



DWS Limited (and Controlled Entities)
ACN 085 656 088

RESULTS ANNOUNCEMENT TO THE MARKET

2018 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 2018:

- **Revenue from continuing operations of \$126.1M (down \$11.34M or 8.3% from the prior corresponding period (pcp));**
- **Underlying EBITDA of \$22.9M (down \$4.1M or 15.3% on pcp);**
- **NPAT of \$15.9M (down \$1.5M or 8.5% on pcp);**
- **Cash flow from operations (before interest and tax) 95% of EBITDA;**
- **DWS' balance sheet remains strong and liquid with gross cash of \$8.1M;**
- **Bank debt decreased by \$5M to \$10M (\$15M 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 2018
 - **Expected Payment Date** 2 October 2018
- **Billable consultant capacity continues to be managed to match client demand. Total billable consultants as at 30 June 2018: 704 (June 2017: 596);**

	2018	2017	Change	Change
	\$000's	\$000's	\$000's	%
Revenue from continuing operations	126,098	137,438	(11,340)	(8.3%)
Other revenue (excl. Interest)	2,438	507	1,931	380.9%
Employee benefits expense	(100,549)	(105,404)	4,855	4.6%
Selling, general & admin expense	(5,129)	(5,549)	420	7.6%
Underlying EBITDA	22,858	26,992	(4,134)	(15.3%)
<i>Underlying EBITDA %</i>	18%	20%		
Acquisition costs	-	-	-	0.0%
M&A costs	(54)	(749)	695	92.8%
EBITDA	22,804	26,243	(3,439)	(13.1%)
Depreciation, amortisation & impairment	(392)	(581)	189	32.5%
Net interest (expense)/income	(652)	(587)	(65)	(11.1%)
Capitalised product development	107	75	32	42.7%
Profit before tax	21,867	25,150	(3,283)	(13.1%)
Income tax expense	(5,950)	(7,760)	1,810	23.3%
Net profit after tax	15,917	17,390	(1,473)	(8.5%)

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 has over 750 staff and contractors and has offices in Melbourne, Sydney, Brisbane, Adelaide and Canberra. 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 2018

DWS LIMITED



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DWS Limited

Appendix 4E and Preliminary Final Report

For year ended 30 June 2018

[Based on accounts that are currently being audited]

	2018 \$'000	2017 \$'000		Change \$'000	% Change
Revenue from continuing operations	126,098	137,438	down	(11,340)	(8.3%)
Total comprehensive income for the year	15,917	17,390	down	(1,473)	(8.5%)

	Amount per security	Amount per security	Record Date for dividend entitlement
Dividends (distributions)			
Dividends paid during the financial year	5.00 cents	5.00 cents	16 March 2018
Dividend declared subsequent to financial year end	5.00 cents	5.00 cents	4 September 2018

	2018	2017
Net tangible asset backing per ordinary security	1 cents	(1) cents
Earnings per share	12.1 cents	13.2 cents

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2018

	Notes	Consolidated 2018 \$'000	2017 \$'000
Revenue from continuing operations	2	126,098	137,438
Other revenue	2	2,589	685
Employee benefit expense		(100,442)	(105,330)
Occupancy expense		(1,612)	(1,918)
Depreciation and amortisation expense		(392)	(532)
Other expenses		(3,571)	(4,379)
Financing expenses		(803)	(765)
Impairment expense		-	(49)
Profit before tax		21,867	25,150
Income tax expense	3	(5,950)	(7,760)
Profit from continuing operations		15,917	17,390
Profit for the year		15,917	17,390
Other comprehensive income		-	-
Total comprehensive income for the year		15,917	17,390

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 2018

	Notes	Consolidated 2018 \$'000	2017 \$'000
Current Assets			
Cash and cash equivalents		8,128	10,868
Trade and other receivables		19,566	21,763
Other		1,616	2,376
Total Current Assets		29,310	35,007
Non-Current Assets			
Property, plant and equipment		2,061	2,254
Intangible assets		67,839	67,845
Deferred tax assets	3	3,067	3,050
Total Non-Current Assets		72,967	73,149
Total Assets		102,277	108,156
Current Liabilities			
Trade and other payables		7,631	11,256
Current tax liabilities		2,327	1,284
Short term provisions		6,876	6,334
Interest bearing liability		-	-
Other		2,855	2,368
Total Current Liabilities		19,689	21,242
Non-Current Liabilities			
Interest bearing liability		10,000	15,000
Long term provisions		443	2,503
Total Non-Current Liabilities		10,443	17,503
Total Liabilities		30,132	38,745
Net Assets		72,145	69,411
Equity			
Issued Capital		34,187	34,187
Retained Earnings		37,958	35,224
Total Equity		72,145	69,411

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 2018

	Share Capital \$'000	Retained Earnings \$'000	Total Equity \$'000
Balance at 1 July 2017	34,187	35,224	69,411
Dividends paid	-	(13,183)	(13,183)
Total transactions with owners	-	(13,183)	(13,183)
Total comprehensive income	-	15,917	15,917
Total at 30 June 2018	34,187	37,958	72,145

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	-	17,390	17,390
Total at 30 June 2017	34,187	35,224	69,411

Number of shares on issue	2018	2017
Fully paid ordinary shares with no par value	131,831,328	131,831,328

Movement in shares on issue

Ordinary shares on issue at 1 July 2017

Changes to number of shares on issue during the reporting period

Ordinary shares on issue at 30 June 2018

Consolidated

131,831,328

-

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 2018

	Notes	Consolidated	
		2018 \$'000	2017 \$'000
Cash flows from operating activities			
Cash receipts from customers		142,989	163,567
Cash payments to suppliers and employees		(121,280)	(130,740)
Income taxes paid		(4,986)	(9,119)
Interest received		151	178
Net cash provided by operating activities		16,874	23,886
Cash flows from investing activities			
Payments for plant and equipment		(124)	(124)
Payments for intangibles		(107)	(75)
Payments for acquisitions		(1,200)	(800)
Net cash used in investing activities		(1,431)	(999)
Cash flows from financing activities			
Dividends paid		(13,183)	(13,183)
Repayment of external financing		(9,000)	(9,000)
Receipt of external financing		4,000	0
Net cash provided by financing activities		(18,183)	(22,183)
Net (decrease) / increase in cash and cash equivalents held		(2,740)	704
Cash at the beginning of the financial year		10,868	10,164
Cash at the end of the financial year		8,128	10,868

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

Notes to the Preliminary Consolidated Financial Report For the year ended 30 June 2018

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 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 and all of its entities as of 30 June 2018. The Parent controls an entity if it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. All entities 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 Group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of controlled entities 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 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 receivable 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 the date of acquisition. Goodwill on acquisition of a controlled entity 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 up to the 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 2018.

Note 1 Summary of Significant Accounting Policies (cont.)

Operating segments

DWS Limited and its controlled entities, develop, manage and implement information technology and business 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 2018 \$'000	2017 \$'000
Revenue from continuing operations		
Services revenue	126,098	137,438
Total revenue from continuing operations	126,098	137,438
Other revenue		
Interest received	151	178
Other	2,438	507
Total other revenue	2,589	685

Note 3 Income Tax Expense

Consolidated

2018 2017
\$'000 \$'000

The components of income tax expense comprise:

Current tax expense	6,041	8,018
Deferred tax asset write off	-	44
Prior year tax refund	(74)	-
Deferred tax expense	(17)	(302)
	5,950	7,760

Profit/Loss before income tax

21,867 25,150

Prima facie tax on profit from ordinary activities before income tax at 30% (2017 30%)

6,560 7,545

Numerical reconciliation of income tax expense:

Non-deductible entertainment	90	142
Non-assesable income	(584)	-
Deferred tax asset write off	-	44
Other items	(42)	29
Prior year tax refund	(74)	-
Adjusted income tax	5,950	7,760
Income tax expense	5,950	7,760

Applicable weighted average effective tax rate

27.21% 30.85%

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2018	2017	2018	2017	2018	2017
Consolidated	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Employee Benefits	567	99	-	-	567	99
Provisions	2,196	2,009	-	-	2,196	2,009
Other	304	942	-	-	304	942
Sub-total	3,067	3,050	-	-	3,067	3,050
Deferred tax assets through business combinations	-	-	-	-	-	-
Net Tax assets/ liabilities	3,067	3,050	-	-	3,067	3,050

Note 3 Income Tax Expense (cont.)

Movements in temporary differences

Consolidated

2018 2017
\$'000 \$'000

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

Opening balance	3,050	2,791
Charge to income statement	17	259
	3,067	3,050

Deferred tax asset movement

Employee Benefits

Opening balance	99	393
Charged	468	(294)
Closing balance	567	99

Provisions

Opening balance	2,009	1,900
Charged	187	109
Closing balance	2,196	2,009

Other

Opening balance	942	208
Charged	(638)	734
Closing balance	304	942

Deferred tax assets through business combinations

Opening balance	-	290
Charged	-	(290)
Closing balance	-	-

Total Closing Balance	3,067	3,050
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Note 4 Dividends

(a) Dividends paid during the year

	2018	Cents per share	Total amount \$'000	Franked/ Unfranked	Payment Date
Final 2017 ordinary		5.00	6,592	Franked at 30%	2-Oct-17
Interim 2018 ordinary		5.00	6,592	Franked at 30%	4-Apr-18
	2017				
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

(b) Dividends Declared

	2018 \$'000	2017 \$'000
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Declared final dividend

Declared final fully franked ordinary dividend of [5.00 cents] (2017 5.00 cents) per share at the tax rate of 30%

6,592	6,592
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(c) Dividend Franking Account

30% franking credits available to shareholders of DWS Limited for subsequent financial years

29,503	29,863
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Note 5 Earnings per Share

	Consolidated	
	2018	2017
Earnings used in calculation of basic and dilutive EPS	\$ 15,916,713	\$ 17,390,078
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	12.1 cents	13.2 cents
Diluted earnings per share	12.1 cents	13.2 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 \$1,105,209 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 Subsequent events

On 25 June 2018, the Group announced to the Australian Securities Exchange the successful completion of the acquisition of Projects Assured effective 2 July 2018.

The details of the acquisition are as follows:

	\$'000
Consideration paid	30,000
Shares issued as consideration	-
Contingent Consideration ¹	13,000
Total cost of consideration	43,000

¹ The range of contingent consideration payable is based upon FY19 EBITDA, FY20 EBITDA, FY21 EBITDA, FY22 EBITDA and FY23 EBITDA and is estimated to be between nil and \$13,000,000 dependent on achieving the EBITDA target for each of the financial years.

The calculation of the fair value of assets and liabilities acquired is yet to be finalised and accordingly the carrying value of Goodwill is yet to be determined.

There have been no other events subsequent to 30 June 2018.