



DWS Limited (and Controlled Entities)
ACN 085 656 088

RESULTS ANNOUNCEMENT TO THE MARKET

2017 Full Year Financial Results

[Based on accounts currently being audited]

DWS Limited (DWS) announces the following results and highlights for the year ended 30 June 2017:

- **Revenue from continuing operations of \$137.4M (down \$7.06M or 4.9% from the prior corresponding period (pcp));**
- **Underlying EBITDA of \$26.9M (up \$1.2M or 4.6% on pcp);**
- **NPAT of \$17.7M (up \$0.9M or 5% on pcp);**
- **Cash flow from operations (before interest and tax) 120% of EBITDA;**
- **DWS' balance sheet remains strong and liquid with gross cash of \$10.9M;**
- **Bank debt decreased by \$9M to \$15M (\$24M pcp);**
- **Final fully franked dividend of 5.00 cents per ordinary share declared;**
 - **Final Dividend** **5.00 cents per ordinary share**
 - **Record Date** **4 September 2017**
 - **Expected Payment Date** **2 October 2017**
- **Billable consultant capacity continues to be managed tightly to match client demand. Total billable consultants as at 30 June 2017: 596 (June 2016: 715);**
- **Strong performance across all States and Territories that DWS operates in;**
- **Symplicit contributed positively to the DWS Limited Group result.**

	2017	2016	Change	Change
	\$000's	\$000's	\$000's	%
Revenue from continuing operations	137,438	144,494	(7,056)	(4.9%)
Other revenue (excl. Interest)	507	1,263	(756)	(59.9%)
Employee benefits expense	(105,404)	(114,181)	8,777	7.7%
Selling, general & admin expense	(5,549)	(5,771)	222	3.8%
Underlying EBITDA	26,992	25,805	1,186	4.6%
<i>Underlying EBITDA %</i>	20%	18%		
Acquisition costs	-	(371)	371	100.0%
M&A costs	(749)	-	(749)	(100.0%)
EBITDA	26,243	25,434	809	3.2%
Depreciation, amortisation & impairment	(581)	(440)	(141)	(32.0%)
Net interest (expense)/income	(587)	(1,037)	450	(43.4%)
Capitalised product development	75	68	7	10.3%
Profit before tax	25,150	24,025	1,125	4.7%
Income tax expense	(7,481)	(7,235)	(246)	(3.4%)
Net profit after tax	17,669	16,790	879	5.2%

About DWS

DWS Limited (DWS) is a professional services company which provides information technology consulting services to large corporate entities and Australian Government agencies. DWS listed on the Australian Securities Exchange on 15th June 2006. ASX code 'DWS'. DWS currently employs over 640 staff and contractors and has offices in Melbourne, Sydney, Brisbane, Adelaide, Canberra and Coolangatta. More information can be obtained at our website <http://www.dws.com.au>, or by contacting our head office in Melbourne on (03) 9650 9777.



DWS

Excellence

Appendix 4E

30 June 2017 DWS Limited

TABLE OF CONTENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME.....	2
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	3
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	4
CONSOLIDATED STATEMENT OF CASH FLOWS	5
NOTES TO THE PRELIMINARY FINANCIAL REPORT	6

DWS Limited

Appendix 4E and Preliminary Final Report

For year ended 30 June 2017

[Based on accounts that are currently being audited]

	2017	2016		Change	
	\$'000	\$'000		\$'000	% Change
Revenue from continuing operations	137,438	144,494	down	(7,056)	-4.9%
Total comprehensive income for the year	17,669	16,790	up	879	5.2%

Dividends (distributions)	Amount per security	Amount per security	Record Date for dividend entitlement
Dividends paid during the financial year	5.00 cents	4.75 cents	16 March 2017
Dividend declared subsequent to financial year end	5.00 cents	5.00 cents	2 September 2017

	2017	2016
Net tangible asset backing per ordinary security	(1) cents	(4) cents
Earnings per share	13.4 cents	12.7 cents

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2017

	Notes	Consolidated	
		2017	2016
		\$'000	\$'000
Revenue from continuing operations	2	137,438	144,494
Other revenue	2	685	1,382
Employee benefit expense		(105,329)	(114,113)
Occupancy expense		(1,919)	(1,862)
Depreciation and amortisation expense		(532)	(440)
Other expenses		(4,379)	(4,280)
Financing expenses		(765)	(1,156)
Impairment expense		(49)	-
Profit before tax		25,150	24,025
Income tax expense	3	(7,481)	(7,235)
Profit from continuing operations		17,669	16,790
Profit for the year		17,669	16,790
Other comprehensive income		-	-
Total comprehensive income for the year		17,669	16,790

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes

Consolidated Statement of Financial Position As at 30 June 2017

	Notes	Consolidated 2017 \$'000	2016 \$'000
Current Assets			
Cash and cash equivalents		10,868	10,164
Trade and other receivables		21,763	29,078
Other		2,376	2,021
Total Current Assets		35,007	41,263
Non-Current Assets			
Property, plant and equipment		2,253	2,368
Intangible assets		67,845	68,055
Deferred tax assets	3	3,050	2,791
Total Non-Current Assets		73,148	73,214
Total Assets		108,155	114,477
Current Liabilities			
Trade and other payables		11,255	9,196
Current tax liabilities		1,005	2,138
Short term provisions		6,334	5,926
Interest bearing liability		-	3,000
Other		2,368	3,410
Total Current Liabilities		20,962	23,670
Non-Current Liabilities			
Interest bearing liability		15,000	21,000
Long term provisions		2,503	4,603
Total Non-Current Liabilities		17,503	25,603
Total Liabilities		38,465	49,273
Net Assets		69,690	65,204
Equity			
Issued Capital		34,187	34,187
Retained Earnings		35,503	31,017
Total Equity		69,690	65,204

**The above Consolidated Statement of Financial Position should be read in conjunction with
the accompanying notes**

Consolidated Statement of Changes in Equity For the year ended 30 June 2017

	Share Capital \$'000	Retained Earnings \$'000	Total Equity \$'000
Balance at 1 July 2016	34,187	31,017	65,204
Dividends paid	-	(13,183)	(13,183)
Total transactions with owners	-	(13,183)	(13,183)
Total comprehensive income	-	17,669	17,669
Total at 30 June 2017	34,187	35,503	69,690
Balance at 1 July 2015	34,187	25,433	59,620
Dividends paid	-	(11,206)	(11,206)
Total transactions with owners	-	(11,206)	(11,206)
Total comprehensive income	-	16,790	16,790
Total at 30 June 2016	34,187	31,017	65,204
Number of shares on issue		2017	2016
Fully paid ordinary shares with no par value		131,831,328	131,831,328
Movement in shares on issue		Consolidated	
Ordinary shares on issue at 1 July 2016		131,831,328	
Changes to number of shares on issue during the reporting period		-	
Ordinary shares on issue at 30 June 2017		131,831,328	

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes

Consolidated Statement of Cash Flows For the year ended 30 June 2017

	Notes	Consolidated	
		2017 \$'000	2016 \$'000
Cash flows from operating activities			
Cash receipts from customers		169,310	165,453
Cash payments to suppliers and employees		(137,689)	(141,531)
Income taxes paid		(7,913)	(7,531)
Interest received		178	119
Net cash provided by operating activities		23,886	16,510
Cash flows from investing activities			
Payments for plant and equipment		(124)	(205)
Payments for intangibles		(75)	(68)
Payments for acquisitions		(800)	(24,238)
Net cash used in investing activities		(999)	(24,511)
Cash flows from financing activities			
Dividends paid		(13,183)	(11,206)
Repayment of external financing		(9,000)	(13,000)
Receipt of external financing		-	32,000
Net cash provided by financing activities		(22,183)	7,794
Net increase / (decrease) in cash and cash equivalents		704	(207)
Cash at the beginning of the financial year		10,164	10,371
Cash at the end of the financial year		10,868	10,164

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes

Notes to the Consolidated Financial Report for Year ended 30 June 2017

Note 1 Summary of Significant Accounting Policies

This preliminary financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The financial report covers the consolidated group of DWS Limited (DWS) and controlled entities (the Group). DWS is a listed public company, incorporated and domiciled in Australia.

The financial report of DWS and controlled entities complies with all International Financial Reporting Standards (IFRS) in their entirety.

The following is a summary of the material accounting policies adopted by the consolidated group in the preparation of the preliminary financial report. The accounting policies have been consistently applied, unless otherwise stated.

Basis of preparation

The accounting policies set out below have been consistently applied to all years presented.

Reporting basis and conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, and financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Accounting Policies

(a) Principles of consolidation

The Group financial statements consolidate those of DWS Limited and all of its subsidiaries as of 30 June 2017. The Parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 30 June.

The controlled entities are Wallis Nominees (Computing) Pty Ltd, DWS (NSW) Pty Ltd, Graeme V Jones & Associates Pty Ltd (formerly GlobalSoft Australia Pty Ltd), DWS Product Solutions Pty Ltd (formerly Equest Consulting Pty Ltd), Strategic Data Management Pty Ltd, SDM Sales Pty Ltd, Symplicit Pty Ltd and Phoenix IT & T Consulting Pty Ltd. All controlled entities have a June financial year end.

All inter-company balances and transactions between entities in the consolidated entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those policies applied by the parent entity.

Where controlled entities have entered or left the economic entity during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased. Non-controlling interests in the entity and results of the entities that are controlled are shown as a separate item in the consolidated financial report.

Note 1 Summary of Significant Accounting Policies (cont.)

(b) Income Tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

DWS and its wholly-owned Australian subsidiaries have not entered into an income tax consolidated group under the tax consolidation regime. DWS and each of its subsidiaries are responsible for their own recognition of current and deferred tax assets and liabilities.

(c) Revenue recognition

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST) payable to the taxation authority.

Consulting services revenue is recognised on a billing entitlement basis and is matched against related costs incurred. Where fixed price contracts are used, revenue recognition is based on stage of completion. The stage of completion is measured by reference to labour hours incurred to date as a percentage of estimated total labour hours.

(d) Intangibles

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Note 1 Summary of Significant Accounting Policies (cont.)

(e) Impairment of assets

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(f) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

(g) Employee benefits

Provision is made for the Group liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

(h) Provisions

Provisions are recognised when the Group has a legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Critical accounting estimates and judgments

The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Key estimates — Impairment

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

No impairment has been recognised in respect of goodwill for the year ended 30 June 2017.

Note 1 Summary of Significant Accounting Policies (cont.)

Operating segments

DWS Limited and its controlled entities, develop, manage and implement information technology solutions. There is only one reportable segment based on the aggregation criteria in AASB 8. The business operates within Australia only.

Note 2 Revenue

	Consolidated 2017 \$'000	2016 \$'000
Revenue from continuing operations		
Services revenue	137,438	144,494
Total revenue from continuing operations	137,438	144,494
Other revenue		
Interest received	178	119
Other	507	1,263
Total other revenue	685	1,382

Note 3 Income Tax Expense

	Consolidated	
	2017	2016
	\$'000	\$'000
The components of income tax expense comprise:		
Current tax expense	8,018	7,256
Deferred tax asset write off	44	-
Prior year tax refund	(278)	(21)
Deferred tax expense	(303)	-
	<u>7,481</u>	<u>7,235</u>
Profit/Loss before income tax	25,150	24,025
Prima facie tax on profit from ordinary activities before income tax at 30% (2016 30%)	7,544	7,208
Increase in income tax expense due to:		
Non-deductible entertainment	142	189
Deferred tax asset write off	44	-
Other items	29	(141)
Prior year tax refund	(278)	(21)
Adjusted income tax	<u>7,481</u>	<u>7,235</u>
Income tax expense	<u>7,481</u>	<u>7,235</u>
Applicable weighted average effective tax rate	29.75%	30.11%

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2017	2016	2017	2016	2017	2016
Consolidated	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Employee Benefits	99	393	-	-	99	393
Provisions	2,009	1,900	-	-	2,009	1,900
Other	986	208	-	-	986	208
Sub-total	<u>3,094</u>	<u>2,501</u>	<u>-</u>	<u>-</u>	<u>3,094</u>	<u>2,501</u>
Deferred tax assets through business combinations	-	290	-	-	-	290
Net Tax assets/ liabilities	<u>3,094</u>	<u>2,791</u>	<u>-</u>	<u>-</u>	<u>3,094</u>	<u>2,791</u>

Note 3 Income Tax Expense (cont.)

Movements in temporary differences

Consolidated

2017 2016
\$'000 \$'000

The overall movement in the deferred tax account is as follows:

Opening balance	2,791	2,501
Charge to income statement	303	290
	<u>3,094</u>	<u>2,791</u>

Deferred tax asset movement

Employee Benefits

Opening balance	393	42
Charged	(294)	351
Closing balance	<u>99</u>	<u>393</u>

Provisions

Opening balance	1,900	1,743
Charged	109	157
Closing balance	<u>2,009</u>	<u>1,900</u>

Other

Opening balance	208	716
Charged	778	(508)
Closing balance	<u>986</u>	<u>208</u>

Deferred tax assets through business combinations

Opening balance	290	-
Charged	(290)	290
Closing balance	<u>-</u>	<u>290</u>

Total Closing Balance

3,094 2,791

Note 4 Dividends

Note 4 Dividends on Ordinary Shares

(a) Dividends paid during the year

	2017	Cents per share	Total amount \$'000	Franked/ Unfranked	Payment Date
Final 2016 ordinary		5.00	6,592	Franked at 30%	4-Oct-16
Interim 2017 ordinary		5.00	6,592	Franked at 30%	4-Apr-17
	2016				
Final 2015 ordinary		3.75	4,944	Franked at 30%	2-Oct-15
Interim 2016 ordinary		4.75	6,262	Franked at 30%	4-Apr-16

(b) Dividends Declared

	2017	2016
Declared final dividend	\$'000	\$'000
Declared final fully franked ordinary dividend of 5.00 cents (2016 5.00 cents) per share at the tax rate of 30%	6,592	6,592

(c) Dividend Franking Account

30% franking credits available to shareholders of DWS Limited for subsequent financial years	29,863	27,204
--	---------------	--------

Note 5 Earnings per Share

	Consolidated	
	2017	2016
Earnings used in calculation of basic and dilutive EPS	\$ 17,668,700	\$ 16,790,318
Adjusted weighted average number of ordinary shares used in calculating basic earnings per share	131,831,328	131,831,328
Number for diluted earnings per share		
Ordinary shares	131,831,328	131,831,328
Effect of dilutive share options	-	-
Adjusted weighted average number of ordinary shares used in calculating diluted earnings	131,831,328	131,831,328
Basic earnings per share	13.4 cents	12.7 cents
Diluted earnings per share	13.4 cents	12.7 cents

Note 6 Contingent Liabilities

The directors are of the opinion that provisions are not required in respect of the matter stated below as there is no probability of future sacrifice of economic benefits nor are the amounts capable of reliable measurement.

Bank guarantees

Bank guarantees of \$995,225 remain in place and are provided as a security for the performance of rental property covenants. The bank guarantees are secured by a Standard Authority to Appropriate and Set-Off Term deposits to the equivalent guarantee value or are drawn down under a bank guarantee facility.

Note 7 Events subsequent to reporting date

No other matter or circumstance has arisen since 30 June 2017 that has significantly affected, or may significantly affect:

- (a) The consolidated entity's operations in future financial years.
- (b) The results of those operation in future years.
- (c) The consolidated entity's state of affairs in future financial years.