensive income	–	–	15,699	–	15,699
Total comprehensive income/(loss) for the year	–	–	15,699	(9,440,710)	(9,425,011)
<b>Transactions with owners in their capacity as owners</b>					
Recognition of share-based payments	–	148,587	–	–	148,587
<b>At 30 June 2019</b>	30,955,098	473,572	(14,236)	(26,137,418)	5,277,016

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 2019

	Note	2019 \$	2018 \$
<b>Cash flows used in operating activities</b>			
Receipts from customers		23,834,278	21,177,089
Payments to suppliers and employees		(26,392,966)	(24,124,418)
Interest received		41,566	6,576
R&D grant received		1,568,581	2,690,218
Interest paid		(5,251)	(46,552)
Tax paid		(4,890)	(9,593)
<b>Net cash outflow used in operating activities</b>	12(b)	(958,682)	(306,680)
<b>Cash flows used in investing activities</b>			
Payments for plant and equipment		(85,381)	(587,822)
Payments for intangible assets		(2,016,614)	(2,810,682)
<b>Net cash outflow used in investing activities</b>		(2,101,995)	(3,398,504)
<b>Cash flows (used in)/from financing activities</b>			
Proceeds from issues of shares		–	6,206,919
Share issue expenses		–	(221,180)
Proceeds from borrowings		167,910	1,000,000
Repayment of borrowings		(234,034)	(1,392,630)
<b>Net cash (used in)/from financing activities</b>		(66,124)	5,593,109
<b>Net (decrease)/increase in cash and cash equivalents</b>			
		(3,126,801)	1,887,925
Cash and cash equivalents at the beginning of the year		5,130,652	3,139,852
Effect of foreign exchange on opening balances		29,254	102,875
<b>Cash and cash equivalents at the end of the year</b>	12(a)	2,033,105	5,130,652

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.

<b>Segment Revenues and Results</b>	<b>2019</b>		<b>2018</b>	
	\$		\$	
Sales Revenue	19,176,894		19,103,076	
Cost of Goods Sold	(17,790,673)		(15,899,380)	
<b>Gross Margin</b>	1,386,221		3,203,696	
<b>Gross Margin</b>	7%		17%	
Impairment of intangible assets	(1,493,687)		(5,163,573)	
Impairment of inventory	(2,668,910)		(2,045,819)	
Impairment of trade receivables	(348,326)		(383,015)	
Impairment of contract costs	(500,000)		–	
Other Income	1,774,903		818,463	
Operational overheads	(2,979,000)	–	(3,618,772)	–
Corporate overheads	(3,351,080)	(6,330,080)	(2,938,626)	(6,557,398)
<b>EBITDA</b>	(8,179,879)		(10,127,646)	
Depreciation/amortisation	(1,355,778)		(2,997,747)	
<b>EBIT</b>	(9,535,657)		(13,125,393)	
Net Interest and finance loss	36,315		(39,976)	
<b>Net loss before tax</b>	(9,499,342)		(13,165,369)	
Tax benefit/(expense)	58,632		1,781,058	
<b>Net loss after tax</b>	(9,440,710)		(11,384,311)	

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

Segment Assets and Liabilities	2019 \$	2018 \$
<b>Total Assets &amp; Liabilities</b>		
Consolidated total assets	13,909,253	21,989,510
Consolidated total liabilities	8,632,237	6,907,572
<b>Geographical Assets</b>		
Australia	8,772,154	14,670,741
Others	5,137,099	7,318,769
	13,909,253	21,989,510
<b>Geographical Liabilities</b>		
Australia	5,817,544	5,582,756
Others	2,814,693	1,324,816
	8,632,237	6,907,572

**Major customers**

DTI supplies goods and services to a broad range of customers in the transit industry. During the reporting period, three (2018: four) major customers accounted for in excess of 49 per cent (2018: 30 per cent) of Group's revenue.

## Note 2: Revenue and expenses

**AASB 15 Revenue from Contracts with Customers**

The Group has adopted AASB 15 *Revenue from Contracts with Customers* with a date of initial application of 1 July 2018. As a result, the Group has changed its accounting policy for revenue recognition as detailed below.

The Group has applied AASB 15 using the cumulative effect method and therefore the comparative information has not been restated and continues to be reported under AASB 118. The details of accounting policies under AASB 118 are disclosed separately if they are different from those under AASB 15 and the impact of changes is disclosed in Note 25.

**A. Significant accounting policy**

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control over a product or service to a customer.

In the comparative period 30 June 2018, revenue was recognised at fair value of the consideration received net of the amount of GST or value added tax payable to the taxation authorities. Sales of products were 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 were 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 was recognised when the fees in respect of services rendered were earned, usually when services had been provided to customers or as per terms and conditions of service contracts.

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

### B. Nature of Goods and Services

The following is a description of the principal activities from which the Group generates its revenue.

Products and services	Nature, timing of satisfaction of performance obligations and significant payment terms
Sale of goods only	<p>The Group recognises revenue when the customers obtain control of the goods. This usually occurs when the goods are delivered. The amount of revenue recognised for goods delivered is adjusted for expected returns. Invoices are generated and revenue is recognised at that point in time. Invoices are usually payable within 45 days (credit term). No element of financing is deemed present as the sales are made within standard credit term, which is consistent with market practice. The Group's obligation to provide a refund or replacement for faulty products under the standard warranty terms is recognised as a provision.</p>
Project-based services	<p>Some contracts include multiple deliverables, such as the provision and installation and commission of hardware and software. These multiple deliverables form an integration service and could not be performed by another party, the goods and services represent a single combined performance obligation over which control is considered to transfer over time. This is because the provision of goods and services by the Group enhance an asset (i.e trains or buses) that the customer controls as the asset is enhanced. Revenue is recognised overtime as the customisation or integration work is performed, using the cost to cost input method to estimate progress towards completion. When cost incurred is not proportionate to the entity's progress in satisfying the performance obligation, the input method is adjusted to recognise revenue only to the extent of that cost incurred (For example, goods have been delivered to the customers but installation has not commenced).</p> <p>Estimates of revenues, costs or extent of progress toward completion are revised if circumstances changes. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management. Customers usually pay according to the agreed invoicing schedule or contract milestones. If the goods and services rendered by the Group exceed the payment, a contract asset is recognised. If the payments exceed the goods and services rendered, a contract liability is recognised.</p>
Maintenance and technical support	<p>The Group provides maintenance and technical services. These services are usually bundled together with sales of products or provision of project services to customer. The maintenance and technical support can be obtained from other providers and do not significantly customise or modify the product sold. When these service is bundled together with other services provided by the Group, the Group performed a re-allocation of contract consideration based on the relative stand-alone selling prices of its bundled services. For maintenance and technical support, which is billed based on hourly basis, the Group recognises revenue as the services are performed.</p>

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

### C. Impact of initial adoption of AASB 15

Refer to Note 25.

### D. Impact of initial adoption of AASB 15

Refer to Note 25.

### E. Disaggregation of Revenue

In the following table, revenue is disaggregated by primary geographical market, major products/service lines and timing of revenue recognition.

	2019 \$
<b>Primary geographical markets</b>	
Australia	9,603,219
Europe & Others	2,221,484
North America	7,352,191
	19,176,894
<b>Major products/service lines</b>	
Sale of products	8,275,966
Project-based services	8,431,430
Maintenance	2,469,498
	19,176,894
<b>Revenue recognition</b>	
At a point in time	8,275,966
Over time	10,900,928
	19,176,894

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

**F. Impact of adopting AASB 15 on current period financial statements**

The following tables summarise the impact of adopting AASB 15 as compared to AASB 118 and related interpretations that were in effect before the changes on the Group's consolidated financial statements for the year ended 30 June 2019.

## (i) Consolidated statement of financial position (extracted)

As at 30 June 2019	Impact of changes in accounting policies		
	As reported	Adjustments	Balances without adoption of AASB 15
	\$	\$	\$
<b>Current assets</b>			
Contract assets	441,919	(441,919)	–
Contract costs	1,376,690	(1,376,690)	–
Inventories	5,626,252	1,376,690	7,002,942
<b>Total assets</b>	<b>13,909,253</b>	<b>(441,919)</b>	<b>13,467,334</b>
<b>Current liabilities</b>			
Contract liabilities	2,745,739	(2,745,739)	–
<b>Total liabilities</b>	<b>8,632,237</b>	<b>(2,745,739)</b>	<b>5,886,498</b>
<b>Net assets</b>	<b>5,277,016</b>	<b>2,303,820</b>	<b>7,580,836</b>
<b>Equity</b>			
Accumulated losses	(26,137,418)	2,303,820	(23,833,598)
Reserves	459,336	–	459,336
<b>Total equity</b>	<b>5,277,016</b>	<b>2,303,820</b>	<b>7,580,836</b>

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

(ii) Consolidated statement of profit or loss and OCI (extracted)

**For the Year ended 30 June 2019****Impact of changes in accounting policies**

	<b>As reported</b>	<b>Adjustments</b>	<b>Balances without</b>
	<b>\$</b>	<b>\$</b>	<b>adoption of</b>
			<b>AASB 15</b>
			<b>\$</b>
Sales revenue	19,176,894	2,745,739	21,922,633
<b>Net loss after tax</b>	<b>(9,440,710)</b>	<b>2,303,820</b>	<b>(7,136,890)</b>
Other comprehensive income	15,699	–	15,699
<b>Total other comprehensive income</b>	<b>15,699</b>	<b>–</b>	<b>15,699</b>
<b>Total comprehensive loss for the period</b>	<b>(9,425,011)</b>	<b>2,303,820</b>	<b>(7,121,191)</b>

**F. Contract balances and contract costs**

	<b>30 Jun 2019</b>	<b>1 July 2019*</b>
	<b>\$</b>	<b>\$</b>
Contract assets	441,919	–
Contract costs	1,376,690	1,036,774
	<b>1,818,609</b>	<b>1,036,774</b>
Contract liabilities	2,745,739	320,296
	<b>2,745,739</b>	<b>320,296</b>

\* The Group has adopted cumulative effect method, under this method only balances at transition is presented.

**(i) Definition***Contract Assets*

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional.

*Contract Liabilities*

The contract liabilities primarily relate to the advance consideration received from customers for project-based service, for which revenue is deferred until revenue can be recognised on the completion of its passenger information system.

*Contract Costs*

Management expects that incremental costs incurred as a result of obtaining project-based contracts are recovered. These incremental costs of completing a particular project-based contract is capitalised as contract costs and expensed when the related revenue is recognised. The Group have applied the practical expedient in paragraph 94 of AASB 15, the Group recognises the incremental costs of obtaining contracts as an expense when incurred if the amortisation period of the assets that the Group otherwise would have recognised is one year or less. The Group applies impairment policy on contract costs as stated in Note 10.

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

**(ii) Significant changes in contract assets and contract liabilities**

Contract assets have increased as the group has provided more services ahead of the agreed payment schedules for fixed price-contracts.

Contract liabilities have increased due to the advance consideration received from customers for project-based service, for which revenue is deferred until revenue can be recognised on the completion of its passenger information system.

**(iii) Revenue recognised in relation to contract liabilities**

Revenue recognised for the year ended 30 June 2019 that was included in the contract liability balance at the beginning of the period is Nil.

The amount of revenue recognised for the year ended 30 June 2019 from performance obligations satisfied (or partially satisfied) in previous periods is nil.

**(iv) Unsatisfied long-term contracts**

The aggregate amount of transaction price allocated to unsatisfied performance obligations resulting from long-term contracts as at 30 June 2019 is \$21.6 million.

Management expects that 56% of the transaction price allocated to the unsatisfied contracts as of 30 June 2019 will be recognised as revenue during the next reporting period. The remaining 44% will be recognised between 2021 to 2023 financial year. The amount disclosed above does not include variable consideration which is constrained.

As permitted under the transitional provisions in AASB 15, the transaction price allocated to unsatisfied performance obligations (partially or fully) as of 30 June 2018 is not disclosed. The Group applies the practical expedient in paragraph 121 of AASB 15 and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

**G. Other Income**

	2019	2018
	\$	\$
<b>Other Income</b>		
R&D grant (i)	452,882	347,450
Foreign exchange gain	1,322,021	471,013
	<u>1,774,903</u>	<u>818,463</u>

## 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:

	2019 \$	2018 \$
R&D grant income earned in current year	452,882	1,158,169
R&D grant income offset (included in Note 10)	–	(810,719)
R&D grant income recognised in the Statement of Profit or loss and Other Comprehensive Income	452,882	347,450

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

	2019 \$	2018 \$
<b>Net interest and finance gain/(loss)</b>		
Interest expense	(5,251)	(46,552)
Interest received	41,566	6,576
	36,315	(39,976)
<b>Share-based payment expense</b>		
Employee share based payment expense	(148,587)	(122,612)
<b>Depreciation and amortisation expense</b>		
Depreciation	(778,354)	(469,603)
Amortisation	(577,424)	(2,528,144)
	(1,355,778)	(2,997,747)
<b>Impairment expense</b>		
Inventory	(2,668,910)	(2,045,819)
Intangible assets	(1,493,687)	(5,163,573)
Contract cost	(500,000)	–
Trade receivables	(348,326)	(383,015)
	(5,010,923)	(7,592,407)
<b>Employee benefits – Wages &amp; Salaries</b>	(7,371,133)	(7,657,246)



## 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)

	2019 \$	2018 \$
<b>(a) Income tax benefit</b>		
Deferred tax	(58,632)	(1,388,405)
Adjustments for current tax of prior periods	–	(392,653)
	<u>(58,632)</u>	<u>(1,781,058)</u>
<b>(b) Numerical reconciliation of income tax benefit to prima facie tax receivable</b>		
Loss before income tax benefit	(9,499,342)	(13,165,369)
Prima facie tax benefit on loss at 27.5% (2018:27.5%)	(2,612,319)	(3,620,476)
Tax effect of:		
R&D tax incentive	(124,543)	135,386
Other	(79,642)	80,035
Other non-deductible	69,853	1,122,342
Under/over (prior year adjustments and deferred tax)	(63,522)	(448,334)
Effect of lower / higher statutory income tax rate in the UK and USA	264,362	225,918
Current year losses for which no deferred tax assets is recognised	1,768,809	–
Deferred taxes not brought to account	718,370	724,071
	<u>(58,632)</u>	<u>(1,781,058)</u>
<b>(c) Deferred income tax balances recognised in the accounts</b>		
<b>Deferred tax liabilities</b>		
Work in progress	–	(1,562,306)
Unrealised foreign exchange gain	(59,732)	(181,474)
Property, plant and equipment	–	(10,617)
Project WIP	–	(329,103)
Set off of deferred tax liabilities	59,732	2,019,978
Net recognised deferred tax liability	<u>–</u>	<u>(63,522)</u>
<b>Deferred tax assets</b>		
Annual leave provision	179,794	199,967
Long service leave provision	88,156	84,724
Accrued audit fees and other creditors	238,882	102,300
Superannuation provision	13,111	14,048
Patents	–	10,503
Capital raising fees	83,672	148,159
Provision for diminution in trading stock	417,922	10,500
Provision for doubtful debts	–	109,211
Tax losses carried forward	3,229,761	1,769,649
Set off of deferred tax liabilities	(59,732)	(2,019,979)
Unrealised foreign exchange gain/losses	–	–
Development costs	–	286,561
Warranty	97,026	–
Deferred tax asset not brought to account as realisation is not probable	(4,288,592)	(715,643)
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.

	2019 \$	2018 \$
<b>(d) Current tax liabilities</b>		
Income tax payable	–	–

Franking credits available for this financial year is \$44,481 (2018:\$44,481).

	2019 \$	2018 \$
<b>(e) Reconciliation</b>		
The overall movement in deferred tax account is as follows:		
Opening balance	(63,522)	(1,451,927)
Charge to statement of profit or loss and other comprehensive income	63,522	1,388,405
Closing balance	–	(63,522)

## Note 4: Cash and cash equivalents

	2019 \$	2018 \$
Cash at bank	2,033,105	5,130,652

## 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**

The loss allowances for trade receivable are based on assumptions about the risk of default and expected loss rates. The group uses judgements in making these assumptions and selecting inputs to the impairment calculation based on group past history of defaults, existing market condition as well as forward looking estimates in each reporting period.

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

	2019 \$	2018 \$
<b>Current</b>		
Trade receivables (net of impairment)	3,452,851	5,959,021
Other debtors	127,802	218,056
R&D grant receivable (i)	–	1,158,169
	3,580,653	7,335,246

**(i) R&D Grant Receivable**

R&D Receivable in the prior year is based on best estimate prepared by the Group's tax advisor. The assessment of R&D claims in relation to 30 June 2019 financial year has not yet commenced and as such no receivable was provided.

**(a) Impaired trade receivables**

At 30 June 2019 current trade receivables of the Group with a value of \$348,326 (2018: \$383,015) 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.

	2019 \$	2018 \$
<b><i>Movements in the provision for impairment of receivables are as follows:</i></b>		
Opening at 1 July	364,038	7,651
Additional impairment recognized from AASB 9 – initial adoption – Note 25	208,202	–
Receivable written off during the year as uncollectable	348,326	383,015
Amount recovered	(364,036)	(26,628)
Closing at 30 June	556,530	364,038

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 2019 trade receivables of \$784,333 (2018: \$1,921,471) 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.

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

The ageing analysis of these trade receivables is as follows:

	2019 %	2018 %	2019 \$	2018 \$
Up to 3 months	68	71	531,477	1,357,065
3 to 6 months	32	6	252,856	114,481
Over 6 months	–	23	–	449,925
	100	100	784,333	1,921,471

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.

**(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 payables 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.

	2019 \$	2018 \$
Trade payables	3,375,888	4,873,882
Other payables	538,524	581,994
Superannuation liability	47,676	46,826
Payroll tax liability	46,580	26,068
	4,008,668	5,528,770

**Risk exposure**

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

## Note 7: Borrowings

	2019 \$	2018 \$
<b>Current Secured:</b>		
Net carrying amount – Capital Finance Australia Ltd loan	–	16,564
Net carrying amount – ANZ Ltd loan	–	96,402
Net carrying amount – Monument Premium Funding	46,842	–
	46,842	112,966

In October 2018, the Company financed its insurance premiums through Monument Premium Funding with the funds to be repaid within the next 12 months.

During the financial year, the company repaid its finance leases with Capital Finance Australia and ANZ Ltd in full. Therefore, there were no asset financing facilities utilised at 30 June 2019 (2018: \$112,966).

**Reconciliation of borrowings arising from financing activities:**

	2018 \$	Cash flows \$	Non-cash changes Addition \$	Fair value changes \$	2019 \$
Borrowings	112,966	(66,124)	–	–	46,842

**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**

The group has a \$3.5 million, multi-option, multi-currency funding package with Bankwest. The \$3.5 million facility covers the Group's working capital, bonding and overdraft facilities and encompasses sub-limits for certain facilities. The working capital, bonding and overdraft facilities can be drawn in multiple currencies using a variety of instruments. As at 30 June 2019, \$885,082 was drawn down as bank guarantee with the remaining \$2,614,918 unutilised. Refer to Note 18(c).

- Refer to Note 15 for capital management details.
- Refer to Note 14 for risk exposures and risk management details.

## Note 8: Inventories

	2019 \$	2018 \$
Raw materials / unassembled stock	8,295,162	9,043,371
Work in progress	–	1,036,774
Impairment of inventory (i)	(2,668,910)	(2,045,819)
Provision for inventory obsolescence (ii)	–	(35,000)
	5,626,252	7,999,326

- (i) An impairment adjustment of \$2,668,910 (2018: \$2,045,819) was provided for components and finished goods relating to projects that were not deemed to be recoverable.
- (ii) No provision for inventory obsolescence (2018: \$35,000) 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

	2019 \$	2018 \$
<b>Buildings</b>		
At cost	138,925	126,525
Less accumulated depreciation	(86,100)	(71,314)
	52,825	55,211
<b>Workshop and R&amp;D plant and equipment</b>		
At cost	2,093,615	2,055,314
Less accumulated depreciation	(1,789,857)	(1,227,761)
	303,758	827,553
<b>Office equipment and software</b>		
At cost	1,384,530	1,378,448
Less accumulated depreciation	(1,344,917)	(1,192,441)
	39,613	186,007
<b>Motor vehicles</b>		
At cost	243,489	214,891
Less accumulated depreciation	(217,751)	(168,755)
	25,738	46,136
Written Down Value	421,934	1,114,907
<b>Movements in carrying amounts:</b>		
<b>Buildings</b>		
Balance at the beginning of the year	55,211	65,523
Additions	12,400	1,699
Depreciation expense	(14,786)	(12,011)
Carrying amount at the end of the year	52,825	55,211
<b>Workshop and R&amp;D plant and equipment</b>		
Balance at the beginning of the year	827,553	616,543
Additions	38,301	537,192
Depreciation expense	(562,096)	(326,182)
Carrying amount at the end of the year	303,758	827,553
<b>Office equipment and software</b>		
Balance at the beginning of the year	186,007	256,073
Additions	6,082	48,931
Depreciation expense	(152,476)	(118,997)
Carrying amount at the end of the year	39,613	186,007
<b>Motor vehicles</b>		
Balance at the beginning of the year	46,136	58,549
Additions	28,598	–
Depreciation expense	(48,996)	(12,413)
Carrying amount at the end of the year	25,738	46,136

**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 2019</b>				
Cost (gross carrying amount)	1,907,292	–	593,065	2,500,357
Accumulated amortisation	(413,605)	–	(331,756)	(745,361)
Impairment expense	(1,493,687)	–	–	(1,493,687)
Net carrying amount	–	–	261,309	261,309
<b>Movements in carrying amounts</b>				
Balance at 1 July 2018	–	–	315,806	315,806
Additions	1,907,291	–	109,323	2,016,614
Amortisation expense	(413,604)	–	(163,820)	(577,424)
Impairment expense	(1,493,687)	–	–	(1,493,687)
Net carrying amount	–	–	261,309	261,309
<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

## 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:

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

**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 indicator 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 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 2019, 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 judgments relating to future revenues, anticipated gross margin, growth rates expected and discount rate. The calculations use cash flow projects based on financial budgets approved by the board covering a period of five years.

The board determined that the underlying assumptions supporting the impairment 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 \$1,493,687 (2018: \$5,163,573) to a nil amount.

## Note 11: Provisions

	2019 \$	2018 \$
<b>Current</b>		
Employee entitlements – long service leave	283,807	236,158
Employee entitlements – annual leave	657,598	668,901
Provision for restructuring	500,000	–
Provision for warranty	352,823	251,000
	1,794,228	1,156,059
<b>Non-current</b>		
Employee entitlements – long service leave	36,760	46,255

**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.

Provision for restructuring represents the costs associated with the re-organisation of the operations of the business in the next six to nine months in order to improve the overall efficiency and longer-term profitability of the business.

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:

	2019 \$	2018 \$
Australian Dollar bank accounts	948,177	4,285,655
British Sterling bank accounts	225,390	70,887
US Dollar bank accounts	460,118	254,622
Euro bank accounts	399,420	519,488
	<u>2,033,105</u>	<u>5,130,652</u>

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

	2019 \$	2018 \$
<b>Net loss after tax</b>	(9,440,710)	(11,384,311)
<i>Non-cash items:</i>		
Depreciation and amortisation	1,355,778	2,997,747
Employee share plan expense	148,587	122,612
Impairment of intangible assets	1,493,687	5,163,573
R&D grant income offset against intangible assets	–	810,719
R&D grant income not received	–	(399,684)
Exchange differences on foreign operations	(13,555)	(584,622)
<b>Change in operating assets and liabilities</b>		
Decrease in trade and other receivables	3,546,392	4,764,231
Decrease in inventories	2,373,074	818
Increase in contract assets	(441,919)	–
Increase in contract costs	(1,376,690)	–
(Increase)/decrease in other assets	(73,819)	140,699
Decrease in trade and other payables	(1,520,102)	(245,666)
Increase in provision	628,674	97,855
Increase in contract liabilities	2,425,443	–
Decrease in tax liabilities	–	(402,246)
Decrease in deferred tax	(63,522)	(1,388,405)
Net outflow from operating activities	<u>(958,682)</u>	<u>(306,680)</u>

**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

	2019 No.	2019 \$	2018 No.	2018 \$
<b>Ordinary shares</b>				
Balance at the beginning of financial year	213,388,875	30,955,098	124,671,579	24,969,359
Issued of share capital	–	–	88,670,271	6,206,919
Capital raising costs	–	–	–	(221,180)
Shares exercised under employee share plan	10,725	–	47,025	–
Balance at the end of the financial year*	213,399,600	30,955,098	213,388,875	30,955,098

\*Balance excludes 1,942,250 Treasury Share held in trust for DESP.

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 has issued 2,000,000 DESP shares to the Trustee to hold for the benefit of employees until the DESP shares cease to be subject to any vesting conditions, at which time the DESP shares will be transferred to the employee or sold on behalf of the employee, with the sale proceeds remitted to the employee. As at 30 June 2019, 57,750 shares had vested with eligible employees and transferred to them, 1,468,250 shares had vested with eligible employees, but remain registered with the Trustee. The remaining 474,000 shares has not been allocated and has lapsed and was forfeited. Refer to Note 17.

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.

On 20 November 2018 during the Annual General Meeting of Shareholders, it was resolved that DTI would be permitted to issue performance rights, options and restricted shares under a new DTI Group Limited Equity Plan. The Company has established the Plan to assist in the motivation, retention and reward of employees and replaces the DESP.

## Note 13: Contributed equity (cont'd)

The Plan is designed to align the interests of executives and employees with the interests of shareholders by providing an opportunity for the participants to receive any equity interest in the Company. At the date of this report 273,000 shares and 925,000 Performance Rights have been granted under this plan.

**Performance rights**

Pursuant to DTI Group Limited Equity Plan the Company has granted 925,000 performance rights to executives to align remuneration with the creation of shareholder value over the long-term.

The performance rights have a three-year vesting period and will be subject to a relative total shareholder return hurdle (RTSR Hurdle), which compares the total shareholder return performance of the Group with each of the entities within the S&P/ASX Small Ordinaries Index. The performance rights are valued using a hybrid option pricing model. The model uses a correlated simulation that simultaneously calculates the RTSR of the Company and each constituent of the Peer Group on a risk neutral basis as at the vesting date with regards to the performance period. The fair value at grant date each performance right issued was \$0.035.

Company's RTSR percentile rank against comparator group	Vesting percentage
Less than 50 <sup>th</sup>	Nil
At 50 <sup>th</sup>	50%
Between 50 <sup>th</sup> and 75 <sup>th</sup>	50 – 100% on a straight-line basis
At 75 <sup>th</sup>	100%

During the year ended 30 June 2019, no performance rights have vested. The share-based payment expense recognised for the year ended 30 June 2019 was \$10,792. The fair value of the performance rights is \$32,375.

**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.

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.



## Note 14: Financial risk management

The following table details the Group's exposure to interest rate risk. The amounts disclosed in the tables 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 2019</b>						
<b>Financial Liabilities</b>						
<b>Fixed rate</b>						
Other borrowings	46,842	–	–	46,842	46,842	3.45%
<b>Non-interest bearing</b>						
Payables	4,008,668	–	–	4,008,668	4,008,668	–
	4,055,510	–	–	4,055,510	4,055,510	–
	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	–



## 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 26.

**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.

The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of 12 month before 1 July 2019 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group identified the GDP and unemployment in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Trade receivables are 100% credit impaired when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group and a failure to make contractual payments for a period of greater than 120 days past due.

On that basis, the loss allowance at the amount equal to the expected lifetime credit losses under the simplified approach as at 1 July 2018 and 30 June 2019 was determined as follows for both trade receivables:

<b>1 July 2018</b>	<b>Current</b>	<b>More Than 30 Days Past Due</b>	<b>More Than 60 Days Past Due</b>	<b>More Than 90 Days Past Due</b>	<b>Credit Impaired</b>	<b>Total</b>
Expected loss rate	2.4%	3.3%	5.4%	9.3%	100%	
Gross carrying amount of trade receivables	\$5,317,088	\$77,114	\$440,594	\$332,427	\$364,038	\$6,531,261
<b>Loss allowance</b>	<b>\$128,293</b>	<b>\$25,304</b>	<b>\$23,682</b>	<b>\$30,923</b>	<b>\$364,038</b>	<b>\$572,240</b>
<b>30 June 2019</b>	<b>Current</b>	<b>More Than 30 Days Past Due</b>	<b>More Than 60 Days Past Due</b>	<b>More Than 90 Days Past Due</b>	<b>Credit Impaired</b>	<b>Total</b>
Expected loss rate	2.4%	3.3%	5.4%	9.3%	100%	
Gross carrying amount of trade receivables	\$2,728,792	\$559,317	\$20,455	\$252,856	\$447,961	\$4,009,381
<b>Loss allowance</b>	<b>\$65,491</b>	<b>\$18,457</b>	<b>\$1,105</b>	<b>\$23,516</b>	<b>\$447,961</b>	<b>\$556,530</b>

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

**Foreign Exchange Risk**

The Group has transactions in currencies other than Australian Dollars which carry receivables and payables in the respective currency. These financial instruments are not hedged. The Group's exposure to foreign currency risk at the end of the reporting period, expressed in Australian dollars, was as follows:

	30 June 2019			30 June 2018		
	USD \$	EUR \$	GBP \$	USD \$	EUR \$	GBP \$
Cash	460,118	399,420	225,390	254,622	519,488	70,887
Trade and other debtors	1,154,262	633,859	1,355,997	2,806,817	1,745,707	242,354
Trade and other payables	(2,654,886)	(6,011)	(60,301)	(4,057,378)	(4,824)	(199,319)
	(1,040,506)	1,027,268	1,521,086	(995,939)	2,260,371	113,922
Exchange rates	0.70	0.62	0.55	0.74	0.63	0.56

**Interest Rate Risk**

The Group'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 Group's bank account was earning interest of 1.50 per cent (2018:1.50 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 2019 and the date of this report, the Group has sufficient liquid assets to meet its financial obligations.

**Sensitivity Analysis***Interest Rate Risk*

The Group'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 Group's interest expense.

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

*Foreign Exchange Rate Risk*

Based on the financial instruments held at 30 June 2019, 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 results for the year would have been \$79,360 better (2018: \$72,545 higher). If the Australian dollar had strengthened the corresponding impact would be a reduction in pre-tax results 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 Group'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 Group 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 Bankwest that were entered into in December 2018, the Group is required to comply with the following financial covenants:

- the Debtors/Gross Debt must at all times be greater than or equal to 2 times;
- tangible net worth must be greater than or equal to \$10,000,000; and
- coverage tests – DTI Group Ltd and the guarantor must ensure that combined EBITDA for the preceding 12-month period and combined total assets are at least 90% of the Consolidated Group's EBITDA and Consolidated Group's total assets respectively.

The guarantor is defined as Virtual Observer Pty Ltd and DTI EMEA Limited.

As at 30 June 2019, the Debtors/Gross Debt is 4 times, tangible net worth is \$5,015,707 and coverage test is below 90%. As the tangible net worth of \$5,015,707 and coverage test falls below the requirement to support the current bank guarantee arrangement, the Group is not in compliance with these covenants at 30 June 2019. However, Bankwest has provided a waiver for this non-compliance until the next review in September 2019.

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## Note 16: Reserves and accumulated losses

	2019 \$	2018 \$
<b>Reserves</b>		
Employee Share Plan reserve	473,572	324,985
Foreign currency translation reserve	(14,236)	(29,935)
	<u>459,336</u>	<u>295,050</u>
<b>Employee Share Plan Reserve</b>		
Balance 1 July	324,985	202,373
Arising on share-based payments	148,587	122,612
Balance 30 June	<u>473,572</u>	<u>324,985</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.

	2019 \$	2018 \$
<b>Foreign currency translation reserve</b>		
Balance 1 July	(29,935)	451,812
Currency translation differences – current year	15,699	(481,747)
Balance 30 June	<u>(14,236)</u>	<u>(29,935)</u>

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

	2019 \$	2018 \$
<b>Accumulated losses</b>		
Balance 1 July	(16,168,210)	(4,783,899)
Impact of changes in accounting policies	(528,498)	–
Net loss for the year	(9,440,710)	(11,384,311)
Balance 30 June	<u>(26,137,418)</u>	<u>(16,168,210)</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.

	2019		2018	
	Allocated	Avail. To Allocate	Allocated	Avail. To Allocate
Opening Balance	1,478,975	474,000	1,636,000	364,000
Shares Granted	–	–	–	–
Shares allocated	(10,725)	–	(47,025)	–
Shares vested to employees	(1,468,250)	–	–	–
Shares forfeited	–	(474,000)	(110,000)	110,000
Shares available / Closing Balance	–	–	1,478,975	474,000

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. In prior year, the total amount utilised under the facility was \$112,966 at interest rates of 3.99% and 3.90% respectively. The loans were fully repaid at 30 June 2019.

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

	2019 \$	2018 \$
<i>Minimum finance lease payable:</i>		
Not later than 1 year	–	114,645
Later than 1 year but not later than 5 years	–	–
Minimum lease payments	–	114,645
Future finance charges	–	(1,679)
Present value of minimum lease payments	–	112,966

**(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 commencing 14 May 2018, for an office space 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.

	2019 \$	2018 \$
Non-cancellable operating lease payable:		
Not later than 1 year	148,680	145,732
Later than 1 year but not later than 5 years	271,013	612,834
	419,693	758,566

**(c) Bank guarantee and insurance bonds**

	2019 \$	2018 \$
Bank guarantees for unconditional undertaking of contracts	885,082	107,800
Insurance bonds	–	7,063,370
	885,082	7,171,170

The Company has given bank guarantees relating to performance requirements of contracts. A bank guarantee in relation to this contract of \$760,082 (2018: \$Nil) is included in the amounts above.

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 year notice of any such requirement. A bank guarantee in relation to this contract of \$125,000 (2018: \$107,800) is included in the amounts above.

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

## Note 19: Going concern

The financial statements have been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business. The Group recorded a loss after tax of \$9.4 million for the year ended 30 June 2019 (2018: \$11.4 million loss) and had operating cash outflows of \$0.96 million (2018: \$0.31 million).

At 30 June 2019, its trade working capital (excluding cash, contract assets, contract costs, contract liabilities, provisions and borrowings) decreased by \$5.2 million to \$3.5 million (2018: \$8.7 million), and the Group's cash and cash equivalents decreased by \$3.1 million to \$2.0 million (2018: \$5.1 million). At 30 June 2019, the Group is not in compliance with its banking covenant in relation to its bank guarantee. The Group obtained a waiver from the bank for this (refer to Note 15 and 18). These conditions indicate the existence of a material uncertainty that may cast a significant doubt about the Group's ability to continue as a going concern.

The ability of the Group to continue as a going concern is dependent upon the success of the following measures undertaken by management:

- The Group is expected to receive an additional \$3.0 million of working capital from capital raising subsequent to year end (refer Note 21);
- The Group has \$3.5 million of working capital as at 30 June 2019 to fund its working capital requirements until the completion of capital raising;
- The Group has sufficient cash at the date of this report to deal with the consequence on the non-compliance of its banking covenants;
- The Group is focused on improving commercial terms to reduce future working capital requirement and profitability; and
- The Group has recently commenced a turnaround plan and following execution of this plan, they expect to produce positive cash flow from operations.

The directors believe that there are reasonable grounds that the Group will continue as a going concern. Should the Group not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, nor to amounts or classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

## Note 20: Contingent liabilities

There were no contingent liabilities or assets as at 30 June 2019.

## Note 21: Events occurring after the reporting period

On 20 August 2019, DTI announced it proposes to make a 5 for 9 non-renounceable entitlement offer to raise approximately \$3 million via the issue of approximately 119.6 million new shares at 2.5 cents per share (Entitlement Offer). The Entitlement Offer will be underwritten by Finico Pty Ltd and UIL Limited who are major shareholders of the Company. The proceeds of the capital raising will provide necessary working capital and to strengthen the Company's balance sheet for future growth. Pursuant to the Underwriting Deeds, the Underwriters also agreed to advance the Underwriter Loans (\$810,552 from UIL and \$971,684 from Finico) to the Company on 20 August 2019, the repayment of which will be satisfied and offset by the Company via the issue of 32,422,088 New Shares to UIL and 38,867,358 New Shares to Finico under the proposed Entitlement Offer.

## Note 21: Events occurring after the reporting period (cont'd)

Other than what has been mentioned above, 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 22: 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.

	2019 Cents per Share	2018 Cents per Share
<b>Loss per share</b>		
Basic loss per share (cents per share)	(4.42)	(8.72)
Diluted loss per share (cents per share)	(4.42)	(8.72)
<b>Reconciliation of losses used in calculating loss per share</b>	<b>2019</b> <b>\$</b>	<b>2018</b> <b>\$</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	(9,440,710)	(11,384,311)



## Note 22: Earnings/(Loss) per share (cont'd)

	2019 Number of Shares	2018 Number of Shares
<b>Weighted average number of shares used as the denominator</b>		
Weighted average number of ordinary shares used in calculating basic loss per share	213,388,875	124,671,579
Weighted average additional shares issued during the period	5,260	5,830,794
Adjusted weighted average number of ordinary shares used in calculating diluted loss per share	213,394,135	130,502,373

## Note 23: Related-party transactions

## (a) Key management personnel

	2019 \$	2018 \$
<b>Compensation by category: key management personnel</b>		
Short-term benefits	968,832	1,072,812
Long-term benefits	12,662	4,000
Post-employment benefits	66,952	86,898
Share based payments	5,834	–
	1,054,280	1,163,710

Detailed remuneration disclosures are provided in the remuneration report on pages 14 to 25.

## (b) Subsidiaries

The consolidated financial statements include the following subsidiaries:

Name	Incorporation	Shares	Equity %	
			2019	2018
DTI Capital Pty Ltd	Australia	Ordinary	100	100
Virtual Observer Pty Ltd	Australia	Ordinary	100	100
DTI EMEA Limited	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) (Pty) Ltd <sup>(ii)</sup>	South Africa	Ordinary	100	100

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

(ii) DTI EMEA Ltd incorporated a wholly owned subsidiary in South Africa, Digital Technology International (SA) (Pty) Ltd.

## Note 24: Parent entity financial information: DTI Group Ltd

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

	2019 \$	2018 \$
<b>Statement of Financial Position</b>		
<b>Assets</b>		
Current assets	7,965,161	13,302,512
Non-current assets	2,961,956	6,225,185
<b>Total assets</b>	<b>10,927,117</b>	<b>19,527,697</b>
<b>Liabilities</b>		
Current liabilities	5,266,012	4,368,709
Non-current liabilities	384,089	77,050
Total liabilities	5,650,101	4,445,759
<b>Net Assets</b>	<b>5,277,016</b>	<b>15,081,938</b>
<b>Shareholders' equity:</b>		
Issued capital	30,955,098	30,955,098
Employee share plan reserve	473,572	324,985
Accumulated losses	(26,151,654)	(16,198,145)
<b>Total Equity</b>	<b>5,277,016</b>	<b>15,081,938</b>
<b>Statement of Loss and Other Comprehensive Loss</b>		
Loss for the year	(9,953,509)	(11,896,383)
<b>Total comprehensive loss</b>	<b>(9,953,509)</b>	<b>(11,896,383)</b>

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Note 25: Impact on the statement of financial position as at 1 July 2018 due to changes in accounting policies

The following table summarises the impact on the statement of financial position as at 1 July 2018 due to changes in accounting policies:

Statement of Financial Position (extract)	30 June 2018 \$	AASB 9 (i) \$	AASB 15 (ii) \$	1 July 2018 Restated \$
<b>Current assets</b>				
Trade and other receivables	7,335,246	(208,202)	–	7,127,044
Contract costs	–	–	1,036,774	1,036,774
Inventories	7,999,326	–	(1,036,774)	6,962,552
<b>Total current assets</b>	<b>20,558,797</b>	<b>(208,202)</b>	<b>–</b>	<b>20,350,595</b>
<b>Current liabilities</b>				
Contract liabilities	–	–	320,296	320,296
<b>Total current liabilities</b>	<b>6,797,795</b>	<b>–</b>	<b>320,296</b>	<b>7,118,091</b>
<b>Net assets</b>	<b>15,081,938</b>	<b>(208,202)</b>	<b>(320,296)</b>	<b>14,553,440</b>
<b>Equity</b>				
Accumulated losses	(16,168,210)	(208,202)	(320,296)	(16,696,708)
<b>Total equity</b>	<b>15,081,938</b>	<b>(208,202)</b>	<b>(320,296)</b>	<b>14,553,440</b>

(i) The Group was required to revise its impairment methodology under AASB 9 for its trade receivables balance. The impact of the change in impairment methodology on the Group's trade receivables and retained earnings is shown above.

(ii) Accounting for project-based service

In previous reporting period, the consideration received for non-refundable retainer fee is recognised as revenue when invoice is raised with associated cost capitalised under inventory. Under AASB 15, the non-refundable retainer fee is reversed to contract liabilities and only release to revenue based on the progress of the project when the project commenced.

The associated costs relating to cost to fulfil the project contract is previously recognised in inventories. Under AASB15, these costs are reclassified to contract costs. These costs are amortised based on the progress of the related projects, consistent with the pattern of recognition of the associated revenue.

## Note 26: 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 73 dated 30 August 2019.

### 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 26(g) 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 2019 and the comparative information presented in these financial statements for the year ended 30 June 2018.

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 26: Summary of significant accounting policies (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) Classification and initial measurement of financial assets (AASB 9 Financial Instruments)

#### Accounting Policy

The Group has adopted AASB 9 *Financial Instruments* with a date of initial application of 1 July 2018.

AASB 9 Financial Instruments replaces AASB 139's '*Financial Instruments: Recognition and Measurement*' requirements. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for impairment of financial assets. When adopting AASB 9, the Group elected not to restate prior periods. Rather, differences arising from the adoption of AASB 9 in relation to classification, measurement, and impairment are recognised in opening retained earnings as at 1 July 2018.

As a result of the adoption of AASB 9, the impairment of financial assets using the expected credit loss model applies now to the Group's trade receivables. For contract assets arising from AASB 15 and trade receivables, the Group applies a simplified model of recognising lifetime expected credit loss as these items do not have a significant financing component.

#### Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets are classified according to their business model and the characteristics of their contractual cash flows and are initially measured at fair value adjusted for transaction costs (where applicable).

#### Subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets, other than those designated and effective as hedging instruments, are classified into the following four categories:

- Financial assets at amortised cost
- Financial assets at fair value through profit or loss (FVTPL)
- Debt instruments at fair value through other comprehensive income (FVTOCI)
- Equity instruments at FVTOCI

## Note 26: Summary of significant accounting policies (cont'd)

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

**Financial assets at amortised cost**

Financial assets with contractual cash flows representing solely payments of principal and interest and held within a business model of 'hold to collect' contractual cash flows are accounted for at amortised cost using the effective interest method. The Group's trade and most other receivables fall into this category of financial instruments.

**Impairment of financial assets**

AASB 9's new forward looking impairment model applies to Group's investments at amortised cost and debt instruments at FVTOCI. The application of the new impairment model depends on whether there has been a significant increase in credit risk.

**Trade and other receivables and contract assets**

The Group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, the Group uses its historical experience, external indicators and forward looking information to calculate the expected credit losses using a provision matrix (Refer Note 14).

**Impact of the new impairment model**

For assets in the scope of the AASB 9 impairment model, impairment losses are generally expected to increase. The Group has determined that the application of AASB 9's impairment requirements at 1 July 2018 results in an additional impairment allowances as follows.

	\$
<b>Loss allowance at 30 June 2018 under AASB 139</b>	<b>364,038</b>
Additional impairment recognised at 1 July 2018 on:	
Trade and other receivables as at 30 June 2018 (Refer to note 14 and note 25)	208,202
<b>Loss allowance at 1 July 2018 under AASB 9</b>	<b>572,240</b>

**(c) Foreign currency***Functional and presentation currency*

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

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

## Note 26: Summary of significant accounting policies (cont'd)

### *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.

### **(d) Goods and services tax**

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

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

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

## Note 26: Summary of significant accounting policies (cont'd)

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.

### (e) Comparative Figures

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

### (f) 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 July 2018:

- AASB 9 Financial Instruments
- AASB 15 Revenue from Contracts with Customers
- AASB 2016-5 Amendments to Australian Accounting Standards - Classification and Measurement of Share-based Payment Transactions
- AASB 2017-1 Amendments to Australian Accounting Standards - Transfers to Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments

The Group had to change its accounting policies following the adoption of AASB 9 and AASB 15. This is disclosed in Note 2 and Note 26.

Other than AASB 9 and AASB 15, the other amendments listed above did not have any impact on the amounts recognised in prior and current periods.

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## Note 26: 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 2019 reporting periods and have not yet been applied in the financial report. The Group's assessment of the impact of these new standards and interpretations is set out below.

AASB Amendment	Affected Standard(s)	Nature of Change to Accounting Policy	Impact	Application Date of Standard	Application Date for Group (Year ended)
AASB 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 <i>AASB 117</i>.</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 in the later years. The Group will make a more detailed assessment of the impact over the next 12 months.</p>	1 Jan 2019	30 Jun 2020

## Note 26: Summary of significant accounting policies (cont'd)

### (g) Significant accounting estimates and judgements

#### *Revenue recognition*

The recognition of revenue detailed in Note 2 relating to project-based services is subject to the management's judgement on measurement of progress towards satisfaction of performance obligation using the input method. The Group also did not recognise revenue when management has determined that it was not highly probable that a portion of the revenue will not reverse.

When management determine multiple distinct performance obligations in a contract, transaction price is allocated based on stand-alone selling price of the product or service sold. The stand-alone selling price is estimated on the basis of the retail price.

#### *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 Group recognises a provision for inventory obsolescence. At 30 June 2019 management has determined \$2,668,910 (2018: \$2,045,819) 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 2019, 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 judgments relating to future revenues, anticipated gross margin, growth rates expected and discount rate. The calculations use cash flow projects based on financial budgets approved by the board covering a period of five years. The Board determined that the underlying assumptions supporting the impairment 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 \$1,493,687 (2018: \$5,163,573) 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 26: Summary of significant accounting policies (cont'd)

**(h) Auditor's remuneration**

	2019 \$	2018 \$
<b>BDO Audit (WA) Pty Ltd</b>		
Remuneration of the auditors of the entities for:		
Auditing or reviewing the current year financial report	51,000	51,500
Auditing or reviewing the half year review	27,689	30,750
	<u>78,689</u>	<u>82,250</u>
<b>BDO LLP</b>		
Remuneration of the auditors of the entities for:		
Auditing or reviewing the current year's financial report	18,067	18,928
Non-audit services performed by BDO during the year comprise:		
DTI EMEA Ltd Tax Consulting	7,593	7,234

## Note 27: 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)

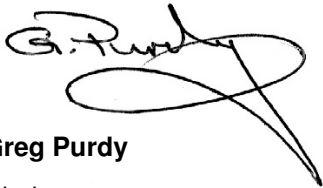
## Directors' Declaration

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

1. The financial statements and accompanying notes set out on pages 26–72 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 2019 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 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:



**Greg Purdy**

Chairman

30 August 2019, 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 or DTI) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, 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 2019 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.

#### Material uncertainty related to going concern

We draw attention to Note 19 in the financial report which describes the events and conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern and therefore the group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

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## 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. In addition to the matter described in the Material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

### 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 and Note 26 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>• Performing a price test on the cost of a sample of inventory by agreeing the purchase price as per supplier invoice to the inventory listing; and</li><li>• Performing a net realisable value test on a sample of inventory by obtaining the latest sales invoice of the samples and assessing that the sale price of the samples exceeds its cost price;</li><li>• Assessing and testing management's position paper and assessment over slow moving and obsolete inventory of the Group; and</li><li>• Assessing the adequacy of financial report disclosures.</li></ul>

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## Revenue from Contracts with Customers

Key audit matter	How the matter was addressed in our audit
<p>DTI generates a significant portion of its revenue from customer contracts for the provision, installation and maintenance of equipment as disclosed in Note 2.</p> <p>The group has applied AASB 15 "Revenue from contracts with customers" ('AASB 15') from 1 July 2018 using the cumulative effect method.</p> <p>Revenue recognition was determined to be a key audit matter as this area involves significant judgments and estimates made by management including whether contracts contain multiple performance obligations which should be accounted for separately and the most appropriate method of recognition of revenue for the identified performance obligations. This comprises allocation of consideration to the individual performance obligations based on its standalone pricing and whether the performance obligation is satisfied at a point in time or overtime. Furthermore performance obligations that are satisfied overtime requires assessment of the degree of completion of the project based contracts.</p> <p>The Group's disclosures in relation to its revenue accounting policy and significant judgements applied in revenue recognition are disclosed in Note 2 and Note 26.</p>	<p>Our procedures included, but were not limited to the following:</p> <ul style="list-style-type: none"> <li>• Discussing with management and critically assessing the financial impact of the new revenue standard and changes to the Group's revenue recognition policies on transition 1 July 2018;</li> <li>• Reviewing DTI's revenue recognition policies across all revenue streams and ensuring compliance with the accounting standard;</li> <li>• Obtaining and reviewing a sample of key contracts, considering the terms and conditions, performance obligations of these arrangements, its stand-alone pricing and assessing the accounting treatment under AASB 15;</li> <li>• Challenging management's assessment of the performance obligations promised to customers within a contract;</li> <li>• Vouching a sample of revenue and other revenue transactions to supporting documentation;</li> <li>• Performing cut-off testing to ensure revenue is recorded in the relevant period;</li> <li>• Performing detailed analytical procedures over revenue, cost of sales and margins including comparison to prior period and BDO expectations to identify unusual trends or onerous projects;</li> <li>• Enquiring and reviewing credit notes issued post year end which relates to year ending 30 June 2019;</li> <li>• Reviewing contract balances to ascertain that they has been accounted for accurately;</li> <li>• Reviewing disclosures in Note 2 and Note 26 in the financial report and ensuring compliance with the accounting standard.</li> </ul>

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## 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 2019, 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.

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## Report on the Remuneration Report

### Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 14 to 24 of the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of DTI Group Ltd, for the year ended 30 June 2019, 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

BDO  


Dean Just

Director

Perth, 30 August 2019

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DECLARATION OF INDEPENDENCE BY NAME OF DEAN JUST TO THE DIRECTORS OF DTI GROUP LTD

As lead auditor of DTI Group Limited for the year ended 30 June 2019, 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, 30 August 2019

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## Corporate directory



<b>Directors</b>	Greg Purdy Steve Gallagher Neil Goodey Andrew Lewis	Non-Executive Chairman Non-Executive Director Non-Executive Director Non-Executive Director
<b>Company Secretary</b>	Ian Hobson	
<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>Bankers</b>	Bankwest Division of Commonwealth Bank of Australia Bankwest Place 300 Murray Street Perth WA 6000	
<b>Stock Exchange Listing</b>	DTI Group Ltd shares are listed on the Australian Securities Exchange (ASX code: DTI)	

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## Additional ASX Information



The shareholder information set out below was applicable at 28 August 2019.

### Ordinary Share Capital

215,341,850 fully paid ordinary shares (inclusive of DTI Treasury shares) held by 783 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	38	0.00
1,001 – 5,000	210	0.28
5,001 – 10,000	147	0.54
10,001 – 100,000	277	4.68
100,001 and over	111	94.49
<b>Total</b>	<b>783</b>	<b>100.00</b>

There were 458 holders of less than a marketable parcel of ordinary shares.

### Twenty Largest Registered Shareholders

Name	Number of Shares	Percentage of Issued Shares
INVIA CUSTODIAN PTY LIMITED <THE MORRIS FAMILY A/C>	69,961,245	32.49
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	58,359,759	27.10
INDUCAM NV/C	6,203,078	2.88
BLUEKARA PTY LTD <GOODEY FAMILY A/C>	4,646,880	2.16
MONEX BOOM SECURITIES (HK) LTD <CLIENTS ACCOUNT>	3,756,170	1.74
WOOD STREET PTY LTD	3,034,886	1.41
LEGRANDE INVESTMENTS PTY LTD	2,508,485	1.16
MR LESLIE KROLL	2,500,000	1.16
LTC GROUP HOLDINGS PTY LTD	2,046,353	0.95
LTC GROUP HOLDINGS PTY LIMITED <LTC SUPERANNUATION FUND A/C>	2,007,642	0.93
MR GLYN DENISON <GLYN DENISON FAMILY A/C>	1,955,660	0.91
DTI CAPITAL PTY LTD	1,942,250	0.90
MR NEIL EDWARD GOODEY	1,928,318	0.90
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,771,592	0.82
ENERVIEW PTY LTD	1,700,000	0.79
FINESHORE PTY LTD <TUFILLI FAMILY A/C>	1,696,121	0.79
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
<b>Total</b>	<b>171,618,439</b>	<b>79.70</b>

### Substantial Shareholders

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

#### Fully Paid Ordinary Shares

Name	Number	%
INVIA CUSTODIAN PTY LIMITED <THE MORRIS FAMILY A/C>	69,961,245	32.5
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	58,359,759	27.1

### 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 (2018: Nil).

### On-market Buyback

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

### Company Secretary

Ian Hobson

### Registered and Principal Office

31 Affleck Road  
Perth Airport WA 6105  
Telephone: (08) 9479 1195  
Facsimile: (08) 9479 1190  
Website: [www.dti.com.au](http://www.dti.com.au)

### Share Registrar

Computershare Investor Services Pty Limited  
Yarra Falls  
452 Johnston Street  
Abbotsford Vic 3067