



DWS

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Manager Companies
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Australian Stock Exchange Limited
Level 4, Stock Exchange Centre
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SYDNEY NSW 2000

12 November 2014

Dear Sir/Madam

Re: AGM Address to Shareholders including Trading Update

Please find attached the DWS Limited Annual General Meeting (AGM) Running Sheet for 2014, incorporating the Chairman's and Managing Director's addresses to Shareholders that will be delivered at the Company's AGM in Melbourne this morning.

Yours sincerely

James Hatherley
Company Secretary
DWS Limited

DWS Limited

Chairman and CEO's proceedings of Annual General Meeting of the Shareholders to be held at the offices of Grant Thornton, The Rialto, Level 30, 530 Collins Street, Melbourne, Vic, 3000 on Wednesday 12 November 2014 at 11am AEDT.

1. Introduction of Chairman

Good morning ladies and gentlemen. My name is Danny Wallis and I am Chairman of DWS Limited.

2. Declaration of quorum and opening of meeting

The Secretary has advised that a quorum is present. I therefore declare the meeting open and have pleasure in welcoming you to this Annual General Meeting of DWS Limited.

3. Introduction of Directors and Company Secretary

My first duty is to introduce the Directors and Company Secretary.

Directors:

Lachlan Armstrong, our Managing Director and CEO;

Ken Barry;

Martin Ralston;

Gary Ebeyan; and

DWS Company Secretary and CFO, James Hatherley.

4. Apologies

There are no apologies.

5. Notice of meeting

As the notice of meeting has been circulated to all shareholders, I propose that the notice convening the meeting be taken as read.

6. Chairman's Address to shareholders

2014 has been a year of considerable change for DWS. At the AGM last year the restructure of the Company's Board and Executive Management Group was announced. The restructure was effective from 28 February 2014 and involved the following key changes:

- Mr Harvey Parker retiring from the Board after seven and a half years as the Company's Chairman. I wish to thank Harvey for his commitment and contribution to the Company during his tenure.
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- I transitioned into the role of Non-executive Chairman. Having founded the Company and led it in an executive capacity for 22 years, I saw this change as a logical progression for both myself and for the Management Group.
- Lachlan Armstrong took over from me as Managing Director and CEO. Lachlan's experience and intimate understanding of the Company's operations and strong connection with its staff and clients made him the natural choice for my succession.

I would like to take this opportunity to sincerely thank all of our staff for the continued commitment and contributions to DWS. While the past year has been difficult and uncertain, the Board and Management Team are acutely aware that the future of DWS is reliant on creating an environment where every individual is able to reach their full potential and feel motivated to do so.

I would also like to thank our loyal shareholders for your continued support of DWS.

I will now hand over to Lachlan Armstrong to address the meeting.

7. Managing Director's Address to shareholders

Thank you Danny. Good morning everyone.

7.1 Operating environment during 2014

2014 was a difficult year for DWS, which is evidenced by declines in both our revenue and earnings results. There was a combination of factors that affected trading performance during the year including macroeconomic and political pressures which impacted negatively on business confidence.

This lack of confidence meant that many of our clients continued to defer expansionary business investment programs, and instead they undertook cost-out projects to protect their own profits.

While this created challenges for us during 2014, it also highlighted an opportunity for us to expand our breadth and depth of our capability to better support our clients with these types of engagements. I will expand upon this shortly.

7.2 Financials

Our financial results for 2014 were disappointing. Our revenue was down \$14.66M to \$94.4M, and net profit was some 23% lower than the prior year at \$12.90M.

To the extent that there can be a positive aspect to our results, it's worth noting that our operating cash flow increased to 136% of EBITDA (or \$24.74M), seeing us finish the year with a net cash position of \$16.45M.

Notwithstanding the decrease in profit, our balance sheet remains strong and this enabled the Board to declare a final fully franked dividend of 4.25 cents. This took total dividends returned to shareholders to 8.75 cents fully franked for the year – equating to a 90% payout of net profit after tax, which is consistent with previous years.

Capital Management of course remains a focus for the Board. In August of this year we initiated an on-market share buy-back of up to 5% of ordinary shares on issue, and this will run for 12 months. This buy-back will be funded from cash reserves and is expected to be EPS accretive.

The timing and total number of shares to be purchased over the remaining period of the buy-back will depend on the prevailing share price, available cash reserves, market conditions and volumes and importantly, other EPS accretive use of capital, such as acquisitions.

To date, the Board has opted not to commence the buy-back as we have been concerned to ensure we have adequate cash reserves for our acquisition program.

7.3 Market observations

I want to share some industry observations which correlate with our strategic plan.

The industry in which our business operates is changing and we're now part of an exciting global market place, which requires us to be globally aware and competitive.

Over the last decade we have seen a number of labour categories become commoditised, and while this has provided opportunities for DWS to capitalise on through the commencement of our own offshore capability in Manila, it continues to put pressure on operating margins requiring us to diversify and specialise.

We are also increasingly seeing a number of changes in the way services are being purchased and consumed by our clients as they seek to reduce their capital investment profiles and lower the total cost of ownership of technology assets.

The trend away from owned IT infrastructure in favour of 'on-demand' computer services, or 'cloud computing' is an exciting paradigm shift in the industry and one which offers DWS a great opportunity to develop a strong competency to take to market.

Advances in mobile computing in recent years have also been significant, and current industry observers estimate that there will be approximately 50 billion devices connected to the internet by 2020. Clients in every sector are showing interest in mobile technology offerings in order to make their businesses more productive.

We're also seeing some interesting developments around data capture, storage, and analysis. The volume of data being collected by our clients is growing exponentially, with 90% of the world's data being collected in the last two years; this is a fascinating statistic presenting significant opportunities for DWS whose heritage is in the data space.

IT budgets are also becoming increasingly dispersed within our clients, which opens up a whole new group of stakeholders within our clients' businesses.

Investment into digital business systems has increased significantly in recent years as companies, large and small, turn to the internet to engage with their customers. In many instances, we're seeing business units now spending more on digital business systems than their own IT departments are spending on internal systems. Therefore having a business-value proposition is critical as business users tend to focus on ROI rather than the technology itself.

Irrespective of the difficult trading conditions I highlighted earlier, the Board and Management Team understand that we need to do better. We worked hard during the year to minimise the effect of the external pressures on the business with a series of tactical initiatives, including:

- A restructuring of the Management and Sales Teams in QLD and NSW with the aim of driving higher value solution sales which are better aligned to our clients' requirements.
- We signed a strategic partnering agreement with Jacobs, a US-based multinational conglomerate, for the provision of resources to Telstra. This effectively means DWS can continue to do business with Telstra and we have a solid pipeline of work to deliver to them over the coming year.
- We launched our Cloud Computing Practice as part of a broader, deeper service offering which will also drive recurring revenue from Managed Application Services.
- We expanded our offshore service offering to include project services in Manila. This saw us increase the number of clients we serviced via the dual-shore model and it will add more annuitised revenue opportunities into the future.
- We introduced several internal innovation programs aimed at increasing engagement and rewarding our people for finding innovative solutions for our clients, often before our clients themselves have understood the opportunity existed.

In summary, we have been proactive and have taken action to address the changes we are seeing across the industry and strengthen our business to capitalise on emerging trends in the years ahead.

7.4 Strategic plan for DWS

The new Management Team also constructed a multi-year strategic plan designed to build strong competencies across identified long-term growth domains. The principal aim of this plan is to protect our underlying business while greatly enhancing our market positioning through the addition of a suite of fully-integrated business solutions which address the requirements of business user clients and their IT departments.

In doing so, we are seeking to reposition our business as an '*innovation partner*' to our clients where we offer proactive thought-leadership in each of our various business lines. The aim is to increase our annuitised revenue mix using solutions and multi-year Managed Application Services contracts.

While this requires investment to change our model, our clients expect innovation and thought leadership from their professional services partners in these times and we're already seeing benefits of this strategy across the business. The ability to effectively bundle or 'productise' services for easy consumption by value-focused business users therefore becomes key.

The following are some of the initiatives we are actively working on;

- Adding to our base of intellectual property so we're able to contribute demonstrable and referenceable capability across all service lines.
- Expanding our 'as a service' solution catalogue to both reduce our clients' up-front capital investment requirements while simultaneously increasing our own management service revenue portfolio.
- Deepening our partner relationships with a select group of local specialist providers and global software vendors.
- Enhancing our staff development programs across key partner lines to facilitate better co-selling opportunities.
- Aligning all compensation metrics internally towards the achievement of high value outcome based engagements.
- Enhancing our HR and Recruitment Programs to respond to the changing needs of our clients. This will include the introduction of a new graduate recruitment program.
- Looking for EPS accretive acquisitions which will complement our strategic program and enhance our overall offering.

The Board is confident that this program of work will see DWS well positioned to capitalise on the exciting opportunities ahead in years to come. We are also confident that by investing in these initiatives ahead of a much-anticipated improvement in business investment, we will capture market share in our domains of choice.

By way of a trading update, I can confirm trade during July and August of this financial year was weaker than we'd hoped in Victoria, South Australia, and Western Australia, however, I am pleased to report that utilisation and profitability improved in September, and has been maintained in October and November. We have been adding billable headcount across the business during Q2 and we also have new recruits lined-up to commence early in the New Year.

At this stage however, given the weak Q1 result, we expect our first half result to be in the range of \$7.75M – \$8.50M EBITDA (prior comparative period \$9.47M).

On behalf of the Board, we'd like to thank all of our staff for their continued efforts and contributions to our Company. We acknowledge that the past year has not been an easy one for them, many of whom are loyal shareholders, and the continuing uncertainty created by external pressures has meant some difficult decisions have needed to be made.

I will now hand back to our Chairman, Danny Wallis.

8. Financial statements

The first item on the agenda is to receive and consider the financial statements, the Directors' Report and the Auditor's Report for the year ended 30 June 2014.

The financial statements were subject to audit by Grant Thornton who gave an unqualified audit opinion.

The financial statements are required to be audited and lodged prior to the Annual General Meeting and therefore there is no formal resolution required to be put to the meeting. I will however take questions on the financial statements and any other aspects of the business you may want to discuss. The auditors Grant Thornton are represented here today by Mr Brad Taylor.

I now declare the financial statements, Directors' Report and Auditor's Report as duly received and considered.

9. Resolutions

Ladies and gentleman, we have **2** ordinary resolutions to deal with today:

The **first ordinary resolution** is the adoption of the Remuneration Report that is included as part of the Directors' Report in the financial statements. This is a non-binding resolution.

The Remuneration Report, which explains the Board's policies in relation to the nature and level of remuneration paid to Directors and Specified Executives of the Company, forms part of the Directors' Report included in the Annual Report for the financial year ended 30 June 2014 which has been sent to Shareholders.

Shareholders should note that, as specified by section 250R of the Corporations Act, the vote on Resolution 1 is advisory only and is not binding on the Board or the Company.

Shareholders should also note that pursuant the Corporations Act a vote must not be cast (in any capacity) on this resolution by or on behalf of a member of the key management personnel, details of whose remuneration are included in the Remuneration Report or their closely related parties.

However, a vote may be cast by such a person if:

- The vote is cast as a proxy;
- The appointment is in writing and directs the proxy how to vote in respect of this resolution;
- The vote is not cast on behalf of a KMP or a closely related party of a member of the key management personnel.

As confirmed in the Notice of Meeting, as Chairman of this meeting, I will not be voting undirected proxies in favour of this resolution.

The **second ordinary resolution** is for the re-election of Mr Martin Ralston, as a Director. Mr Ralston is required to retire by rotation in accordance with the Company's Constitution. A brief summary of Mr Ralston's experience and qualifications were incorporated into both the Notice of Meeting, and the Company's Annual Report.

10. Voting procedures

Ladies and gentlemen, I would first like to remind you of the voting procedures to be followed where the vote is to be decided by a show of hands.

Before the motion is put to the vote there will be an opportunity for shareholders to ask questions. Kindly ensure that only questions relating to the relevant resolution are asked.

Questions will only be taken from persons who are entitled to vote at this meeting.

If you wish to ask a question or make a comment I ask that you stand and state your name and show your blue, green or white card before proceeding with the question.

I remind you that visitors are not permitted to vote or ask questions.

When a vote is called for would all voting shareholders and proxies raise the appropriate voting card to indicate whether they are voting for or against the motion.

Resolution 1: Remuneration Report (Non-binding Resolution)

I move the following ordinary resolution:

'That the Remuneration Report forming part of the Directors' Report for the year ended 30 June 2014 be adopted'

Is there a seconder to this resolution?

Are there any questions from the floor on this resolution?

I advise that the Company has received 13,974,704 proxy votes in favour of the resolution, 1,014,158 against the resolution.

I put the matter to the vote. Those in favour? Those against?

I declare the resolution passed / not passed.

Resolution 2: Re-election of Mr Martin Ralston

As a member of the Board, Mr Martin Ralston is required to retire by rotation. Mr Ralston is eligible and has offered himself for re-election.

I move the following ordinary resolution:

'That Mr Ralston, who retires by rotation as a Director pursuant to clause 15.3 of the Company's Constitution, be re-elected as a Director of the Company.'

Is there a seconder to this resolution?

Are there any questions from the floor on this resolution?

I advise that the Company has received 15,001,784 proxy votes in favour of the resolution, 148,417 against the resolution and 1,248,499 open votes to be cast by the Directors as proxies and which will be cast in favour of the resolution.

I put the matter to the vote. Those in favour? Those against?

I declare the resolution passed / not passed.

10. Conclusion

Ladies and Gentlemen, that concludes the business of the meeting. Thank you for your participation and if there are no further questions I now declare the meeting closed.
