APPENDIX 4D & HALF YEAR FINANCIAL STATEMENTS

DTI Group Ltd

31 December 2016

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Appendix 4D

Half year report
Period ending on 31 December 2016

Name of entity

DTI Group Ltd

ABN or equivalent company reference

15 069 091

The information contained in this report relates to the following years:

Current half-year ended	31 December 2016
Previous half-year ended	31 December 2015

Results for announcement to the market

				$000s
Revenue	Decreased	37.4%	To	5,448.0
Profit/(losses) after tax attributable to members	Increased	1,182.3%	To	(2,718.2)
Profit/(losses) after tax attributable to owners of the parent	Increased	1,182.3%	To	(2,718.2)

Dividend payments	Amount per security	Franked amount per security
<u>Year ended 30 June 2016</u> Final dividend (cents per share)	-	-
<u>Half year ended 31 December 2016</u> Interim dividend (cents per share)	-	-
Record date for determining entitlement to dividend	n/a	
Date the interim 2017 dividend is payable	n/a	

Net tangible assets	Current half year $	Previous half year $
Net tangible assets per ordinary security	$0.14	$0.12

Total interim dividend to be paid on all securities	Current half year $	Previous half year $
Ordinary securities	nil	nil

The above information should be read in conjunction with the attached Half Year Report for the period ending 31 December 2016.

This report is based on accounts that have been reviewed.

Bruce Mitchell
Company Secretary

Date: 23 February 2017

ASX announcement

23 February 2017

DTI Earnings Result – 1H FY17

Summary

- Revenue of $5.4 million (1H FY16: $8.7 million)
- EBITDA of $(2.3) million (1H FY16: $121,692)
- Underlying EBITDA of $(1.3) million (1H FY16: $0.2 million)
- NPAT of $(2.7) million (1H FY16: $(211,975))
- Earnings adversely impacted by customer requested changes to delivery schedules on certain large contracts, increased costs associated with new product development and increased engineering effort to service rail sector contracts
- Successfully completed $11.5 million capital raising
- Successfully launched new digital recorder (MDR-6), train data recorder (TDR-6) and range of passenger information displays
- FY17 full year contracted revenue expectation of $16.1 million remains unchanged

Financial Performance

DTI Group Ltd (DTI) today announced its results for the half-year ended 31 December 2016. DTI recorded an EBITDA loss of $2.3 million (1H FY16: $121,692 positive EBITDA) on revenue of $5.4 million (1H FY16: $8.7 million). The result was adversely impacted by project delays resulting in reduced revenue with higher costs associated with launching new products and a higher proportion of work in the rail sector. Non-recurring costs of $689,983 associated impairment charges and establishment of a warranty provision also contributed to the negative earnings result.

DTI reported an interim net loss after tax of $2.7 million for 1H FY17 compared to $0.2 million for the previous corresponding period.

DTI Chief Executive Officer Peter Tazewell said: "Project rescheduling by our customers has flowed through to DTI and resulted in a timing lag in reaching our revenue recognition targets. Notwithstanding this, DTI has continued to make major investments in research and development in order to ensure new products are available to meet customer requirements. The first-half result has also been adversely impacted by some non-cash impairments following a review of the balance sheet. During the period, DTI completed an $11.5 million capital raising which ensures funding for ongoing research and development and marketing activities as well as increased working capital to support anticipated revenue growth."

DTI has negligible debt and recorded net cash at 31 December of $8.0 million. DTI recorded negative cash from operations of $0.9 million due to increased working capital associated with larger rail contracts and delays experienced in collection of receivables.

DTI has been lost time injury ("LTI") free since 2015 and has a LTI frequency rate ("LTIFR") of zero.

Pipeline and Order Book

DTI enjoys a contracted order book in excess of $17 million, as at 31 December 2016, which has increased half-on-half since June 2015. During this period DTI has been successful in acquiring contracts in the rail sector to complement its already strong position in the bus sector.

DTI has an identified Opportunity Pipeline in excess of $417 million which is expected to be awarded over the next four to five years. The rail sector contributes in excess of 70 per cent of this pipeline with the balance in the bus and law enforcement sectors. Europe, Middle East and Africa (EMEA) is a strong geographic focus for the business with in excess of 60 per cent of the Opportunity Pipeline sourced in this region.

DTI CEO Peter Tazewell said "The global market for CCTV and video surveillance systems (fixed and mobile) is forecast to exceed US$30 billion by 2020[1], underwritten by strong public sector investment in mass transit systems and increased security awareness. This in turn provides strong and growing demand for DTI products."

Outlook

DTI is operating in a growth market underwritten by strong public and private sector demand with increased opportunities arising from changes in technology and development of new products. DTI has a highly scalable business model capable of growing revenue by leveraging its core technology platform. The recent capital raising and ongoing investment in product development has positioned DTI strongly to convert identified opportunities into future revenue growth for the business.

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

About DTI Group

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

[1] CCTV and Video Surveillance Systems: Global Industry Analysts, 30 September 2015

DTI GROUP LTD

ABN 15 069 791 091

Half-Year Report
31 December 2016

Lodged with ASX under Listing Rule 4.2A.

This information should be read in conjunction with the 30 June 2016 Annual Report, together with the public announcements and documents made by DTI Group Ltd in accordance with its continuous disclosure obligations under the *Corporations Act 2001* and ASX Listing Rules.

2017 Half-year Report

Contents

Directors' report

The Directors of DTI Group Ltd ("DTI" or "Company") present herewith the financial report of the Company and its subsidiaries ("Group") for the half year ended 31 December 2016. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

The names and particulars of the Directors of the Company in office during or since the end of the half-year are:

Chris Morris
Non-Executive Chairman

Peter Tazewell
Managing Director

Richard Johnson
Executive Director

Glyn Denison
Non-Executive Director

Neil Goodey
Non-Executive Director

Jeremy King
Non-Executive Director

The abovenamed directors held office during and since the start of the half-year except for Mr Peter Tazewell who was appointed as Managing Director on 1 December 2016.

Principal activities

The principal activities of the consolidated entity during the course of the half-year were the operation of surveillance and commuter communication solutions and managed services for the global transit industry:

Surveillance and Commuter Communication – specialised hardware systems, incorporating video, passenger information, audio, GPS tracking, communications and high-speed recording technology; supported by sophisticated device and data management software to provide comprehensive, fleet-wide, CCTV, communication and vehicle management solutions.

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.

Financial Review

Earnings

	31 December 2016	31 December 2015
Operating Revenue	5,448,034	8,699,395
EBITDA	(2,331,932)	121,692
EBIT	(3,043,942)	(374,728)
Net profit/(loss) after tax	(2,718,201)	(211,975)
Basic Earnings per share ¢	(2.85)	(0.23)

DTI has reported an after tax loss for the first half-year ended 31 December 2016 of $2,718,201 (31 December 2015: $211,975 loss). Loss per share of 2.85 cents was adversely impacted by a range of non-recurring expenses as set out below.

DTI recorded first half sales revenue of $5.4 million, which represents a decrease of 37.4 per cent compared to the previous year's first half sales of $8.7 million. The reduced sales performance is largely a result of customer requested changes in delivery schedules on a number of large contracts. However, the revenue outlook for the full year result remains consistent with the $16.1 million contracted revenue guidance previously provided.

For the half-year period the consolidated entity achieved statutory EBITDA loss of $2.3 million compared to the previous corresponding period EBITDA profit of $121,692. Included in statutory EBITDA is non-recurring costs of $0.7 million relating to impairments recorded on previously capitalised research and development expenditure and inventory, stock adjustments and establishment of a warranty provision, as set out below:

	$
Statutory EBIT	(3,043,942)
Depreciation and amortisation	712,010
Reported EBITDA	(2,331,932)
Foreign exchange losses	376,571
Warranty provision – past sales revenue	189,943
Impairment – inventory	258,128
Impairment – capitalised research and development	241,912
Underlying EBITDA	(1,265,378)

The resulting underlying EBITDA loss is $1.3 million. The underlying EBITDA loss in 1H FY17 is primarily attributable to

i) Below budget revenue due to project rescheduling;

ii) Increased costs associated with development of new products supporting rescheduled projects;

iii) Increased travel and marketing costs associated with servicing the rail sector; and

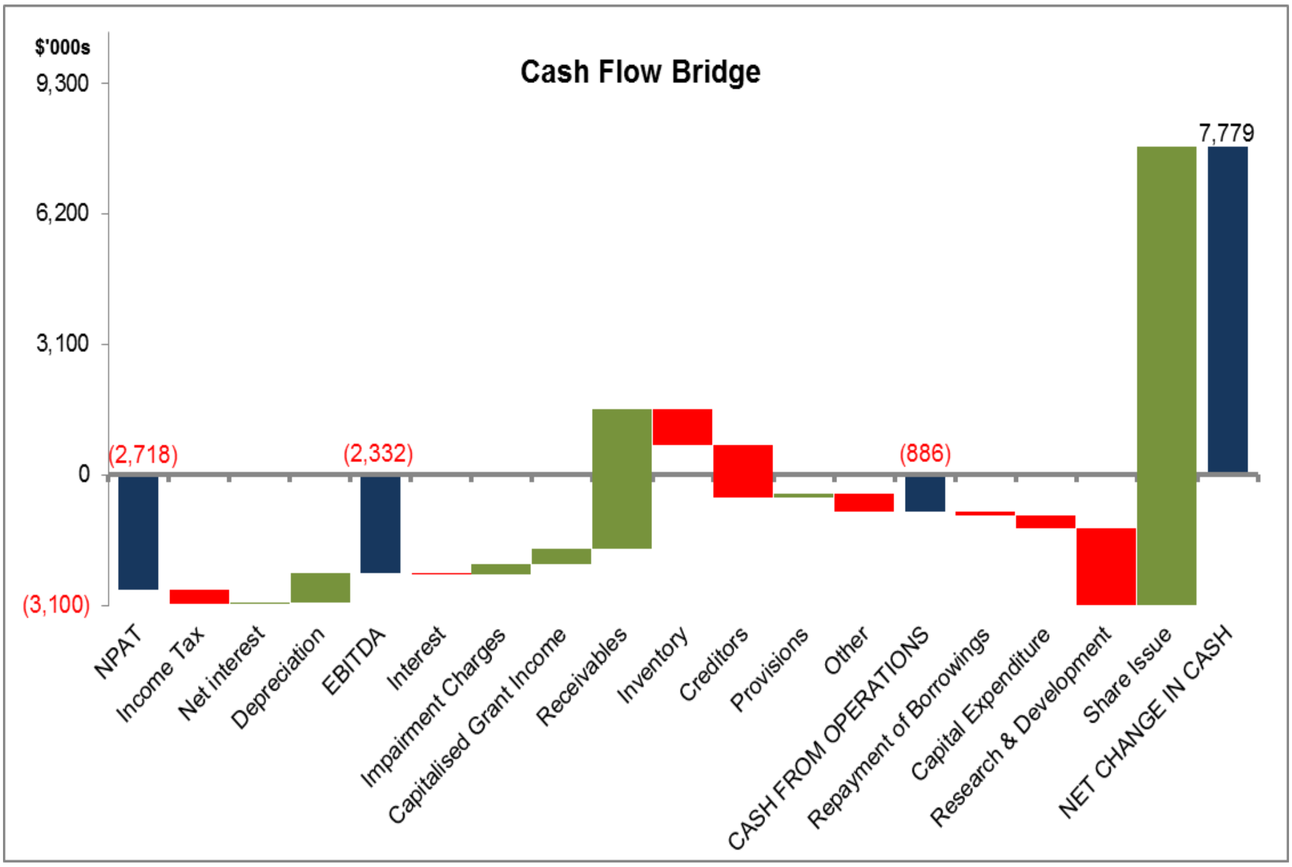
iv) Higher product manufacturing costs associated with delivering pre-production products.

The directors are confident that the investment in new product development will be realised over the medium term with the award of new projects resulting in increased revenue opportunities for the Company. As a project based business, DTI is subject to project delays and the directors consider lost revenue from the first half will be recovered in subsequent periods.

During the period DTI undertook an Organisational restructure designed to establish an executive management team and allocate operational responsibilities within the functional areas of the business. As a result of this restructure, DTI will now report as a single Operating Segment.

Cashflow

During the period, DTI consumed $0.9 million cash in operations and invested $2.5 million in capitalised research and development expenditure, and plant and equipment as detailed in the chart below.



DTI continues to support investment in research and development activities as it develops new products and services for the mass transit industry. $2.2 million was allocated to research and development expenditure during the period.

Balance Sheet

Following the recent capital raising, the financial position of the Group is strong with $23.2 million of net assets, including $8.4 million in cash. The working capital metrics remain stable with current assets of $20.9 million and current liabilities of $4.0 million.

Working capital has continued to expand as the Company takes on higher value contracts in the rail sector. In addition, the Company has made a significant investment in working capital in Europe to support its growing activities in EMEA.

Following a review of the balance sheet at 31 December the Board has determined to impair certain assets to the value of $0.5 million, as set out in the Earnings Section above, to amounts that are substantiated by net realisable value.

Review of operations

The Board is highly encouraged by the significant opportunity pipeline that the Company is facing and the prospect of securing a number of key major projects, both in Australia and globally. DTI has a contracted order book in excess of $17 million and an opportunity pipeline in excess of $417 million. DTI's Order Book is heavily weighted to the rail sector with approximately 80 per cent of booked work in this sector. Details of the development of DTI's Order Book over time are set out below.

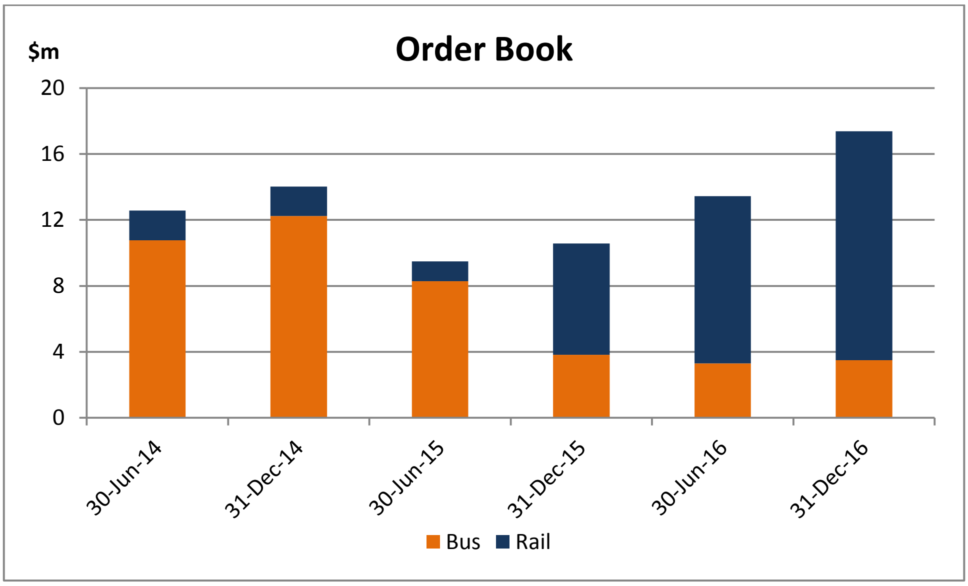


Chart 1: Order Book

Similar to the contracted Order Book, the Opportunity Pipeline also shows a strong bias to the rail sector, as set out in Chart 2, with over 85 per cent of identified opportunities in this sector. This is attributable to the large marketing effort that has been applied to this sector and the development by DTI of rail specific products (Train Data Recorder, Passenger Information Display, Dynamic Route Map, Passenger Emergency Intercom, Driver Display Unit, Public Address and Passenger Counting). The rail sector is dominated by a smaller number of very large value opportunities which makes it a favourable market to enter for DTI.

The bus market continues to be highly relevant to DTI with a larger number of smaller value contracts. A significant portion of DTI's recurring revenue base is sourced from the bus sector.

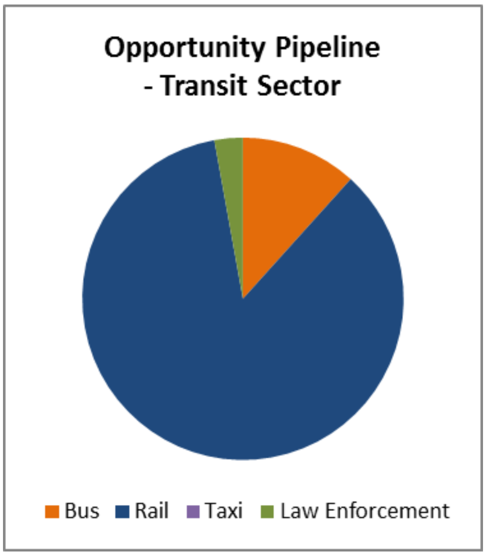


Chart 2: Opportunity Pipeline by Transit Sector

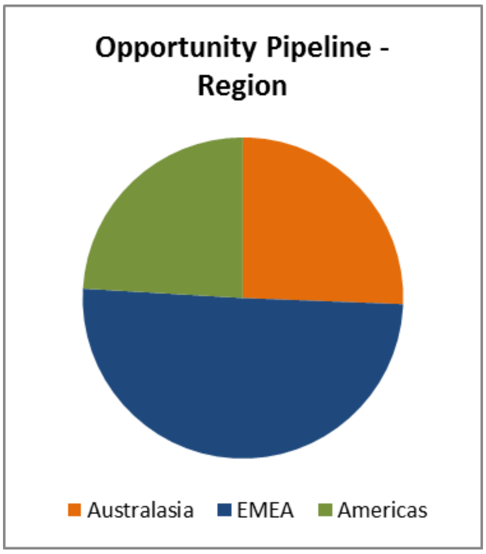


Chart 3: Opportunity Pipeline by Region

DTI operates globally and its Opportunity Pipeline is categorised between Australasia, Europe, Middle East and Africa ("EMEA") and Americas. Over 50 per cent of DTI's opportunity pipeline is sourced from the EMEA region, as set out in Chart 3, with the balance equally shared between the Americas and Australasia.

In order to address this growth in the Opportunity Pipeline, DTI has expanded its presence in both Europe and North America with the appointment of additional sales and technical representatives.

With strong commitments to infrastructure spending by the governments of developed countries, DTI considers that there is significant potential for the Opportunity Pipeline to grow further.

DTI anticipates being able to grow its revenue base significantly in the coming years as this Opportunity Pipeline is realised.

Despite recording lower than anticipated revenue in the six month period to 31 December 2016, DTI was successful in significantly increasing its contracted backlog from $10.6 million (31 December 2015) to $17.4 million, an increase of over 64 per cent. The majority of these new contracts, which are detailed below, are expected to be delivered over the next 18 months.

Project	Customer	Deliverable
Sydney Metro North West Rail Link	Alstom Transport India Limited	Passenger information, public address and CCTV systems
DART	Dallas Area Rapid Transit Authority	Retrofit of CCTV system
Virgin Trains	Delatim Ltd (UK)	Pantograph solution
Merseyrail	ESG Rail Limited (UK)	Automatic Passenger Counting
London Underground - Northern Line	Alstom Transport UK Limited	Retrofit of CCTV system
London Midland	ESG Rail Limited (UK)	Retrofit of CCTV system and pantograph solution
Swiss Federal Railways ("SBB")	Alstom Transport SA (France)	Installation of safety CCTV surveillance system

A key to this success has been developing software solutions and investment in critical equipment to test for shock, vibration and environmental conditions which has now been installed, and is operating, at the Company's Perth manufacturing base.

DTI is also investing in achieving key technical accreditations such as International Railway Industry Standard ("IRIS") to complement its ISO 9001 accreditation. During the year DTI entered into a Framework Agreement with Alstom Transport SA to provide Public Address Information Systems ("PACIS"). This arrangement has been immediately beneficial to DTI having recently been awarded the Northern Line and SBB projects under this arrangement.

DTI recorded $3.8 million in recurring revenue, representing 77 per cent of reported sales revenue, from maintenance and ongoing installation contracts. This growing recurring revenue base supports DTI's ongoing investment in new products and services to support its customers.

In December 2016 DTI completed its $11.5 million capital raising which significantly strengthened the Company's balance sheet. The capital has been raised to support working capital for anticipated future growth in revenue as well as increased marketing and research and development activities.

Strategy and Outlook

DTI has been pursuing a strategy of developing surveillance, communication and passenger information products and solutions for the mass transit industry. DTI has been successful at entering new market sectors and enhancing its credentials with customers in key global markets through its innovative solutions.

DTI has a level of contracted revenue that will underpin revenue for the balance of FY17 and into FY18. DTI has an identified Opportunity Pipeline of $417 million which relates to work that is expected to be awarded over the next five years. The realisation of this Opportunity Pipeline is expected to provide a baseload of revenue for the Company from which it can continue to grow its market share and develop new products and solutions for its customers.

Auditor's independence declaration

The auditor's independence declaration, as required under section 307C of the Corporations Act 2001, is included on page 22 of the half-year report.

This Directors' report is signed in accordance with a resolution of the Board of Directors made pursuant to section 306(3) of the *Corporations Act 2001*.

Peter Tazewell
Managing Director
23 February 2017
Perth, Australia

Consolidated statement of profit or loss and other comprehensive income

for the half-year ended 31 December 2016

	Note	31 December 2016 $	31 December 2015 $
Sales Revenue		5,448,034	8,699,395
Cost of Goods Sold		(4,832,994)	(5,509,322)
Gross Margin		615,040	3,190,073
Operational Overheads		(974,406)	(1,327,190)
Impairment costs	2	(500,040)	-
Other Income		823,017	64,619
Corporate Overheads		(2,295,543)	(1,805,810)
Depreciation/amortisation		(712,010)	(496,420)
Interest and finance costs		(30,171)	7,359
Net Loss Before Tax		(3,074,113)	(367,369)
Tax benefit		355,912	155,394
Net Loss After Tax		(2,718,201)	(211,975)
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		(79,843)	(125,635)
Total other comprehensive income / (loss)		(79,843)	(125,635)
Total comprehensive income / (loss) for the period		(2,798,044)	(337,610)
Total comprehensive income / (loss) is attributable to:			
Owners of DTI Group Ltd		(2,798,044)	(337,610)
Loss per share for profit / (loss) attributable to the ordinary equity holders of the Company:			
Basic loss per share (cents per share)		(2.85)	(0.23)
Diluted loss per share (cents per share)		(2.85)	(0.23)

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 31 December 2016

	Note	31 December 2016 $	30 June 2016 $
Current assets			
Cash and cash equivalents		8,419,462	633,489
Trade and other receivables		5,426,726	8,655,529
Inventories		6,705,316	5,844,736
Other current assets		353,295	132,274
Total current assets		20,904,799	15,266,028
Non-current assets			
Other receivables		289,283	389,786
Property, plant and equipment		1,153,304	1,089,929
Intangible assets	3	5,839,866	4,370,112
Total non-current assets		7,282,453	5,849,827
Total assets		28,187,252	21,115,855
Current liabilities			
Trade and other payables		2,761,810	4,015,498
Borrowings		362,094	186,035
Provisions		912,224	859,864
Total current liabilities		4,036,128	5,061,397
Non-current liabilities			
Borrowings		36,422	305,077
Provisions		87,080	34,369
Deferred tax liabilities		801,074	1,021,205
Total non-current liabilities		924,576	1,360,651
Total liabilities		4,960,704	6,422,048
Net assets		23,226,548	14,693,807
Equity			
Contributed equity	5	24,969,359	13,723,974
Reserves		(88,584)	(94,142)
Retained income		(1,654,227)	1,063,975
Total equity		23,226,548	14,693,807

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

Consolidated statement of changes in equity

for the half-year ended 31 December 2016

	Contributed Equity $	Employee Share Plan Reserve $	Foreign Currency Translation Reserve $	Accumulated Gains / (Losses) $	Total $
2016					
At 1 July 2016	13,723,974	41,222	(135,364)	1,063,975	14,693,807
Adjustments to prior years					
Loss for the half-year	–	–	–	(2,718,201)	(2,718,201)
Shares issued to employees	–	85,400	–	–	85,400
Other comprehensive loss	–	–	(79,843)	–	(79,843)
Total comprehensive loss for the half-year	–	85,400	(79,843)	(2,718,201)	(2,712,644)
Transactions with owners in their capacity as owners					
Issue of share capital	11,565,561	–	–	–	11,565,561
Capital raising costs	(320,176)	–	–	–	(320,176)
At 31 December 2016	24,969,359	126,622	(215,207)	(1,654,226)	23,226,548
2015					
At 1 July 2015	13,723,974	–	(78,637)	1,032,417	14,677,754
Loss for the half-year	–	–	–	(211,975)	(211,975)
Other comprehensive loss	–	–	(125,635)	–	(125,635)
Total comprehensive loss for the half-year	–	–	(125,635)	(211,975)	(337,610)
Transactions with owners in their capacity as owners					
Issue of share capital	–	–	–	–	–
Capital raising costs	–	–	–	–	–
At 31 December 2015	13,723,974	–	(204,272)	820,442	14,340,144

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

Consolidated statement of cash flows

for the half-year ended 31 December 2016

	31 December 2016 $	31 December 2015 $
Cash flows from operating activities		
Receipts from customers	7,514,836	8,998,538
Payments to suppliers and employees	(10,475,880)	(9,044,603)
Interest received	8,108	9,430
Research and development grant received	2,440,024	991,861
Interest paid	(38,279)	(2,071)
Tax paid	(335,072)	(280,758)
Net cash inflow from operating activities	(886,263)	672,397
Cash flows from investing activities		
Payments for plant and equipment	(287,633)	(549,745)
Payments for intangible assets	(2,199,418)	(885,803)
Net cash outflow from investing activities	(2,487,051)	(1,435,548)
Cash flows from financing activities		
Proceeds from issues of shares	11,565,561	5,635
Payments for share issue costs	(320,176)	–
Proceeds from borrowings	–	370,183
Repayment of borrowings	(92,596)	(18,067)
Net cash inflow from financing activities	11,152,789	357,751
Net increase/(decrease) in cash and cash equivalents	7,779,475	(405,400)
Cash and cash equivalents at the beginning of the period	633,489	3,839,829
Effect of exchange rate changes on cash and cash equivalents	6,498	29,740
Cash and cash equivalents at the end of the period	8,419,462	3,464,169

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

Note 1: Segment information

Following the recent internal restructure of the organisation and the appointment of a new Chief Executive Officer (CEO), the CODM is now identified as the Chief Executive Officer (CEO) who monitors one business unit being the DTI Group Limited (DTI) as a consolidated entity as opposed to three reportable segments in the prior year.

The new organisational structure has created an integrated and streamlined reporting structure up to the CODM. The CODM currently 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.

Whilst the segments have been assessed and changes have been made, there is no perceived change to the cash generating units and they will be further assessed at the year end.

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

Segment Revenues and Results	**31 Dec 2016 Total $**	**31 Dec 2015 Total $**
Sales Revenue	5,448,034	8,699,395
Cost of Goods Sold	(4,832,994)	(5,509,322)
Gross Margin (First)	**615,040**	**3,190,073**
Gross Margin (First) %	***11%***	***37%***
Operational Overheads	(974,406)	(1,327,190)
Impairment of Development and Project Costs	(500,040)	-
Gross Margin (Final)	**(859,406)**	**1,862,883**
Gross Margin (Final) %	***(16%)***	***21%***
Other Income	823,017	64,619
Corporate Overheads	(2,295,543)	(1,805,810)
EBITDA	**(2,331,932)**	**121,692**
Depreciation/amortisation	(712,010)	(496,420)
EBIT	**(3,043,942)**	**(374,728)**
Interest and finance costs	(30,171)	7,359
Net Loss Before Tax	**(3,074,113)**	**(367,369)**
Tax benefit	355,912	155,394
Net Loss After Tax	**(2,718,201)**	**(211,975)**

Segment Assets and Liabilities

Total Assets & Liabilities	31 Dec 2016 $	30 June 2016 $
Consolidated total assets	28,187,252	21,115,855
Consolidated total liabilities	4,960,704	6,422,048

Geographical Assets	31 Dec 2016 $	30 June 2016 $
Australia	25,322,264	18,935,606
Others	2,864,988	2,180,249
Total	**28,187,252**	**21,115,855**

Geographical Liabilities	31 Dec 2016 $	30 June 2016 $
Australia	4,448,633	5,870,923
Others	512,071	551,125
Total	**4,960,704**	**6,422,048**

Major customers

DTI supplies goods and services to a broad range of customers in the transit industry. During the reporting period, two (2015: one) major customers accounted for in excess of 25 (2015: 48) per cent of Group revenue.

Note 2: Impairment costs

	31 Dec 2016 $	30 June 2016 $
Inventory	258,128	143,327
Capitalised Research and Development	241,912	–
Total	**500,040**	**143,327**

Note 3: Intangible assets

	Development Costs $	Goodwill $	Patents $	Total $
At 31 December 2016				
Cost (gross carrying amount)	10,876,567	2,432	359,695	11,238,694
Accumulated amortisation	(4,298,284)	–	(85,421)	(4,383,705)
R&D grant income offset	(1,015,123)	–	–	(1,015,123)
Net carrying amount	5,563,160	2,432	274,274	5,839,866
Movements in carrying amounts				
Balance at 1 July 2016	4,128,417	2,432	239,263	4,370,112
Additions	2,147,928	–	51,490	2,199,418
Amortisation expense	(270,733)	–	(16,479)	(287,212)
Impairment of Capitalised Development Costs	(241,912)	–	–	(241,912)
R&D grant income offset	(200,540)	–	–	(200,540)
Carrying amount at 31 December 2016	5,563,160	2,432	274,274	5,839,866

	Development Costs $	Goodwill $	Patents $	Total $
At 30 June 2016				
Cost (gross carrying amount)	8,529,075	2,432	308,205	8,839,712
Accumulated amortisation	(3,586,075)	–	(68,942)	(3,655,017)
R&D grant income offset	(814,583)	–	–	(814,583)
Net carrying amount	4,128,417	2,432	239,263	4,370,112
Movements in carrying amounts				
Balance at 1 July 2015	2,364,504	2,432	150,612	2,517,548
Additions	3,277,720	–	112,498	3,390,218
Amortisation expense	(699,224)	–	(23,847)	(723,071)
R&D grant income offset	(814,583)	–	–	(814,583)
Carrying amount at 30 June 2016	4,128,417	2,432	239,263	4,370,112

Consistent with the requirements of AASB 120: Government Grants, R&D Grant Income in the 2017 financial half year of $909,748 (2016 full year: $1,475,525) related to expenditure on capitalised intangible assets and this has been set off against the value of those intangible assets after reducing it by the amount of amortisation and impairment recognised in the 2017 financial half year. This net set off amount was $200,540 (2016 full year: $814,583) in the 2017 financial half year.

Capitalised Development Costs

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.

Following a review of capitalised development costs at 31 December, the Board has determined to impair certain assets by $241,912 (2016: nil) to amounts that are substantiated by net realisable value

Note 4: Borrowings

DTI is subject to financial covenants with its lender, Australia and New Zealand Banking Group Ltd ("ANZ"), including a Debt to EBITDA ratio. Due to the classification of project surety bonds as Debt, DTI incurred a technical breach at 31 December 2016.
As a result of this breach, $184,184 of non-current liabilities has been reclassified as current liabilities. ANZ has advised that it will take no recovery action as a result of this technical breach, with the next review of the facility due 31 March 2017.

Note 5: Contributed equity

	31 Dec 2016 No.	31 Dec 2016 $	30 Jun 2016 No.	30 Jun 2016 $
Ordinary shares				
Balance at the beginning of the half-year	91,627,118	13,723,974	91,627,118	13,723,975
Issued of share capital	33,044,461	11,565,561	–	–
Capital raising costs	–	(320,176)	–	–
	124,671,579	24,969,359	91,627,118	13,723,975

There are 2,000,000 DTI Employee Share Plan treasury shares.

Note 6: Contingent liabilities

There have been no changes in contingent liabilities or contingent assets since the end of the previous annual reporting period, 30 June 2016.

Note 7: Subsequent events

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

Note 8: Related party transactions

Remuneration arrangements of key management personnel are disclosed in the annual financial report.
In addition, Mr. Peter Tazewell was appointed to the Board of DTI on 1 December 2016 as Managing Director.

Employment Contracts with KMP

Component	Managing Director / Chief Executive Officer	Other Executive KMP
Fixed remuneration	$300,000	$175,000–$240,000
Contract duration	Ongoing contract	Ongoing contract
Notice period – individual	4 weeks	4-8 weeks
Notice period – company	4 weeks	4-8 weeks
Termination payments	None specified	None specified
In the event of serious misconduct, termination may be without notice and without payment in lieu.		

Relationship between Remuneration and DTI Performance

The relationship between remuneration and DTI's HY2016 performance for the following executive KMPs has changed from the 2016 Annual Report and the changes are set out below.

Peter Tazewell

- ST Incentive cash bonus based on the achievement of budgeted EBITDA (50% weighting), achievement of revenue, profit before and after tax and operating and investing cash flow (20% weighting) and the achievement of other criteria including expansion and diversification, business plans and strategy (30% weighting). The composition of the cash bonus is 12.5% of the package guide or up to 25% of the base salary for exceptional performance.

- LT Incentive based on the achievement of earnings per share performance compared to the previous period (50% weighting) and non-financial performance including 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% weighting). The LT Incentive forms 12.5% of the package guide or up to 33.3% of the base salary for exceptional performance.

Note 9: Fair value measurement of financial instruments

The carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective net fair values.

The estimated fair value of financial instruments has been determined by the Company using available market information and appropriate valuation methods. The estimates presented are not necessarily indicative of the amounts that will ultimately be realised by the Company upon maturity or disposal. The use of different market assumptions and/or estimation methods may have a material effect on the estimated fair value amounts.

For cash and cash equivalents, current receivables, accounts payable, interest accrual and short-term debts, the carrying amounts approximate fair value, because of the short maturity of these instruments, and therefore fair value information is not included in the table below.

The fair value of debt and long term receivables is estimated using discounted cash flow analysis based upon market rates. Accrued interest is not included within the carrying amount or estimated fair value of debt.

Note 10: Summary of significant accounting policies

Basis of preparation

This condensed consolidated interim financial report for the half-year reporting period ended 31 December 2016 has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Act 2001*.

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.

This condensed consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2016 together with public announcements and documents made by the Company during the interim reporting period in accordance with the continuous disclosure obligations of the *Corporations Act 2001* and ASX Listing Rules.

Notes to the consolidated financial statements

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

The Company has prepared this interim half-year financial report in accordance with the requirements of AASB 134 Interim Financial Reporting and the *Corporations Act 2001* and has provided the disclosures required of a disclosing entity, including segment reporting and earnings per share information. Comparatives for these new disclosures have been provided.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except as set out below:

New accounting standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2016 reporting periods and have not yet been applied in the financial report. The Group's assessment of the impact of these new standards and interpretations is set out below.

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

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

Directors' declaration

In the opinion of the directors of the Company:

(a) The financial statements and notes as set out on pages 8 to 18 are in accordance with the *Corporations Act 2001* and:

(i) comply with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001 and other mandatory professional reporting requirements.

(ii) give a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date.

(b) 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.

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:

Peter Tazewell
Managing Director

23 February 2017, Perth, Australia

Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of DTI Group Ltd

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of DTI Group Ltd, which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of DTI Group Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of DTI Group Ltd is not in accordance with the Corporations Act 2001 including:

(i) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and

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

BDO Audit (WA) Pty Ltd

BDO

Dean Just

Director

Perth, 23 February 2017

Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

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

As lead auditor for the review of DTI Group Ltd for the half-year ended 31 December 2016, I declare that, to the best of my knowledge and belief, there have been:

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

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, 23 February 2017

Corporate directory

Directors	Chris Morris	Non-Executive Chairman
	Peter Tazewell	Managing Director and Chief Executive Officer
	Richard Johnson	Executive Director
	Glyn Denison	Non-Executive Director
	Neil Goodey	Non-Executive Director
	Jeremy King	Non-Executive Director
Company Secretary	Bruce Mitchell	
Registered and Principal Office	31 Affleck Road Perth Airport WA 6105 Telephone: (08) 9479 1195 Facsimile: (08) 9479 1190 Website: www.dti.com.au	
Auditor	BDO Audit (WA) Pty Ltd 38 Station Street Subiaco WA 6008	
Share Registrar	Computershare Investor Services Pty Limited Yarra Falls 452 Johnston Street Abbotsford Vic 3067	