

Annual Report 2012

D T I G R O U P L I M I T E D

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Corporate Directory

Directors

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

Company Secretary

Bruce Mitchell

Registered and Principal Office

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Perth Airport WA 6105
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Facsimile: 08 9479 1190
Website: www.dti.com.au

Corporate Advisor

Pendulum Capital Pty Limited
Level 2, 24 Outram Street
West Perth WA 6005
Telephone: 08 9282 5400

Solicitors

Hewett & Lovitt
Level 1, 849 Wellington Street
West Perth WA 6005

Auditors

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

Directors' report

The Directors present their report for DTI Group Limited ("DTI" or "the Company") together with the financial report of the Company for the year ended 30 June 2012 and the auditor's report thereon.

Directors

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

Chris Morris

Non-Executive Chairman

Date of appointment – 29 June 2011

Chris attended his first computer course in Melbourne in 1966 after completing high school. Following this he worked for various computer companies mainly associated with maintaining companies share registries until 1978 when he was a founding member of Computershare Limited (established in 1978) and was appointed Chief Executive Officer in 1990. Chris' extensive knowledge of the securities industry and its user requirements from both a national and international perspective, coupled with his passion and long term strategic vision, has been instrumental in developing Computershare into a global company that is unique in its provision of a full range of solutions to meet the needs of listed companies and their stakeholders.

In September 2010 he relinquished his executive responsibilities at Computershare Limited and took on the role of Non-Executive Chairman. Since then he has joined the board of Web Firm and is Chairman of Car Parking Technologies. He is also on the board of a number of private technology companies and owns a hotel group called the Colonial Leisure Group which has 15 hotels in Perth and Melbourne.

Richard Johnson

Managing Director

Date of appointment – 9 August 2011

Richard is a qualified engineer and has over 18 years experience in the transit technology sector. In 2005 Richard joined DTI as General Manager and commenced the role as Chief Executive Officer in October 2006. In August 2011 Richard joined the Board as Managing Director. Prior to joining DTI, he held senior management positions within ERG Limited which developed, supplied, and managed integrated fare collection systems for the transit industry around the world. Richard's qualifications include a B.Sc (Eng), M.Eng.St., and an MBA.

Neil Goodey

Executive Director

Date of appointment – 8 June 1995

Neil has over 20 years management and directorship experience in technology and mining service companies. Neil was co-founder of DTI Group as well as a number of other successful companies including UTS Geophysics. Neil is Managing Director and co-founder of Corescan Pty Ltd.

Glyn Denison

Non-Executive Director

Date of appointment – 19 January 2004

Glyn has over 20 years experience in the transit technology sector and was a co-founder of ERG Limited. Glyn is a Director of OBJ Ltd. and consults with the business consulting firm of Evans & Peck Ltd. Glyn's qualifications include a B.Eng., Grad.Dip.B.A., and MIEAust.

Jeremy King

Non-Executive Director

Date of appointment – 29 June 2011

Jeremy is a corporate lawyer with over 13 years experience in domestic and international law, as well as in financial and corporate matters. He spent several years in London where he worked with Allen & Overy LLP and Debevoise & Plimpton LLP. He has extensive corporate experience, particularly in relation to cross-border private equity, leveraged buy-out acquisitions and acting for banks, financial institutions and corporate issuers in respect of various debt and equity capital raisings. As a corporate advisor with Max Capital Pty Limited, he regularly advises a wide range of listed public and private companies in respect to capital raisings, investments, acquisitions and corporate issues.

Lou Magro

Lou was a co-founder of DTI and was a Non-Executive Director during the year and until his resignation on 9 August 2011.

Company Secretary

Bruce Mitchell

Date of appointment – 27 May 2012

Bruce has been a qualified Chartered Accountant for almost 20 years and has over 15 years experience in senior financial roles. He joined DTI in 2012 as CFO and is responsible for the management and administration of all aspects relating to both internal and external financial accounting and reporting. Prior to DTI Bruce gained experience working as a Financial Director for several South Africa based companies. He has worked across varied industries including IT and manufacturing.

Jeremy Loftus

Jeremy was Company Secretary during the year until 27 May 2012.

Principal activities

DTI Group Limited designs, develops, sells, and manages integrated video surveillance and vehicle tracking technology specially developed for use in the public transport and mobile sectors including bus, rail, taxi, freight and law enforcement operations.

DTI's integrated solution incorporates proprietary hardware and software technology which enables high quality digital video, audio and vehicle location information to be captured, stored, retrieved and reviewed across a fleet of transit vehicles.

Review of operations

Australian Operations

DTI maintained its strong market position in the Australian transit sector during the 2012 financial year with ongoing sales to its customers of over \$9 million. Although these sales are down on the previous financial year mainly as a result of the completion of the QR supply contract which provided over half the sales in the previous financial year, the Company continued to supply systems to an increasing diverse number of customers in Perth, Adelaide, Canberra, Tasmania, Melbourne, Sydney and Brisbane under contracts awarded in previous financial years and through additional orders.

The Company has an install base of over 4,000 CCTV systems in public transport organisations in Australia, including a substantial installation base in five of Australia's eight capital cities with an ongoing business development campaign in Melbourne and Sydney showing results with new customers purchasing systems along with new bus procurements. Although these sales in Melbourne and Sydney provide excellent long term recurring revenue, complete fleet refurbishment programs have not occurred in these cities and as a result, we have not experienced the large refurbishment contracts experienced elsewhere in Australia.

In September 2012, DTI signed a multi-million dollar contract with the Brisbane City Council (BCC) for the supply, installation, and maintenance of advanced video surveillance systems into 307 existing buses and 90 new buses per year for three years as well as the installation of depot infrastructure of up to a further 6 depots. The award includes a standing offer arrangement for the inclusion

of further contracts if requested by the BCC and demonstrates further confidence with our current installation base of over 200 buses.

In July 2010, DTI commenced installation on 143 Queensland Rail ("QR") trains in what is DTI's largest installation contract to date. Over 75 per cent of the fleet is now installed and the project is scheduled to be completed in April 2013. The DRU2 digital video system being installed is DTI's latest generation of hybrid rail recorder and has been supplied under a separate contract to QR awarded in 2008 which was completed in December 2011. The DRU2 and corresponding system solution now provides an enhanced offering to future customers backed by a world-class reference site and a supportive customer. In January 2012, DTI received an order to install a forward facing camera system onto all of QR's tilt trains which provide services between Brisbane and Cairns/Rockingham.

In September 2011, DTI received a purchase order from Bombardier Transportation ("Bombardier") for advanced surveillance equipment covering three rail projects in Australia. Bombardier is one of the world's largest companies in the passenger rail industry and the selection of DTI equipment for these initial projects is viewed as an ideal opportunity to progress with further projects globally with Bombardier. With Bombardier Australia's assistance, we have been marketing to Bombardier globally in regional headquarters in Australia, Europe and Asia and we are hopeful to increase our presence with Bombardier going forward with the successful completion of the three projects in Australia.

DTI continued to expand into other mobile market segments in the past year. In June 2011, DTI announced the approval by the Government of Western Australia for DTI to be a supplier of video surveillance systems to the Perth taxi fleet. In the financial year, over 150 taxis have been equipped with the DTI solution. Each taxi equipped with DTI's solution included the latest hardened MDR5 and four high-resolution cameras. The scope of works also includes DTI's GPS-based vehicle location system and DTI's video management software suite.

DTI has also expanded its public transport offering through the service bureau concept. The service bureau provides for continuous and steady revenue streams through a broad range of outsourced services and DTI remains fairly unique in this offering in the marketplace. Revenue from services doubled in the 2011/12 financial year to \$1.68 million with the provision of these services to customers in Perth, Adelaide, Brisbane, Tasmania as well as in the UK for the Eversholt Rail project.

DTI has also entered the law enforcement market segment with a prestigious contract for the supply of 85 rapid deployment In Car Video systems for the Commonwealth Heads of Government Meeting (CHOGM) held in Perth at the end of October 2011. CHOGM is a biennial summit meeting of the heads of government from all Commonwealth nations, an intergovernmental organisation of 54 independent member states. The rapid deployment In Car Video system and software suite was selected after an extensive international technology review which commenced in 2010. The In Car Video system was supplied with high-resolution megapixel cameras which simultaneously recorded up to a maximum 25 pictures per second whilst simultaneously transmitting images back to a control centre over a dual redundant wireless network. The solution was also used for security for the visit of the US President to Darwin in November 2011 and is planned to be used for the US Secretary of State when she next visits Perth.

The resources surveillance sector is another market segment which DTI has just recently entered with both Rio Tinto and Calibre Rail placing purchase orders with DTI for trial systems in July 2011. The Calibre Rail project involves providing visual surveillance for remotely operated trains which are to be controlled thousands of kilometres away from the train. The Rio Tinto project is a remote monitoring project to provide surveillance at level train crossings. Orders for the first 18 level crossings have recently been received and these are expected to be installed over the coming months.

The market for mobile surveillance equipment in Australia remains strong with DTI continuing to pursue a large number of further prospects in a range of market segments.

International Operations

DTI experienced varied growth in international operations during the 2012 financial year through ongoing relationships with key partners and the development of new customers.

In the US, DTI's strategic alliance partner, a large and well known global company, provided ongoing market access to the largest customers of transit surveillance systems in the US. In December 2010, DTI announced the approval by a key US city to equip 426 buses with digital surveillance systems with further options for 1,100 units which was exercised in March 2012. With the success of the phase one implementation of 426 buses, we expected a quick transition to the option although this was delayed through the

approval process of the end customer. While this postponed a portion of expected sales into the 2013 financial year, the project has now progressed to a consistent installation rate to 20 buses per week with the customer now indicating a desire to purchase a further 600 systems.

The strategic alliance, which commenced in 2005, was renewed in September 2009 to include the design and manufacture of the MobileView Penta and a draft contract is being negotiated to extend the alliance a further five years until December 2017 with a further five year option. The product has been well received with over 5,000 units being sold to date and we are ahead of forecast for the 2013 financial year. In Europe, DTI Group received an order in September 2011 for the supply, installation and long-term support of 326 video surveillance systems from Eversholt Rail (UK) Limited (formerly HSBC Rail (UK) Limited), part of the Eversholt Rail Group ("Eversholt"). Eversholt is the largest of the UK's leading rolling stock groups and owns 4,000 passenger rail cars. The system was fully operational ahead of the London 2012 Olympic Games. The two commuter fleets, Class 315 and Class 321, both operate in the East Anglia area of the UK. The contract includes a long-term service bureau agreement which provides system support for up to 14 years. The system has been well received with Eversholt nominating us for an award at the UK Rail Business Awards in February 2013.

In order to cater for local and regional operations in the Europe, the Middle East, and Africa, a UK based subsidiary company (DTI EMEA Ltd) was established in May 2012 which is 100% owned by DTI Group Limited.

DTI was successful in expanding its international operations into South Africa with an order for 268 surveillance systems for Cape Town. The systems have now been delivered and included DTI's latest 'hybrid' Digital Recording Unit (MDR5-L) with up to 8 high resolution megapixel IP and analogue cameras and driver's display monitor. This solution is now being promoted to other cities and markets in South Africa.

DTI is also targeting a range of further system orders from the European and United States markets and we have recently established a partner in Poland. DTI has exhibited in a range of trade shows over the past year including Innotrans in Berlin, APTA in New Orleans, and Transexpo in Poland.

Technology Development Activities

Key developments include:

The development of the MDR5L product which was released to the market in July 2011. The MDR5L is a cost-effective enhancement of the MDR5 and includes further integration of technologies into the product such as dual frequency wireless networking, 3G communications, lower power components, complete with a smaller footprint and 16 full-frame rate camera channels. The unit also has an optional hardened hard drive principally used in the taxi market. The hard drive can survive 24 hours underwater or a vehicle fire.

The In Car Video System was developed for CHOQM. The system includes a GPS-based vehicle location system, dual redundant wireless data communications infrastructure, and a central control management software suite and interface. The In Car Video system can be used with high resolution megapixel cameras which are able to record up to a maximum 25 pictures per second plus simultaneously transmit images back to a control centre over a dual redundant wireless network in the unit. Interest in this unit for other large, security intensive global events has been noted by the WA Police.

The development of DTI's latest rail Digital Recording Unit (DRU-3) was commenced in December 2011 following the contract award with Bombardier. The DRU-3 will manage up to 32 high resolution megapixel IP cameras with redundant direct streaming capability. The DRU-3 will be fully integrated into the Bombardier IPTCom (IP Train Communications) network and architecture via DTI supplied network switches and a software communications interface.

Virtual Observer ("VO") continues to be a most impressive technology which incorporates spatial-temporal data structures to allow footage from forward view cameras across a number of vehicles to be stitched together across time from a virtual location chosen by the surveillance operator. In June 2012, DTI increased its ownership from 49.5% to 100%.

Financial Costs and Overheads

Total income was lower for the period showing a 5% decrease over the previous year. Administrative and operational costs were higher during the period, primarily representing increased investment in marketing and development.

The outlook remains strong and DTI entered FY 2013 with a strong order book with a record backlog of \$29 million reached in April 2012 due to various project wins in Australia and North America.

Results and dividends

The result of the consolidated group for the financial year ended 30 June 2012 was \$227,115 loss (2011: \$776,151 profit) after a \$29,725 share of Virtual Observer's profit for the year (2011: a write down of \$27,500) and a realised foreign exchange gain of \$186,586 (2011: \$141,905 gain). No dividends have been paid or declared since the end of the previous financial year (2011: nil) and the Directors do not recommend any dividend be paid.

Significant changes in the state of affairs

No significant changes occurred during the financial year:

Subsequent events

Other than any matters described in Note 23 to these financial statements, there has not arisen in the interval between the end of the year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

Likely developments

Likely developments in the operations of the Company and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the Company.

Environmental regulation

The Company is not subject to any environmental regulation.

The Directors have considered compliance with the *National Greenhouse and Energy Reporting Act 2007* which requires entities to report greenhouse gas emissions and energy use. The Directors have assessed that there are no current reporting requirements, but the Company may be required to do so in the future.

Options

At the end of June 2012, unissued ordinary shares of the Company under option are:

Date Options Granted	Expiry Date	Exercise Price	Number of Options
22 February 2008	31 December 2012	\$1.32	276,000
27 April 2009	31 December 2012	\$1.32	30,000
01 July 2009	31 December 2012	\$1.32	50,000
01 Sept 2010	31 December 2012	\$1.32	18,000
22 December 2010	31 December 2012	\$1.50	100,000
31 March 2011	31 December 2012	\$1.32	48,000
30 June 2011	30 June 2015	\$2.25	1,767,258
			2,289,258

There were no other options issued to Directors or key management personnel during the year.

Further information in respect of these options is set out in Note 20 to the financial statements.

Directors' meetings

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

Director	Attended	Eligible
Neil Goodey	7	7
Glyn Denison	7	7
Chris Morris	1	7
Richard Johnson	7	7
Jeremy King	5	7
Lou Magro	1	1

Auditor independence

In relation to the audit of the financial report for the year ended 30 June 2012, the Auditors have issued the Directors with an independence declaration. Refer to page 41 for the specific declaration.

Non-audit services

The Board of Directors 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 of Directors prior to commencement to ensure they do not conversely affect the integrity and objectivity of the auditor; and
- 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 2012 were \$nil (2011: nil).

Indemnification of Officers and Auditors

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

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

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



Richard Johnson
Director
15 November 2012, Perth, Australia

Financial statements

Statement of consolidated comprehensive income

for the year ended 30 June 2012

	Note	2012 \$	2011 \$
Revenue from continuing operations	3(a)	14,762,644	16,638,361
Other income	3(b)	1,137,552	145,514
Change in inventory of finished goods	3(c)	(644,407)	332,519
Raw materials and consumables used	3(c)	(8,170,561)	(9,977,831)
Employee benefits expense		(4,188,066)	(3,325,013)
Depreciation and amortisation expense		(644,556)	(388,849)
Administration expenses		(1,258,396)	(866,486)
Marketing expenses		(802,211)	(872,939)
Research and development expenses		(95,355)	(107,367)
Other expenses		(529,992)	(501,970)
Share of profit / (loss) of associate	13	29,725	(27,500)
Finance costs	3(d)	(23,369)	(483,288)
Profit /(loss) from operations before income tax		(426,992)	565,151
Income tax benefit	4	199,877	211,000
Profit /(loss) after tax		(227,115)	776,151
Profit/(loss) is attributable to: Owners of DTI Group Limited		(227,115)	776,151
Other comprehensive income		-	-
Total comprehensive income /(loss) for the year		(227,115)	776,151
Total comprehensive income/(loss) is attributable to: Owners of DTI Group Limited		(227,115)	776,151

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Statement of consolidated financial position

as at 30 June 2012

	Note	2012 \$	2011 \$
Current assets			
Cash and cash equivalents	24(a)	812,213	3,467,175
Other financial assets	7	371,680	371,680
Trade and other receivables	8	3,886,388	3,352,676
Inventories	9	2,516,626	1,367,136
Other current assets	10	86,748	92,920
Total current assets		7,673,655	8,651,587
Non-current assets			
Plant and equipment	11	374,076	302,812
Intangible assets	12	2,433,209	1,840,204
Other receivables	8	565,304	411,479
Other financial assets	13	705,087	505,000
Total non-current assets		4,077,676	3,089,495
Total assets		11,751,331	11,741,082
Current liabilities			
Trade and other payables	14	4,185,407	2,782,104
Borrowings	15	79,216	1,504,204
Total current liabilities		4,264,623	4,286,308
Non-current liabilities			
Borrowings	16	-	26,173
Provisions	17	34,556	34,230
Total non-current liabilities		34,556	60,403
Total liabilities		4,299,179	4,346,711
Net assets		7,452,152	7,394,371
Equity			
Contributed equity	18	9,202,481	8,952,481
Reserves	19(a)	1,153,272	1,118,376
Accumulated losses	19(b)	(2,903,601)	(2,676,486)
Total equity		7,452,152	7,394,371

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

Statement of consolidated changes in equity

for the year ended 30 June 2012

	Contributed Equity	Options Reserve	Accumulated Losses	Total
	\$	\$	\$	\$
At 30 June 2010	4,122,581	34,278	(3,452,637)	704,222
Net income recognised directly in equity				
Total comprehensive income for the year	-	-	776,151	776,151
Transactions with owners in their capacity as owners				
Issue of share capital	4,829,900	-	-	4,829,900
Share based payments	-	1,084,098	-	1,084,098
At 30 June 2011	8,952,481	1,118,376	(2,676,486)	7,394,371
Net income recognised directly in equity				
Total comprehensive income for the year			(227,115)	(227,115)
Transactions with owners in their capacity as owners				
Issue of share capital	250,000	-	-	250,000
Share based payments	-	34,896	-	34,896
At 30 June 2012	9,202,481	1,153,272	(2,903,601)	7,452,152

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

Statement of consolidated cash flows

for the year ended 30 June 2012

	Note	2012 \$	2011 \$
Cash flows from operating activities			
Receipts from customers		15,106,748	15,476,091
Payments to suppliers and employees		(15,259,942)	(14,680,737)
Interest received		31,985	14,238
Export marketing development grant received		-	(14,656)
Interest paid		(23,369)	(483,288)
Net cash (outflow) / inflow from operating activities	24(b)	(144,578)	311,648
Cash flows from investing activities			
Payments for plant and equipment		(184,672)	(159,316)
Payments for intangible assets		(1,124,552)	(1,191,397)
Purchase of investments		-	(27,500)
Loan to related party		-	(2,230)
Net cash outflow from investing activities		(1,309,224)	(1,380,444)
Cash flows from financing activities			
Proceeds from issues of shares		250,000	3,749,532
Repayment of borrowings		(1,451,161)	(880,652)
Proceeds from borrowings		-	1,504,204
Borrowing costs		-	(162,500)
Security deposits (paid) / received		-	(242,720)
Net cash inflow from financing activities		(1,201,161)	3,967,864
Net increase / (decrease) in cash and cash equivalents		(2,654,962)	2,899,068
Cash and cash equivalents at the beginning of the year		3,467,175	568,107
Cash and cash equivalents at the end of the year	24(a)	812,213	3,467,175

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

Notes to the financial statements

Note 1: Summary of significant accounting policies

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Australian Accounting Interpretations, and complies with other requirements of the law. The Company's financial statements and accompanying notes of the Company comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised as per the Directors' declaration on page 39 dated 15 November 2012.

Basis of preparation

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

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

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

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

The company has applied the revised AASB 101 Presentation of Financial Statements which became effective on 1 January 2009. The revised standard requires the separate presentation of a statement of comprehensive income and a statement of changes in equity. All non-owner changes in equity must now be presented in the statement of comprehensive income.

Going concern

This report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business.

The consolidated Group has incurred a net loss after tax for the year ended 30 June 2012 of \$227,115 (2011: profit of \$776,151) and experienced net cash outflows from operating activities of \$144,578 (2011: cash inflow of \$311,648). At 30 June 2012, the consolidated Group had net current assets of \$3,409,032 (30 June 2011: net current assets of \$4,383,279).

The directors believe there are sufficient funds to meet the company's working capital requirements and as at the date of this report believe that the company can meet all liabilities as they fall due.

The Directors have reviewed the business outlook and the assets and liabilities of the Company and are of the opinion that the use of the going concern basis of accounting is appropriate as they believe the Company will continue to be successful in securing additional funds through debt or equity issues as and when the need to raise working capital arises.

The financial report does not include any adjustments that may be necessary if the Company is unable to continue as a going concern.

Investment in associates

Associates are all entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for in the Company financial statements using the equity method of accounting, after initially being recognised at cost.

The Company's share of its associates' post-acquisition profits or losses is recognised in the statement of comprehensive income, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the Company's statement of financial position by reducing the carrying amount of the investment.

When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured long-term receivables, the Company does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Company.

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 2012, the comparative information presented in these financial statements for the year ended 30 June 2011.

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

(a) Accounts payable

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

(b) Property, plant and equipment

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

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

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

- Plant and equipment: 2.5 – 5 years
- Motor vehicles under finance lease: 5 years

(c) Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required

to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

(d) 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.

(e) Employee benefits

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.

Share-based compensation benefits are provided to employees via the DTI Employee Option Plan. Information regarding to this is set out in note 20.

The fair value of options granted under the DTI Option Plan is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected volatility of the underlying share, and the risk free interest rate for the term of the option.

The fair value of the options granted is adjusted to reflect market vesting conditions, but excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each reporting date, the Company revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate. The impact to the original estimates, if any, is recognised in the statement of comprehensive income with a corresponding adjustment to equity.

(f) Investment and other financial assets

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

Loans and receivable

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

Loans and receivables are included in trade and other receivables (note 8) in the statement of financial position. Financial assets are derecognised when the rights to receive the cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

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

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

(g) Financial instruments issued by the company

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

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

(h) Borrowings

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 statement of 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.

(i) Foreign currency

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial 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.

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at that date.

(j) Goods and services tax

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

- i. 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

- ii. for receivables and payables which are recognised inclusive of GST.

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

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

(k) 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. 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.

Government grants relating to assets are treated as deferred income and recognised in profit and loss over the expected useful lives of the assets concerned.

(l) Inventories

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 first in first out basis.

(m) Leased assets

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

Finance lease payments are allocated between interest expense and reduction of lease liability over the term of the lease. The interest expense is determined by applying the interest rate implicit in the lease to the outstanding lease liability at the beginning of each lease payment period.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Company as lessee are classified as operating leases (note 21). Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

(n) Receivables

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

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

(o) Intangible assets

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.

Research and 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, direct labour and an appropriate proportion of overheads. 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. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life.

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.

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

The patents have been granted for twenty years by the relevant government agency. Therefore, the assets have been assessed as having a finite life.

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

(p) Revenue recognition

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

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

Accounting Standard AASB 111 Construction Contracts – the Company uses the 'percentage of completion' method, which states "When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs associated with the construction contract shall be recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the reporting date". The Company uses costs incurred as the measure of percentage of completion.

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

(q) 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 statement of 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.

(r) Cash and cash equivalents

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

(s) Contributed equity

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.

(t) New accounting standards and Australian Accounting interpretations

New and amended standards adopted by the Company

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 July 2011:

- *AASB 2010-6 Amendments to Australian Accounting Standards - Disclosures on Transfers of Financial Assets.*
- *AASB 1054 Australian Additional Disclosures* - removes the requirement to disclose each class of capital commitments contracted for at the end of the reporting period (other than commitments for the supply of inventories).
- *Revised AASB 124 Related Party Disclosures and AASB 2009-12 Amendments to Australian Accounting Standards.*

The adoption of these standards did not have any impact on the current period or any prior period and is not likely to affect future periods.

New accounting standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2012 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 10 Consolidated Financial Statements* (effective for the annual reporting periods commencing on or after 1 January 2013). AASB 10 introduces certain changes to the consolidation principles, including the concept of de facto control and changes in relation to the special purpose entities. The Company is continuing to assess the impact of the standard.
- *AASB 11 Joint Arrangements* (effective for the annual reporting periods commencing on or after 1 January 2013). AASB 11 introduces certain changes to the accounting for joint arrangements. Joint arrangements will be classified as either joint operations (where parties with joint control have rights to assets and obligations for liabilities) or joint ventures (where parties with joint control have rights to the net assets of the arrangement). Joint arrangements structured as a separate vehicle will generally be treated as joint ventures and accounted for using the equity method. The Company is continuing to assess the impact of the standard.
- *AASB 13 Fair Value Measurement* (effective for annual reporting periods commencing on or after 1 January 2013). AASB 13 establishes a single framework for measuring fair value of financial and non-financial items recognised at fair value on the balance sheet or disclosed in the notes to the financial statements. The Company is continuing to assess the impact of the standard.
- *AASB 2011-9 Presentation of Financial Statements* (effective for annual reporting periods commencing on or after 1 July 2013). AASB 101, amended in June 2011, introduces amendments to align the presentation items of other comprehensive income with US GAAP. The Company will apply the amended standard from 1 July 2013. When the standard is first adopted, there will be changes to the presentation of the statement of comprehensive income. However, there will be no impact on any of the amounts recognised in the financial statements.
- *AASB 9 Financial Instruments and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9* (December 2010) (effective for annual reporting periods beginning on or after 1 January 2013). AASB 9 addresses the classification, measurement and de-recognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption. The Company is continuing to assess its full impact.

- *AASB 2010-8 Amendments to Australian Accounting Standards - Deferred Tax: Recovery of Underlying Assets* (effective from 1 January 2012). In December 2010, the AASB amended AASB 112 Income Taxes to provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model. AASB 112 requires the measurement of deferred tax assets and liabilities to reflect the tax consequences that would follow from the way management expects to recover or settle the carrying amount of the relevant assets or liabilities, that is through use or through sale. The amendment introduces a rebuttable presumption that investment property which is measured at fair value is recovered entirely by sale. The amendment is not expected to have any significant impact on the Company's financial statements. The Company intends to apply the amendment from 1 July 2012.
- *AASB 119 - Elimination of the 'corridor' approach for deferring gains/losses for defined benefit plans*, actuarial gains/losses on remeasuring the defined benefit plan obligation/asset to be recognised in OCI rather than in profit or loss, and cannot be reclassified in subsequent periods, subtle amendments to timing for recognition of liabilities for termination benefits, and employee benefits expected to be settled (as opposed to due to settled under current standard) within 12 months after the end of the reporting period are short-term benefits, and therefore not discounted when calculating leave liabilities. Annual leave not expected to be used within 12 months of end of reporting period will in future be discounted when calculating leave liability. This standard has no impact as there are no annual leave provision amounts that are non-current. The Company will apply this from 1 July 2013.

(u) Significant accounting estimates and judgements

Revenue Recognition

In accordance with the accounting policy detailed in note 1(p), the company recognises revenue at the fair value of the consideration received (net of the amount of GST payable) when the significant risks and reward of ownership of the goods have passed to the buyer at the time of the delivery of goods to the customer, or when services rendered are provided to customers. At the 30 June 2012 management has determined that the profits on the contracts have been recognised in the correct reporting period and that there are no future losses on any contracts that should be recognised at the 30 June 2012.

In accordance with the accounting policy detailed in note 1(p), the Company recognises revenue for construction contracts using the percentage completion method as outlined in AASB 111 – Construction Contracts. This involves reporting revenue, expenses and the profit attributable based on reliable estimates of the outcome of the construction contract.

Inventory Obsolescence

Inventories are accounted for in accordance with the accounting policy detailed in note 1(l). Where the net realisable value of inventory is lower than its cost the company recognises a provision for inventory obsolescence. At the 30 June 2012 management has determined that a provision for inventory obsolescence of \$190,226 (2011: \$425,000) is still required for inventory where net realisable value is lower than its cost.

Development Costs Capitalised

Development Costs have been capitalised in accordance with the accounting policy detailed in note 1(o). At the 30 June 2012 management has assessed that all of the development expenditure of \$1,074,671 capitalised during the reporting period comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads.

Provision for Warranties

Provisions for warranties are recognised in accordance with the accounting policy detailed in note 1(c). At the 30 June 2012 management has determined that the company has no present legal or constructive obligations as a result of past events in regard to its warranties on contracts.

Recognition of Deferred Tax Asset

Deferred tax assets are accounted for in accordance with the accounting policy detailed in note 1(q). At 30 June 2012 management considers that it is probable that future taxable profits will be available to utilise those temporary differences and have recognised a deferred tax asset of \$200,000.

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 date at which they are granted. The fair value is determined by an internal valuation using the Black-Scholes option pricing model.

Note 2: Financial risk management

The Group's principal financial instruments are cash, short term loans and convertible notes. 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 receivables and trade payables, which arise directly from its operations. The Group does not enter into derivative transactions. The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, credit risk and foreign exchange risk. The Board reviews and agrees policies for managing each of these risks.

The following table details the Group's exposure to interest rate risk as at 30 June 2012:

	Maturing			Total	Weighted Average Active Interest Rate
	1 year or less	Over 1 to 2 years	Over 2 to 3 years		
	\$	\$	\$	\$	%
30 June 2012					
Financial Liabilities					
Fixed Rate					
Other Borrowings	85,681	-	-	85,681	9%
Non-interest bearing					
Payables	3,897,191	-	-	3,897,191	
	<u>3,982,872</u>	<u>-</u>	<u>-</u>	<u>3,982,872</u>	
30 June 2011					
Financial Liabilities					
Fixed Rate					
Bank loan	1,461,096	-	-	1,461,096	12.5%
Other borrowings	47,130	27,905	-	75,035	9%
Non-interest bearing					
Payables	2,542,367	-	-	2,542,367	
	<u>4,050,593</u>	<u>27,905</u>	<u>-</u>	<u>4,078,498</u>	

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 1.

Credit risk exposure

The Company'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 are held with financial institutions of minimum AA ratings.

Foreign exchange risk

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

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

	30 June 2012				30 June 2011			
	USD \$	EUR \$	GBP \$	SGD \$	USD \$	EUR \$	GBP \$	SGD \$
Cash	28,236	-	78,142	-	162,696	-	-	-
Trade receivables	716,921	64,428	889,256	-	1,372,997	115,096	-	-
Trade payables	(1,019,676)	(49,224)	(271,406)	(10,374)	(886,504)	(56,296)	(12,129)	(11,873)

Interest rate risk

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

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Management aims at maintaining flexibility in funding by keeping committed credit lines available.

Sensitivity analysis

(i) Interest rate risk

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

(ii) Foreign exchange rate risk

Based on the financial instruments held at 30 June 2012, had the Australian dollar weakened by 5% against the US Dollar, British Pound, Euro and Singapore Dollar, with all other variables held constant, the group's pre-tax profit for the year would have been \$16,838 higher. If the Australian dollar had strengthened the corresponding impact would be a decrease in pre-tax profit by the same amount.

Price risk

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

	2012 \$	2011 \$
Note 3: Revenue and expenses		
(a) Revenue		
Revenue from sale of goods	13,053,582	15,819,508
Revenue from the rendering of services	1,677,077	804,615
	14,730,659	16,624,123
Interest received	31,985	14,238
	14,762,644	16,638,361
(b) Other Income		
Research & development grant	869,483	-
Net foreign exchange gains	267,982	141,905
Other	87	3,609
	1,137,552	145,514
(c) Cost of sales		
Cost of sales	8,814,968	9,645,312
(d) Finance costs		
Interest:		
- Non-related entities	20,702	425,796
- Other related parties	-	54,371
- Finance lease charges	2,667	3,121
	23,369	483,288
(e) Operating lease payments		
Minimum lease payments	28,381	88,440
(f) Defined contribution superannuation expense		
Superannuation	330,246	287,976
(g) Share based payment expense		
Employee share option expense	34,896	11,372
(h) Impairment losses – financial assets		
Trade receivables	36,979	-

Note 4: Income tax

(a) Income tax expense / (benefits)		
Current tax expense / (benefit)	123	-
Deferred tax	(200,000)	(211,000)
	(199,877)	(211,000)
(b) Amounts credited to equity		
Share issue costs claimable over 5 years	-	(39,000)
	-	(39,000)

	2012 \$	2011 \$
(c) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit /(Loss) before income tax expense	(426,992)	565,151
Prima facie tax payable / (benefit) on profit / (loss) at 30% (2011: 30%)	(128,098)	169,545
Tax effect of:		
Director and employee option expense	10,469	3,412
R & D tax incentive	(260,845)	(531,841)
R & D expenditure claimed for tax incentive and taken to Profit & Loss	415,934	-
Other	10,842	3,970
Previously unrecognised temporary differences now recognised as a deferred tax asset	(200,000)	(211,000)
Effect of lower statutory income tax rate in the United Kingdom	(61)	-
Movement in tax effect of unrecognised current year tax losses and deferred taxes	(48,118)	354,914
Income tax expense / (benefit)	(199,877)	(211,000)
(d) Deferred income tax assets recognized in the accounts:		
Deferred tax liabilities		
Work in Progress	-	(39,583)
Income Receivable but not derived for tax purposes	-	(32,412)
Unrealised foreign exchange gain	(24,503)	(2,250)
Property Plant & Equipment	(503,201)	(527,064)
Other	(5,995)	-
Set off of Deferred Tax Liabilities	533,699	601,309
	-	-
Deferred tax assets		
Annual leave provision	86,465	71,921
Long service leave provision	10,367	10,269
Accrued audit fees	7,511	7,846
Superannuation provision	28,287	21,713
Investments	79,942	78,681
Capital raising fees	92,117	108,140
Provision for diminution in trading stock	57,077	127,500
Provision for doubtful debts	2,295	-
Tax losses carried forward	1,515,461	1,569,180
Set off of deferred tax liabilities	(533,699)	(601,309)
Deferred tax asset not brought to account as realization is not probable	(640,823)	(888,941)
Net unrecognised deferred tax assets	705,000	505,000

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

Franking credits available for subsequent financial years based on a tax rate of 30% are \$82,768 (2011: \$82,768).

Note 5: Directors and executive disclosures

(a) Directors

The Directors of DTI Group Ltd during the year were:

N. E. Goodey
G. Denison
L. Magro (resigned 9 August 2011)
R. Johnson
C. Morris
J. King

	2012 \$	2011 \$
Compensation by category: key management personnel		
Short-term benefits	382,385	410,600
Post-employment benefits	34,414	36,954
Share based payments	34,896	11,372
	451,695	458,926

Note 6: Auditor's remuneration

BDO Audit (WA) Pty Ltd

Remuneration of the auditor of the entity for:

Auditing or reviewing the financial report

No non-audit services have been performed by BDO Audit (WA) during the year.

	28,005	34,782
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Note 7: Other financial assets

Term deposits

	371,680	371,680
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Note 8: Trade and other receivables

Current

Trade receivables

Other debtors

	3,016,905	3,244,636
	869,483	108,040
	3,886,388	3,352,676

Non-Current

Customer retentions

	565,304	441,479
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(a) Impaired trade receivables

At 30 June 2012 current trade receivables of the Group with a nominal value of \$7,651 (2011: \$nil) were impaired.

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

	2012 \$	2011 \$
Movements in the provision for impairment of receivables are as follows:		
At July 1	-	-
Provision for impairment recognised during the year	36,978	-
Receivables written off during the year as uncollectable	(29,327)	-
	7,651	-

The creation and release of the provision for impaired receivables has been included in 'other expenses' in the statement of 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 2012, trade receivables of \$377 857 (2011: \$789,357) were past due, but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

Up to 3 months	50,758	211,436
3 to 6 months	248,261	389,149
Over 6 months	80,932	188,772
	379,951	789,357

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

(c) Foreign exchange and interest rate risk

Information on the group's exposure to foreign currency risk and interest rate risk in relation to trade and other receivables is provide in note 2.

(d) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of receivables mentioned above.

Note 9: Inventories

Raw materials / unassembled stock	1,986,564	1,568,490
Project WIP	720,318	223,646
Provision for inventory obsolescence (a)	(190,256)	(425,000)
	2,516,626	1,367,136

(a) A provision for inventory obsolescence was established in a previous year. It was re-assessed & adjusted this financial year and is included in the raw materials & consumables used number in the statement of comprehensive income.

Note 10: Other current assets

Loan to related entities	-	2,230
Prepayments	86,748	90,690
	86,748	92,920

	2012 \$	2011 \$
Note 11: Property, plant and equipment		
Buildings	104,200	-
At cost	(828)	-
Less accumulated depreciation	103,372	-
Workshop plant and equipment		
At cost	201,123	190,795
Less accumulated depreciation	(146,419)	(124,108)
	54,704	66,687
Office equipment & software		
At cost	622,042	565,944
Less accumulated depreciation	(471,495)	(388,536)
	150,547	177,408
Motor vehicles		
At cost	102,427	82,381
Less accumulated depreciation	(36,974)	(23,664)
	65,453	58,717
Total written down value	374,076	302,812
Movements in carrying amounts		
Buildings		
Balance at the beginning of the year	-	-
Additions	104,200	-
Depreciation expense	(828)	-
Carrying amount at the end of the year	103,372	-
Workshop plant and equipment		
Balance at the beginning of the year	66,688	45,486
Additions	10,328	39,567
Depreciation expense	(22,312)	(18,365)
Carrying amount at the end of the year	54,704	66,688
Office equipment & software		
Balance at the beginning of the year	178,483	180,725
Additions	50,397	85,636
Depreciation expense	(78,333)	(88,953)
Carrying amount at the end of the year	150,547	177,408
Motor vehicles		
Balance at the beginning of the year	58,717	43,051
Additions	20,046	31,156
Depreciation expense	(13,310)	(15,490)
Carrying amount at the end of the year	65,453	58,717

Note 12: Intangible assets

	Development costs	Goodwill	Patents	Total
	\$	\$	\$	\$
At 30 June 2011				
Cost (gross carrying amount)	2,070,267	-	33,019	2,103,286
Accumulated amortisation	(263,082)	-	-	(263,082)
Net carrying amount	1,807,185	-	33,019	1,840,204
At 30 June 2012				
Additions at Cost (gross carrying amount)	1,074,671	2,432	47,219	1,124,322
Accumulated amortisation	(523,334)	-	(7,983)	(531,317)
Net carrying amount	2,358,522	2,432	72,255	2,433,209

(a) Description of the Group's intangible assets

(i) Development costs

Development costs are carried at cost less accumulated amortisation and accumulated impairment losses. The intangible asset has been assessed as having a finite life and is amortised using the straight line method over a period of 4 years. 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.

The recoverability of the carrying amount of the product development assets is dependent on ongoing commercial sale of the product developed or alternatively, sale of the business.

(ii) Goodwill

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

(iii) 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.

	2012 \$	2011 \$
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Note 13: Other financial assets

(a) **Movement in carrying amount of investment in associates**

Carrying amount at the beginning of the financial year	-	-
Addition of investment in Virtual Observer Pty Ltd - (49.5%)	-	27,500
Fair value movement of investment in associate	(29,638)	-
Share of profit / (loss) after income tax	29,725	(27,500)
Carrying amount at the end of the financial year	87	-

(b) **Summarised financial information of associates**

The company's share of the results of its principal associates and its aggregated assets (including goodwill) and liabilities are as follows:

	The Company's share of:				
	Ownership Interest	Assets	Liabilities	Revenues	Profit (Loss)
	%	\$	\$	\$	\$
2012					
Virtual Observer Pty Ltd	100	n/a	n/a	33,234	29,725
2011					
Virtual Observer Pty Ltd	49.5	15,473	-	92,255	(27,500)

(c) **Deferred Tax Asset**

Deferred tax assets to be recovered within 12 months	705,000	505,000
Deferred tax assets to be recovered after more than 12 months		-
	705,000	505,000

Note 14: Trade and other payables

Trade payables	2,265,990	2,085,984
Other payables	451,394	19,456
ATO & HMRC (incl PAYG)	853,782	207,434
Provision for annual leave	288,216	239,737
Supplier retentions payable	101,448	101,448
Superannuation liability	94,291	72,376
FBT liability	18,358	-
Payroll tax liability	111,928	55,669
	4,185,407	2,728,108

(a) **Risk exposure**

Information about the Group's exposure to foreign exchange is provided in Note 2.

	2012 \$	2011 \$
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Note 15: Borrowings (current)

Secured:

Loan CBFC Ltd	27,905	9,643
Less: Unexpired Interest	(1,732)	(2,667)
Net carrying amount of CBFC Ltd loan	26,173	6,976

Unsecured:

Loans from related parties (a)	-	-
Loans from other financial institutions (b)	-	1,461,096
Premium Funding Loan	57,776	37,487
Less: Unexpired Interest	(4,733)	(1,355)
Net carrying amount of Premium Funding	53,043	36,132
Total current borrowings	79,216	1,504,204

- (a) Further information on loans from related parties is set out in note 25.
- (b) The loans were based on normal commercial terms and conditions.
- (c) Refer to note 2 for risk exposures and risk management details.

Note 16: Borrowings (non-current)

Loan - CBFC Ltd	-	27,905
Less: Unexpired Interest	-	(1,732)
Net carrying amount of CBFC Ltd loan	-	26,173
Total non-current borrowings	-	26,173

- (a) Refer to note 2 for risk exposures and risk management details.

Note 17: Provisions (non-current)

Employee entitlements - long service leave	34,556	34,230
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Note 18: Contributed Equity

	2012 No.	2012 \$	2011 No.	2011 \$
(a) Ordinary shares				
Balance at the beginning of financial year	10,376,117	8,952,481	5,280,960	4,122,581
Shares issued on option conversion	500,000	250,000	625,000	500,000
Shares issued on new placements	-	-	1,625,000	3,250,000
Shares issued on conversion of notes	-	-	2,845,157	2,276,126
Capital raising costs	-	-	-	(1,196,226)
Balance at the end of the financial year	10,876,117	9,202,481	10,376,117	8,952,481

Fully paid ordinary shares carry one vote per share and carry the right to dividends.
Share issues were for working capital requirements and business expansion.

(b) Options

The following options to issue ordinary shares were on issue as at 30 June 2012.

Number of Options	Grant date	Expiry date	Exercise price
276,000	22 February 2008	31 December 2012	\$1.32
30,000	27 April 2009	31 December 2012	\$1.32
50,000	01 July 2009	31 December 2012	\$1.32
18,000	01 Sept 2010	31 December 2012	\$1.32
100,000	22 December 2010	31 December 2012	\$1.50
48,000	31 March 2011	31 December 2012	\$1.32
1,767,258	30 June 2011	30 June 2015	\$2.25

See Note 20 for details on share based payments.

Note. 19 Reserves and accumulated losses

	2012 \$	2011 \$
(a) Reserves		
Option reserves		
Balance 1 July	1,118,376	34,278
Option expense for the year	34,896	1,084,098
Balance 30 June	1,153,272	1,118,376

The share option reserve records items recognised as expenses on valuation of employee share options and items recognised as expenses on fair valuation of options issued for cash consideration or that are free attaching.

	2012 \$	2011 \$
(b) Accumulated losses		
Movements in accumulated losses were as follows:		
Balance 1 July	(2,676,486)	(3,452,637)
Net profit (loss) for the year	(227,115)	776,151
Balance 30 June	(2,903,601)	(2,676,486)

Note 20: Share-based payments

The following share-based payment arrangements existed at 30 June 2012:

On 30 June 2012 there were 1,767,258 unlisted options over ordinary shares issued pursuant to a subscription agreement with Finico Pty Ltd. The options have a four year term and are exercisable at \$2.25 on or before 30 June 2015.

In addition to the above, there are a further 522,000 outstanding unlisted options granted to key management personnel and employees at the discretion of the Board. The options granted under the plan are for no consideration; 422,000 are exercisable at \$1.32 and 100,000 at \$1.50. Options granted in prior years vest over either an 18 month or a three year period expiring 31 December 2012. Options will lapse if employment ceases during the vesting period or they are not exercised by the exercise date. Included under employee benefits expense in the statement of comprehensive income is \$34,897 (2011: \$11,372) and relates, in full, to equity-settled share-based payment transactions.

The fair value at grant date of the unlisted options is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The following table contains the number ("No"), weighted average exercise prices (WAEP) of and movements in share options issued during the year:

	2012 No.	WAEP \$	2011 No.	WAEP \$
Outstanding at the beginning of the year	2,789,258	1.77	1,070,000	1.03
Granted during the year	-		2,594,258	1.84
Forfeited during the year	-		(250,000)	1.50
Exercised during the year	500,000	0.50	(625,000)	0.80
Outstanding at the end of the year			2,789,258	1.77
Exercisable at the end of the year	2,289,258	2.05	2,789,258	1.77

Note 20: Share-based payments (continued)

The following factors and assumptions were used in determining the fair value of the unlisted options on grant date issued during the previous year.

Grant date	Expiry date	No. of options granted	Exercise price	Underlying share price	Expected volatility	Risk free interest rate	Expected dividend
30 June 2011	30 June 2015	1,767,258	2.25	1.24	80%	4.75	-

Historical volatility has been the basis for determining expected share price volatility as it assumed that this is indicative of future volatility, which may not be the case.

2012	2011
\$	\$

Note 21: Capital and leasing commitments

(a) Finance lease commitments

The Company signed a motor vehicle lease commencing in April 2010. The lease is a 3 year finance lease with lease payments paid monthly in advance. There are no terms of renewal, purchase options or escalation clauses in respect of the lease.

Minimum finance lease payable:

Not later than 1 year	27,905	9,642
Later than 1 year but not later than 5 years	-	27,906
Minimum lease payments	27,905	37,548
Future finance charges	(1,732)	(4,399)
Present value of minimum lease payments	26,173	33,149

(b) Operating lease commitments

The Company signed an operating lease in 2008 for the office and workshop facilities with a lease terms of 5 years, with the option to extend for a further 5 years. The company purchased the office and workshop facilities on 1 June 2012.

The company signed an operating lease in June 2012 for computer equipment with a lease terms of 3 years. The company does not have the option to purchase the leased asset at the expiry of the lease.

Non-cancellable operating lease payable:

Not later than 1 year	19,809	48,656
Later than 1 year but not later than 5 years	46,332	-
	66,141	48,656

Note 22: Contingent liabilities

Bank guarantees for unconditional undertaking of contracts	371,680	371,680
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These are secured by term deposits.

Note 23: Subsequent events

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

Note 24: Notes to the cash flow statement

(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:

	2012 \$	2011 \$
Cheque account	702,322	3,302,779
British Sterling bank account	78,142	-
US Dollar bank account	28,235	162,696
Petty cash	3,514	1,700
	812,213	3,467,175
(b) Reconciliation of profit / (loss) after income tax to the net cash used in operating activities		
Operating profit / (loss)	(227,115)	776,151
Non-cash items		
Share of loss of associates	-	27,500
Depreciation & amortisation	644,556	388,849
Employee share option expense	34,896	11,372
Change in operating assets and liabilities		
- (Increase) / decrease in trade and other receivables	(651,089)	(1,320,118)
- (Increase) / decrease in inventories	(1,149,490)	576,036
- Increase / (decrease) in trade and other payables	1,403,303	53,696
- (Increase) / Decrease in financial asset	(199,964)	(211,000)
- Increase / (decrease) in provision	325	9,162
Net inflow / (outflow) from operating activities	(144,578)	311,648

Note 25: Related party transactions

The Company has related party relationships with its subsidiaries & associates (see note 13) and with its key management personnel (see note 5).

Subsidiaries & Associates

DTI Group Limited holds 100% (2011: 49.5%) of the shares in Virtual Observer Pty Ltd, having acquired the remaining 50.5% on 28 June 2012. A loan was created during the current and prior years when payments were made by DTI Group Limited on behalf of Virtual Observer Pty Ltd. At reporting date 2012 this loan balance was \$54,298 (2011: \$2,230).

DTI Group Limited holds 100% of the shares in DTI EMEA Ltd, having formed the company in April 2012. A loan was created during the current year when payments were made by DTI Group Ltd to DTI EMEA Ltd. At reporting date 2012 this loan balance was \$307,598 (2011: \$nil). In addition, sales were made during the year by DTI Group Ltd to DTI EMEA Ltd and at reporting date the debtor balance was \$617,198 (2011: \$nil).

Other transactions with key management personnel

A director, Mr. N Goodey is a director of Bluekara Pty Ltd. During the previous year Bluekara provided, and the Company entered into a short term loan agreement with Bluekara.

A director, Mr. P Harley is a director of Faiban Pty Ltd. During the previous year Faiban provided, and the Company entered into a short term loan agreement with Faiban.

A director, Mr. L Magro is a director of LeGrande Pty Ltd. During the previous year LeGrande provided, and the Company entered into a short term loan agreement with LeGrande.

Mr. G Denison, a director the Company provided the Company with a short term loan agreement during the previous year.

Mr. R Johnson, CEO of the Company provided the Company with a short term loan agreement during the previous year.

The loans were based on normal commercial terms and conditions.

Aggregate amounts of each of the above types of other transactions with key management personnel of DTI Group Limited:

	2012 \$	2011 \$
Amounts recognised as expense		
- interest expense	-	54,371
Aggregate amounts payable to key management personnel of the Company at balance date relating to the above types of transactions:		
- current liabilities	-	-

Note 26: Parent entity financial information: DTI Group Ltd

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

Balance sheet

Current assets	7,121,381	8,651,587
Total assets	11,157,655	11,741,082
Total liabilities	(3,681,059)	(4,436,711)
Shareholders' equity:		
Issued capital	9,202,481	8,952,481
Share option reserve	1,153,272	1,118,376
Accumulated losses	(2,879,158)	(2,676,486)
	7,476,595	7,394,371
Profit / (loss) for the year	(202,671)	776,151
Total comprehensive income / (loss)	(202,671)	776,151

Note 27: Company information

DTI Group Limited is an unlisted public company, incorporated and operating in Australia.

Registered office and principal place of business

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

Directors' declaration

In the opinion of the directors of DTI Group Limited ("the Company"):

1. The financial statements and accompanying notes set out on pages 10 – 38 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 2012 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.

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



Richard Johnson
Director

15 November 2012, Perth, Australia

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DTI GROUP LIMITED

Report on the Financial Report

We have audited the accompanying financial report of DTI Group Limited, which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Independence

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



Opinion

In our opinion:

- (a) the financial report of DTI Group Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

BDO Audit (WA) Pty Ltd

A handwritten signature in blue ink, appearing to read 'Glyn O'Brien', is written over the printed name. Above the signature, the letters 'BDO' are also handwritten in blue ink.

Glyn O'Brien
Director

Perth, Western Australia
Dated this 15th day of November 2012

15 November 2012

DTI Group Limited
50 Affleck Road
PERTH INTERNATIONAL AIRPORT WA 6105

Dear Sirs,

DECLARATION OF INDEPENDENCE BY GLYN O'BRIEN TO THE DIRECTORS OF DTI GROUP LIMITED

As lead auditor of DTI Group Limited for the year ended 30 June 2012, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit;
and
- any applicable code of professional conduct in relation to the audit.

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



Glyn O'Brien
Director

BDO Audit (WA) Pty Ltd
Perth, Western Australia