



DWS Limited
ACN 085 656 088

Company Announcement

Half Year Financial Results to 31 December 2017

DWS Limited (DWS) announces the following results and commentary for the half year ended 31 December 2017.

- **First half NPAT of \$10.13M (up \$1.07M or 12% on pcg).**
- **First half revenue of \$61.67M (down \$12.07M or 16% on pcg and down 3% on H2 FY17).**
- **First half Reported EBITDA of \$13.79M (up \$0.14M or 1% on pcg).**
- **First half Adjusted EBITDA of \$11.849M (down \$1.8M or 13% on pcg)**
- **First half operating cash flow (before interest and tax) of \$13.31M, which is 97% of Reported EBITDA.**
- **Interim fully franked dividend of 5.0 cents per ordinary share declared (5.0 cents per share pcg):**
 - **Record Date** **16 March 2018**
 - **Expected Payment Date** **4 April 2018**

- Key drivers of the financial results are:
 - Total consulting staff numbers increased to 606 from 596 at the end of June 2017, as a result of an increase in demand for permanent staff offset by a reduction in client demand for contracting staff;
 - Utilisation of staff was maintained but revenue reduced as the impact of renegotiated panel agreements with key clients took effect.
 - Despite the tight digital specialist labour market, strong cost management across the Group has enabled DWS to achieve a 19.2% adjusted EBITDA margin; and
 - The writeback of the Symplicit Earn Out provision was reflected in the Reported Group EBITDA during the period.

During the period DWS has maintained its dividend payments to shareholders and continued to pay down bank debt with bank debt reduced to \$12.0 million from \$15.0 million as at 30 June 2017 (\$22.0 million pcg) resulting in a net debt position of \$2.75 million as at 31 December 2017.

Danny Wallis, CEO and Managing Director of DWS Limited commented on the result saying:

"Whilst our profit performance remained strong, the DWS revenue has been impacted by renegotiated panel agreements and a tight labour market for digital specialists. In response, we have invested in the business with the appointment of a National Sales Manager, a National Operations Manager and additional internal recruitment resources in Melbourne, Sydney and Brisbane to help drive organic growth and meet anticipated higher demand from our clients. We thank our staff for their hard work and dedication and our clients for their ongoing support and we look forward to assisting our clients in achieving their goals in 2018."

For further information, contact:

Danny Wallis (Managing Director)

or

Stuart Whipp (CFO)

Phone (03) 9650 9777

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 600 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 4D

31 December 2017 DWS Limited

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The consolidated half year financial report does not include all of the information required for a full annual report and should be read in conjunction with the consolidated annual financial report of the consolidated entity (DWS) for the year ended 30 June 2017 and any public announcements made by DWS during the half year reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

DWS Limited
Appendix 4D and Interim Financial Report
For six months ended 31 December 2017

RESULTS FOR ANNOUNCEMENT TO THE MARKET

| | Dec-17 | Dec-16 | | Change | |
|---|---------------|---------------|-------------|-----------------|-----------------|
| | \$'000 | \$'000 | | \$'000 | % Change |
| Revenue from continuing operations | 61,669 | 73,739 | down | (12,070) | -16% |
| Total comprehensive income for the half year | 10,134 | 9,065 | up | 1,069 | 12% |

| Dividends (distributions) | Amount per security | Franked amount per security | Record Date for dividend entitlement |
|---|----------------------------|------------------------------------|---|
| Dividend Declared during the half financial year | 5.00 cents | 100% | 4 September 2017 |
| Dividend Declared subsequent to half financial year end | 5.00 cents | 100% | 16 March 2018 |

| | Current period | Previous corresponding period |
|---|-----------------------|--------------------------------------|
| Net tangible asset backing per ordinary security | 1.62 cents | (2.40) cents |
| Earnings per Share | 7.69 cents | 6.88 cents |

The commentary on the results for the period is contained in both the Half Yearly Financial Results announcement and the review of operations in the Directors' Report accompanying the Interim Half Year Report dated 12 February 2018.

DIRECTORS' REPORT

The Directors present their report together with the half year consolidated financial report of the consolidated entity consisting of DWS Limited (the Company) and its controlled entities for the half year ended 31 December 2017 and the auditor's review report thereon.

The consolidated half year financial report does not include all of the information required for a full annual report and should be read in conjunction with the consolidated annual financial report of the consolidated entity for the year ended 30 June 2017 and any public announcements made by the consolidated entity during the half year reporting period in accordance with the continuous disclosure requirements of the ASX Listing Rules.

Directors

The Directors of the Company at any time during or since the end of the half year are:

Name

Period of Directorship

Non-Executive Directors

| | |
|------------------------------|------------------------------|
| Martin Ralston (Chairperson) | Director since November 2008 |
| Ken Barry | Director since May 2006 |
| Gary Ebeyan | Director since November 2010 |
| Hayden Kelly | Director since November 2015 |
| Selina Lightfoot | Director since December 2016 |

Executive Directors

| | |
|--------------|------------------------------|
| Danny Wallis | Director since May 2006 |
| Jodie Moule | Director since November 2015 |

Directors' Report Cont' Review of Operations

The following table summarises the consolidated entity's financial performance for the half year ended 31 December 2017:

| | Dec 2017 \$'000 | Dec 2016 \$'000 | Change \$'000 | Change % |
|---|--------------------|--------------------|------------------|----------------|
| Revenue from continuing operations | 61,669 | 73,739 | (12,070) | (16%) |
| Other income (excluding interest) | 2,105 | 20 | 2,085 | 10,357% |
| Employee benefits expense | (46,996) | (57,426) | 10,430 | 18% |
| Selling, general and admin expense | (2,986) | (2,681) | (305) | (11%) |
| Underlying EBITDA | 13,792 | 13,652 | 140 | 1% |
| One-off acquisition costs | - | - | - | 0% |
| Impairment expense | - | - | - | 0% |
| EBITDA | 13,792 | 13,652 | 140 | 1% |
| Depreciation and amortisation | (25) | (190) | 165 | 87% |
| Capitalised product development | 41 | 38 | 3 | 7% |
| Net interest (expense)/ income | (112) | (368) | 256 | (70%) |
| Net profit before tax | 13,696 | 13,132 | 564 | 4% |
| Income tax expense | (3,562) | (4,067) | 505 | 12% |
| Net Profit After Tax attributable to DWS Holders | 10,134 | 9,065 | 1,069 | 12% |

DWS recorded a first-half result with Reported EBITDA of \$13.79M, which was \$0.14M or 1% up on pc. Key drivers of the result were as follows:

- A tight digital labour market impacted the DWS Group's result which was mitigated by the writeback of the Symplicit Earn Out provision as the challenging Earn Out target is unlikely to be met;
- Renegotiation of panel agreements with significant clients has led to DWS successfully being reappointed to IT service provider panels but with lower rate cards. As part of the renegotiation of panel agreements the number of IT service providers were significantly reduced and it is anticipated that the reduction in IT service providers will lead to greater demand for DWS services which will lessen the impact of the reduction in rates;
- Investments in the business were made during the period with the appointment of a National Sales Manager and a National Operations Manager, additional business development managers and additional internal recruitment resources; and
- High utilisation of staff and continued strong focus on costs has enabled margins to be maintained, albeit on lower revenue.

Effective capital management resulted in gross bank debt of \$12.00M (\$22.0M pc) and cash reserves of \$9.25M (\$9.52M pc) as at the end of the reporting period resulting in net bank debt of \$2.75M (\$12.48M pc). After careful consideration, the Board has declared a 5.0 cent fully franked interim dividend.

Directors' Report Cont'

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001.

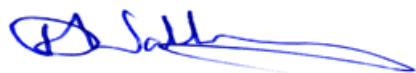
The lead auditor's independence declaration is set out on page 15 and forms part of the Directors' Report for the half year ended 31 December 2017.

Rounding Off

The consolidated entity is a type of Company referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and therefore the amounts contained in this report and in the financial report have been rounded to the nearest \$1,000, or in certain cases, to the nearest dollar.

Dated at Sydney 12 February 2018

Signed in accordance with a resolution of the Directors.

A handwritten signature in blue ink, appearing to read "D Wallis", with a long horizontal flourish extending to the right.

Danny Wallis
Chief Executive Officer and Managing Director

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half year ended 31 December 2017

| | | Consolidated | |
|---|--------------|---------------------|--------------------|
| | Notes | 31 Dec 2017 | 31 Dec 2016 |
| | | \$'000 | \$'000 |
| Revenue from continuing operations | 2 | 61,669 | 73,739 |
| Other income | 2 | 2,192 | 98 |
| Employee benefit expense | | (46,996) | (57,426) |
| Depreciation and amortisation expense | | (25) | (190) |
| Other expenses | | (2,945) | (2,643) |
| Financing Expenses | | (199) | (446) |
| Profit before tax | | 13,696 | 13,132 |
| Income tax expense | 4 | (3,562) | (4,067) |
| Profit from continuing operations | | 10,134 | 9,065 |
| Profit for the half year | | 10,134 | 9,065 |
| Other comprehensive income | | - | - |
| Total comprehensive income attributable to DWS holders | | 10,134 | 9,065 |
| Earnings per Share | | | |
| Basic earnings per share | 5 | \$ 0.077 | \$ 0.069 |
| Diluted earnings per share | 5 | \$ 0.077 | \$ 0.069 |

The Consolidated Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the notes to the half year financial report set out on pages 9-12.

Consolidated Statement of Financial Position

As at 31 December 2017

| | Consolidated | |
|---|---------------------|--------------------|
| | 31 Dec 2017 | 30 Jun 2017 |
| | \$'000 | \$'000 |
| Current Assets | | |
| Cash and cash equivalents | 9,247 | 10,868 |
| Trade and other receivables | 16,200 | 21,763 |
| Other | 2,878 | 2,376 |
| Total Current Assets | 28,325 | 35,007 |
| Non-Current Assets | | |
| Property, plant and equipment | 2,095 | 2,254 |
| Intangible assets | 67,838 | 67,845 |
| Deferred tax assets | 2,986 | 3,050 |
| Total Non-Current Assets | 72,919 | 73,149 |
| Total Assets | 101,244 | 108,156 |
| Current Liabilities | | |
| Trade and other payables | 7,510 | 11,256 |
| Current tax liabilities | 885 | 1,284 |
| Short term provisions | 6,210 | 6,334 |
| Interest bearing liability | - | - |
| Other | 1,205 | 2,368 |
| Total Current Liabilities | 15,810 | 21,242 |
| Non-Current Liabilities | | |
| Interest bearing liability | 12,000 | 15,000 |
| Long term provisions | 480 | 2,503 |
| Total Non-Current Liabilities | 12,480 | 17,503 |
| Total Liabilities | 28,290 | 38,745 |
| Net Assets | 72,954 | 69,411 |
| Equity | | |
| Issued Capital | 34,187 | 34,187 |
| Retained Earnings | 38,767 | 35,224 |
| Total Equity attributable to DWS Holders | 72,954 | 69,411 |
| Outside Equity Interest | - | - |
| Total Equity | 72,954 | 69,411 |

The Consolidated Statement of Financial Position is to be read in conjunction with the notes to the half year financial report set out on pages 9-12.

Consolidated Statement of Changes in Equity

For the half year ended 31 December 2017

| | Share Capital | Retained Earnings | Total Equity |
|---|---------------|-------------------|---------------|
| | \$'000 | \$'000 | \$'000 |
| Balance at 1 July 2017 | 34,187 | 35,224 | 69,411 |
| Dividends paid | - | (6,591) | (6,591) |
| Share buy-back | - | - | - |
| Total transactions with owners | - | (6,591) | (6,591) |
| Profit for the year attributable to DWS holders | - | 10,134 | 10,134 |
| Other comprehensive income | - | - | - |
| Balance at 31 December 2017 | 34,187 | 38,767 | 72,954 |
| Balance at 1 July 2016 | 34,187 | 31,017 | 65,204 |
| Dividends paid | - | (6,591) | (6,591) |
| Share buy-back | - | - | - |
| Total transactions with owners | - | (6,591) | (6,591) |
| Profit for the year attributable to DWS holders | - | 9,065 | 9,065 |
| Other comprehensive income | - | - | - |
| Balance at 31 December 2016 | 34,187 | 33,491 | 67,678 |

| | 31 Dec 2017 No. | 31 Dec 2016 No. |
|--|--------------------|--------------------|
| Number of Shares on Issue | | |
| Fully paid ordinary shares with no par value | 131,831,328 | 131,831,328 |

The Consolidated Statement of Changes in Equity is to be read in conjunction with the notes to the half year financial report set out on pages 9-12.

Consolidated Statement of Cash Flows

For the half year ended 31 December 2017

| | Consolidated | |
|--|---------------------|-------------|
| | 31 Dec 2017 | 31 Dec 2016 |
| | \$'000 | \$'000 |
| Cash Flows from operating activities | | |
| Cash receipts from customers | 72,102 | 89,897 |
| Cash payments to suppliers and employees | (58,795) | (74,969) |
| Income taxes paid | (3,932) | (5,814) |
| Interest paid | (240) | (323) |
| Interest received | 87 | 78 |
| Net cash provided by operating activities | 9,222 | 8,869 |
| Cash flows from investing activities | | |
| Payment for acquisitions | (1,200) | (800) |
| Payments for plant and equipment | (15) | (85) |
| Payments for intangible assets | (41) | (38) |
| Proceeds from the sales of plant and equipment | 4 | - |
| Net cash (used in) investing activities | (1,252) | (923) |
| Cash flows from financing activities | | |
| External loan drawn/(repaid) | (3,000) | (2,000) |
| Dividends paid | (6,591) | (6,591) |
| Net cash (used in) financing activities | (9,591) | (8,591) |
| Net (decrease) / increase in cash and cash equivalents held | (1,621) | (645) |
| Cash at the beginning of the reporting period | 10,868 | 10,164 |
| Cash at the end of the reporting period | 9,247 | 9,519 |

The Consolidated Statement of Cash flows is to be read in conjunction with the notes to the half year financial report set out on pages 9-12.

NOTES TO THE HALF YEAR FINANCIAL REPORT

For the half year ended 31 December 2017

Note 1 Significant Accounting Policies

Reporting Entity

DWS Limited (the Company) and its controlled entities are companies domiciled in Australia. The consolidated half year financial report of the Company as at and for the half year ended 31 December 2017 comprises the Company and its controlled entities (together referred to as the "consolidated Group").

The consolidated annual financial report of the consolidated Group as at and for the year ended 30 June 2017 is available to shareholders upon request from the Company's registered office at Level 4, 500 Collins Street, Melbourne or at www.dws.com.au.

Statement of Compliance

The consolidated half year financial report is a general purpose financial report which has been prepared in accordance with AASB 134: Interim Financial Reporting and the *Corporations Act 2001*. Compliance with AASB 134 ensures compliance with the International Financial Reporting Standard IAS 34: Interim Financial Reporting.

The consolidated half year financial report does not include all of the information required for a full annual report and should be read in conjunction with the consolidated annual financial report of the consolidated Group for the year ended 30 June 2017 and any public announcements made by the consolidated entity during the half year reporting period in accordance with the continuous disclosure requirements of the ASX Listing Rules.

The consolidated Group is a type of Company referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and therefore the amounts contained in this report and in the financial report have been rounded to the nearest \$1,000, or in certain cases, to the nearest dollar.

The consolidated half year financial report was approved by the Board of Directors on 12 February 2018.

Significant Accounting Policies

The accounting policies applied by the consolidated entity in the consolidated half year financial report are the same as those applied by the consolidated entity in its consolidated financial report for the year ended 30 June 2017.

Estimates

The preparation of the half year financial report requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The key estimation policies were the same as those applied to the consolidated financial report as at and for the year ended 30 June 2017.

Notes to the half year financial report Cont'

Note 2 Revenue

| | Consolidated | |
|---|---------------------|-------------|
| | 31 Dec 2017 | 31 Dec 2016 |
| | \$'000 | \$'000 |
| Revenue from continuing operations | | |
| Services revenue | 61,669 | 73,739 |
| Total revenue from continuing operations | 61,669 | 73,739 |
| Other income | | |
| Interest received | 87 | 78 |
| Other | 2,105 | 20 |
| Total other income | 2,192 | 98 |

The revenue from operations of the consolidating entity is not subject to any identifiable seasonal or cyclic trends.

Note 3 Segment Reporting

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.

Notes to the half year financial report Cont'

Note 4 Income Tax

| | Consolidated | |
|---|---------------------|--------------------|
| | 31 Dec 2017 | 31 Dec 2016 |
| | \$'000 | \$'000 |
| The components of income tax expense | | |
| Current tax payable | 3,500 | 4,065 |
| Deferred tax asset write off | - | 44 |
| Reduction in prior year income tax expense | - | - |
| Deferred tax expense | 62 | (42) |
| | 3,562 | 4,067 |
| Profit before income tax | | |
| <i>Prima facie tax on profit from ordinary activities before income tax at 30% (2017 30%)</i> | 4,109 | 3,940 |
| Increase in income tax expense due to: | | |
| Non-deductible entertainment | 48 | 75 |
| Non-assesable income | (583) | - |
| Deferred tax asset write off | - | 44 |
| Other items | (12) | 8 |
| Income tax expense/(benefit) | 3,562 | 4,067 |

Note 5 Earnings Per Share

| | Consolidated | |
|--|----------------------|--------------------|
| | 31 Dec 2017 | 31 Dec 2016 |
| Earnings used in calculation of basic and dilutive EPS | \$ 10,134,577 | \$ 9,065,255 |
| 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 |
| Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share | 131,831,328 | 131,831,328 |
| Basic earnings per share | \$0.077 | \$0.069 |
| Diluted earnings per share | \$0.077 | \$0.069 |
| Ordinary Shares | | |
| Shares on issue start of period | 131,831,328 | 131,831,328 |
| Share buy-backs | - | - |
| Share based payments | - | - |
| Total Shares on issue at end of period | 131,831,328 | 131,831,328 |

Notes to the half year financial report Cont'

Note 6 Subsequent Events

Since the end of the financial half year the Directors declared the following dividend.

| | Amount Per Share | Franked Amount Per Share | Expected Payment Date |
|--------------------|-------------------------|---------------------------------|------------------------------|
| Interim - Ordinary | 5.0 cents | 5.0 cents | 4 April 2018 |

Note 7 Contingencies

Bank guarantees to the value of \$939,875 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 8 Dividends

During the reporting period, the Company made the following dividend payments:

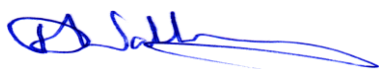
| | Half-year ended 31-Dec-17 | | Half-year ended 31-Dec-16 | |
|------------------------|--------------------------------------|-------------------------|--------------------------------------|-------------------------|
| | Amount per share | Total \$'000 | Amount per share | Total \$'000 |
| Ordinary shares | | | | |
| Final dividend | 5.00 cents | 6,591 | 5.00 cents | 6,591 |

DIRECTORS' DECLARATION

1. In the opinion of the Directors of DWS Limited:
 - (a) the financial statements and notes, set out on pages 5 to 12 are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the consolidated Group as at 31 December 2017 and of its performance, as represented by the results of its operations and its cash flows, for the half year ended on that date;
 - (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001: and
 - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.

Danny Wallis
Chief Executive Officer and Managing Director



Signed at Sydney 12 February 2018

Collins Square, Tower 1
727 Collins Street
Docklands Victoria 3008

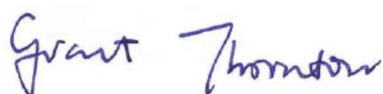
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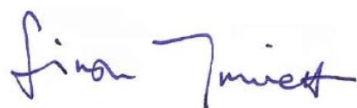
Auditor's Independence Declaration to the Directors of DWS Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of DWS Limited for the half-year ended 31 December 2017. I declare that, to the best of my knowledge and belief, there have been:

- a No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b No contraventions of any applicable code of professional conduct in relation to the review.



Grant Thornton Audit Pty Ltd
Chartered Accountants



S C Trivett
Partner – Audit & Assurance

Melbourne, 12th February 2018

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Independent Auditor's Review Report To the Members of DWS Limited

Report on the Half Year Financial Report

Conclusion

We have reviewed the accompanying half year financial report of DWS Limited (the Company), which comprises the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half year end or from time to time during the half year.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half year financial report of DWS Limited does not give a true and fair view of the financial position of the Company as at 31 December 2017, and of its financial performance and its cash flows for the half year ended on that date, in accordance with the *Corporations Act 2001*, including complying with Accounting Standard AASB 134 *Interim Financial reporting*.

Directors Responsibility for the Half Year Financial Report

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

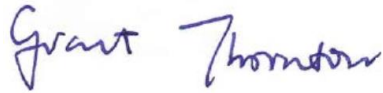
Auditor's Responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 December 2017 and its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of DWS Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

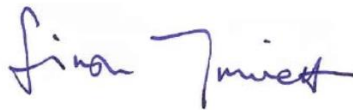
A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



Grant Thornton Audit Pty Ltd
Chartered Accountants



S C Trivett
Partner – Audit & Assurance

Melbourne, 12th February 2018