DWS

PARTNERING FOR SUCCESS

OUR PEOPLE ARE
A VALUABLE ASSET.

# ANNUAL REPORT 2007

# CONTENTS



# DWS – EXCEEDING EXPECTATIONS

DWS strives to provide an honest, transparent and professional Information Technology (IT) service to our clients which fulfils their business needs and assists them to become more successful.

DWS recognises the important interrelationships all stakeholders play in the execution of our stated corporate mission. Our staff are the life-blood of the Company, providing our loyal clients with the best IT consultancy services the industry has to offer. This quality service delivery has enabled DWS to build client relationships which in many cases date back to DWS' incorporation. Our focus on stringent fiscal management enables DWS to deliver exceptional value to the shareholders who have invested in our company. Exceeding stakeholder expectations is what we do best.

Front cover image: Ben Laughlin, Customer Relationship Manager

# PERFORMANCE AT A GLANCE

| | 2006 $'000 | 2007 $'000 | | $'000 | Percentage Change |
|---|---|---|---|---|---|
| Revenue from ordinary activities | 45,464 | 64,065 | up | 18,601 | + 41% |
| EBITDA (before share based payments) | 13,567 | 23,526 | up | 9,959 | + 73% |
| Profit (loss) from ordinary activities after tax | (6,700) | 16,747 | up | 23,447 | + 350% |
| Cash assets | 9,588 | 15,369 | up | 5,781 | + 60% |
| Trade receivables | 12,824 | 16,018 | up | 3,194 | + 25% |
| Borrowings | nil | nil | nil | nil | nil |

# FINANCIAL YEAR 2007 – IN REVIEW

- DWS solidified its position in the market as a newly listed public company adding over $190 million in value to shareholders.
- DWS had strong organic and acquisitive growth in billable consultancy staff numbers.
- DWS acquired GlobalSoft Australia Pty Ltd adding further data warehousing consultancy capabilities and a diversified but complementary client base.
- DWS successfully opened an office in Brisbane.
- DWS again delivered record financial results with revenue up 41 per cent and EBITDA (before share expense) up 73 per cent.
- DWS made an interim dividend payment of 4.5 cents per share and announced a final dividend payment of 5.0 cents per share, giving a total dividend return to shareholders of $12.52 million.
- DWS maintained its exceptionally strong financial margin performance – another key attribute of DWS' strong historical performance.
- DWS maintained its acquisitive growth pipeline with the completion of Equest Consulting Pty Ltd in July 2007.

# LETTER FROM THE CHAIRMAN

Dear Shareholder,

On behalf of my fellow Directors, I am pleased to present the 2007 Annual Report for DWS Advanced Business Solutions Ltd (DWS).

It has been an exciting first year as a listed company and I would like to commend the management team on the achievement of revenue and profit results which far exceeded our prospectus forecasts. They ensured the transition to public company life was seamless for all stakeholders and this has added a great deal of value to the Company in the current year.

The acquisition of Sydney based GlobalSoft Australia Pty Ltd (GlobalSoft) was completed in April 2007. GlobalSoft offered DWS an opportunity to expand its NSW operations with a complementary client base and a range of synergistic service offerings. DWS also opened an office in Brisbane during the year and the team there has continued to grow and develop the Brisbane market.

The Board is optimistic about the year ahead. Our focus will remain on providing superior service to our customers, ensuring interesting and satisfying work for our employees, and on value enhancement for our shareholders.

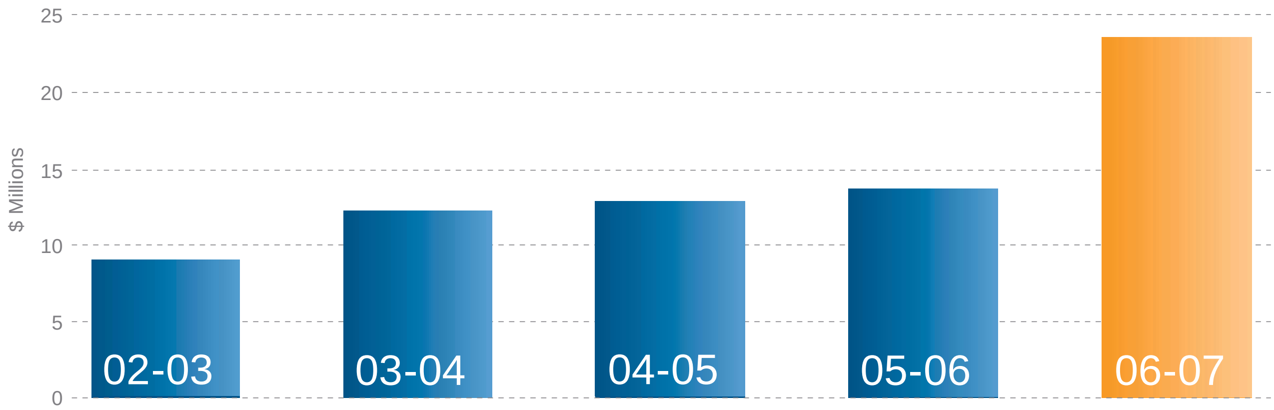
Yours faithfully,

Harvey Parker
Chairman

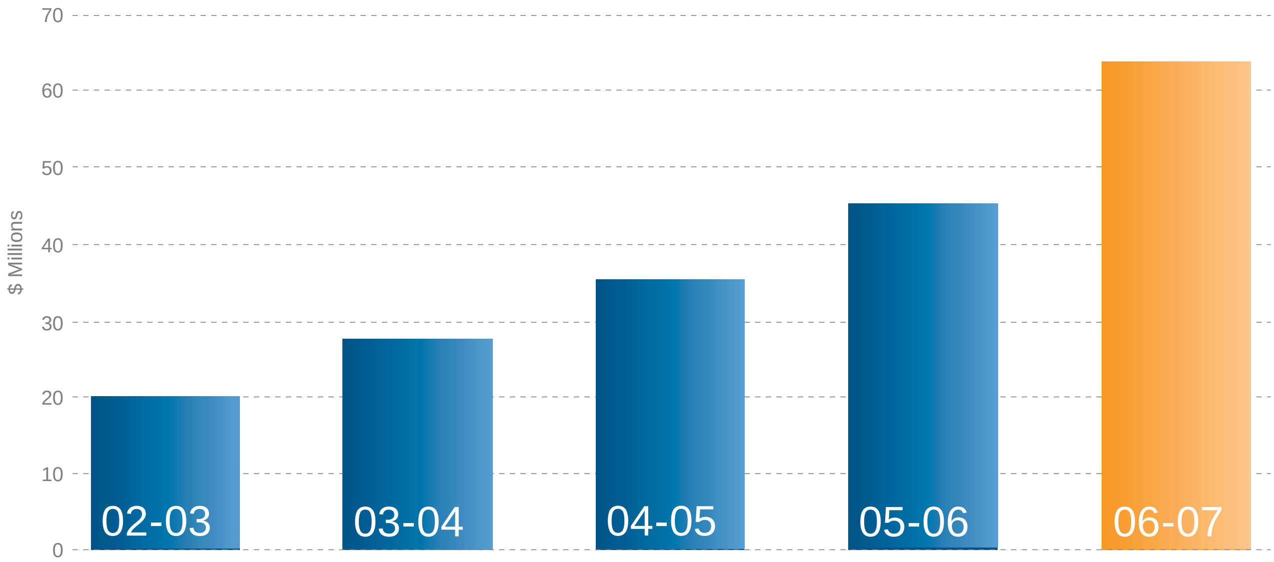
7 September 2007

# PERFORMANCE INDICATORS

EBITDA (before share expense)



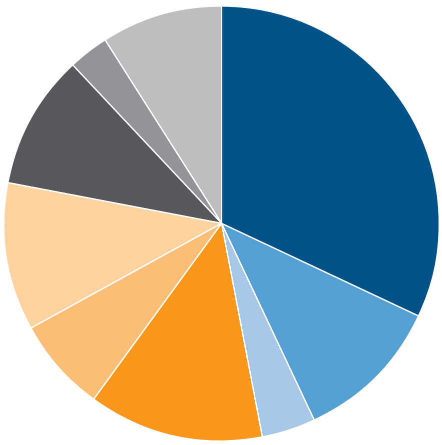

Consultancy Revenue



Chris Ruggles, Software Consultant

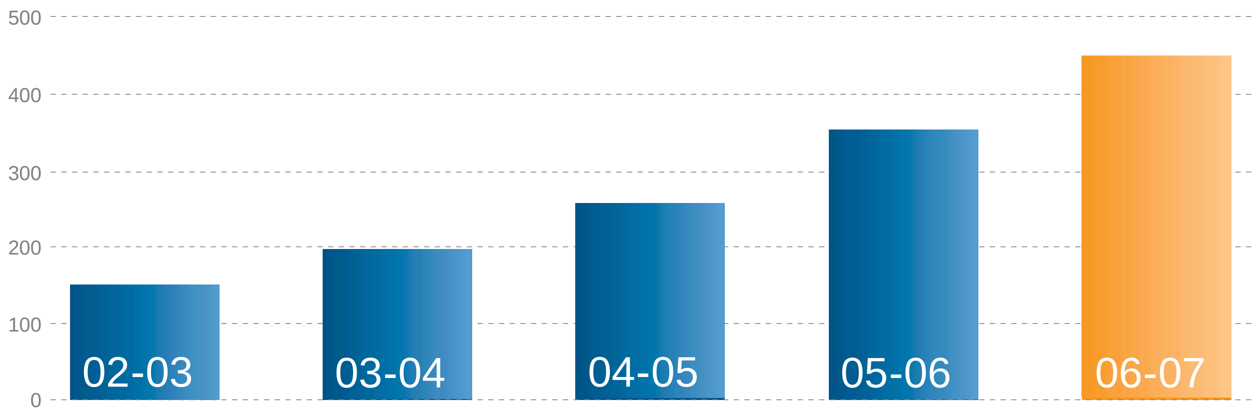
DWS ENDEAVOURS TO PROVIDE A STIMULATING AND DYNAMIC ENVIRONMENT FOR STAFF WHICH HELPS US TO ATTRACT AND RETAIN THE BEST PEOPLE IN THE INDUSTRY. DWS HAS A HIGH PERFORMANCE CULTURE WHICH IS DRIVEN BY AMBITIOUS STAFF WITH A CAN-DO ATTITUDE.

## Revenue by Industry Sector 2007



| | |
|---|---|
| Information and Communication Technology (ICT) | 32% |
| Utilities | 11% |
| Gaming and Entertainment | 4% |
| Consumer | 13% |
| Industrial | 7% |
| Banking and Finance | 11% |
| Online Media | 10% |
| Other | 3% |
| Government | 9% |

## Number of Employees



# CHIEF EXECUTIVE OFFICER'S REPORT

It has been another year of very solid results for DWS Advanced Business Solutions Ltd (DWS) on a number of fronts and accordingly there are a number of contributors that I would like to personally thank.

I take this opportunity to thank you – DWS' shareholders, for supporting this wonderful company and I look forward to your continued support over the next year and beyond.

I would also like to thank all our staff for the professional job they have done over the past year. DWS has an excellent reputation and this is due to the quality work our staff perform for our clients on the 'front line'. We know we have the best staff in the industry and their contribution to the Company's success is invaluable.

The DWS management team have had another very busy year and once again I would like to both thank and congratulate them on what has been achieved. We appreciate the challenges which are in front of us as a Company, but the great work done in 2007 has laid a very solid foundation for the achievement of our future objectives.

To all our valued DWS clients; thank you for your on-going support. We look forward to continuing to provide you with the same professional, honest and ethical service we have over the past 16 years. We will continue working with you to both 'partner for success' and 'exceed expectations'.

DWS has just completed its first full financial year as an ASX listed company. I mentioned last year that we looked forward to working closely with our then newly formed Board of Directors and benefiting from their collective knowledge in order to make the transition to public company life both seamless and exciting. I am pleased to confirm we have very gratefully leveraged their experience on many fronts to consolidate on last year's strong start and I offer them my thanks also.

| | |
|---|---|
| 1992 | DWS incorporated 13 March 1992 by current CEO Danny Wallis. |
| 1993 | DWS has four employees with a consultancy revenue of $60,000. |
| 1994 | DWS moves offices to Collins Street in Melbourne. |
| 1995 | DWS has 13 employees with a consultancy revenue of $1.05 million. |
| 1996 | Quality methodology Spinnaker started by DWS for DWS project delivery. |
| 1997 | DWS has 37 employees with a consultancy revenue of $3.26 million. |
| 1998 | SpinnakerOne gains ISO9001 Quality Certification. |
| 1999 | DWS has 56 employees with a consultancy revenue of $6.05 million. |
| 2000 | DWS has 64 employees with a consultancy revenue of $9.84 million. |
| 2001 | Current Managing Director Glenn Fielding joins DWS. |
| 2002 | DWS has 110 employees with a consultancy revenue of $18.09 million. |
| 2003 | DWS opens an office in Sydney. |
| 2004 | DWS has 193 employees with a consultancy revenue of $27.50 million. |
| 2005 | DWS acquires TurnAround Solutions Pty Ltd. |
| 2006 | DWS lists on the ASX on 15 June 2006 at $1 per share. |
| 2007 | DWS acquires GlobalSoft Australia Pty Ltd. DWS opens an office in Brisbane. DWS share price closes at $2.50 on 29 June 2007. |

# CHIEF EXECUTIVE OFFICER'S REPORT CONTINUED

The results of past year have been some of the strongest in the history of the Company. We have reported another record EBITDA ($23.53 million), which was a 73 per cent increase on the previous year. Perhaps more importantly than the actual monetary figure is the solid operating position that the Company now enjoys, with some indicators as follows:

- we have retained all clients and added a considerable number of new clients;
- we will glean approximately 20 per cent of revenue from our Sydney office, a great result given it is effectively 18 months old;
- our Brisbane office and operation is growing solidly;
- we are in the process of developing our Adelaide office;
- we reported a very respectable 36.72 per cent EBIT margin;
- we have increased our service offering to incorporate Project Management;
- we have acquired two companies: GlobalSoft Australia (April 2007) and Equest Consulting (July 2007); and
- we declared a fully franked dividends of 4.5 cents (half year) and 5 cents (full year).

GlobalSoft Australia Pty Ltd (GlobalSoft) was a predominantly Sydney based organisation that specialized in developing and maintaining data warehouses. Although DWS already operated in this space, the acquisition of GlobalSoft significantly improved our available expertise in this area and we are now realizing the benefits of acquiring some of the best data warehouse skill sets in Australia. The decisive integration of GlobalSoft has also enabled DWS to add further value to many of our Victorian based clients.

In early July we also announced the acquisition of Equest Consulting Pty Ltd (Equest). Equest predominantly operates across the eastern states of Australia providing Project Management services and some educational IT project management training to client companies. Although we are still in the process of integrating Equest, the acquisition has been particularly well received by our existing clients, many of whom are now also using Equest services.

DWS has a clear acquisition strategy that is based around purchasing companies where we can significantly and quickly improve their profitability by overlaying the DWS business model. Additionally we look for companies that will improve our own expertise in specialist areas, such as data warehousing in the case of GlobalSoft and project management with Equest. We will continue to pursue this strategy.

DWS is quickly gaining an enviable reputation for identifying companies that can quickly benefit from our disciplined and focused approach and where we can significantly increase the profitability of the company through applying this model. In acquiring a company we ensure that the profitability of the aquiree can produce an EBIT return commensurate with the EBIT of the DWS group. This approach ensures that our shareholders value is protected, and reduces our risk.

All our acquisitions are proving to be extremely successful. This is demonstrated by the acquisition of TurnAround Solutions 18 months ago which has contributed spectacularly to the group's profitability.

Although 2007 was extremely successful, we are now focusing on the year ahead to ensure we continue to outperform. It is a very exciting time as the IPO has opened up many opportunities and allows us to compete on a level playing field with our competitors. The general business conditions are buoyant and this provides further opportunities. Our acquisitions have added to our service offering and this is also increasing demand for DWS services.

## Acquisitions

DWS acquired the following two companies which have further strengthened our position in the marketplace:

### GlobalSoft Australia

| | |
|---|---|
| Acquisition Details | - Acquired April 2007<br>- Total price equals $3.95 million (cash)<br>- On settlement $1.95 million<br>- After 12 months $1.0 million<br>- After 24 months $1.0 million<br>- Data warehousing specialist<br>- Initially 40 staff, predominantly Sydney based |
| Rationale | - Increases depth of DWS' data warehousing expertise<br>- Cross sell into existing DWS clients<br>- GlobalSoft has five key, tier 1 and 2 clients |
| Opportunity | GlobalSoft has been fully integrated into the DWS' existing NSW operation providing additional scale, technical capabilities and cross selling opportunities to existing DWS clients |

### Equest Consulting

| | |
|---|---|
| Acquisition Details | - Acquired 1 July 2007<br>- Total price equals $4.5 million<br>- $2.75 million cash<br>- $1.75 million DWS shares<br>- Project management specialists<br>- Offices in Sydney and Brisbane |
| Rationale | - Non-delivery based project management expertise<br>- Training centre in Sydney delivering 25 Project Management courses<br>- Reduced training cost for DWS staff<br>- Significant number of tier 1 and 2 clients particularly in the banking and finance sector |
| Opportunity | - Provide management services level expertise<br>- Nationalise training<br>- Provide broader range of training courses |

# CHIEF EXECUTIVE OFFICER'S REPORT CONTINUED

## Market Conditions and Outlook

| | |
|---|---|
| Market Conditions | - IC&T investment is strong and will continue to remain strong for the remainder of this decade<br>- All existing clients are expected to increase or at least maintain their IT spend<br>- The skills shortage will continue to drive demand |
| Outlook for DWS | - Telecommunications is expected to remain a DWS 'core' sector<br>- DWS will continue to focus on obtaining new clients in a range of geographic locations<br>- DWS will continue to aggressively pursue value enhancing acquisition opportunities<br>- Equest Consulting will underpin growth in the non-delivery based segment of the market and provide opportunities particularly in the banking and finance sector<br>- DWS will leverage the expertise of GlobalSoft to ensure that we are recognised as 'thought leaders' in the data warehouse sector<br>- Revenue from training expected to significantly increase as we progressively nationalise education and expand range to incorporate delivery based courses |

The future for DWS is extremely positive; we will inevitably run into speed bumps along the way but I am very confident our management team is ready to negotiate these and ensure we emerge as a stronger company. I have said many times that 'at DWS we manage for tomorrow' and we will continue to do this to protect our shareholders' value.

We operate in the fast moving technology field therefore we must continually incrementally improve our business model without introducing unnecessary risk to ensure that we remain competitive and have relevant skills to tackle new technologies as they emerge.

DWS has a reputation for having the highest quality staff and this must be protected. As the employment market contracts we must find new ways of attracting and retaining staff without reducing our quality. We have, over the past year, increased both our recruitment and HR capabilities to ensure these objectives are met and to date this has been a successful strategy.

DWS has a policy of non-opportunistic pricing. This practice has proved very successful over the past 16 years and although demand is greater than supply at times, our belief is that it is not as tight as pre year 2000. Our pricing policy proved to be successful after the post 2000 downturn and enabled the Company to continue growing whilst others were contracting and therefore will continue with our current pricing policy and continue managing for the future.

There is no doubt DWS had a successful year in 2007; we emerge as a stronger, healthier and more vibrant company, we will continue to work hard to ensure that we can enjoy the same success in 2008.

Sincerely,

Danny Wallis.
CEO

Jean-marc Salama, Project Manager

OUR PEOPLE HAVE THE ABILITY TO BUILD AND MAINTAIN STRONG RELATIONSHIPS WITH CLIENTS WHICH IS A KEY FACTOR IN THE DELIVERY OF VALUE TO THEIR BUSINESS, AND THE GENERATION OF VALUE IN OUR OWN. WE TAKE GREAT PRIDE IN OUR CLIENT PARTNERSHIPS WHICH HAVE STOOD THE TEST OF TIME.

# COMPANY OVERVIEW

## DWS ADVANCED BUSINESS SOLUTIONS IS AN INFORMATION TECHNOLOGY (IT) CONSULTING COMPANY WHICH PROVIDES IT CONSULTANCY SERVICES TO MANY S&P/ASX 50 CORPORATIONS AND ALSO A NUMBER OF GOVERNMENT DEPARTMENTS.

Established in 1992 with three employees, DWS Advanced Business Solutions (DWS) has grown to now have in excess of 480 staff and offices in Melbourne, Sydney and Brisbane.

DWS is focused on being the leader in the provision of end-to-end IT solutions. DWS designs, develops, manages and maintains software solutions and IT environments for its clients. By hiring the best professionals possible, DWS is able to deliver these services to our clients with a competitive advantage that is well understood by clients and staff alike.

The overriding business philosophy and approach to business at DWS is one of honesty, integrity, ethical behaviour and transparency. The DWS culture ensures every interaction with clients, suppliers and employees is based on these values which provide a strong foundation for growth and excellence in performance.

DWS has a strong market reputation for the provision of high-end technical solutions including:

- custom software development for micro to mid-range platforms;
- maintenance and customisation of large, enterprise resource and core business applications;
- designing, developing, implementing and maintaining data warehousing, reporting and business intelligence systems; and
- integration, enterprise architecture and a multitude of business-to-business solutions.

DWS' CEO Danny Wallis founded the Company on the premise that DWS could provide clients with superior service to that of its competitors at the time. Leveraging from this original principle, DWS' model and highly skilled professional staff have built the Company into a successful provider of IT services over its 15 year history. This strong growth and focused approach has been aided substantially by the execution of well structured and disciplined corporate objectives to facilitate controlled, sustainable growth.

The DWS business model is client centric and quality focused, supported by attracting, recruiting, and managing high quality IT professionals utilising a high quality systematic approach to delivery. This client centric model sees DWS focus on clients' IT needs rather than just the implementation of isolated project based initiatives. DWS works closely with clients to ensure the quality delivery of an end-to-end service offering, from each solution's planning, delivery, implementation and beyond.

On engagements undertaken, DWS aims to develop long-term mutually beneficial relationships with clients and strives to exceed expectations. It is this deep client focus that has led to DWS' ability to build client partnerships that have stood the test of time. DWS is committed to working in partnership with clients to ensure their success. This commitment has seen many client relationships exceed 10 years. DWS does not have hundreds of clients; rather the Company has developed broad engagements covering many aspects of our client's business needs.

DWS' blue-chip client base extends across a broad range of industry sectors. DWS targets this range of clients not only to provide an exciting and dynamic environment for staff, but also to diversify the spread of clients enabling significant and ongoing risk mitigation from both industry specific downturns and client ascendancy.

DWS' pricing model is based on a 'same for all' approach which provides DWS with the opportunity to live by its corporate philosophy of transparency. Accordingly, DWS is able to bring large groups of clients together in interactive forums to discuss relevant business issues and get ideas as to how DWS can continue to exceed client expectations.

DWS' primary product is the provision of high quality business solutions using highly skilled people. Since inception DWS has focused on attracting and retaining highly skilled staff who have excellent technical skills and are a sound cultural fit with DWS' dynamic and exciting environment. DWS has a team dedicated to hiring new employees and managing the

Company's rigorous three stage candidate selection process which uses qualitative and quantitative tools to ensure DWS employs staff who meet its high standards.

DWS management also recognises staff retention as a vital element which requires a dedicated and focused approach. With this in mind, DWS devotes significant energy to maintaining overall employee satisfaction at high levels and ensuring each team member's ambitions are addressed wherever possible.

Through the use of enabling technologies and the DWS quality system, SpinnakerOne, DWS has been able to grow consistently by focusing on the provision of a high quality client service.

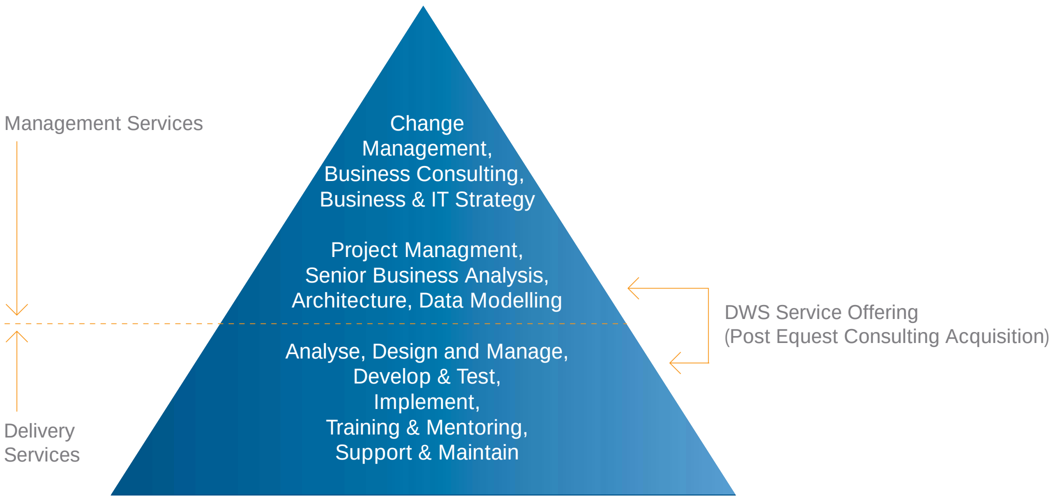
Operationally DWS has been able to consistently deliver high quality solutions by basing its delivery methodology on sound, sustainable and repeatable processes but ensuring that incremental improvements in business processes are incorporated wherever possible and appropriate.

SpinnakerOne is an AS/NZS ISO 9001:2000 Quality Certified methodology developed by DWS for DWS project delivery. SpinnakerOne draws upon many industry best practices and other methodologies such as CMMI, ITIL and PMBOK. SpinnakerOne was purpose built by DWS for DWS with the aim of assisting us to continue to ensure the very best approach to solution delivery and implementation. The Spinnaker approach to delivery and the strong focus of quality service provision sets DWS apart and enables the Company to continue to grow with confidence.

As a testament to the value SpinnakerOne contributes to project delivery, some of DWS' clients have elected to adopt the methodology for internal project use.

The characteristics described in this section have resulted in DWS becoming a great company for clients, staff and shareholders. The DWS motto is 'exceed expectations'; we have in the past, and we will continue to in the future.

### DWS Service Offerings



# BOARD OF DIRECTORS

Danny Wallis
Chief Executive Officer

Danny founded DWS and is the Company's Chief Executive Officer.

After accumulating a great deal of experience as a system programmer and internal consultant at ANZ Bank, Danny believed that there was an opportunity for a high quality, professional, client focused IT services organisation. It is on this basis that Danny founded DWS, with three staff in 1992.

Danny has been involved in all stages of DWS' growth, building the organisation to in excess of 480 staff with operations in Melbourne, Sydney and Brisbane with an enviable client list and market reputation.

Glenn Fielding
Managing Director

Glenn has been with DWS for seven years and is the Company's Managing Director. He has been instrumental in DWS' growth and has held key senior management roles throughout DWS' development.

Prior to joining DWS, Glenn was a founding member of SMS Consulting Group and a Director of that Group from mid 1992 until 30 June 1999. During his 13 years at SMS, Glenn held managerial roles in the Groups commercial operations and merger and acquisition activities. Glenn was until recently a Non-Executive Director of CPT Global Ltd, a technology consulting company listed on the ASX where he Chaired the Remuneration Committee and was a member of the Finance and Audit Committee.

Harvey Parker
Chairman and Non-Executive Director

Harvey has over 15 years experience as a CEO of companies such as New Zealand Post, United Energy and as Group Managing Director, Commercial and Consumer of Telstra.

Harvey has also been Director General, Department of Youth, Sport and Recreation for the Victorian Government and Chairman of Petroz NL, Datacom Investments Australia, Moore Australia and Emergency Communications Victoria. He was also a Non-Executive Director of the ASX listed technology services company Volante Group Limited and Animal Health Australia.

In addition to being Chairman of DWS, Harvey is also currently Chairman of Intermoco, Pacific Turbine Brisbane and Agline Pastoral, and a Director of the Riding for Disabled Association Victoria.

Harvey brings a wealth of experience in business management and corporate governance from both the public and private sectors to DWS.

### Ken Barry
### Non-Executive Director

Ken is a lawyer who brings over 40 years of corporate, commercial, legal and compliance experience with listed and unlisted companies to DWS.

Ken has previously been a Director of National Electricity Market Management Company Limited, Director of Yallourn Energy Limited, Chairman of Ausdoc Group Limited and Freightway Express Limited (NZ).

In addition to being a Non-Executive Director of DWS, Ken is currently the Chairman of Deacons law firm. Ken is also Chairman of ASX listed Wallace Absolute Return Limited, IOOF Holdings Trustee Pty Ltd, the Doxa Youth Foundation, and leading thoroughbred stud Coolmore Australia.

### Glen McLean
### Non-Executive Director

Glen has over 24 years experience in IT services, consulting and systems development with organisations such as Computer Manufacture and Design, Deloitte Haskins & Sells, Bond Consulting and Andersen Consulting.

In addition to being a Non-Executive Director of DWS, Glen is currently the General Manager Information Technology for the Victorian power companies – Powercor and Citipower. Glen has held this position for over 12 years and has been heavily involved in the organisations move from a private to a public organisation.

William Naylor, Quality Coordinator

THE DWS QUALITY METHODOLOGY SPINNAKERONE WAS PURPOSE BUILT BY DWS, FOR DWS STAFF. IT IS A DYNAMIC APPROACH TO SOLUTION DELIVERY WHICH ASSISTS DWS IN PROVIDING CLIENTS WITH HIGH QUALITY, TIMELY DELIVERABLES.

# DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2007

The Directors present their report together with the financial report of DWS Advanced Business Solutions Limited ('the Company' or 'DWS') and of the consolidated entity, being the Company and the entities it controlled during the year ended 30 June 2007 and the auditor's report thereon.

## Directors

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

| Name, Qualifications and Independence Status | Age | Experience and Special Responsibilities |
|---|---|---|
| Harvey Parker, BA, MBA<br>Chairperson<br>Independent Non-Executive Director<br><br>Elected 9 May 2006 | 63 | Former Chairman of Emergency Communications Victoria, Dun and Bradstreet, Datacom Services Pty Ltd, and former Director of Volante Group Ltd. Current Chairman of Intermoco, Chairman of Pacific Turbine Brisbane Ltd and Agline Pastoral Pty Ltd and Director of the Riding for Disabled Association Victoria. Mr Parker is also Chairman of the Remuneration and Nomination Committee. |
| Ken Barry, LLB<br>Independent Non-Executive Director<br><br>Elected 9 May 2006 | 69 | A lawyer with over 40 years experience practising corporate and commercial law. He is the Chairman of Deacons law firm, Wallace Absolute Return Limited and of the Australian Board of management of Coolmore Australia. Mr Barry is Chairman of the Audit, Risk and Compliance Committee and a member of the Remuneration and Nomination Committee. |
| Glen McLean, BAS<br>Non-Executive Director<br><br>Elected 9 May 2006 | 47 | Over 20 years experience of IT services and consulting with organisations such as Deloittes Haskins and Sells, Andersen Consulting and Computer Manufacture Manufacture and Design. He is currently General Manager, Information Technology of Powercor and Citipower. Mr McLean is also a member of the Audit, Risk and Compliance Committee. |
| Danny Wallis, BCS<br>Chief Executive Officer<br><br>Elected 28 December 1998<br>Re-elected 24 October 2006 | 44 | Founder of DWS in 1992. Over 20 years experience in the Information Technology industry. Mr Wallis is also a member of the Audit, Risk and Compliance Committee. |
| Glenn Fielding<br>Managing Director<br><br>Elected 9 May 2006 | 55 | Past Director and founding member of SMS Management & Technology Ltd and past Non-Executive Director of CPT Global Ltd. Mr Fielding is a member of the Remuneration and Nomination Committee. |

## Company Secretary

Ms Vivian Clark, Bachelor of Commerce, Graduate Diploma in Company Secretarial Practice, ACA, ASA, was appointed to the position of Company Secretary on 9 May 2006. She is a Member of the Institute of Company Directors and the Taxation Institute of Australia. She is also the Chief Financial Officer (CFO) of the Group. Ms Clark has worked in private practice as well as holding senior financial positions in both listed and private companies.

## Officers Who Were Previously Partners of the Audit Firm

There are no officers of the Company who were previously partners of the current audit firm, Grant Thornton Audit (Vic) Pty Ltd.

## Directors' Meetings

The number of meetings of the Company's Directors (including meetings of formally constituted committees of Directors) and number of meetings attended by each of the Directors of the Company during the financial year are:

### Meeting of Directors

| Director | Board of Directors | | Audit, Risk and Compliance | | Remuneration and Nomination | |
|---|---|---|---|---|---|---|
| | Held | Attended | Held | Attended | Held | Attended |
| Harvey Parker | 11 | 11 | - | - | 2 | 2 |
| Kenneth Barry | 11 | 11 | 4 | 4 | 2 | 1 |
| Glen McLean | 11 | 10 | 4 | 4 | - | - |
| Danny Wallis | 11 | 10 | 4 | 4 | - | - |
| Glenn Fielding | 11 | 10 | - | - | 2 | 2 |

## Election of Directors

Clause 15.3 of the Company's Constitution requires that at each Annual General Meeting one-third of the Directors must retire from office. Therefore, Mr Harvey Parker retires by rotation and is eligible for re-election.

# Corporate Governance Statement

The Board recognises the importance of good corporate governance and establishing accountability of the Board and management. DWS has undertaken a review of its governance framework, policies and practises to ensure, unless stated otherwise, compliance with Australian Securities Exchange (ASX) Recommendations.

## Board of Directors

### Role of the Board

The principal role of the Board is to:

- approve financial plans and annual budgets and monitor the financial results on an ongoing basis;
- influence and monitor strategy and approve plans to achieve these strategies;
- oversee the management of DWS and evaluate the performance and remuneration of the Chief Executive Officer (CEO), Managing Director and other Executives;
- monitor and ensure the integrity of internal controls, financial reporting and management information systems;
- approve the major Human Resources (HR) policies and oversee the management of occupational health and safety;
- oversee risk management and statutory and regulatory requirements; and
- protect and enhance the interests of shareholders and oversee shareholder communications.

The Board has delegated responsibility for the operation and administration of the Company to the Chief Executive Officer, Managing Director and Executive Management. Responsibilities are delineated by formal authority delegations.

### Board Processes

To assist in the execution of its responsibilities, the Board has established two Committees. These are the Remuneration and Nomination Committee and the Audit, Risk and Compliance Committee. Both of these Committees have written charters.

The agenda for meetings is prepared in conjunction with the Chairperson, Chief Executive Officer and Company Secretary. Standing items include the CEO report, CFO report, human resources report, governance and compliance. Board papers are circulated in advance.

The Board has not conducted a formal review of the business risk systems, but has concentrated on the surrounding controls within the system to ensure that there are adequate safeguards within processes to mitigate the risks to the business. This includes a strengthening of delegations of authority at all levels in the business as well as ensuring that the work taken on by the Company meets certain internal criteria. The risks associated with the business of DWS are concentrated in these two areas.

A review of the Board has not been undertaken this year as it has only had one full year in operation. A review will be conducted in the next financial year.

### Director Education

The Company has a formal process to educate new Directors about the nature of the business. Directors also have the opportunity to visit consolidated entity offices and meet with management to gain a better understanding of business operations. Directors are given access to continuing education opportunities to update and enhance their skills and knowledge.

### Independent Professional Advice and Access to Company Information

Each Director has the right, subject to prior consultation with the Chairperson, to seek independent professional advice from a suitably qualified adviser at the consolidated entity's expense concerning any aspect of the Company's operations or undertaking in order to fulfil their duties.

A copy of all such advice is made available to all the Board members.

## Composition of the Board

The names of the Directors of the Company in office at the date of this Statement are set out on page 17 of the Directors' Report. The composition of the Board is determined using the following principles:

- a minimum of three Directors, with a broad range of expertise;
- a majority of Non-Executive Directors;
- a Non-Executive Independent Director is appointed as Chairperson;
- a majority of Directors having extensive knowledge of the Company's industry, and those who do not, have extensive expertise in significant aspects of auditing and financial reporting, or legal and risk management of companies;
- enough Directors to serve on various committees without overburdening the Directors or making it difficult for them to fully discharge their responsibilities;
- one-third of all Directors, except the Managing Director, will retire by rotation each year but may offer themselves for re-election for a further three year period; and
- no Director may hold office for a period in excess of three years without offering themself for re-election.

An independent Director is a Director who is not a member of management (a Non-Executive Director) and who:

- holds less than five per cent of the voting shares of the Company and is not an officer of, or otherwise associated, directly or indirectly, with a shareholder of more than 5 per cent of the voting shares of the Company;
- has not within the last three years been employed in an executive capacity by the Company or another group member, or been a Director after ceasing to hold any such employment;
- within the last three years has not been a principal or employee of a material* professional adviser or a material* consultant to the Company or another Group member;
- is not a material* supplier or customer of the Company or another Group member, or an officer of or otherwise associated, directly or indirectly, with a material* supplier or customer;
- has no material* contractual relationship with the Company or another Group member other than as a Director of the Company; and
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially* interfere with the Director's ability to act in the best interests of the Company.

* The Board considers, 'material' in this context, where any Director-related business relationship has represented, or is likely in the future to represent the lesser of at least 10 per cent of the relevant segments or the Director-related businesses revenue. The Board considered the nature of the relevant industries' competition, and the size and nature of each Director-related business relationship, in arriving at this threshold.

## Remuneration and Nomination Committee

The Remuneration and Nomination Committee, (Committee) comprises one Committee but deals with both Board Remuneration and Nomination policies and processes. There are separate Charters for the Committees as detailed below. The Committee met twice during the financial year. The Board policy is that the Committees will comprise a majority of independent Non-Executive Directors.

The members of the Committee are:

| | |
|---|---|
| Harvey Parker (Chairperson) | Independent Non-Executive |
| Kenneth Barry | Independent Non-Executive |
| Glenn Fielding | Executive |

## Nomination Committee

The Nomination Committee oversees the appointment and induction process for Directors and Committee Members, and the selection, appointment and succession planning process of the Company's Chief Executive Officer (CEO) and the Managing Director (MD). The Committee make recommendations to the Board on the appropriate skill mix, personal qualities, expertise and diversity of each position. When a vacancy exists or there is a need for particular skills, the Committee in consultation with the Board determines the selection criteria based on the skills deemed necessary. The Board will then appoint the most suitable candidate. A Board appointment must stand for election at the next general meeting of shareholders.

The terms and conditions of the appointment and retirement of Non-Executive Directors are set out in a letter of appointment, including expectations for attendance and preparation for all Board meetings, minimum hourly commitment, appointments to other Boards, the procedures for dealing with conflicts of interest, and the availability who holds independent professional advice.

## Remuneration Committee

The Remuneration Committee (Committee) reviews and makes recommendations to the Board on remuneration packages and policies applicable to the CEO, Managing Director and Senior Executives. It is also responsible for share and option schemes, incentive performance packages, retirement and termination entitlements, fringe benefits policies and professional indemnity and liability insurance policies.

The Committee conducts an annual review of the performance of the CEO and Managing Director with the results of the review discussed at a Board meeting. Both the CEO and the Managing Director are excluded from those discussions.

### *Remuneration Report*

This report details the nature and amount of remuneration for each Director and named Executives receiving the highest remuneration.

### *Remuneration Policies*

The remuneration structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for the Company. The remuneration structures take into account:

- the capability and experience of the Directors and Senior Executives;
- the Directors and Senior Executives ability to control the relevant performance of the Company; and
- the Company's performance.

Remuneration packages include a fixed and variable component for both Executives and Non-Executive Directors.

## Fixed Remuneration

Remuneration levels were reviewed by management for the 2006 financial year and have not changed for the 2007 financial year. They have been competitively set to be in line with listed entities of a similar size and operating within similar industries.

Fixed remuneration consists of base remuneration (which is calculated on a total cost basis and includes any Fringe Benefits Tax charges related to employee benefits including motor vehicles), as well as employer contributions to superannuation funds.

The variable component for Executives consists of a short-term bonus related to company performance. The variable component for Non-Executive Directors is an option scheme implemented when the Company listed on the Australian Securities Exchange (ASX) in June 2006.

## Performance-linked Remuneration

There is no performance linked remuneration for the 2007 year.

## Short-term Incentive Bonus

Short-term bonuses were paid to Executives for the 2007 financial year but not to Non-Executive Directors. These bonuses were based on achievement of results in excess of targets set at the beginning of the financial year.

## Long-term Incentive

There were no long-term incentive schemes operating for the 2007 financial year.

## Other Benefits

There are no other benefits received by the Directors or Executives of the Company that relate to performance.

### Service Agreements and Contract Details

It is the consolidated entity's policy that contracts of employment for Executive Directors and Senior Executives be for a term of three years but capable of termination within a notice period.

Mr Danny Wallis's contract allows for 12 months notice of termination.

Mr Glenn Fielding's contract allows for 12 months notice of termination.

Ms Vivian Clark's contract allows for six months notice of termination.

### Non-Executive Directors

Total remuneration for all the Non-Executive Directors, which was determined at a general meeting of the Company shareholders on 11 May 2006 is not to exceed $350,000 per annum. Directors' base fees are set out in the table under Directors and Executive Officers' remuneration.

On appointment each of the Non-Executive Directors were granted options in the Company. There are no other performance incentives for Non-Executive Directors.

### Elements of Remuneration

Details of the nature and amount of each major element of remuneration of each Director of the Company and each of the named Company Executives who receive the highest remuneration and each of the five or more Executives of the consolidated entity with the greatest authority are detailed in the following table.

## Directors' and Executive Officers' Remuneration

| | | Primary | | | Equity Compensation | |
|---|---|---|---|---|---|---|
| | Year | Base Remuneration $ | Retirement Benefits $ | Short-term Cash Benefit | Value of Options[a] $ | Total $ |
| Director Non-Executive[#] | | | | | | |
| Harvey Parker | 2007 | 82,569 | 7,431 | - | 11,639 | 101,639 |
| | 2006 | 12,703 | 1,143 | - | 478 | 14,324 |
| Kenneth Barry | 2007 | 25,406 | 34,594 | - | 11,639 | 71,639 |
| | 2006 | 8,469 | 762 | - | 478 | 9,709 |
| Glen McLean | 2007 | 32,110 | 2,890 | - | 6,983 | 41,983 |
| | 2006 | 4,940 | 445 | - | 287 | 5,672 |
| Directors Executive | | | | | | |
| Danny Wallis CEO | 2007 | 319,026 | 30,974 | 60,000 | - | 410,000 |
| | 2006 | 95,888 | 8,580 | - | - | 104,468 |
| Glenn Fielding MD | 2007 | 283,400 | 41,600 | 55,000 | - | 380,000 |
| | 2006 | 166,142 | 28,857 | - | - | 194,999 |
| Total all Specified | 2007 | 742,511 | 117,489 | 115,000 | 30,261 | 1,005,261 |
| | 2006 | 288,142 | 39,787 | - | 1,243 | 329,172 |
| Executives – the Company | | | | | | |
| Vivian Clark CFO[##] | 2007 | 175,723 | 15,814 | 50,000 | - | 241,537 |
| | 2006 | 42,343 | 3,810 | - | - | 46,153 |
| Total all Named Executives | 2007 | 918,234 | 133,303 | 165,000 | 30,261 | 1,246,798 |
| | 2006 | 330,485 | 43,597 | - | 1,243 | 375,325 |

\# Non-Executive Directors commenced 9 May 2006.

\## Vivian Clark (CFO) commenced 10 April 2006.

(a) The fair value of options is calculated at the date of grant using a Binomial model and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed above is the portion of the fair value of the options allocated to this reporting date.

The following factors and assumptions were used in determining the fair value of options on grant date:

| Grant Date | Expiry Date | Fair Value Per Option | Exercise Price | Price of Shares on Grant Date | Estimated Volatility | Risk Free Interest Rate | Dividend Yield |
|---|---|---|---|---|---|---|---|
| May 2006 | Feb 2009 | $0.125 | $1.50 | $1.00 | 50% | 5.75% | N/A |

Estimated volatility approximates historic volatility. The estimated life of all options granted is over three financial years. Each option entitles the holder to purchase one ordinary share in the Company.

All options expire on the earlier of their expiry date or 90 days after when a Director ceases to hold office. One-third of the options vest on the release of the 2007 results, a further one-third on the release of the 2008 half-year results and the remaining one-third, on the release of the 2008 full year results.

## Analysis of Share Based Payments Granted as Remuneration

Details of the vesting profile of options granted as remuneration to each Director of the Company and each of the named Company Executives and relevant Group Executives are detailed below. No options were granted as part of remuneration for the 2007 year.

| | Options Granted | | | | | |
|---|---|---|---|---|---|---|
| | Number | Date | % Vested in Year | Forfeiture in Year | Financial Years to Which Grant Vests | Value Yet to Vest $ |
| Harvey Parker | 250,000 | 15/06/2006 | Nil | Nil | 2008,2009 | 31,250 |
| Kenneth Barry | 250,000 | 15/06/2006 | Nil | Nil | 2008,2009 | 31,250 |
| Glen McLean | 150,000 | 15/06/2006 | Nil | Nil | 2008,2009 | 18,750 |

## Analysis of Movement in Options

| | Value in Options | | | |
|---|---|---|---|---|
| | Granted in Year No. | Exercised in Year No. | Forfeited in Year % | Total Option Value in Year $ |
| Directors | | | | |
| Harvey Parker | - | - | - | Nil |
| Kenneth Barry | - | - | - | Nil |
| Glen McLean | - | - | - | Nil |

There was no movement during the period, by value, of options over ordinary shares in DWS Advanced Business Solutions Limited held by each Director of the consolidated entity.

## Audit, Risk and Compliance Committee

The Audit, Risk and Compliance Committee ('Committee') has a documented Charter, approved by the Board. The Committee comprises a majority of independent Non-Executive Directors. The Chairperson may not be the Chairperson of the Board. The Committee advises on the establishment and maintenance of a framework of internal controls and appropriate ethical standards for the management of the consolidated entity.

The members of the Committee are:

| | |
|---|---|
| Kenneth Barry | Chair, Independent Non-Executive |
| Glen Mclean | Independent Non-Executive |
| Danny Wallis | Executive |

The external auditors, MD and CFO are invited to the Committee meetings at the discretion of the Committee. The Committee met four times during the year.

The CEO and the CFO declared in writing to the Board that the financial records of the Company for the financial year had been properly maintained, the Company's financial reports for the year ended 2007, comply with the accounting standards and present a true and fair view of the Company's financial condition and operational results.

The Audit, Risk and Compliance Committee's Charter is available on the Company's website along with information on procedures for the selection and appointment of the external auditor, and for the rotation of the external audit engagement partner.

The responsibilities of the Audit, Risk and Compliance Committee include reporting to the Board on:

- reviewing the annual, half-year and other financial information distributed externally. This includes approving new accounting policies to ensure compliance with Australian Accounting Standards and generally accepted accounting principles, and assessing whether the financial information is adequate for shareholder needs;

- assessing corporate risk assessment processes;
- assessing whether non-audit services provided by the external auditor are consistent with maintaining the external auditor's independence. The external auditor provides an annual declaration of independence which is consistent with Professional Statement F.1 of the Code of Professional Conduct as recognised by Australia's professional accounting bodies;
- reviewing the nomination and performance of the external auditor. The external auditors were appointed in 2006;
- assessing the adequacy of the internal control framework and the Company's code of ethical standards;
- monitoring the procedures to ensure compliance with the *Corporations Act 2001* and the ASX Listing Rules and all other regulatory requirements; and
- addressing any matters outstanding with auditors, Australian Taxation Office, Australian Securities and Investments Commission and ASX.

The Committee will review the performance of the external auditors on an annual basis to including:

- discussing the external audit, identifying any significant changes in structure, operations, internal controls or accounting policies likely to impact the financial statements and to review the fees proposed for the audit work to be performed;
- reviewing the half-year and preliminary final report prior to lodgement with the ASX, and any significant adjustments required as a result of the auditor's findings, and to recommend Board approval of these documents, prior to announcement of results;
- reviewing the draft financial report and recommending Board approval of the financial report;
- reviewing the results and findings of the auditor, the adequacy of accounting and financial controls, and to monitoring the implementation of any recommendations made and;
- as required, organising, reviewing and reporting on any special reviews or investigations deemed necessary by the Board.

## Risk Management

The Board oversees the establishment, implementation, and review of the Company's Risk Management System. Management will establish and implement a Risk Management System for assessing, monitoring and managing operational, financial reporting, and compliance risks for the consolidated entity.

### Risk Management and Compliance and Control

The consolidated entity strives to ensure that its services are of the highest standard. The entity has accreditation AS/NZS ISO 9001:2000 Quality Management Systems with the SpinnakerOne product.

The Company has been a disclosing entity since listing on the ASX on 15 June 2006. A review of the internal controls and compliance has been undertaken. The Board being responsible for the overall internal control framework is committed to this review but recognises that no cost-effective internal control system will preclude all errors and irregularities.

### Quality and Integrity of Personnel

Formal appraisals are conducted annually of all employees as well as a comprehensive induction process for all new employees. Training and development at a group and individual level are offered. This together with appropriate remuneration and incentives creates an environment of co-operation and constructive dialogue with employees and senior management. A formal succession plan is being put in place to ensure competent and knowledgeable employees fill senior positions when retirements or resignations occur.

### Financial Reporting

The Chief Executive Officer and the Chief Financial Officer have declared, in writing to the board that the Company's financial reports are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board.

Monthly actual results are reported against budgets approved by the Directors and revised forecasts for the year are prepared regularly.

## Ethical Standards

All Directors, managers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the consolidated entity. There is a dedicated Human Resources section where staff may refer any issues arising from their employment.

## Conflict of Interest

Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. The Board has and will continue to develop procedures to assist Directors to disclose potential conflicts of interest.

Where the Board believes that a significant conflict exists for a Director on a Board matter, the Director concerned does not receive the relevant Board papers and is not present at the meeting whilst the item is considered. Details of Director related entity transactions with the Company and consolidated entity are set out in Note 26 of the financial report.

## Code of Conduct

The consolidated entity has advised each Director, manager and employee that they must comply with the Code of Conduct (Code). The Code together with a Deed of Confidentiality forms part of the employment contract with all employees and covers the following:

- aligning the behaviour of the Board and management with the code of conduct by maintaining appropriate core Company values and objectives;
- fulfilling responsibilities to shareholders by delivering shareholder value;
- fulfilling responsibilities to clients by maintaining high standards of product quality, service standards and commitments to fair value;
- employment practices such as occupational health and safety, employment opportunity, the level and structure of remuneration, and conflict resolution;
- responsibilities to the individual, such as privacy, use of privileged or confidential information, and conflict resolution;
- compliance with legislation including policies on legal compliance in countries where the legal systems and protocols are significantly lower than Australia's;
- conflicts of interest;
- corporate opportunities such as preventing Directors and key Executives from taking advantage of property, information or position for personal gain;
- confidentiality of corporate information;
- fair dealing;
- protection and proper use of the Company's assets; and
- reporting of unethical behaviour.

## Trading in General Company Securities by Directors and Employees

The key elements of the Trading in Company Shares Policy by Directors and senior executives are:

- identification of those restricted from trading, who may acquire shares in the Company, but are prohibited from dealing in company shares or exercising options:
  - (i) except within 30 days after either the release of the Company's half-year and annual results to the ASX, the Annual General Meeting or any major announcement; and
  - (ii) whilst in possession of price sensitive information not yet released to the market.
- raising the awareness of legal prohibitions including transactions with colleagues and external advisers;
- requiring details to be provided of intended trading in the Company's shares; and
- requiring details to be provided of the subsequent confirmation of the trade.

A summary of the policy is included on the Company's website.

## Communication with Shareholders

The Board provides shareholders with information using a comprehensive Continuous Disclosure Policy which includes identifying matters that may have a material effect on the price of the Company's securities, notifying them to the ASX, posting them on the Company's website, and issuing media releases. More details of the policy are available on the Company's website.

In summary, the Continuous Disclosure policy operates as follows:

- the CEO, the CFO and the Company Secretary are responsible for interpreting the Company's policy and where necessary informing the Board. The Company Secretary is responsible for all communications with the ASX. Matters required to be disclosed to the ASX are disclosed on the day they are discovered;
- the full annual financial report is distributed to all shareholders (unless a shareholder has specifically requested not to receive the document);
- the half-yearly report will contain summarised financial information and a review of the operations of the consolidated entity during the period. The half-year reviewed financial report will be lodged with the Australian Securities and Investments Commission and the ASX, and sent to any shareholder who requests it;
- proposed major changes in the consolidated entity which may impact on share ownership rights are submitted to a vote of shareholders;
- all announcements made to the market, and related information (including information provided to analysts or the media during briefings), are placed on the Company's website after they are released to the ASX;
- analyst and media briefings and general meetings transcripts are placed on the Company's website;
- the full texts of notices of meetings and associated explanatory material are placed on the Company's website; and
- the external auditor attends the annual general meetings to answer any questions concerning the conduct of the audit, the preparation of the auditor's report, accounting policies adopted by the Company and the independence of the auditor in relation to the conduct of the audit.

All of the above information is made available on the consolidated entity's website within one day of public release. Shareholder requests for financial report information are handled by the Company share registry, Computershare Investor Services Limited (Computershare).

The Board encourages full participation of shareholders at the Annual General Meeting, to ensure a high level of accountability and identification with the consolidated entity's strategy and goals. Important issues are presented to the shareholders as single resolutions.

The shareholders are requested to vote on the appointment and aggregate remuneration of Directors, the granting of options and shares to Directors and changes to the Constitution. A copy of the Constitution is available to any shareholder who requests it.

## Principal Activities and Operations Review

### Activities

DWS Advanced Business Solutions Ltd (DWS) provides information technology services to a number of S&P/ASX 50 corporations and government bodies. Established in 1992 with three employees, DWS has grown to in excess of 480 staff with operations in Melbourne, Sydney, Brisbane and Adelaide.

DWS designs, develops, manages and maintains software solutions and information technology environments for large corporate entities and government agencies. DWS' quality certified methodology focuses on the quality and timeliness of delivery, and it also has a deep client focus assisting the establishment of long-term client partnerships.

DWS has a sound market reputation in the provision of high end technical services and solutions including:

- custom software development for micro to mid range platforms;
- maintenance and customisation of large, enterprise resource and core business applications;
- designing, developing, implementing and maintaining data warehousing, reporting and business intelligence systems: and
- integration, enterprise architecture and a multitude of business to business solutions.

DWS' business model has allowed the Company to consistently grow over its 15 year history. This strong growth has been aided substantially by the execution of well structured and disciplined corporate objectives to facilitate controlled and sustainable growth.

## Operations Review

The 2007 financial year has been a year of spectacular growth and change for DWS. Financially the results in summary are:

| | 2007 $'000 | 2006 $'000 | Increase | Percentage |
|---|---|---|---|---|
| Revenue | 64,065 | 45,464 | 18,601 | 40.91 |
| EBITDA | 23,526 | 13,568 | 9,958 | 73.39 |
| Margin | 36.72% | 29.84% | - | - |
| Net profit before tax | 24,046 | 13,650 | 10,396 | 76.16 |
| Income tax | 7,299 | 4,185 | 3,114 | 74.41 |
| Net Profit after tax before equity payments | 16,747 | 9,465 | 7,282 | 76.94 |

Note: The $14.45 million equity gift and $1.7 million staff dividends have been added back to the 2006 comparative figure to ensure consistency in the comparisons.

With revenue increasing $18.6 million, a 40 per cent increase over the 2006 year, 60 per cent of this has been translated to the EBITDA line with increased EBITDA of $9.9 million. Revenue grew as the staff numbers increased as well as the financial effects of an increase in rates during the year as well as utilisation rates reaching capacity.

With 180 staffed hired during the year and 40 additional consulting staff added as a result of the acquisition of GlobalSoft Pty Ltd, DWS has finished the year with in excess of 420 staff members, a third of whom work in the Sydney office.

DWS opened the Brisbane office during the year and now has staff working in Adelaide. Eight additional staff members were hired in July to complement the existing team of five staff in the Adelaide office.

The GlobalSoft acquisition added $740,000 to the EBITDA line for the two months it was included in the reported results. The integration has been so successful that there will no longer be separate reporting for the entity with all staff now included in the Sydney office. It is a credit to the former GlobalSoft and existing Sydney staff that the integration has been completed so quickly and successfully.

As a result of the increased revenue activity net profit before income tax has increased $10.4 million, an increase of 76 per cent over the same period last year.

The net assets of the consolidated Group have increased $10.9 million from $27.7 million to $38.6 million. This increase is directly as a result of the increased profit of the Group for the 2007 financial year.

In July 2007, DWS acquired Equest Consulting Pty Ltd. Equest is a specialist project management company providing both project management consultancy and project management training. DWS is integrating this company effectively into the existing offices as well as gaining the client synergies expected from the acquisition. The financial effects of acquiring Equest will be included in the 2008 financial year.

The Directors believe the Group is in a strong and stable financial position to expand and grow its current operations.

The consolidated Group is not subject to any significant environmental regulation under the law of the Commonwealth or States.

## Dividends

### Dividends Paid During the Year

Interim fully franked ordinary dividend of 4.5 cents (2006: Nil) per share fully franked at the tax rate of 30 per cent: $5,917,501.

## Dividends Proposed

### Proposed Final Dividend

Proposed final fully franked ordinary dividend of 5.0 cents (2006: Nil) per share at the tax rate of 30 per cent: $6,602,857.

All franked dividends paid and declared by the Company since the end of the previous financial year were fully franked at 30 per cent.

## Directors' Interests

The relevant interests of each Director in the shares, rights or options over such instruments issued by the companies within the consolidated entity, as notified by the Directors to the Australian Securities Exchange in accordance with S205G(1) of the *Corporations Act 2001*, at the date of this report are as follows:

| | Ordinary Shares No. | Options Over Ordinary Shares No. |
|---|---|---|
| Harvey Parker# | 25,000 | 250,000 |
| Kenneth Barry# | 20,000 | 250,000 |
| Glen McLean | - | 150,000 |
| Danny Wallis | 54,014,937 | - |
| Glenn Fielding# | 4,385,063 | - |

# Interest held in related entities.

## Share Options

### Options Granted to Directors' and Officers of the Company

At the date of this report the Directors were granted the following options over the unissued ordinary shares of the Company:

| Grant Date | Expiry Date | Fair Value Per Option | Exercise Price | Price of Shares on Grant Date | Estimated Volatility | Risk Free Interest Rate | Dividend Yield |
|---|---|---|---|---|---|---|---|
| May 2006 | Feb 2009 | $0.125 | $1.50 | $1.00 | 50% | 5.75% | N/A |

All options expire on the earlier of their expiry date or 90 days after the retirement of the Director. These options do not entitle the holder to participate in any share issue of the Company.

There were no options converted into ordinary shares during or since the end of the financial year. Options expired and equity movements during the financial year and after balance date up to the date of this report are disclosed in detail in Note 25 of the financial report.

## Indemnification and Insurance of Officers and Auditors

During the financial year, DWS Advanced Business Solutions Limited paid a premium to insure officers of the Company and related bodies. The officers of the Company covered by the insurance policy at DWS Advanced Business Solutions Limited included the Directors and Company Secretary.

The Directors have not included the details of the nature of the liabilities covered or the amount of the premium paid in respect of the Directors' and officers' liability and legal expenses' insurance contracts, as such is prohibited under the terms of the contracts.

The liabilities insured include costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Company or a related body corporate.

## Proceedings on Behalf of Company

No person has applied for leave of a Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

## Non-audit Services

Details of the amounts paid or payable to the auditor of the Company, Grant Thornton Audit (Vic) Pty Ltd for audit services provided during the year are set out below. In addition, amounts paid to other statutory auditors for the statutory audit have been disclosed.

| | Consolidated | |
|---|---|---|
| | 2007 | 2006 |
| | $ | $ |
| **Statutory audit** | | |
| Amounts paid and payable for audit and review of financial reports of the consolidated entity | | |
| Joe Pisasale and Co | - | 15,000 |
| Grant Thornton Audit (Vic) Pty Ltd | 66,500 | 58,000 |
| | 66,500 | 73,000 |

There are no other services provided.

During the year Grant Thornton Audit (Vic) Pty Ltd, the Company's auditor and its related entities, have not performed any other services in addition to their statutory audit duties.

## Events Subsequent to Reporting Date

On 13 July 2007 DWS Advanced Business Solutions Ltd acquired Equest Consulting Pty Ltd (Equest). Equest is a specialist project management consulting company providing services to large corporate organisations. The transaction will be effective from 1 July 2007, and the purchase price was $4,500,000. The acquisition of Equest is expected to be earnings per share positive in financial year 2008.

No other matter or circumstance has arisen since 30 June 2007 that has significantly affected, or may significantly affect:

(a) the consolidated entity's operations in future financial years;

(b) the results of those operations in future financial years; and

(c) the consolidated entity's state of affairs in future financial years.

## Lead Auditor's Independence Declaration Under Section 307C of the *Corporations Act 2001*

The lead auditor's independence declaration is set out on page 31 and forms part of the Directors' report for the year ended 30 June 2007.

## Rounding Off

The Company is of a kind referred to in Class Order, 98/100 dated 10 July 1998 issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the Directors' Report and financial report. Amounts have been rounded off in the Directors' report and financial report in accordance with that Class Order to the nearest thousand dollars.

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

Harvey Parker
Director

Danny Wallis
Director

Signed at Melbourne this 7th day of September 2007.

# AUDITOR'S INDEPENDENCE DECLARATION

UNDER S307C OF THE CORPORATIONS ACT 2001

Grant Thornton

**Grant Thornton Audit (Vic) Pty Ltd**
ABN 72 493 937 506
ACN 119 223 559
**Assurance Services**

In accordance with the requirements of Section 307c of the *Corporations Act 2001*, as lead auditor for the audit of DWS Advanced Business Solutions Limited for the year ended 30 June 2007, 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 audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton Audit (Vic) Pty Ltd
Authorised Audit Company

Simon Trivett
Director

Signed at Melbourne this 6th day of September 2007.

Level 35, South Tower
Rialto Towers
525 Collins Street
Melbourne 3000 Australia
GPO Box 4369
Melbourne VIC 3001
**T +61 3 9611 6000**
**F** +61 3 9611 6666
**W www.grantthornton.com.au**

# INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2007

| | | Consolidated | | Parent Entity | |
|---|---|---|---|---|---|
| | | 2007 | 2006 | 2007 | 2006 |
| | Note | $'000 | $'000 | $'000 | $'000 |
| Revenue | 2 | 64,065 | 45,464 | 6,613 | 836 |
| | | 64,065 | 45,464 | 6,613 | 836 |
| Employee benefit expense | 3 | (36,854) | (30,196) | (31) | - |
| Occupancy expense | | (620) | (363) | - | - |
| Depreciation and amortisation expense | 3 | (177) | (96) | - | - |
| Equity grant | | - | (14,450) | - | (14,450) |
| Other expenses | | (2,368) | (2,874) | (4) | (26) |
| Profit before tax | | 24,046 | (2,515) | 6,578 | (13,640) |
| Income tax expense | 5 | (7,299) | (4,185) | (207) | (235) |
| Profit for the year | | 16,747 | (6,700) | 6,371 | (13,875) |
| Profit/(loss) attributable to minority equity interest | | - | 524 | - | - |
| Profit/(loss) attributable to members of the parent entity | | 16,747 | (7,224) | 6,371 | (13,875) |
| Overall operations | | 16,747 | (6,700) | 6,371 | (13,875) |
| | | | | | |
| Basic earnings (loss) per share | 6 | $0.13 | ($0.05) | | |
| Diluted earnings (loss) per share | 6 | $0.13 | ($0.05) | | |

*The above Statement should be read in conjunction with the accompanying notes.*

# BALANCE SHEET

AS AT 30 JUNE 2007

| | | Consolidated | | Parent Entity | |
|---|---|---|---|---|---|
| | | 2007 | 2006 | 2007 | 2006 |
| | Note | $'000 | $'000 | $'000 | $'000 |
| Current assets | | | | | |
| Cash and cash equivalents | 8 | 15,369 | 9,558 | 20 | 5,787 |
| Trade and other receivables | 9 | 16,018 | 12,824 | 13,596 | 9,399 |
| Other | 10 | 1,916 | 427 | 73 | - |
| Total current assets | | 33,303 | 22,809 | 13,689 | 15,186 |
| Non-current assets | | | | | |
| Financial assets | 11 | - | - | 11,649 | 7,441 |
| Property, plant and equipment | 12 | 1,145 | 1,020 | - | - |
| Intangible assets | 13 | 12,146 | 8,330 | - | - |
| Deferred tax assets | 5 | 1,468 | 1,539 | 623 | 830 |
| Total non-current assets | | 14,759 | 10,889 | 12,272 | 8,271 |
| Total assets | | 48,062 | 33,698 | 25,961 | 23,457 |
| Current liabilities | | | | | |
| Trade and other payables | 15 | 3,713 | 1,902 | 1,363 | 206 |
| Current tax liabilities | | 2,459 | 1,816 | - | 19 |
| Short-term provisions | 14 | 2,164 | 1,843 | - | - |
| Other | 15 | 139 | 315 | - | - |
| Total current liabilities | | 8,475 | 5,876 | 1,363 | 225 |
| Non-current liabilities | | | | | |
| Long-term provisions | 14 | 75 | 54 | - | - |
| Deferred tax liabilities | 5 | - | - | - | - |
| Other payables | 15 | 882 | - | 882 | - |
| Total non-current liabilities | | 957 | 54 | 882 | - |
| Total liabilities | | 9,432 | 5,930 | 2,245 | 225 |
| Net assets | | 38,630 | 27,768 | 23,716 | 23,232 |
| Equity | | | | | |
| Issued capital | 16 | 29,250 | 29,218 | 29,250 | 29,218 |
| Retained earnings/(accumulated losses) | | 9,380 | (1,450) | (5,534) | (5,986) |
| Total equity | | 38,630 | 27,768 | 23,716 | 23,232 |

*The above Statement should be read in conjunction with the accompanying notes.*

# CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2007

| | Note | Consolidated 2007 $'000 | Consolidated 2006 $'000 | Parent Entity 2007 $'000 | Parent Entity 2006 $'000 |
|---|---|---|---|---|---|
| Cash flows from operating activities | | | | | |
| Cash receipts in the course of operations | | 64,695 | 46,081 | - | 29 |
| Other receipts | | 12 | - | 438 | |
| Cash payments in the course of operations | | (44,823) | (36,042) | (220) | (26) |
| Income taxes paid | | (6,830) | (3,718) | (79) | (35) |
| Interest received | | 728 | 177 | 257 | 35 |
| Dividend received | | - | 44 | 5,917 | 35 |
| Net cash provided by operating activities | 23 | 13,782 | 6,542 | 6,313 | 38 |
| Cash flows from investing activities | | | | | |
| Payments for plant and equipment | | (179) | (251) | - | - |
| Amounts advanced/repaid to related parties | | - | (4,673) | (4,199) | (8,423) |
| Amounts repaid/advanced from related parties | | - | 12,948 | - | 8,213 |
| Amounts paid for subsidiaries net of cash acquired | 21 | (1,901) | (947) | (1,964) | - |
| Proceeds from disposal of investments | | 26 | 1,748 | - | 1,652 |
| Payment for investments | | - | (624) | - | (624) |
| Net cash used in investing activities | | (2,054) | 8,201 | (6,163) | 818 |
| Cash flows from financing activities | | | | | |
| Dividends paid | | (5,917) | (15,748) | (5,917) | - |
| Buy-back of minor shareholding | | - | (37) | - | - |
| Proceeds from issue of equities | | - | 8,134 | - | 8,133 |
| Share issue costs | | - | (3,208) | - | (3,208) |
| Net cash provided by financing activities | | (5,917) | (10,859) | (5,917) | 4,925 |
| Net (decrease)/increase in cash held | | 5,811 | 3,884 | (5,767) | 5,781 |
| Cash at the beginning of the financial year | | 9,558 | 5,674 | 5,787 | 6 |
| Cash at the end of the financial year | 8 | 15,369 | 9,558 | 20 | 5,787 |

*The above Statement should be read in conjunction with the accompanying notes.*

# STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2007

| | Note | Consolidated 2007 $'000 | Consolidated 2006 $'000 | Parent Entity 2007 $'000 | Parent Entity 2006 $'000 |
|---|---|---|---|---|---|
| **Share capital** | | | | | |
| **Ordinary shares** | | | | | |
| Balance at start of period | | 29,218 | - | 29,218 | - |
| Issue of share capital | | - | 31,639 | - | 31,639 |
| Share issue costs | | - | (2,421) | - | (2,421) |
| Share based payments | | 32 | - | 32 | - |
| Total share capital | 16 | 29,250 | 29,218 | 29,250 | 29,218 |
| | | | | | |
| **Retained earnings** | | | | | |
| Balance at start of period | | (1,450) | 21,998 | (5,986) | 7,889 |
| Minority interest change | | - | - | - | - |
| Share purchase of minority interest | | - | (1,000) | - | - |
| Restated balance | | (1,450) | 20,998 | (5,986) | 7,889 |
| Profit/(loss) for the period attributable to members of the parent entity | | 16,747 | (7,224) | 6,369 | (13,875) |
| Profit/(loss) for the period attributable to minority equity interest | | - | 524 | - | - |
| Total for the period | | 15,297 | 14,298 | 383 | (5,986) |
| Dividends paid | | (5,917) | (15,748) | (5,917) | - |
| Balance at end of period | | 9,380 | (1,450) | (5,534) | (5,986) |

*The above Statement should be read in conjunction with the accompanying notes.*

# NOTES TO THE FINANCIAL STATEMENTS

## 1. Summary of Significant Accounting Policies

The 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 Advanced Business Solutions Ltd (DWS) and controlled entities. DWS is a listed public company, incorporated and domiciled in Australia. The functional currency is Australian dollars unless otherwise stated.

The financial report of DWS Advanced Business Solutions Ltd and controlled entities comply with all Australian equivalents to 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.

The financial report of DWS Advanced Business Solutions Ltd and controlled entities, and DWS Advanced Business Solutions Ltd as an individual entity complies with all Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards, in their entirety. Compliance with AIFRS ensures that the financial report also complies with International Financial Reporting Standards (IFRS) in their entirety.

### 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 DWS Advanced Business Solutions Ltd has the power to control the financial and operating policies of so as to obtain benefits from its activities.

The controlled entities are DWS (NSW) Pty Ltd, Wallis Nominees (Computing) Pty Ltd and GlobalSoft Australia 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.

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 Advanced Business Solutions Ltd and its wholly-owned Australian subsidiaries have not entered into an income tax consolidated group under the tax consolidation regime. DWS Advanced Business Solutions Ltd 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.

Revenues are recognised as follows in accordance with the principal business activities:

*1. Consulting Services*

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.

*2. Interest*

Interest revenue is recognised as it accrues, taking into account the interest rates applicable to the financial assets.

*3. Sale of Non-current Assets*

The gross proceeds of non-current asset sales are included as revenue at the date control of the asset passes to the buyer, usually when an unconditional contract of sale is signed.

The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal (including incidental costs).

*4. Dividends*

Dividend revenue is recognised net of any franking credits. Revenue from distributions from controlled entities is recognised by the parent entity when they are declared by the controlled entities.

*(d) Goods and Services Tax*

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the Australian Taxation Office (ATO) is included as a current asset or liability in the balance sheet.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

*(e) Borrowing Costs*

Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with arrangement of borrowings and foreign exchange including trade creditors and lease finance charges.

Ancillary costs incurred in connection with the arrangement of borrowings are capitalised and amortised over the life of the borrowings.

*(f) Work in Progress*

Work in progress is carried at the lower of cost allocated and net realisable value and cost includes direct labour and other direct variable costs.

*(g) Leases*

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to entities in the economic entity are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a reducing balance basis over their estimated useful lives.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

*(h) Financial Instruments*

*Recognition*

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

*Financial Assets at Fair Value Through Profit and Loss*

A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or if so designated by management and within the requirements of AASB 139: *Recognition and Measurement of Financial Instruments*. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

*Loans and Receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

*Held-to-maturity Investments*

These investments have fixed maturities, and it is the Group's intention to hold these investments to maturity. Any held-to-maturity investments held by the Group are stated at amortised cost using the effective interest rate method.

*Available-for-sale Financial Assets*

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

*Financial Liabilities*

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

*Derivative Instruments*

Derivative instruments are measured at fair value. Gains and losses arising from changes in fair value are taken to the income statement unless they are designated as hedges.

*Fair Value*

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

*Impairment*

At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

### *(i) Intangibles*

*Goodwill*

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 acquisitions 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.

### *(j) 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.

### *(k) 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.

*Plant and Equipment*

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the economic entity includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

*Depreciation*

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated on a reducing balance basis over their useful lives to the economic entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used in this and the comparative period are:

| | |
|---|---|
| Plant and equipment | 10-40% |
| Motor vehicles | 18.75-25% |
| Leasehold improvements | 2.5% |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

*(l) 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.

*Equity-settled Compensation*

The Group has an employee share scheme and a Director option scheme. Employee or executive services rendered in exchange for the grant of shares and options are recognised as an expense in the income statement. The total amount to be expensed over the vesting period is determined by reference to the fair value of the shares or the options granted.

*Superannuation*

There are no persons employed by the Company or any of its subsidiaries who are members of a defined benefit superannuation plan. Contributions are recognised as an expense as they are made.

*(m) 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.

*(n) Receivables*

Trade and other receivables represent the principle amounts due at balance date plus accrued interest and less, where applicable, any unearned income and provision for doubtful debts.

*(o) Cash and Cash Equivalents*

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

*(p) Dividends*

A provision for dividends payable is recognised in the reporting period in which the dividends are declared, for the entire undistributed amount, regardless of the extent to which they will be paid in cash.

*(q) Comparative Figures*

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

*(r) Rounding of Amounts*

The parent entity has applied the relief available to it under ASIC Class Order 98/100 and accordingly, amounts in the financial report and directors' report have been rounded off to the nearest one thousand dollars.

*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 2007.

The financial report was authorised for issue on 7 September 2007 by the Board of Directors.

## 2. Revenue

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | 2007<br>$'000 | 2006<br>$'000 | 2007<br>$'000 | 2006<br>$'000 |
| Sales revenue | | | | |
| Services revenue | 63,314 | 45,141 | - | - |
| Dividends received from wholly owned subsidiaries | - | 34 | 5,917 | 26 |
| Interest received | 729 | 175 | 257 | - |
| Rental revenue | - | 30 | - | 30 |
| Other | 19 | 36 | 439 | 780 |
| Total revenue from ordinary activities | 64,062 | 45,416 | 6,613 | 836 |
| | | | | |
| Other income | | | | |
| Gain on disposal of property, plant and equipment | 3 | 8 | - | - |
| Gain on disposal of non-current investments | - | 40 | - | - |
| Total other income | 3 | 48 | - | - |
| Total revenue | 64,065 | 45,464 | 6,613 | 836 |

## 3. Profit for the Year

Profit/(loss) from ordinary activities before income tax expense has been determined after the following specific expenses:

| | | | | |
|---|---|---|---|---|
| Plant and equipment | 177 | 96 | - | - |
| | 177 | 96 | - | - |
| | | | | |
| *Employee benefit expense* | | | | |
| Employee benefits | 36,854 | 28,481 | 31 | - |
| Expense of employee shareholder dividends | - | 1,715 | - | - |
| | 36,854 | 30,196 | 31 | - |
| | | | | |
| *Accommodation costs* | | | | |
| Rental expense on operating leases – minimum lease rentals | 458 | 233 | - | - |
| | 458 | 233 | - | - |

The income statement and the statement of changes to equity for the year ended 30 June 2006 was adjusted for the minority interest share of the pre-acquisition profits prior to the reconstruction of the Company and prior to listing on the Australian Securities Exchange on 15 June 2006. The overall loss for the year was as a result of the issue of employees shares of $14,450,000 being recognised as an expense in the income statement is accordance with AASB 2.

## 4. Remuneration of Auditors

| | Consolidated | |
|---|---|---|
| | 2007<br>$ | 2006<br>$ |
| Statutory audit | | |
| Amounts paid and payable for audit and review of financial reports of the consolidated entity | | |
| | | |
| Joe Pisasale and Co | - | 15,000 |
| Grant Thornton Audit (Vic) Pty Ltd | 66,500 | 58,000 |
| | 66,500 | 73,000 |

There are no other services provided.

## 5. Income Tax

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | 2007 $'000 | 2006 $'000 | 2007 $'000 | 2006 $'000 |
| **The components of income tax expense comprise:** | | | | |
| Current tax payable | 7,206 | 4,690 | - | 28 |
| Deferred tax expense | 93 | (505) | 207 | 207 |
| | 7,299 | 4,185 | 207 | 235 |
| **Profit/loss before income tax** | 24,046 | (2,515) | 6,577 | (13,640) |
| Prima facie tax on profit from ordinary activities before income tax at 30 per cent (2005: 30 per cent) | 7,214 | (754) | 1,973 | (4,092) |
| **Increase in income tax expense due to:** | | | | |
| Non-deductible entertainment | 47 | 73 | - | - |
| Non-deductible legal fees and acquisition/divestment costs | - | 1 | - | - |
| Share based payments | 9 | 4,849 | 9 | 4,335 |
| Other items | 28 | 16 | (1,775) | (8) |
| Income tax adjusted for permanent differences | 7,299 | 4,185 | 207 | 235 |
| **Income tax expense/(benefit)** | 7,299 | 4,185 | 207 | 235 |
| Applicable weighted average effective tax rate | 30% | (166%) | 3% | (2%) |

### Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

| | Assets | | Liabilities | | Net | |
|---|---|---|---|---|---|---|
| | 2007 $'000 | 2006 $'000 | 2007 $'000 | 2006 $'000 | 2007 $'000 | 2006 $'000 |
| **Consolidated** | | | | | | |
| Employee benefits | 94 | 80 | - | - | 94 | 80 |
| Provisions | 671 | 569 | - | - | 671 | 569 |
| Revenue recognition | - | - | - | - | - | - |
| Transaction costs on equity issue | 623 | 830 | - | - | 623 | 830 |
| Other | 80 | 60 | - | - | 80 | 60 |
| Net tax (assets)/liabilities | 1,468 | 1,539 | - | - | 1,468 | 1,539 |
| **Parent** | | | | | | |
| Transaction costs on equity issue | 623 | 830 | - | - | 623 | 830 |
| Scrip for scrip rollover | - | - | - | - | - | - |
| Net tax (assets)/liabilities | 623 | 830 | - | - | 623 | 830 |

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | 2007 $'000 | 2006 $'000 | 2007 $'000 | 2006 $'000 |
| **Movements in temporary differences** | | | | |
| The overall movement in the deferred tax account is as follows: | | | | |
| Opening balance | 1,539 | (53) | - | - |
| Charge to income statement | (93) | 505 | 830 | (207) |
| Transaction costs on equity issue | - | 1,037 | (207) | 1,037 |
| Acquired on acquisition | 22 | 50 | - | - |
| | 1,468 | 1,539 | 623 | 830 |

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | 2007 $'000 | 2006 $'000 | 2007 $'000 | 2006 $'000 |
| **Deferred tax asset movement** | | | | |
| *Employee benefits* | | | | |
| Opening balance | 80 | (23) | - | - |
| Charged | 14 | 103 | - | - |
| Closing balance | 94 | 80 | - | - |
| *Provisions* | | | | |
| Opening balance | 569 | 297 | - | - |
| Charged | 102 | 272 | - | - |
| Closing balance | 671 | 569 | - | - |
| *Work in progress/prepaid income* | | | | |
| Opening balance | - | (306) | - | - |
| Charged | - | 306 | - | - |
| Closing balance | - | - | - | - |
| *Other* | | | | |
| Opening balance | 60 | (21) | - | - |
| Charged | 20 | 81 | - | - |
| Closing balance | 80 | 60 | - | - |
| *Transaction costs on equity issue* | | | | |
| Opening balance | 830 | 1,037 | 830 | 1,037 |
| Charged | (207) | (207) | (207) | (207) |
| Closing balance | 623 | 830 | 623 | 830 |
| Total closing balance | 1,468 | 1,539 | 623 | 830 |

## 6. Earnings Per Share

| | Consolidated | |
|---|---|---|
| | 2007 $'000 | 2006 $'000 |
| *Number for basic earnings per share* | | |
| Ordinary shares | 131,500,000 | 131,500,000 |
| Effect of dilutive of share options | 557,142 | - |
| Adjusted weighted average number of ordinary shares used in calculating diluted earnings | 132,057,142 | 131,500,000 |
| The number of potential ordinary shares which are not dilutive and not included in the calculation of diluted EPS | 92,858 | - |
| Basic earnings per share | $0.13 | ($0.05) |
| Diluted earnings per share | $0.13 | ($0.05) |

### Diluted Earning Per Share

The calculation of diluted earnings per share and earnings per share was based on a profit attributable to ordinary shareholders of $16,747,000 (2006: ($6,700,000)).

## 7. Segment Reporting

### Business Segments

DWS Advanced Business Solutions Limited and its controlled entities, develop, manage and implement information technology solutions. There is only one business segment based on the consolidated entity's management reporting system. The business operates within Australia.

## 8. Current Assets – Cash and Cash Equivalents

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | 2007 $'000 | 2006 $'000 | 2007 $'000 | 2006 $'000 |
| Cash at bank and on hand | 10,248 | 9,379 | 20 | 5,787 |
| Deposits at call (see Note 18) | 5,121 | 179 | - | - |
| | 15,369 | 9,558 | 20 | 5,787 |

## 9. Trade and Other Receivables

| | | | | |
|---|---|---|---|---|
| Trade receivables | 16,018 | 12,824 | - | - |
| Receivables from wholly owned subsidiaries | - | - | 13,596 | 9,399 |
| | 16,018 | 12,824 | 13,596 | 9,399 |

## 10. Current Assets – Other

| | | | | |
|---|---|---|---|---|
| Prepayments | 256 | 260 | 73 | - |
| Security deposits | 26 | 12 | - | - |
| Other Sundry | 1,634 | 155 | - | - |
| | 1,916 | 427 | 73 | - |

## 11. Non-Current Assets – Financial Assets

| | | | | |
|---|---|---|---|---|
| Opening balance of investment in controlled entities | - | - | 7,441 | - |
| Additions – GlobalSoft acquisition | - | - | 4,208 | 7,441 |
| Closing carrying value at 30 June 2007 | - | - | 11,649 | 7,441 |

## 12. Non-Current Assets – Property, Plant and Equipment

| | | | | |
|---|---|---|---|---|
| Land and buildings at cost | - | - | - | - |
| Total land and buildings | - | - | - | - |
| Plant and equipment at cost | 822 | 543 | - | - |
| Accumulated depreciation | (394) | (213) | - | - |
| Total plant and equipment | 428 | 330 | - | - |
| Motor vehicle at cost | 148 | 199 | - | - |
| Accumulated depreciation | (72) | (73) | - | - |
| Total motor vehicles | 76 | 126 | - | - |
| Leasehold improvements | 716 | 622 | - | - |
| Accumulated depreciation | (75) | (58) | - | - |
| Total leasehold improvements | 641 | 564 | - | - |
| Total property plant and equipment | 1,145 | 1,020 | - | - |

### Reconciliations

Reconciliations of the carrying amount of each class of property, plant and equipment are set out below.

| 2007 | Land and Buildings $'000 | Leasehold Improvements $'000 | Plant and Equipment $'000 | Motor Vehicles $'000 | Total $'000 |
|---|---|---|---|---|---|
| **Group entity** | | | | | |
| Balance at the beginning of year | - | 564 | 330 | 126 | 1,020 |
| Additions | - | 75 | 108 | - | 183 |
| Disposals | - | - | - | (26) | (26) |
| Additions through acquisition of subsidiary entities | - | 19 | 130 | - | 149 |
| Depreciation expense | - | (17) | (140) | (24) | (181) |
| Carrying amount at the end of year | - | 641 | 428 | 76 | 1,145 |
| **Parent entity** | | | | | |
| Balance at the beginning of year | - | - | - | - | - |
| Additions | - | - | - | - | - |
| Disposals | - | - | - | - | - |
| Carrying amount at the end of year | - | - | - | - | - |
| 2006 | | | | | |
| **Group entity** | - | - | - | - | - |
| Balance at the beginning of year | 1,652 | 353 | 125 | 104 | 2,234 |
| Additions | - | 222 | 277 | 55 | 554 |
| Disposals | (1,652) | - | (10) | (7) | (1,669) |
| Depreciation expense | - | (11) | (62) | (26) | (99) |
| Carrying amount at the end of year | - | 564 | 330 | 126 | 1,020 |
| **Parent entity** | | | | | |
| Balance at the beginning of year | 1,652 | - | - | - | 1,652 |
| Additions | - | - | - | - | - |
| Disposals | (1,652) | - | - | - | (1,652) |
| Carrying amount at the end of year | - | - | - | - | - |

## 13. Non-Current Assets – Intangibles

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | 2007 $'000 | 2006 $'000 | 2007 $'000 | 2006 $'000 |
| Opening balance | 8,330 | - | - | - |
| Capitalised stamp duty on acquisitions | 16 | - | - | - |
| Goodwill added on reconstruction (see Note 21) | 3,800 | 8,330 | - | - |
| Closing balance | 12,146 | 8,330 | - | - |

Goodwill of $8,330,000 was recognised on acquisition of subsidiaries and on the scrip for scrip rollover on the buy-back of minority interest as at 1 April 2006. Goodwill has an infinite life.

There has been no impairment of this valuation as at 30 June 2007 or subsequent to that date. Goodwill is allocated to cash generating units.

### Impairment Disclosures

The recoverable value of goodwill is based on value in use calculations based on the present value of cashflows projections over a 10 year period with the period beyond five years extrapolated using a growth rate. The cashflows discounted using the yield of 10 year government bonds at the beginning of the budget period.

## 14. Current and Non-Current Liabilities – Provisions

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | 2007 $'000 | 2006 $'000 | 2007 $'000 | 2006 $'000 |
| Balance at beginning of financial year | 1,897 | 990 | - | - |
| Provision made during the year | 342 | 907 | - | - |
| Balance at the end of the financial year (see Note 24) | 2,239 | 1,897 | - | - |
| Current liabilities-provisions | | | | |
| Employee provisions | 2,164 | 1,843 | - | - |
| Total current provisions | 2,164 | 1,843 | - | - |
| Non-current liabilities-provisions | | | | |
| Employee provisions | 75 | 54 | - | - |
| Total current and non-current provisions | 2,239 | 1,897 | - | - |

## 15. Current and Non-Current Liabilities – Other

| | Consolidated 2007 $'000 | Consolidated 2006 $'000 | Parent Entity 2007 $'000 | Parent Entity 2006 $'000 |
|---|---|---|---|---|
| Current liabilities – trade | | | | |
| Trade payables | 808 | 904 | - | - |
| Other payables | 2,905 | 998 | 1,363 | 206 |
| | 3,713 | 1,902 | 1,363 | 206 |
| Current liabilities – other | | | | |
| Unearned revenue | 139 | 315 | - | - |
| | 139 | 315 | - | - |
| Non-current liabilities – other | 882 | - | 882 | - |

## 16. Movements in Contributed Equity

| | Consolidated | |
|---|---|---|
| | 2007 $ | 2006 $ |
| Opening share capital | 29,218,913 | 79 |
| Scrip issue of minority shareholding | - | 7,439,672 |
| Issue of new shares to public | - | 8,000,000 |
| Issue of new shares to settle obligations | - | 1,750,000 |
| Issue of new shares to staff | - | 14,450,000 |
| | 29,218,913 | 31,639,751 |
| Less share issue costs | - | (2,420,838) |
| Share based payments | 31,505 | - |
| Closing share capital | 29,250,418 | 29,218,913 |
| | No. | No. |
| Numbers of shares on issue | 131,500,000 | 131,500,000 |

Ordinary shares participate in dividends and the proceeds on winding up of the entity in proportion to the numbers of shares held.

At the shareholders' meeting each shareholder is entitled to one vote for each ordinary share held when a poll is called, otherwise each shareholder has one vote on a show of hands.

The Company also has share options, see Note 25.

## 17. Dividends

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | 2007<br>$ | 2006<br>$ | 2007<br>$ | 2006<br>$ |
| **(a) Dividends Paid During the Year** | | | | |
| Dividends paid during the year to previous shareholders | - | 15,748,000 | - | - |
| Interim fully franked ordinary dividend of 4.5 cents (2006: Nil) per share fully franked at the tax rate of 30 per cent | 5,917,501 | - | 5,917,501 | - |
| **(b) Dividends Proposed** | | | | |
| Proposed final dividend | | | | |
| Proposed final fully franked ordinary dividend of 5.0 cents (2006: Nil) per share at the tax rate of 30 per cent | 6,602,857 | - | 6,602,857 | - |

| | 2007<br>$'000 | 2006<br>$'000 | 2007<br>$'000 | 2006<br>$'000 |
|---|---|---|---|---|
| **(c) Franking Credit Balance** | | | | |
| Balance of franking accounts at year end at 30 per cent available to the shareholders of DWS Advanced Business Solutions Ltd for subsequent financial years | 8,909 | 4,565 | 3,103 | 3,012 |

The franking credit amount is based on the balance of the franking account at year end. The ability to utilise the franking credits is dependent upon there being sufficient profits available to declare dividends.

The balance has not been adjusted for the proposed dividends after the balance sheet date, which has not been recognised as a liability. This amount is 2007: $1,980,877, 2006: $4,724,400.

## 18. Financial Instruments

### (a) Credit Risk Exposures

The consolidated entity has minimal exposure to credit and interest rate risk. There is no exposure to currency risk.

The credit risk on financial assets, excluding investments, of the consolidated entity, which have been recognised on the balance sheet, is at the carrying amount. The consolidated entity minimises concentrations of credit risk by undertaking transactions with a large number of clients and customers in various companies and performing due diligence procedures on major new customers.

### (b) Interest Rate Risk

The consolidated entity's current exposure to interest rate risk and the effective weighted average interest rate was for cash and cash equivalents only. The interest rate on cash and cash equivalents was for 2007: 3.45 per cent (2006: 3.4 per cent).

All other financial assets and liabilities are not exposed to interest rate risk.

### (c) Net Fair Value

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities of the consolidated entity approximates their carrying amounts as disclosed in the in the balance sheet and notes to the financial statements.

## 19. Commitments

### Operating Leases

The consolidated entity leases two business premises under operating leases. The leases run typically for a three year period with options to renew after that date. Non-cancellable operating leases rentals are payable as follows:

### Lease Commitments

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | 2007 $'000 | 2006 $'000 | 2007 $'000 | 2006 $'000 |
| Operating leases | | | | |
| Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows: | | | | |
| Within one year | 449 | 441 | - | - |
| Later than one year but not later than five years | 127 | 732 | - | - |
| Total commitments | 576 | 1,173 | - | - |

### Finance Leases

The consolidated entity has not entered into any financial leases for plant and equipment.

### Capital and Other Commitments

There are no commitments for capital expenditure as at the date of this report. The consolidated entity will however undertake a review of the financial and risk operating systems during the next financial year.

## 20. Contingent Liabilities

Details of contingent liabilities are as follows:

### Bank Guarantees

Bank guarantees of $78,564.20 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.

## 21. Acquisitions

On the 16 April 2007, DWS Advanced Business Solutions Ltd acquired GlobalSoft Australia Pty Ltd (GlobalSoft). GlobalSoft operates in Sydney, NSW, with contracts with large public companies in the Information, Communications and Technology industry.

The acquisition had the following effect on the consolidated entity's assets and liabilities.

| | Recognised Values $ |
|---|---|
| **Net assets acquired** | |
| Property plant and equipment | 149,757 |
| Cash and cash equivalents | 182,133 |
| Trade and other receivables | 1,838,103 |
| Other assets | 168,932 |
| Trade and other payables | (1,799,663) |
| Provisions | (26,449) |
| Net identifiable assets and liabilities | 512,813 |
| | |
| Goodwill on acquisition | 3,800,244 |
| | 4,313,057 |
| Consideration paid in cash | 2,313,057 |
| Consideration to be paid in cash | 2,000,000 |
| | 4,313,057 |
| **Effect on cash** | |
| Cash acquired | (167,787) |
| Consideration paid | 1,950,000 |
| Stamp duty paid on acquisition | 119,105 |
| Net cash outflow | 1,901,318 |

It is impractical to determine the consolidated revenue and net profit before tax effect of this acquisition due to the nature of the former GlobalSoft business model had the acquisition been included for the full year from 1 July 2006.

## 22. Investment in Controlled Entities

| | | | Equity Holding | |
|---|---|---|---|---|
| | Country of Incorporation | Class of Shares | 2007 % | 2006 % |
| **Name of entity** | | | | |
| Wallis Nominees (Computing) Pty Ltd | Australia | Ordinary | 100 | 100 |
| DWS (NSW) Pty Ltd | Australia | Ordinary | 100 | 100 |
| GlobalSoft Australia Pty Ltd (see Note 21) | Australia | Ordinary | 100 | - |

## 23. Reconciliation of Cashflow from Operations with Profit After Tax

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | 2007 $'000 | 2006 $'000 | 2007 $'000 | 2006 $'000 |
| Profit for the year | 16,747 | (6,700) | 6,371 | (13,875) |
| (Gain)/loss on sale or disposal of non-current assets | - | 50 | - | (36) |
| Depreciation of non-current assets | 177 | 96 | - | - |
| Equity settled share based payment | 32 | 14,450 | 32 | 14,450 |
| Increase/(decrease) in current tax liability | 2,068 | 973 | (79) | (8) |
| Increase/(decrease) in deferred tax balances | 64 | (505) | 207 | 207 |
| Changes in net assets and liabilities net of effects from acquisitions and disposal of businesses: | | | | |
| (Increase)/decrease in assets: | | | | |
| Current receivables | (2,966) | (3,310) | - | - |
| Other current assets | 111 | 157 | - | - |
| Non-current receivables | - | - | - | (700) |
| Increase/(decrease) in liabilities: | | | | |
| Current payables | (3,104) | 89 | (218) | - |
| Current provisions | 653 | 910 | - | - |
| Non-current payables | - | - | - | - |
| Non-current provisions | - | 332 | - | - |
| Net cashflow from operating activities | 13,782 | 6,542 | 6,313 | 38 |

## 24. Employee Benefits

| | 2007 $'000 | 2006 $'000 | 2007 $'000 | 2006 $'000 |
|---|---|---|---|---|
| Employee entitlement liabilities | | | | |
| Provision for employee entitlements – current | 2,164 | 1,857 | - | - |
| Provision for employee entitlements – non-current | 75 | 40 | - | - |
| Aggregate employee entitlement liabilities | 2,239 | 1,897 | - | - |
| Employee numbers | No. | No. | No. | No. |
| Number of employees at reporting date | 419 | 357 | - | - |

### Superannuation

All employees in the consolidated entity are members of accumulation funds of their choice and there are no employees who are members of defined benefit superannuation schemes.

## 25. Key Management Personnel

### Details of Key Management Personnel

*Directors*

| | |
|---|---|
| Harvey Parker | Non-Executive Chairman |
| Ken Barry | Non-Executive Director |
| Glen Mclean | Non-Executive Director |
| Danny Wallis | Executive Director, Chief Executive Officer |
| Glenn Fielding | Executive Director, Managing Director |

*Executives*

| | |
|---|---|
| Vivian Clark | Chief Financial Officer and Company Secretary |

*Compensation by Category*

| | Consolidated 2007 $ | 2006 $ |
|---|---|---|
| Short-term employee benefits | 918,234 | 330,485 |
| Short-term cash benefits | 165,000 | - |
| Retirement benefits | 133,303 | 43,597 |
| Equity compensation | 30,261 | 1,243 |
| | 1,246,798 | 375,325 |

There are no other compensation benefits paid.

Information and disclosures of Directors' and Executive's compensation and some equity instrument disclosures as permitted by Corporations Regulations 2M.3.03 and 2M.6.04 are included in the remuneration report on pages 20 to 24.

*Equity Instruments*

All options refer to options over ordinary shares in DWS Advanced Business Solutions Limited.

*Options and Rights Over Equity Instruments Granted as Remuneration and Option Holdings*

| | Held at 30 June 2006 | Options Granted | Option Exercised | Held at 30 June 2007 |
|---|---|---|---|---|
| Harvey Parker | 250,000 | - | - | 250,000 |
| Ken Barry | 250,000 | - | - | 250,000 |
| Glen McLean | 150,000 | - | - | 150,000 |
| | 650,000 | - | - | 650,000 |

There were no movements during the reporting period over options held in DWS Advanced Business Solutions Ltd.

*Exercise of Options Granted as Remuneration*

There were no options exercised by Directors or executives during the period.

*Equity Holding and Transactions*

The movement during the reporting period in the number of ordinary shares of DWS Advanced Business Solutions Limited held, directly, indirectly or beneficially, by each specified Director and executive, including their personally related entities is as follows:

| | Held at 30 June 2006 | Purchases/ (Disposals) | Held at 30 June 2007 |
|---|---|---|---|
| **Specified Directors** | | | |
| Harvey Parker | 25,000# | - | 25,000 |
| Ken Barry | 20,000# | - | 20,000 |
| Glen McLean | - | - | - |
| Danny Wallis | 54,014,937 | - | 54,014,937 |
| Glenn Fielding | 4,385,063 | - | 4,385,063 |
| **Specified Executives** | | | |
| Vivian Clark | - | - | - |

# Held indirectly through a related entity.

*Loans and Other Transactions with Specified Directors and Specified Executives*

*Loans*

There were no loans to or from specified Directors or specified Executives as of reporting date.

*Other Transactions with the Company or its Controlled Entities*

There were no other transactions with specified Directors or specified Executives as of reporting date apart from:

- leasing of the Melbourne Office premises from an entity owned by Mr Danny Wallis. The yearly rental of the premises is $156,000. The lease is at arms length with commercial lease term of three years with two three year options. The lease allows for increases of 4 per cent in rent on the yearly anniversary of the lease which commenced on 1 April 2006.

## 26. Non-Director Related Parties

The classes of Non-Director related parties are:

- Controlling entity of the Company
- Wholly-owned controlled entities
- Partly-owned controlled entities
- Commonly controlled entities
- Associated companies
- Joint venture entities
- Directors of related parties and their Director-related entities.

The wholly-owned Group consists of DWS Advanced Business Solutions Limited and its controlled entities as set out in Note 22. The ultimate parent entity in the owned Group is DWS Advanced Business Solutions Limited.

All transactions with Non-Director related parties are on normal terms and conditions. These transactions consisted of loans advanced by and repaid to DWS Advanced Business Solutions Limited for the provision of services on normal commercial terms and conditions and at market rates. There are no fixed terms for the repayment of principal and the loans are at call.

Parent entity aggregate amounts receivable from and payable to subsidiaries at balance date are set out in Note 9.

## 27. Events Occurring After Balance Date

On 13 July 2007 DWS Advanced Business Solutions Ltd acquired Equest Consulting Pty Ltd (Equest). Equest is a specialist project management consulting company providing services to large corporate organisations. The transaction was effective from 1 July 2007, and the purchase price was $4,500,000 to acquire 100 per cent of the shares in the entity. The acquisition of Equest is expected to be earnings per share positive in financial year 2008. Settlement of the transaction included the issue of 675,675 ordinary shares, representing 0.5 per cent of the issued capital of DWS Advanced Business Solutions Ltd and cash of $2,750,000.

No matter or circumstance has arisen since 30 June 2007 that has significantly affected, or may significantly affect:

(a) the consolidated entity’s operations in future financial years;

(b) the results of those operations in future financial years; and

(c) the consolidated entity’s state of affairs in future financial years.

## 27. Change in Accounting Policy

| AASB Amendment | Standards Affected | | Outline of Amendment | Application Date of Standard | Application Date for Company |
|---|---|---|---|---|---|
| AASB 2005-10 Amendments to Australian Accounting Standards | AASB 1 | First time adoption of AIFRS | The disclosure requirements of AASB 132: Financial Instruments: Disclosure and Presentation have been replaced due to the issuing of AASB 7: Financial Instruments: Disclosures in August 2005. These amendments will involve changes to financial instrument disclosures within the financial report. However, there will be no direct impact on amounts included in the financial report as it is a disclosure standard. | 1 Jan 2007 | 1 July 2007 |
| | AASB 101 | Presentation of Financial Statements | | | |
| | AASB 114 | Segment Reporting | | | |
| | AASB 117 | Leases | | | |
| | AASB 139 | Financial Instruments: Recognition and Measurement | | | |
| AASB 7 Financial Instruments: Disclosure | AASB 132 | Financial Instruments: Disclosures and Presentation | As above. | 1 Jan 2007 | 1 July 2007 |
| AASB 8 Operating Segments | AASB 8 | Operating Segments | Change implies that the segment figures are tailored towards the chief operating decision maker. | 1 Jan 2009 | 1 July 2009 |
| AASB 101 Presentation of Financial Statements | AASB 101 | Presentation of Financial Statements (Amended) | Increase in disclosures relating to the entity's objectives, policies and processes for managing capital (narration only). | 1 Jan 2007 | 1 July 2007 |
| AASB 123 Borrowing Costs | AASB 123 | Borrowing Costs (Amended) | All borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset now have to be captialised and the option of expensing the borrowing costs has been removed. | 1 Jan 2009 | 1 July 2009 |
| AASB 2007-4 Amendments to Australian Accounting Standards | AASB 1 | First-time Adoption of Australian Equivalents to International Financial Reporting Standards | These amendments arise as a result of the AASB decision that, in principle, all options that currently exist under IFRSs should be included in the Australian equivalents to IFRSs and additional Australian disclosures. | 1 July 2007 | 1 July 2007 |
| | AASB 2 | Share-based Payment | | | |
| | AASB 3 | Business Combinations | | | |
| | AASB 4 | Insurance Contracts | | | |
| | AASB 5 | Non–current Assets Held for Sale and Discontinued Operations | | | |
| | AASB 6 | Exploration for and Evaluation of Mineral Resources | | | |
| | AASB 7 | Financial Instruments: Disclosures | | | |
| | AASB 102 | Inventories | | | |
| | AASB 107 | Cash Flow Statements | | | |

| AASB Amendment | Standards Affected | | Outline of Amendment | Application Date of Standard | Application Date for Company |
|---|---|---|---|---|---|
| | AASB 108 | Accounting Policies, Changes in Accounting Estimates and Errors | | | |
| | AASB 110 | Events after the Balance Sheet Date | | | |
| | AASB 112 | Income Taxes | | | |
| | AASB 114 | Segment Reporting | | | |
| | AASB 116 | Property, Plant and Equipment | | | |
| | AASB 117 | Leases | | | |
| | AASB 118 | Revenue | | | |
| | AASB 119 | Employee Benefits | | | |
| | AASB 120 | Accounting for Government Grants and Disclosure of Government Assistance | | | |
| | AASB 121 | The Effects of Changes in Foreign Exchange Rates | | | |
| | AASB 127 | Consolidated and Separate Financial Statements | | | |
| | AASB 128 | Investments in Associates | | | |
| | AASB 129 | Financial Reporting in Hyperinflationary Economies | | | |
| | AASB 130 | Disclosures in the Financial Statements of Banks and Similar Financial Institutions | | | |
| | AASB 131 | Interests in Joint Ventures | | | |
| | AASB 132 | Financial Instruments: Presentation | | | |
| | AASB 133 | Earnings per Share | | | |
| | AASB 134 | Interim Financial Reporting | | | |
| | AASB 136 | Impairment of Assets | | | |
| | AASB 137 | Provisions, Contingent Liabilities and Contingent Assets | | | |
| | AASB 139 | Financial Instruments: Recognition and Measurement | | | |
| | AASB 141 | Agriculture | | | |
| | AASB 1023 | General Insurance Contracts | | | |
| | AASB 1038 | Life Insurance Contracts | | | |

# DIRECTORS' DECLARATION

(1) In the opinion of the Directors of DWS Advanced Business Solutions Limited ("the Company"):

  (a) the financial statements and notes, set out on pages 32 to 55 are in accordance with the *Corporations Act 2001*, including:

    (i) giving a true and fair view of the financial position of the Company and consolidated entity as at 30 June 2007 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date;

    (ii) complying with Accounting Standards in Australia 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.

(2) There are reasonable grounds to believe that the Company and the controlled entities identified in Note 22 will be able to meet any obligations or liabilities to which they are or may become subject.

(3) The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer for the year ended 30 June 2007.

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

| | |
|---|---|
| Harvey Parker<br>Director | Danny Wallis<br>Director |

Signed at Melbourne this 7th day of September 2007.

# INDEPENDENT AUDIT REPORT

TO THE MEMBERS OF DWS ADVANCED BUSINESS SOLUTIONS LIMITED AND ITS CONTROLLED ENTITIES

Grant Thornton

**Grant Thornton Audit (Vic) Pty Ltd**
ABN 72 493 937 506
ACN 119 223 559
**Assurance Services**

## Report on the Financial Report

We have audited the accompanying financial report of DWS Advanced Business Solutions Limited, which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the Directors' declaration of the Consolidated Entity comprising the Company and the Entities it controlled at the years end or from time to time during the financial year.

## Directors' Responsibility for the Financial Report

The Directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1 the Directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

The Directors also are responsible for preparation and presentation of the remuneration disclosures contained in the Directors' report in accordance with the *Corporations Regulations 2001*.

## Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards, which require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance as to whether the financial report is free of material misstatement and that the remuneration disclosures in the Directors' report comply with Accounting Standard AASB 124.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Entity's preparation and fair presentation of the financial report in order to design audit procedures that are

Level 35, South Tower
Rialto Towers
525 Collins Street
Melbourne 3000 Australia
GPO Box 4369
Melbourne VIC 3001
**T +61 3 9611 6000**
**F** +61 3 9611 6666
**W www.grantthornton.com.au**

Grant Thornton

appropriate in the circumstance, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Independence

In conducting our audit, we complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the Directors of DWS Advanced Business Solutions Limited on 6 September 2007, would be in the same terms if provided to the Directors as at the date of this Auditor's Report.

## Auditor's opinion

In our opinion:

(a) the financial report of DWS Advanced Business Solutions Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Company's and Consolidated Entity's financial position as at 30 June 2007 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1; and

(c) the remuneration disclosures that are contained in the Directors' report comply with Accounting Standard AASB 124.

Grant Thornton Audit (Vic) Pty Ltd
Authorised Audit Company

Simon Trivett
Director

Signed at Melbourne this 7th day of September 2007.

# SHAREHOLDER INFORMATION

## Range of Shares as at 27 August 2007

| | Top Holders | Units | % Issued Capital |
|---|---|---|---|
| 1-1000 | 200 | 129,510 | 0.10% |
| 1001-5,000 | 925 | 3,003,637 | 2.27% |
| 5,001-10,000 | 531 | 4,352,024 | 3.29% |
| 10,001-100,000 | 584 | 17,403,387 | 13.17% |
| 100,001-131,500,000 | 80 | 107,287,117 | 81.17% |
| | 2,320 | 132,175,675 | 100% |

## Unmarketable Parcels as at 27 August 2007

| | Minimum Parcel Size | Holders | Units |
|---|---|---|---|
| Minimum $500.00 at $2.59 per unit | 193 | 8 | 589 |

## Twenty Largest Shareholders as at 27 August 2007

| | Name | Number of Ordinary Shares Held | % of Issued Shares |
|---|---|---|---|
| 1 | Mr Danny Wallis | 54,014,937 | 40.87 |
| 2 | National Nominees Limited | 5,249,041 | 3.97 |
| 3 | HSBC Custody Nominees | 5,121,645 | 3.87 |
| 4 | Fielding Johnstone Pty Ltd | 4,385,063 | 3.32 |
| 5 | JP Morgan Nominees | 4,141,699 | 3.13 |
| 6 | Cogent Nominees Pty Ltd | 2,678,014 | 2.03 |
| 7 | Aust Executor Trustees NSW Ltd | 2,241,843 | 1.70 |
| 8 | Brispot Nominees Pty Ltd | 2,201,288 | 1.67 |
| 9 | UBS Nominees Pty Ltd | 2,025,381 | 1.53 |
| 10 | Thorney Investments | 1,827,478 | 1.38 |
| 11 | Mr Stephen Williams | 1,325,250 | 1.00 |
| 12 | INVIA Custodian Pty Ltd | 1,321,500 | 1.00 |
| 13 | RBC Dexia Investor Services Australia Pty Ltd | 988,232 | 0.75 |
| 14 | Mr Jim Agelopoulos | 888,899 | 0.67 |
| 15 | UBS Wealth Management Australian Pty Ltd | 810,465 | 0.61 |
| 16 | Mr John Ornsby | 764,601 | 0.58 |
| 17 | ANZ Nominees Limited | 748,479 | 0.57 |
| 18 | Mr Warren Ritchie | 740,050 | 0.56 |
| 19 | Mr Glenn Mafodda | 683,318 | 0.52 |
| 20 | Mr Andrew Dominko | 618,987 | 0.47 |
| | | 92,776,170 | 70.20 |

# CORPORATE DIRECTORY

## Registered Office/Head Office (Melbourne)

DWS Advanced Business Solutions Limited
Level 22, 15 Collins Street
Melbourne Victoria 3000
Australia
Telephone +61 3 9650 9777
Facsimile +61 3 9650 9444
Website www.dws.com.au

Sydney Office
Level 21, 8-20 Napier Street
North Sydney, New South Wales 2060
Australia
Telephone +61 2 9448 7300
Facsimile +61 2 9475 0417

Brisbane Office
Level 4, 320 Adelaide Street
Brisbane Queensland 4000
Australia
Telephone +61 7 3221 2404
Facsimile +61 3 9650 9444

## Share Registry

Computershare
Yarra Falls
452 Johnston Street
Abbotsford Victoria 3067
Australia
Telephone +61 3 9415 5000

## Lawyers

Gadens Lawyers
Level 25, Burke Place
600 Burke Street
Melbourne Victoria 3000
Australia
Telephone +61 3 9252 9555

## Auditors

Grant Thornton Audit (Vic) Pty Ltd
Level 35, South Tower
Rialto Towers
525 Collins Street
Melbourne Victoria 3000
Australia
Telephone +61 3 9611 6611

## Company Secretary

Vivian Clark

Designed and produced by MDM Design Associates