



DWS Limited (and Controlled Entities)
ACN 085 656 088

RESULTS ANNOUNCEMENT TO THE MARKET

2016 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 2016:

- **Revenue from continuing operations of \$144.5M (up \$49.9M or 53% from the prior corresponding period (pcp));**
- **Underlying EBITDA of \$25.8M (excluding \$0.4M of one-off acquisition costs) (up \$9.9M or 63% on pcp);**
- **NPAT of \$16.8M (up \$6.4M or 62% on pcp);**
- **Cash flow from operations (before interest and tax) 94% of EBITDA;**
- **DWS' balance sheet remains strong and liquid with gross cash of \$10.2M;**
- **Final fully franked dividend of 5.0 cents per ordinary share declared;**
 - **Final Dividend** 5.0 cents per ordinary share
 - **Record Date** 2 September 2016
 - **Expected Payment Date** 4 October 2016
- **Billable consultant capacity continues to grow to meet increased client demand. Total billable consultants at 30 June 2016: 715 (June 2015: 517);**
- **Strong contribution from Victoria, New South Wales and Queensland regions; and**
- **Full year contribution from Symplicit acquisition and ten months contribution from Phoenix.**

	2016	2015	Change	Change
	\$000's	\$000's	\$000's	%
Revenue from continuing operations	144,494	94,632	49,862	52.7%
Other revenue (excl. Interest)	1,263	35	1,228	3508.6%
Employee benefits expense	(114,181)	(75,407)	(38,774)	(51.4%)
Selling, general & admin expense	(5,771)	(3,395)	(2,376)	(70.0%)
Underlying EBITDA	25,805	15,865	9,940	62.7%
<i>Underlying EBITDA %</i>	<i>18%</i>	<i>17%</i>		
Acquisition costs	(371)	(215)	(156)	(72.6%)
Additional termination costs	-	(518)	518	100.0%
Gain on PV of earnout liability	-	321	(321)	(100.0%)
Impairment	-	(551)	551	100.0%
EBITDA	25,434	14,902	10,532	70.7%
Depreciation & amortisation	(440)	(255)	(185)	(72.5%)
Net interest (expense)/income	(1,037)	279	(1,316)	(471.7%)
Capitalised product development	68	232	(164)	(70.6%)
Profit before tax	24,025	15,158	8,867	58.5%
Income tax expense	(7,235)	(4,759)	(2,476)	(52.0%)
Net profit after tax	16,790	10,399	6,391	61.5%

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 employs over 750 staff and contractors and has offices in Melbourne, Sydney, Brisbane, Adelaide, Canberra, Coolangatta and Perth. 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 2016 DWS Limited

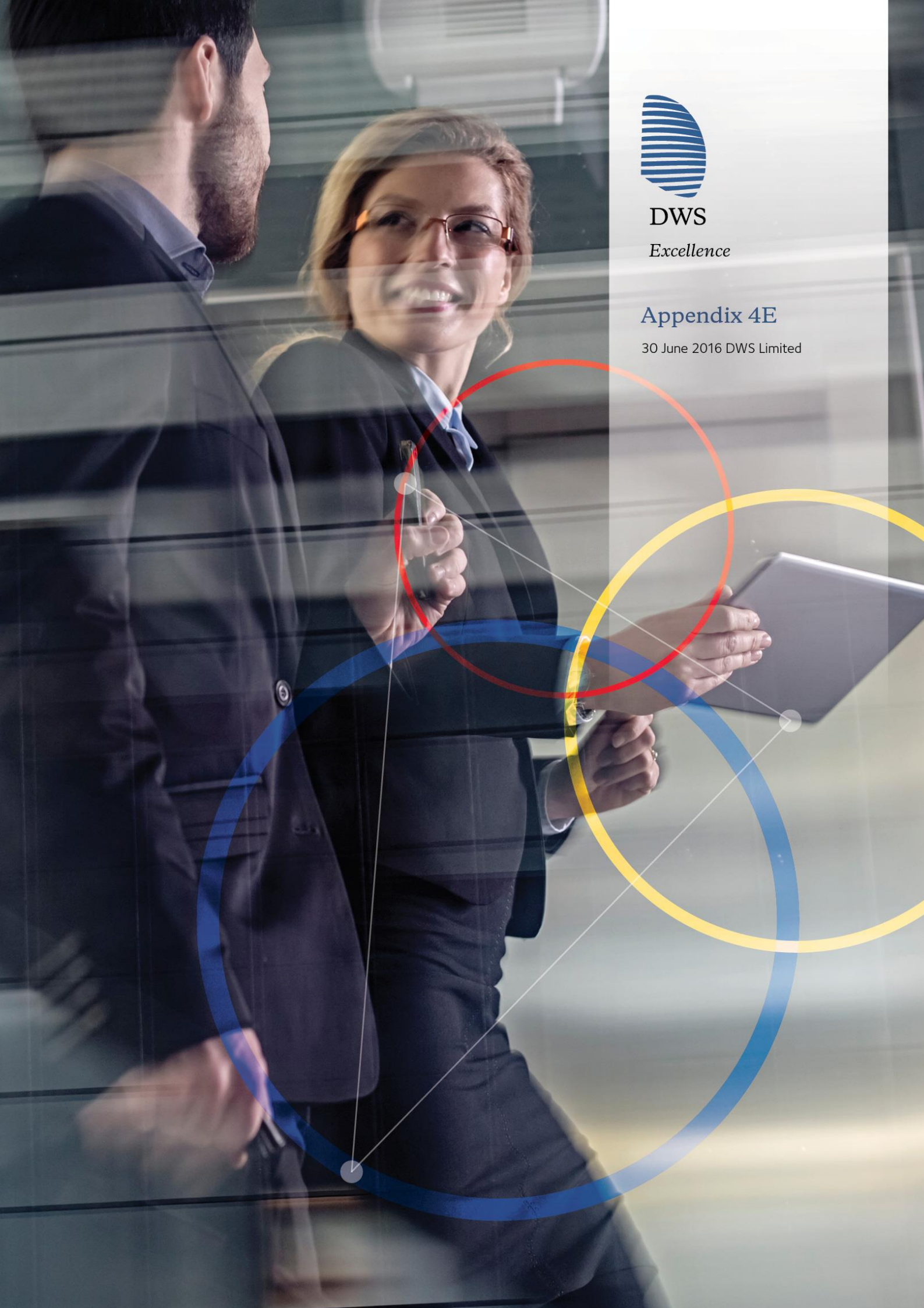


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DWS Limited

Appendix 4E and Preliminary Final Report

For year ended 30 June 2016

[Based on accounts that are currently being audited]

	2016	2015		Change	
	\$'000	\$'000		\$'000	% Change
Revenue from continuing operations	144,494	94,632	up	49,862	53%
Total comprehensive income for the year	16,790	10,399	up	6,391	61%

	Amount per security	Amount per security	Record Date for dividend entitlement
Dividends (distributions)			
Dividends paid during the financial year	4.75 cents	3.75 cents	16 March 2016
Dividend Declared subsequent to financial year end	5.00 cents	3.75 cents	2 September 2016

	2016	2015
Net tangible asset backing per ordinary security	(4) cents	7 cents
Earnings per share	13 cents	8 cents

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2016

	Notes	Consolidated 2016 \$'000	2015 \$'000
Revenue from continuing operations	2	144,494	94,632
Other revenue	2	1,382	647
Employee benefit expense		(114,113)	(75,693)
Occupancy expense		(1,862)	(1,223)
Depreciation and amortisation expense		(440)	(255)
Other expenses		(4,280)	(2,387)
Financing expenses		(1,156)	(12)
Impairment expense		-	(551)
Profit before tax		24,025	15,158
Income tax expense	3	(7,235)	(4,759)
Profit from continuing operations		16,790	10,399
Profit for the year		16,790	10,399
Other comprehensive income		-	-
Total comprehensive income for the year		16,790	10,399

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 2016

	Notes	Consolidated 2016 \$'000	2015 \$'000
Current Assets			
Cash and cash equivalents		10,164	10,371
Trade and other receivables		29,078	20,490
Other		2,021	1,925
Total Current Assets		41,263	32,786
Non-Current Assets			
Property, plant and equipment		2,368	2,418
Intangible assets		68,055	47,576
Deferred tax assets	3	2,791	2,501
Total Non-Current Assets		73,214	52,495
Total Assets		114,477	85,281
Current Liabilities			
Trade and other payables		9,196	6,258
Current tax liabilities		2,138	2,529
Short term provisions		5,926	5,644
Interest bearing liability		3,000	-
Other		3,410	1,474
Total Current Liabilities		23,670	15,905
Non-Current Liabilities			
Interest bearing liability		21,000	5,000
Long term provisions		4,603	4,756
Total Non-Current Liabilities		25,603	9,756
Total Liabilities		49,273	25,661
Net Assets		65,204	59,620
Equity			
Issued Capital		34,187	34,187
Retained Earnings		31,017	25,433
Total Equity		65,204	59,620

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 2016

	Share Capital \$'000	Retained Earnings \$'000	Total Equity \$'000
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

Balance at 1 July 2014	34,757	25,603	60,360
Share buy back	(570)	-	(570)
Dividends paid	-	(10,569)	(10,569)
Total transactions with owners	(570)	(10,569)	(11,139)
Total comprehensive income	-	10,399	10,399
Total at 30 June 2015	34,187	25,433	59,620

Number of shares on issue	2016	2015
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 2015	131,831,328
Changes to number of shares on issue during the reporting period	-
Ordinary shares on issue at 30 June 2016	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 2016

	Notes	Consolidated	
		2016 \$'000	2015 \$'000
Cash flows from operating activities			
Cash receipts from customers		165,453	97,603
Cash payments to suppliers and employees		(141,531)	(82,438)
Income taxes paid		(7,531)	(4,981)
Interest received		119	279
Net cash provided by operating activities		16,510	10,463
Cash flows from investing activities			
Payments for plant and equipment		(205)	(169)
Payments for intangibles		(68)	(232)
Payments for acquisitions		(24,238)	(10,000)
Net cash used in investing activities		(24,511)	(10,401)
Cash flows from financing activities			
Dividends paid		(11,206)	(10,569)
Payment for share buybacks		-	(570)
Repayment of external financing		(13,000)	-
Receipt of external financing		32,000	5,000
Net cash provided by financing activities		7,794	(6,139)
Net increase / (decrease) in cash and cash		(207)	(6,077)
Cash at the beginning of the financial year		10,371	16,448
Cash at the end of the financial year		10,164	10,371



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 2016

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

A controlled entity is any entity where DWS has the power to control the financial and operating policies so as to obtain benefits from its activities.

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.

Note 1 Summary of Significant Accounting Policies (cont.)

Minority equity interests in the entity and results of the entities that are controlled are shown as a separate item in the consolidated financial report.

(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 seven years 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 2016.

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	
	2016	2015
	\$'000	\$'000
Revenue from continuing operations		
Services revenue	144,494	94,632
Total revenue from continuing operations	144,494	94,632
Other revenue		
Interest received	119	291
Gain on present value of future earnout liability	-	321
Other	1,263	35
Total other revenue	1,382	647

Note 3 Income Tax Expense

	Consolidated	
	2016	2015
	\$'000	\$'000
The components of income tax expense comprise:		
Current tax expense	7,256	4,656
Prior year tax refund	(21)	-
Deferred tax expense	-	103
	7,235	4,759
Profit/Loss before income tax	24,025	15,158
Prima facie tax on profit from ordinary activities before income tax at 30% (2015 30%)	7,208	4,547
Increase in income tax expense due to:		
Non-deductible entertainment	189	87
Other items	(141)	124
Prior year tax refund	(21)	-
Adjusted income tax	7,235	4,759
Income tax expense	7,235	4,759
Applicable weighted average effective tax rate	30.11%	31.39%

Note 3 Income Tax Expense (cont.)

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Consolidated						
Employee Benefits	393	42	-	-	393	42
Provisions	1,900	1,743	-	-	1,900	1,743
Other	208	716	-	-	208	716
Sub-total	2,501	2,501	-	-	2,501	2,501
Deferred tax assets through business combinations	290	-	-	-	290	-
Net Tax assets/ liabilities	2,791	2,501	-	-	2,791	2,501

Movements in temporary differences

Consolidated

	2016 \$'000	2015 \$'000
The overall movement in the deferred tax account is as follows:		
Opening balance	2,501	2,605
Charge to income statement	-	(103)
	2,501	2,501

Deferred tax asset movement

Employee Benefits

Opening balance	42	394
Charged	351	(352)
Closing balance	393	42

Provisions

Opening balance	1,743	1,907
Charged	157	(164)
Closing balance	1,900	1,743

Other

Opening balance	716	304
Charged	(508)	412
Closing balance	208	716

Total Closing Balance

2,501 2,501

Note 4 Dividends

(a) Dividends paid during the year

	2016	Cents per share	Total amount \$'000	Franked/Unfranked	Payment Date
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
	2015				
Final 2014 ordinary		4.25	5,625	Franked at 30%	3-Oct-14
Interim 2015 ordinary		3.75	4,944	Franked at 30%	3-Apr-15

(b) Dividends Declared

	2016 \$'000	2015 \$'000
Declared final dividend		
Declared final fully franked ordinary dividend of 5.0 cents (2015 3.75 cents) per share at the tax rate of 30%	6,592	4,944

(c) Dividend Franking Account

30% franking credits available to shareholders of DWS Limited for subsequent financial years	27,204	24,287
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Note 5 Earnings per Share

	Consolidated	
	2016	2015
Earnings used in calculation of basic and dilutive EPS	\$ 16,790,318	\$ 10,399,199
Adjusted weighted average number of ordinary shares used in calculating basic earnings per share	131,831,328	132,145,950
Number for diluted earnings per share		
Ordinary shares	131,831,328	132,145,950
Effect of dilutive share options	-	-
Adjusted weighted average number of ordinary shares used in calculating diluted earnings	131,831,328	132,145,950
Basic earnings per share	13 cents	8 cents
Diluted earnings per share	13 cents	8 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 \$973,482 have been provided as security for performance of property rental covenants. The bank guarantees are secured by a Standard Authority to Appropriate and Set-Off Term Deposits to the equivalent guarantee value.

Note 7 Business Combinations

On 1 September 2015, DWS completed the purchase of 75% of the issued capital of Phoenix IT&T Consulting Pty Ltd. On 1 February 2016, DWS completed the purchase of the remaining 25% of issued capital of Phoenix IT&T Consulting Pty Ltd. The following table shows the net assets acquired as a result of the acquisition of 100% of the issued capital of Phoenix IT&T Consulting Pty Ltd.

	Recognised Values (\$)
Net Assets Acquired	
Net identifiable assets and liabilities	1,128,784
Goodwill on acquisition	20,779,631
Total acquisition Cost	<u>21,908,415</u>
Consideration paid in cash	21,908,415
Settlement of debt	2,329,968
Total	<u>24,238,383</u>

Net identifiable assets and liabilities is post the settlement of debt of \$2,329,968 which occurred prior to the settlement of the acquisition.

Note 8 Events subsequent to reporting date

No other matter or circumstance has arisen since 30 June 2016 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.