APPENDIX 4D & HALF YEAR FINANCIAL STATEMENTS

DTI Group Ltd
31 December 2019

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Appendix 4D

Half year report
Period ending on 31 December 2019

Name of entity

DTI Group Ltd

ABN or equivalent company reference

15 069 791 091

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

Current half-year ended	31 December 2019
Previous half-year ended	31 December 2018

Results for announcement to the market

				$000s
Revenue	Decreased	49.3%	To	7,005.5
Losses after tax attributable to members	Increased	116.0%	To	(496.3)
Losses after tax attributable to owners of the parent	Increased	116.0%	To	(496.3)

Dividend payments	Amount per security	Franked amount per security
<u>Year ended 30 June 2019</u> Final dividend (cents per share)	-	-
<u>Half year ended 31 December 2019</u> Interim dividend (cents per share)	-	-
Record date for determining entitlement to dividend	n/a	
Date the interim 2020 dividend is payable	n/a	

Net tangible assets	Current HY $	Previous HY $
Net tangible assets per ordinary security	$0.02	$0.06

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

Audit/review status

This report is based on accounts to which one of the following applies: (Tick one)			
The accounts have been audited		The accounts have been subject to review	✓
The accounts are in the process of being audited or subject to review		The accounts have not yet been audited or reviewed	

If the accounts contain an independent audit report or review that is subject to a modified opinion, emphasis of matter or other matter paragraph, a description of the modified opinion, emphasis of matter or other matter paragraph: Emphasis of matter relating to going concern.

The above information should be read in conjunction with the attached Half Year Report for the period ending 31 December 2019.

This report is based on accounts that have been reviewed.

Greg Purdy
Chairman

Date: 25 February 2020

Half-Year Report
31 December 2019

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2020 Half-Year Report

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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 2019. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

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

Greg Purdy
Non-Executive Chairman

Steve Gallagher
Non-Executive Director

Andrew Lewis
Non-Executive Director

Chris Afentoulis
Non-Executive Director

Neil Goodey
Non-Executive Director

The abovenamed directors held office during and since the start of the half-year, except for:

- Mr Chris Afentoulis – appointed 19 November 2019
- Mr Neil Goodey – resigned 18 November 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 half year ended 31 December 2019.

		31 December 2019	31 December 2018
Operating Revenue	$	7,005,507	13,808,293
EBITDA (pre-impairments)	$	428,898	648,586
Impairments	$	(572,790)	(333,598)
EBITDA (post-impairments)	$	(143,892)	314,988
EBIT	$	(478,478)	(232,743)
Net loss after tax	$	(496,264)	(229,770)
Basic loss per share	cps	(0.19)	(0.001)

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

Review of Financial Condition

HY1 20 Financial Performance

During the half year period, DTI recorded revenue of $7.0 million (Dec 2018: $13.8 million). This represents a 49.3 per cent decrease compared to the corresponding half year period and is mainly attributed to work undertaken on large projects, which has resulted in delayed revenue recognition until the physical delivery of trainsets, while the business continues to retain similar order book in the rail and bus sectors.

DTI recorded positive EBITDA (pre-impairments) of $0.43 million for the half year ended 31 December 2019 (Dec 2018: $0.65 million). Reported EBITDA was impacted by the identification and impairment of the project costs to ensure contract will be on track to be profitable. These matters are further elaborated in the discussion on Underlying EBITDA below.

Underlying EBITDA

For the half year period, the consolidated entity achieved a statutory EBITDA loss of $0.14 million compared to the previous corresponding period EBITDA gain of $0.31 million.

Reconciliation of Underlying EBITDA	31 December 2019 $	31 December 2018 $
EBIT	**(478,478)**	**(232,743)**
Depreciation/Amortisation	334,586	547,731
Reported EBITDA	**(143,892)**	**314,988**
Additional R&D Income	–	(452,882)
Impairment of inventory	–	260,000
Impairment of trade receivables	–	73,598
Impairment of project costs	572,790	–
Underlying EBITDA	**428,898**	**195,704**

The resulting underlying EBITDA gain is $0.43 million compared to the previous corresponding period underlying EBITDA gain of $0.20 million. The underlying EBITDA gain is primarily attributable to:

i) Reduction in operational overhead costs;

ii) Reduction in depreciation/amortisation costs;

iii) Reduction in intangibles capitalised;

iv) Impairment of projects costs in current half year versus impairment of trade receivables and inventory;

v) Improvement in other income in the form of FX gain; and

vi) No R&D Grant income.

Cash Flow

During the period, DTI generated negative cash flow from operations of $0.39 million (Dec 2018: negative $2.9 million) during the half year. Net cash inflow for the half year was $1.48 million. Key impacts on net cash flow included:

i) Capital injection of $3.0 million from shareholders of which $0.93 million has been restricted following bank's decision to cash back working capital facility in November 2019 as a result of non-compliance of bank covenants at 30 June 2019;

ii) Capital R&D activities has been minimised as resources focus primarily on rail projects compared to prior half year of $0.94 million;

iii) 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 half year, DTI maintained positive cash reserves of $3.5 million and sufficient levels of liquid working capital. DTI has no term debt and the only financial indebtedness relates to insurance premium funding.

At 31 December 2019, DTI recorded net assets of $7.6 million, including $3.5 million in cash. The working capital metrics remain stable with current assets of $13.0 million and current liabilities of $6.5 million. DTI is focussed on improving this position through greater production efficiencies and cost reductions and rationalisation of inventory.

As DTI continues to grow its project revenue base, increased working capital may be required as the Company increases revenue over time.

Review of principal business

Operational performance

Throughout the half-year DTI won a number of significant new contracts on the basis of its unique product offering. DTI was awarded the Xtrapolis Hearing Aid Loop Upgrade Project with MTM for a contract value of A$1.7 million and a two year contract for the Brisbane City Council Bus Maintenance for CCTV systems with an annual value of A$690,000.

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.

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 FY20. In addition, DTI has been awarded a number of multi-year contracts which supports its revenue base. DTI has an identified opportunity pipeline of $200 million which relates to work that is expected to be awarded over the next five years, including approximately $47 million expected to be decided in the next six months. 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 23 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*.

GREG PURDY
Chairman

25 February 2020
Perth, Australia

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the half-year ended 31 December 2019

	Note	31 Dec 2019 $	31 Dec 2018 $
Sales revenue	2	7,005,507	13,808,293
Cost of goods sold		(5,991,124)	(10,315,940)
Gross margin		1,014,383	3,492,353
Operational overheads		(81,659)	(2,005,994)
Impairment costs	3	(572,790)	(333,598)
Other income		758,313	452,882
Corporate overheads		(1,262,139)	(1,290,655)
Depreciation/amortisation		(334,586)	(547,731)
Net interest and finance (loss)/gain		(13,748)	5,226
Net loss before tax		(492,226)	(227,517)
Tax expense		(4,038)	(2,253)
Net loss after tax		(496,264)	(229,770)
Other comprehensive (loss)/income			
Items that may be reclassified to profit or loss:			
Exchange differences		(152,076)	119,262
Total other comprehensive (loss)/income		(152,076)	119,262
Total comprehensive loss for the period		(648,340)	(110,508)
Total comprehensive loss is attributable to:			
Owners of DTI Group Ltd		(648,340)	(110,508)
Loss per share for loss attributable to the ordinary equity holders of the Company:			
Basic loss per share (cents per share)		(0.19)	(0.001)
Diluted loss per share (cents per share)		(0.19)	(0.001)

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 2019

	Note	31 Dec 2019 $	30 Jun 2019 $
Current assets			
Cash and cash equivalents		3,521,617	2,033,105
Trade and other receivables	4	2,167,691	3,580,653
Contract assets		–	441,919
Contract costs		1,553,569	1,376,690
Inventories		5,021,431	5,626,252
Other current assets		690,391	167,391
Total current assets		12,954,699	13,226,010
Non-current assets			
Other receivables	4	550,041	–
Property, plant and equipment		189,721	421,934
Intangible assets	5	247,422	261,309
Right of use asset	12	320,424	–
Total non-current assets		1,307,608	683,243
Total assets		14,262,307	13,909,253
Current liabilities			
Trade and other payables		3,276,986	4,008,668
Contract liabilities		1,673,694	2,745,739
Borrowings	6	38,074	46,842
Lease liability	12	123,076	–
Provisions		1,378,002	1,794,228
Total current liabilities		6,489,832	8,595,477
Non-current liabilities			
Lease liability	12	208,388	–
Provisions		–	36,760
Total non-current liabilities		208,388	36,760
Total liabilities		6,698,220	8,632,237
Net assets		7,564,087	5,277,016
Equity			
Contributed equity	7	33,885,113	30,955,098
Reserves		312,656	459,336
Accumulated losses		(26,633,682)	(26,137,418)
Total equity		7,564,087	5,277,016

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 2019

	Contributed Equity $	Employee Share Plan Reserve $	Foreign Currency Translation Reserve $	Accumula-ted Losses $	Total $
At 1 July 2019	30,955,098	473,572	(14,236)	(26,137,418)	5,277,016
Loss for the period	–	–	–	(496,264)	(496,264)
Other comprehensive loss	–	–	(152,076)	–	(152,076)
Total comprehensive loss for the period	–	–	(152,076)	(496,264)	(648,340)
Transactions with owners in their capacity as owners					
Shares issued to employees	–	5,396	–	–	5,396
Issue of share capital	2,990,868	–	–	–	2,990,868
Capital raising costs	(60,853)	–	–	–	(60,853)
At 31 December 2019	33,885,113	478,968	(166,312)	(26,633,682)	7,564,087
At 1 July 2018	30,955,098	324,985	(29,935)	(16,168,210)	15,081,938
Impact of changes in accounting policies	–	–	–	(528,498)	(528,498)
Restated equity at the beginning of the year	30,955,098	324,985	(29,935)	(16,696,708)	14,553,440
Loss for the period	–	–	–	(229,770)	(229,770)
Other comprehensive loss	–	–	119,262	–	119,262
Total comprehensive loss for the period	–	–	119,262	(229,770)	(110,508)
Transactions with owners in their capacity as owners					
Shares issued to employees	–	74,293	–	–	74,293
At 31 December 2018	30,955,098	399,278	89,327	(16,926,478)	14,517,225

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 2019

	31 Dec 2019 $	31 Dec 2018 $
Cash flows used in operating activities		
Receipts from customers	9,454,383	11,111,850
Payments to suppliers and employees	(9,824,794)	(14,090,276)
Interest received	5,302	9,583
Interest paid	(19,050)	(4,357)
Tax paid	(4,038)	(2,253)
Net cash outflow used in operating activities	(388,197)	(2,975,453)
Cash flows used in investing activities		
Payments for plant and equipment	(4,707)	(44,962)
Payments for intangible assets	(19,075)	(971,206)
Net cash outflow used in investing activities	(23,782)	(1,016,168)
Cash flows from financing activities		
Proceeds from issues of shares	2,990,868	–
Share issue expenses	(60,853)	–
Payments for leased property	(67,880)	–
Proceeds from borrowings	1,808,691	167,909
Repayment of borrowings	(1,843,643)	(147,433)
Cash deposit associated with the utilisation of banking facility	(930,082)	–
Net cash inflow from financing activities	1,897,101	20,476
Net increase/(decrease) in cash and cash equivalents	1,485,122	(3,971,145)
Cash and cash equivalents at the beginning of the period	2,033,105	5,130,652
Effect of foreign exchange on opening balances	3,390	14,755
Cash and cash equivalents at the end of the period	3,521,617	1,174,262

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

Note 1: Basis of preparation of half-year report

This consolidated interim financial report for the half-year reporting period ended 31 December 2019 has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001.

This 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 2019 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.

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 accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards as set out below.

(a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies and make retrospective adjustments as a result of adopting AASB 16 Leases.

The impact of the adoption of the leasing standard and the new accounting policies are disclosed in Note 12 below. The other standards did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

Note 2: Segment information

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 Group only has one reportable segment which is the transit industry.

The following is an analysis of the Group's revenue and results from continuing operations by the reportable segment.

Segment Revenues and Results		**31 Dec 2019** **$**		**31 Dec 2018** **$**
Sales Revenue		7,005,507		13,808,293
Cost of Goods Sold		(5,991,124)		(10,315,940)
Gross Margin		1,014,383		3,492,353
Gross Margin		*14%*		*25%*
Impairment of Project Costs		(572,790)		–
Impairment of Inventory		–		(260,000)
Impairment of Trade Receivables		–		(73,598)
Other Income		758,313		452,882
Operational Overheads	(81,659)	–	(2,005,994)	–
Corporate Overheads	(1,262,139)	(1,343,798)	(1,290,655)	(3,296,649)
EBITDA		(143,892)		314,988
Depreciation/amortisation		(334,586)		(547,731)
EBIT		(478,478)		(232,743)
Net Interest and finance loss		(13,748)		5,226
Net loss before tax		(492,226)		(227,517)
Tax benefit		(4,038)		(2,253)
Net loss after tax		(496,264)		(229,770)

Note 2: Segment information (cont'd)

Segment Assets and Liabilities	31 Dec 2019 $	30 Jun 2019 $
Total Assets & Liabilities		
Consolidated total assets	14,262,307	13,909,253
Consolidated total liabilities	6,698,220	8,632,237
Geographical Assets		
Australia	10,936,918	8,772,154
Others	3,325,389	5,137,099
	14,262,307	13,909,253
Geographical Liabilities		
Australia	5,787,696	5,817,544
Others	910,524	2,814,693
	6,698,220	8,632,237

Major customers

DTI supplies goods and services to a broad range of customers in the transit industry. During the reporting period, four (Dec 2018: two) major customers accounted for in excess of 35 per cent (Dec 2018: 46 per cent) of the Group's revenue.

Note 3: Impairment Costs

	31 Dec 2019 $	31 Dec 2018 $
Inventory	–	260,000
Trade receivables	–	73,598
Project costs	572,790	–
	572,790	333,598

Note 4: Trade and other receivables

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

	31 Dec 2019 $	30 Jun 2019 $
Current		
Trade receivables (net of impairment)	1,560,604	3,452,851
Other debtors	227,046	127,802
Other receivables – cash deposit	380,041	–
	2,167,691	3,580,653

Note 4: Trade and other receivables (cont'd)

	31 Dec 2019 $	30 Jun 2019 $
Non Current		
Other receivables – cash deposit	550,041	–

Other receivables – cash deposit includes cash backing deposits associated with the issue of bank guarantee to a major customer and the lessor. These deposits are therefore not available for general use by the Group. Refer to Note 6.

Impaired trade receivables

At 31 December 2019 current trade receivables of the Group with a value of $519,444 were impaired.

Note 5: Intangible assets

	Development Costs $	Patents $	Total $
At 31 December 2019			
Cost (gross carrying amount)	–	612,140	612,140
Accumulated amortisation	–	(364,718)	(364,718)
Net carrying amount	–	247,422	247,422
Movements in carrying amounts			
Balance at 1 July 2019	–	261,309	261,309
Additions	–	19,075	19,075
Amortisation expense (net)	–	(32,962)	(32,962)
Net carrying amount	–	247,422	247,422
At 30 June 2019			
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
Movements in carrying amounts			
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

(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.

Note 5: Intangible assets (cont'd)

(b) Patents

Patents have been externally acquired and are carried at cost less accumulated impairment losses. This intangible asset has been assessed as having a useful life and is amortised using the straight-line method over a period of 10 years. The patents have been granted for between fifteen and twenty years by the relevant government agency. If an impairment indication arises, the recoverable amount is estimated, and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying amount.

Note 6: Borrowings

The Group had a $3.5 million, multi-option, multi-currency funding package with the bank. The $3.5 million facility covers the Group's working capital, bonding and overdraft facilities and encompasses sub-limits for certain facilities. At 30 June 2019, the Group is not in compliance with its banking covenant in relation to its bank guarantee and obtained a waiver from the bank for this.

From November 2019, the Group revised its facility to a $1.55 million bank guarantee facility. Going forward, the bank requires the Group to provide a cash deposit for an amount equal to the sum of its utilisation of the facility with no requirements to meet any banking covenants. As at 31 December 2019, the utilisation of the facility remains at $930,082, with the equivalent restricted cash deposit in place. Refer to Note 4.

In December 2019, the Company financed its insurance premiums with the funds to be repaid within the next 10 months.

Note 7: Contributed equity

	31 Dec 2019 No.	31 Dec 2019 $	30 Jun 2019 No.	30 Jun 2019 $
Ordinary shares				
Balance at the beginning of financial period	213,399,600	30,955,098	213,388,875	30,955,098
Issued of share capital	119,634,710	2,990,868	–	–
Capital raising costs	–	(60,853)	–	–
Shares exercised under employee share plan	348,275	–	10,725	–
Balance at the end of the financial period*	333,382,585	33,885,113	213,399,600	30,955,098

*Balance excludes 1,593,975 Treasury Share held in trust for DESP which was established in April 2016.

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.

Note 8: Going Concern

The half-year 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 $0.50 million for the half year ended 31 December 2019 (December 2018: $0.2 million loss) and had operating cash outflows of $0.39 million (31 December 2018: outflow $2.9 million).

As at 31 December 2019, its trade working capital (excluding cash, contract assets, contract costs, contract liabilities, provisions and borrowings) decreased by $0.8 million to $4.6 million (30 June 2019: $5.4 million), and the Group's cash and cash equivalents increased by $1.5 million to $3.5 million (30 June 2019: $2.0 million). 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.

Notwithstanding the above, the financial statements have been prepared on the basis that the entity is a going concern for the following reasons:

- The Group currently has sufficient cash resources to fund its requirements;
- The Group is focused on improving commercial terms to reduce future working capital requirement and improve profitability; and
- The Group has implemented 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 9: Contingent liabilities and commitments

At 30 June 2019, the Group is not in compliance with its banking covenant in relation to its $3.5 million bank guarantee facility and obtained a waiver from the bank for this. From November 2019, the Group revised its facility to a $1.55 million bank guarantee facility. Going forward, the bank requires the Group to provide a cash deposit for an amount equal to the sum of its utilisation of the facility with no requirements to meet any banking covenants. As at 31 December 2019, the utilisation of the facility remains at $930,082, with the equivalent restricted cash deposit in place. Refer to Note 4 and 6.

Note 10: Subsequent events

On 7 January 2020, Matthew Strack was appointed CEO of the Group and Frank Havelka stepped down as Interim CEO. No other 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 period that is not otherwise disclosed in this report.

Note 11: 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.

Note 11: Fair value measurement of financial instruments (cont'd)

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.

Note 12: Changes in accounting policies

This note explains the impact of the adoption of AASB 16 Leases on the Group's financial statements and discloses the new accounting policies that have been applied from 1 July 2019 in note 12(b) below.

The Group has adopted AASB 16 retrospectively from 1 July 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 July 2019.

(a) Adjustments recognised on adoption of AASB 16

On adoption of AASB 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB117 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 9.6%.

	$
Operating lease commitments disclosed as at 30 June 2019 (Discounted at 11%)	419,693
Less: Commitments exited at 30 June 2019 for short term leases (Discounted at 11%)	(39,118)
Add: Difference in effects between discounting rates as at 30 June 2019 (11%) and the Group's incremental borrowing rate (9.6%) at the date of initial application of 1 July 2019	6,144
	386,719
Lease liability recognised as at 1 July 2019	
Of which are:	
Current lease liabilities	178,331
Non-current lease liabilities	208,388
	386,719

The associated right-of-use assets for property leases were measured on a retrospective basis at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 30 June 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of assets:

	31 Dec 2019	1 Jul 2019
Properties	320,424	386,719
Total right-of-use assets	**320,424**	**386,719**

The change in accounting policy affected the following items in the balance sheet on 1 July 2019:

- right-of-use assets – increase by $386,719
- lease liabilities – increase by $386,719

Note 12: Changes in accounting policies (cont'd)

(a) Adjustments recognised on adoption of AASB 16

(i) Practical expedients applied

In applying AASB 16 for the first time, the group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The group has also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying AASB 117 and Interpretation 4 Determining whether an Arrangement contains a Lease.

b) The group's leasing activities and how these are accounted for

The group leases a land. Rental contracts are typically made for fixed periods of 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes. Until the end of the financial year ended 30 June 2019, leases of property, plant and equipment were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease for the 2019 financial year.

From 1 July 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the fixed payments (including in-substance fixed payments).

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received

Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Directors' Declaration

In the opinion of the directors of the Company:

(a) The financial statements and notes as set out on pages 8 to 19 are in accordance with the Corporations Act 2001 and:

   (i) comply with Accounting Standards, 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 2019 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:

GREG PURDY
Chairman

25 February 2020
Perth, Australia

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of DTI Group Ltd

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of DTI Group Ltd (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 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 half-year then ended, and notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

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 the Group is not in accordance with the Corporations Act 2001 including:

(i) Giving a true and fair view of the Group's financial position as at 31 December 2019 and of its financial performance for the half-year ended on that date; and

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

Emphasis of matter – Material uncertainty relating to going concern

We draw attention to Note 8 in the financial report which describes the events and/or 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 conclusion is not modified in respect of this matter.

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 Group's financial position as at 31 December 2019 and its financial 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 the Group, 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 the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO Audit (WA) Pty Ltd

BDO

Phillip Murdoch

Director

Perth, 25 February 2020

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DECLARATION OF INDEPENDENCE BY PHILLIP MURDOCH TO THE DIRECTORS OF DTI GROUP LTD

As lead auditor for the review of DTI Group Ltd for the half-year ended 31 December 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 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.

Phillip Murdoch

Director

BDO Audit (WA) Pty Ltd

Perth, 25 February 2020

Corporate directory

Directors	Greg Purdy	Non-Executive Chairman
	Steve Gallagher	Non-Executive Director
	Andrew Lewis	Non-Executive Director
	Chris Afentoulis	Non-Executive Director

Company Secretary
Ian Hobson

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

Banker
Bankwest
Division of Commonwealth Bank of Australia
Bankwest Place
300 Murray Street
Perth WA 6000

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