DWS Limited
ACN 085 656 088

Company Announcement

2020 Full Year Financial Results

DWS Limited (DWS) announces the following results and highlights for the year ended 30 June 2020.

- **Revenue from continuing operations of $167.95M (up $4.45M or 3% on pcp);**
- **Underlying EBITDA of $28.48M (up $2.0M or 8% on pcp);**
- **Underlying NPAT of $17.4M (up $0.58M or 3% on pcp;**
- **Reported NPAT of $7.51M (down $2.79M or 27% on pcp);**
  - **FY20 Reported NPAT includes the after-tax impact of $8.7M of costs relating to the acquisition of Projects Assured and Object Consulting, $0.4M net cost of restructuring due to COVID-19 (after offsetting pre-tax JobKeeper payments of $0.4M received by Symplicit) and a $0.7M loss from DWS's joint venture, Site Supervisor**
- **Operating cash flow (before interest and tax and adjusting for leases) of $32.0M, which is 156.6% of Reported EBITDA and 112.5% of Underlying EBITDA;**
- **Final fully franked dividend of 3.0 cents per ordinary share declared (4.0 cents per share pcp):**
  - **Record Date** **4 September 2020**
  - **Expected Payment Date** **2 October 2020**
- **Billable consultant capacity continues to be managed to match client demand. Total billable consultants as at 30 June 2020: 720 (June 2019: 751);**
- **Strong performance from Projects Assured.**

	2020 $000's	2019 $000's	Change $000's	Change %
Revenue from continuing operations	**167,948**	163,496	4,452	2.7%
Other income (excl. Interest)	**755**	633	122	19.3%
Employee benefits expense	**(135,536)**	(135,754)	218	0.2%
Selling, general & admin expense	**(4,687)**	(1,940)	(2,747)	(141.6%)
Underlying EBITDA	**28,480**	26,435	2,045	7.7%
Underlying EBITDA %	***17%***	*16%*		
Acquisition costs	**(8,019)**	(4,520)	(3,499)	(77.4%)
EBITDA	**20,461**	21,915	(1,454)	(6.6%)
Depreciation, amortisation & impairment	**(3,797)**	(1,943)	(1,854)	(95.4%)
Net interest (expense)/income	**(2,234)**	(3,008)	774	25.7%
Capitalised product development	**129**	236	(107)	(45.3%)
Share of loss from equity accounted investments	**(701)**	(813)	112	(13.8%)
Profit before tax	**13,858**	16,387	(2,529)	(15.4%)
Income tax expense	**(6,348)**	(6,089)	(259)	(4.3%)
Net profit after tax	**7,510**	10,298	(2,788)	(27.1%)

Key drivers of the financial results are:

- Trading conditions impacted by COVID-19;
- Lower than expected demand in the Banking & Finance, IT&C and Transport sectors offset by an increase in demand in the Government and Defence sector;
- Total consulting staff numbers decreased to 720 (751 in pcp) due to lower than expected demand in DWS traditional services and underperformance of the Symplicit business offset by an increase in headcount in Projects Assured;
- Utilisation of staff was lower during the period as consultant numbers were adjusted to match the lower than expected client demand in DWS traditional services as a result of COVID-19 impacted trading conditions and due to a one-off mandatory leave initiative implemented at short notice by a key client during the year;
- Strong cost management across the DWS Group resulted in a 17% underlying EBITDA margin (16% pcp).

During the period, DWS has acted quickly to adapt to the COVID-19 impacted trading conditions and used its strong cash flow to fund the acquisition of the Object Consulting business, to pay acquisition costs for Projects Assured and to continue to fund ongoing investment in DWS's core service offerings. Despite the higher than usual cash outlays during the period, DWS's performance and strong cash flow has enabled the Board of Directors to declare a fully franked final dividend of 3.0 cents per share for FY20 making DWS one of the ASX listed companies continuing to pay dividends despite COVID-19 affected trading conditions.

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

"Despite the impact of COVID-19 on trading conditions, the actions taken by the DWS Executive and management has led to growth in underlying EBITDA and underlying NPAT. This coupled with continued strong cash generation has meant that the DWS Limited Group is in a relatively strong position and well placed to benefit when trading conditions improve."

For further information, contact:

Danny Wallis (Chief Executive Officer and Managing Director)

or

Stuart Whipp (Chief Financial Officer and Company Secretary)

Phone (03) 9650 9777

About DWS

DWS Limited (DWS) is a professional services company which provides information technology consulting services to large corporate entities and Australian Government agencies. DWS listed on the Australian Securities Exchange on 15th June 2006. ASX code 'DWS'. DWS currently employs over 750 staff and contractors and has offices in Melbourne, Sydney, Brisbane, Adelaide and Canberra. More information can be obtained at our website http://www.dws.com.au, or by contacting our head office in Melbourne on (03) 9650 9777.

Appendix 4E

30 June 2020
DWS Limited

DWS
Excellence

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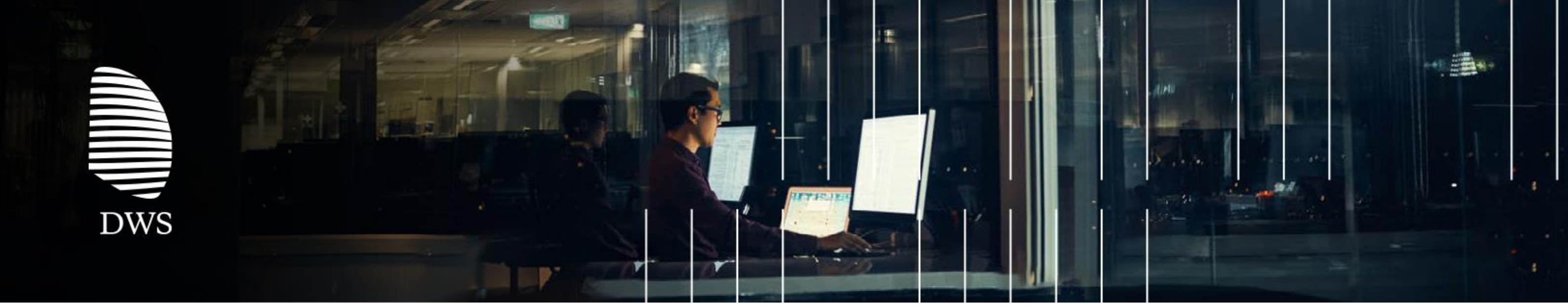


DWS Limited

Appendix 4E and Preliminary Final Report

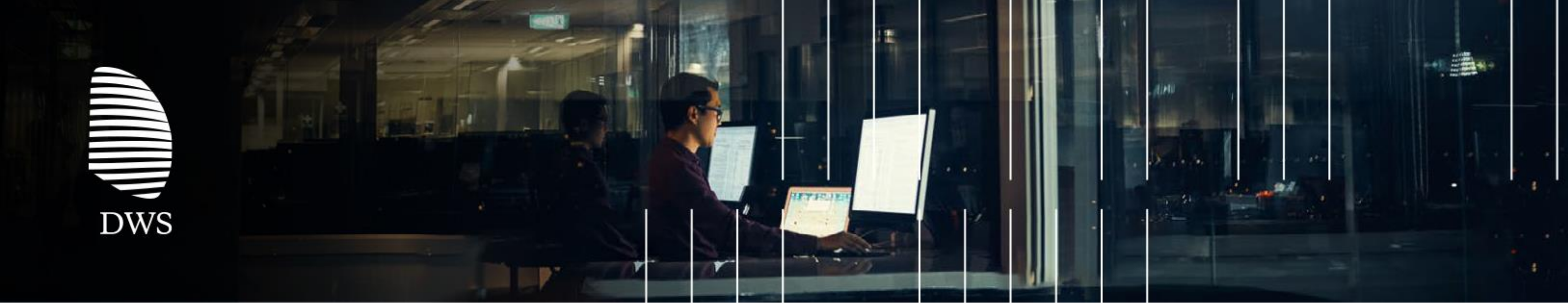
For year ended 30 June 2020

[Based on accounts that are currently being audited]

	2020 $'000	2019 $'000		**Change $'000**	**% Change**
Revenue from continuing operations	**167,948**	163,496	up	**4,452**	2.7%
Total comprehensive income for the year	**7,510**	10,298	down	**(2,788)**	(27.1%)

Dividends (distributions)	**Amount per security**	**Amount per security**	**Record Date for dividend entitlement**
Dividends paid during the financial year	**3.00 cents**	4.00 cents	13 March 2020
Dividend declared subsequent to financial year end	**3.00 cents**	4.00 cents	4 September 2020

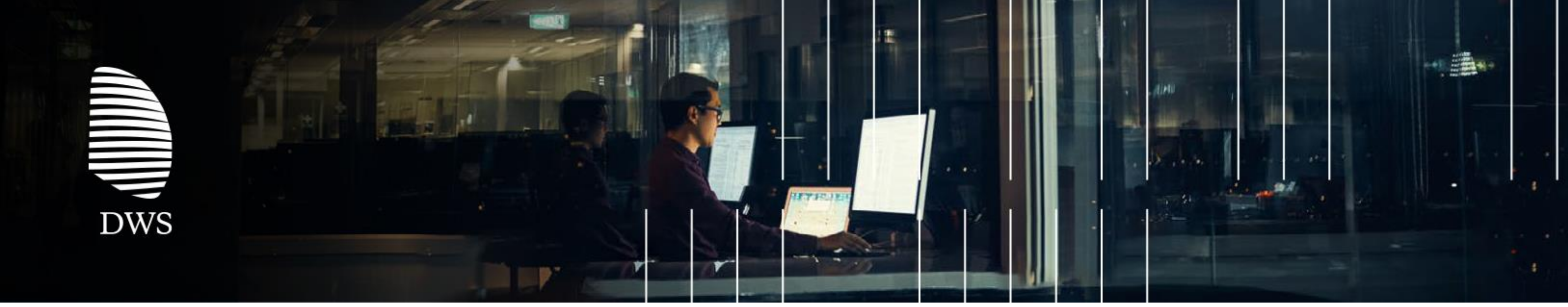
	2020	2019
Net tangible asset backing per ordinary security	**(31) cents**	(23) cents
Earnings per share	**5.7 cents**	7.8 cents



Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2020

	Notes	Consolidated 2020 $'000	2019 $'000
Revenue from continuing operations	2	**167,948**	163,496
Other income	2	**807**	719
Employee benefit expense		**(143,426)**	(135,518)
Depreciation and amortisation expense		**(3,797)**	(1,943)
Other expenses		**(4,687)**	(6,460)
Financing expenses		**(2,286)**	(3,094)
Share of loss from equity accounted investments		**(701)**	(813)
Profit before tax		**13,858**	16,387
Income tax expense	3	**(6,348)**	(6,089)
Profit from continuing operations		**7,510**	10,298
Profit for the year		**7,510**	10,298
Other comprehensive income		**-**	-
Total comprehensive income for the year		**7,510**	10,298

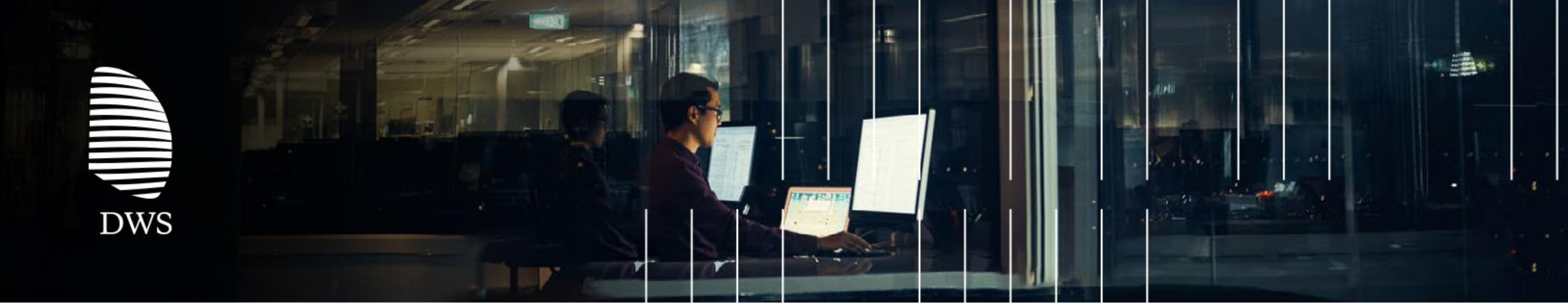
The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes



Consolidated Statement of Financial Position
As at 30 June 2020

	Notes	Consolidated 2020 $'000	2019 $'000
Current Assets			
Cash and cash equivalents		**14,358**	8,880
Trade and other receivables		**24,254**	30,575
Other		**686**	1,133
Total Current Assets		**39,298**	40,588
Non-Current Assets			
Property, plant and equipment		**2,609**	2,701
Right-of-use asset		**5,425**	-
Intangible assets		**98,859**	96,995
Investment in associates		**-**	187
Other financial assets		**512**	-
Deferred tax assets	3	**5,299**	3,673
Total Non-Current Assets		**112,704**	103,556
Total Assets		**152,002**	144,144
Current Liabilities			
Trade and other payables		**20,900**	17,150
Current tax liabilities		**3,083**	3,270
Provisions		**8,541**	7,261
Lease liabilities		**1,404**	-
Contract liabilities		**2,717**	2,472
Total Current Liabilities		**36,645**	30,153
Non-Current Liabilities			
Interest bearing liability		**39,000**	42,000
Lease liabilities		**4,448**	-
Long term provisions		**3,049**	1,413
Total Non-Current Liabilities		**46,497**	43,413
Total Liabilities		**83,142**	73,566
Net Assets		**68,860**	70,578
Equity			
Issued Capital		**34,187**	34,187
Retained Earnings		**34,673**	36,391
Total Equity		**68,860**	70,578

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes



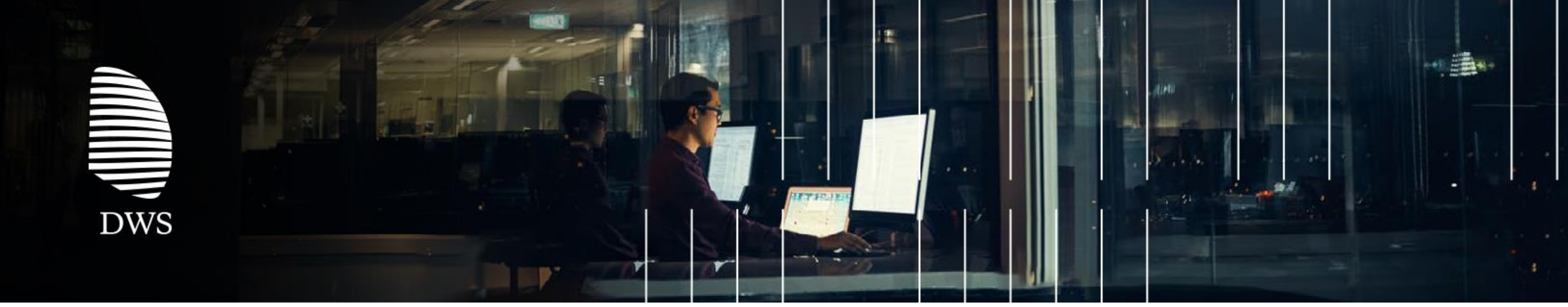
Consolidated Statement of Changes in Equity
For the year ended 30 June 2020

	Share Capital $'000	Retained Earnings $'000	Total Equity $'000
Balance at 1 July 2019	**34,187**	**36,391**	**70,578**
Dividends paid	**-**	**(9,228)**	**(9,228)**
Total transactions with owners	**-**	**(9,228)**	**(9,228)**
Total comprehensive income	**-**	**7,510**	**7,510**
Total at 30 June 2020	**34,187**	**34,673**	**68,860**
Balance at 1 July 2018	34,187	37,958	72,145
Dividends paid	-	(11,865)	(11,865)
Total transactions with owners	-	(11,865)	(11,865)
Total comprehensive income	-	10,298	10,298
Total at 30 June 2019	34,187	36,391	70,578

Number of shares on issue	**2020**	2019
Fully paid ordinary shares with no par value	**131,831,328**	131,831,328

	Consolidated
Movement in shares on issue	
Ordinary shares on issue at 1 July 2019	**131,831,328**
Changes to number of shares on issue during the reporting period	-
Ordinary shares on issue at 30 June 2020	**131,831,328**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes



Consolidated Statement of Cash Flows
For the year ended 30 June 2020

	Notes	Consolidated 2020 $'000	2019 $'000
Cash flows from operating activities			
Cash receipts from customers		**192,855**	175,978
Cash payments to suppliers and employees		**(159,214)**	(152,951)
Income taxes paid		**(7,922)**	(6,320)
Interest received		**52**	86
Interest and financing expenses		**(1,792)**	(1,816)
Net cash provided by operating activities		**23,979**	14,977
Cash flows from investing activities			
Payments for plant and equipment		**(202)**	(911)
Payments for intangibles		**(129)**	(236)
Payments for acquisitions		**(3,318)**	(33,000)
Cash acquired within business acquisitions		**-**	787
Payment for investment in associate		**(1,025)**	(1,000)
Net cash used in investing activities		**(4,674)**	(34,360)
Cash flows from financing activities			
Dividends paid		**(9,228)**	(11,865)
Payment of principal portion of lease liabilities		**(1,401)**	-
Payment of interest portion of lease liabilities		**(198)**	-
Repayment of external financing		**(9,000)**	(5,000)
Receipt of external financing		**6,000**	37,000
Net cash provided by and used in financing activities		**(13,827)**	20,135
Net (decrease) / increase in cash and cash equivalents held		**5,478**	752
Cash at the beginning of the financial year		**8,880**	8,128
Cash at the end of the financial year		**14,358**	8,880

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

Notes to the Preliminary Consolidated Financial Report
For the year ended 30 June 2020

Note 1 Summary of Significant Accounting Policies

This preliminary consolidated financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The financial report covers the consolidated group of DWS Limited (DWS) and its controlled entities (the Group). DWS is a listed public company, incorporated and domiciled in Australia.

The financial report of DWS and its controlled entities complies with all International Financial Reporting Standards (IFRS) in their entirety.

The accounting policies applied by the Group in the preliminary consolidated financial report are the same as those applied by the Group in its consolidated financial report for the year ended 30 June 2019, except as described below. Note that the changes in accounting policies specified below only apply to the current period.

Basis of preparation

The accounting policies set out below have been consistently applied to all years presented unless otherwise stated.

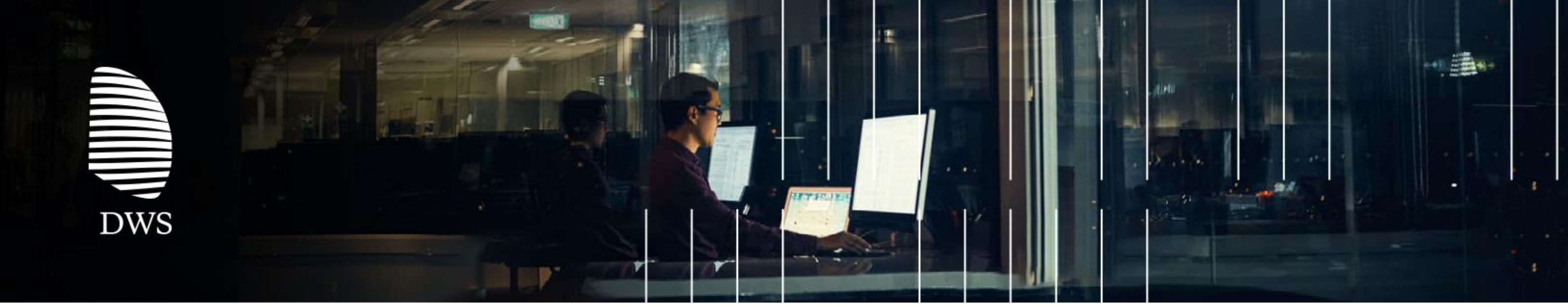
Reporting basis and conventions

The consolidated 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.

New accounting standards adopted as at 1 July 2019

AASB 16 *Leases* and AASB Interpretation 23 *Uncertainty over Income Tax Treatments* became effective for periods beginning on or after 1 January 2019. Accordingly, the Group applied AASB 16 and AASB Interpretation 23 for the first time to the period ended 30 June 2020. There have been no significant changes to the Group's financial performance and position as a result of the adoption of the new and amended accounting standards and interpretations effective for annual reporting periods beginning on or after 1 January 2019. Changes to the Group's accounting policies arising from these standards are summarised below.

AASB 16 has been applied as at 1 July 2019 using the modified retrospective approach. Under this method, the cumulative effect of initial application has been recognised as an adjustment to the opening balance of retained earnings at 1 July 2019 and comparatives are not restated. When adopting AASB Interpretation 23, the Group has applied the Interpretation retrospectively with the cumulative effect of initially applying the interpretation recognised at the date of initial application as an adjustment to the opening balance of retained earnings at 1 July 2019 and comparatives are not restated.



Note 1 Summary of Significant Accounting Policies (cont.)

Further information relating to AASB 16 and AASB Interpretation 23 is provided below.

AASB 16 *Leases*

AASB 16 *Leases* replaces AASB 117 *Leases* and some related interpretations. It:

- Requires all leases to be accounted 'on-balance sheet' by lessees, other than short-term and low value asset leases; and
- Provides guidance on the application of the definition of lease and on sale and lease back accounting and requires new and different disclosures about leases.

The initial application of AASB 16 resulted in the Group recognising a right-of-use asset of $5.85 million and related lease liability recorded of $5.85 million which represents the present future value of payments on the Group's lease commitments except for those identified as low-value or having a remaining lease term of less than 12 months from the date of initial application.

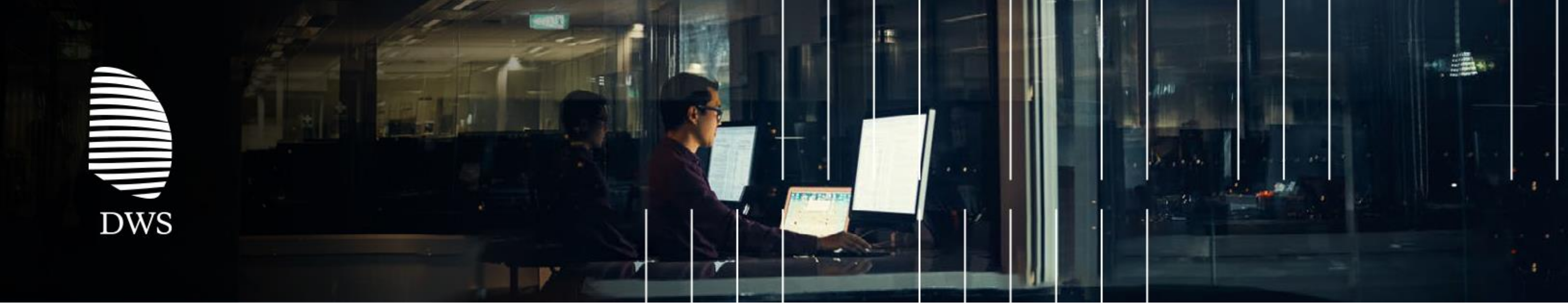
The impact to the Consolidated Statement of Profit or Loss and Other Comprehensive Income in the results for the period ended 30 June 2020 are an increase in depreciation of the right-of-use assets of $1.6 million. The depreciation of right-of-use assets is materially consistent to the expected occupancy expense recorded under AASB 117.

On transition to AASB 16 the weighted average incremental borrowing rate applied to lease liabilities recognised under AASB 16 was 3.1705%.

AASB 16 has been applied using the modified retrospective approach. Under this method, the cumulative effect of initial application has been recognised as an adjustment to the opening balance of retained earnings at 1 July 2019 and comparatives are not restated.

The following is a reconciliation of total operating lease commitments at 30 June 2019 (as disclosed in the financial statements to 30 June 2019) to the lease liabilities recognised at 1 July 2019.

	$'000
Total operating lease commitments disclosed at 30 June 2019	**6,360**
Recognition exemptions:	
Leases of low value assets	-
Leases with remaining lease term of less than 12 Months	-
Operating lease liabilities before discounting	**6,360**
Discounted using incremental borrowing rate	(515)
Total lease liabilities recognised under AASB 16 at 1 July 2019	**5,845**



Note 1 Summary of Significant Accounting Policies (cont.)

The Group as a lessee

For any new contracts entered into on or after 1 January 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Group assesses whether the contract meets three key evaluations which are:

- The contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- The Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- The Group has the right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, and initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

Right-of-use assets are depreciated on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

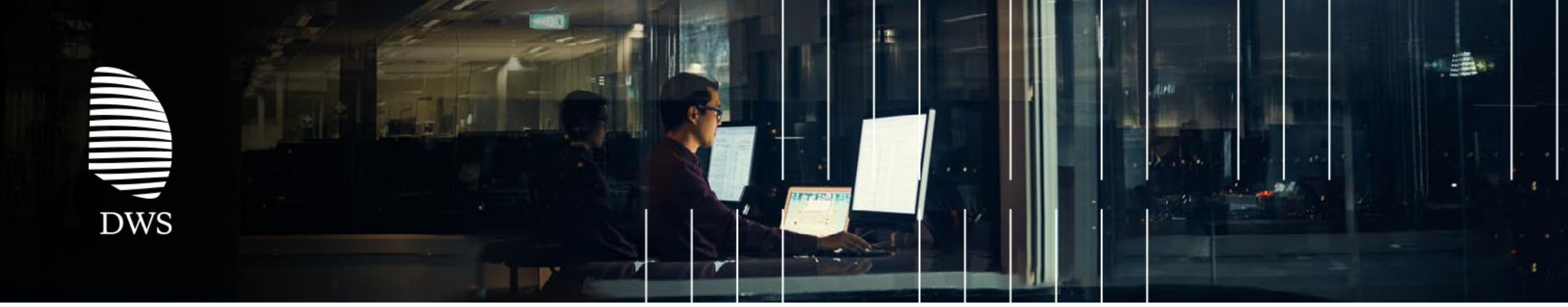
At the commencement date, the Group measures the lease liability at the preset value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or alternatively the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to the initial measurement, the liability will be reduced for payments made and increased for interest. It is measured to reflect any reassessment or modification, or if there are changes to in-substance fixed payments.

When the lease liability is reassessed, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use-asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients method. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in the profit or loss on a straight-line basis over the lease term.



Note 1 Summary of Significant Accounting Policies (cont.)

The Group has benefited from the use of hindsight for determining the lease term when considering options to extend and terminate leases.

In the Consolidated Statement of Financial Position, right-of-use assets have been presented separately to property, plant and equipment and lease liabilities (current and non-current) have been presented separately to trade and other payables.

The Group as a lessor

The Group's accounting policy under AASB 16 has not changed from the comparative period.

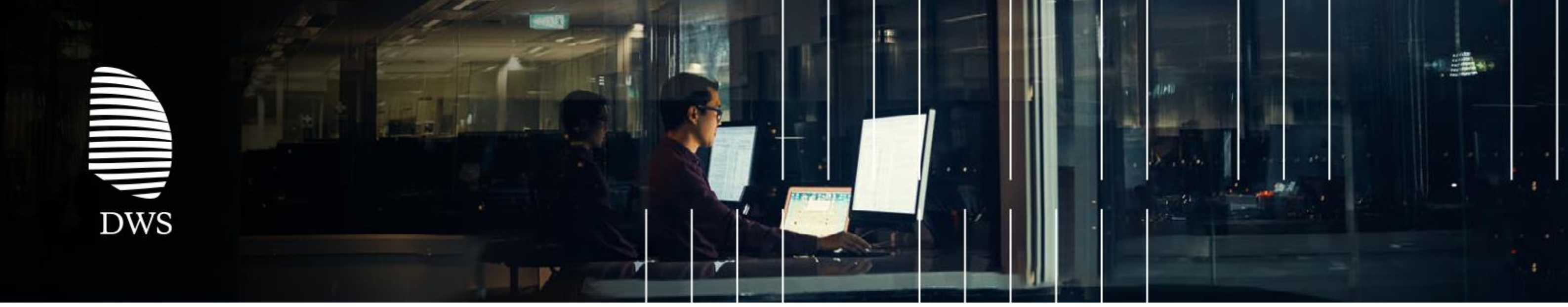
Where the Group acts in the capacity of lessor, the Group will classify its leases as either operating or finance leases.

A lease is classified as a finance lease if it transfers substantially all of the risks and rewards incidental ownership of the underlying asset, and classified as an operating lease if it does not.

AASB Interpretation 23 *Uncertainty over Income Tax Treatments*

AASB Interpretation 23 *Uncertainty over Income Tax Treatments* specifies how an entity should reflect uncertainty in accounting for income taxes. AASB 12 *Income Taxes* specifies how to account for current and deferred tax but not how to reflect the effects of uncertainty which Interpretation 23 addresses.

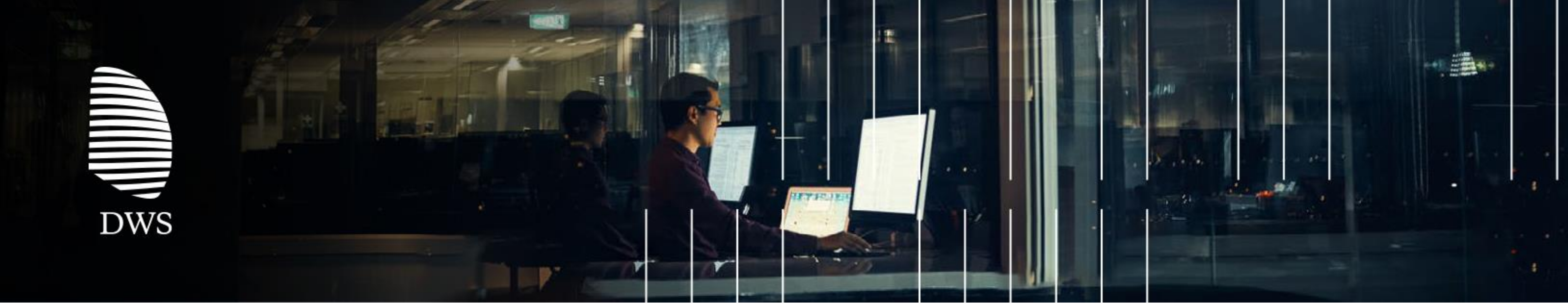
The table below illustrates the main issues that are addressed by Interpretation 23.



Note 1 Summary of Significant Accounting Policies (cont.)

Issue	Interpretation
When and how the effect of uncertainty over income tax treatments should be included in the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates	• an entity is required to consider whether it is 'probable' that a taxation authority will accept an uncertain tax treatment • if it is, the entity would determine taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings • if the entity concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, it uses either the most likely amount or the expected value in determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates (depending on which method is expected to better predict the resolution of the uncertainty)
The assumptions that an entity should make about the examination of tax treatments by taxation authorities	• an entity is required to assume that a tax authority will examine amounts it has a right to examine and will have full knowledge of all relevant information when making those examinations
Changes in facts and circumstances	• the entity is also required to reassess their judgements and estimates if facts and circumstances change (e.g. upon reaching a time limit where the taxation authority is no longer able to challenge an entity's tax treatments) or as a result of new information that affects the judgement or estimate becoming available
Whether uncertain tax treatments should be considered separate	• the entity would be required to use judgement to determine whether each uncertain tax treatment should be considered separately, or whether some uncertain tax treatments should be considered together. In determining the approach to be followed, the entity shall consider which approach better predicts the resolution of the uncertainty
Disclosure	• when addressing uncertainty over income tax treatments, the entity is required to disclose judgements, assumptions and estimates made in accordance with the normal requirements of AASB 101 *Presentation of Financial Statements* • in addition, if an entity concludes it is probable that a taxation authority will accept an uncertain tax treatment, it should consider whether to disclose the potential effect of the uncertainty as a tax-related contingency under AASB 112.88

AASB Interpretation 23 has been applied retrospectively with the cumulative effect of initially applying the interpretation recognised at the date of initial application as an adjustment to the opening balance of retained earnings at 1 July 2019 and comparatives are not restated.



Note 1 Summary of Significant Accounting Policies (cont.)

Accounting Policies

(a) Principles of consolidation

The Group financial statements consolidate DWS and all of its controlled entities as of 30 June 2020. DWS controls an entity if it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The controlled entities are Wallis Nominees (Computing) Pty Ltd, DWS (NSW) Pty Ltd, Graeme V Jones & Associates Pty Ltd (formerly GlobalSoft Australia Pty Ltd), DWS Product Solutions Pty Ltd (formerly Equest Consulting Pty Ltd), Strategic Data Management Pty Ltd, SDM Sales Pty Ltd, Symplicit Pty Ltd, Phoenix IT & T Consulting Pty Ltd, Projects Assured Pty Ltd and DWS (New Zealand) Limited. All controlled entities have a June financial year end and reporting date.

All inter-company balances and transactions between entities in the Group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of controlled entities have been changed where necessary to ensure consistency with those policies applied by the DWS.

Where controlled entities have entered or left the economic entity during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased. Non-controlling interests in the entity and results of the entities that are controlled are shown as a separate item in the consolidated financial report.

(b) Income Tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance sheet date.

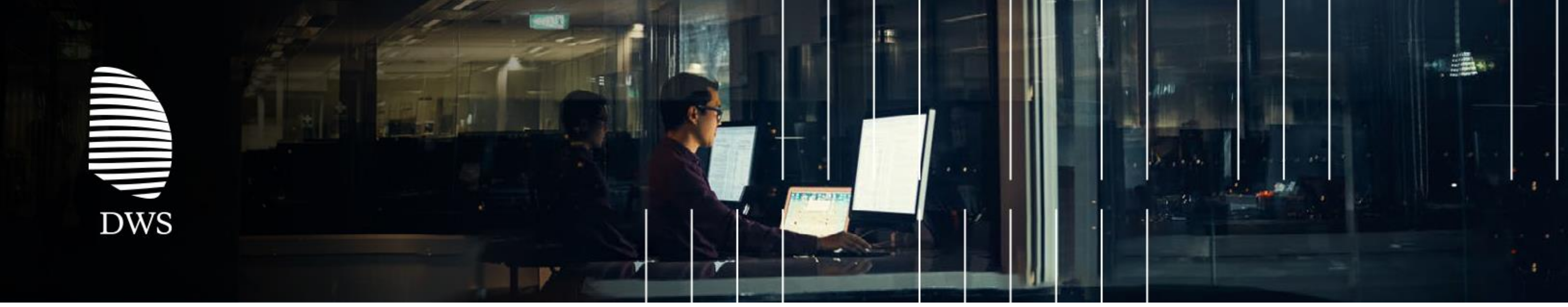
Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

DWS and its wholly-owned Australian subsidiaries have not entered into an income tax consolidated group under the tax consolidation regime. DWS and each of its subsidiaries are responsible for their own recognition of current and deferred tax assets and liabilities.



Note 1 Summary of Significant Accounting Policies (cont.)

(c) Revenue recognition

Revenues are recognised at fair value of the consideration receivable net of the amount of goods and services tax (GST) payable to the taxation authority.

Consulting services revenue is recognised on a billing entitlement basis and is matched against related costs incurred. Where fixed price contracts are used, revenue recognition is based on stage of completion. The stage of completion is measured by reference to labour hours incurred to date as a percentage of estimated total labour hours.

The Group separately identifies the licensing revenue and support revenue in the Group's statement of profit or loss and other comprehensive income and the statement of financial position and recognises revenue when performance obligations are satisfied.

The Group's revenue arises mainly from the sale of IT, management and business consulting services and software licensing.

To determine whether and when to recognise revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer;
2. Identifying the performance obligations;
3. Determining the transaction price;
4. Allocating the transaction price to the performance obligations; and
5. Recognising revenue when/as performance obligation(s) are satisfied.

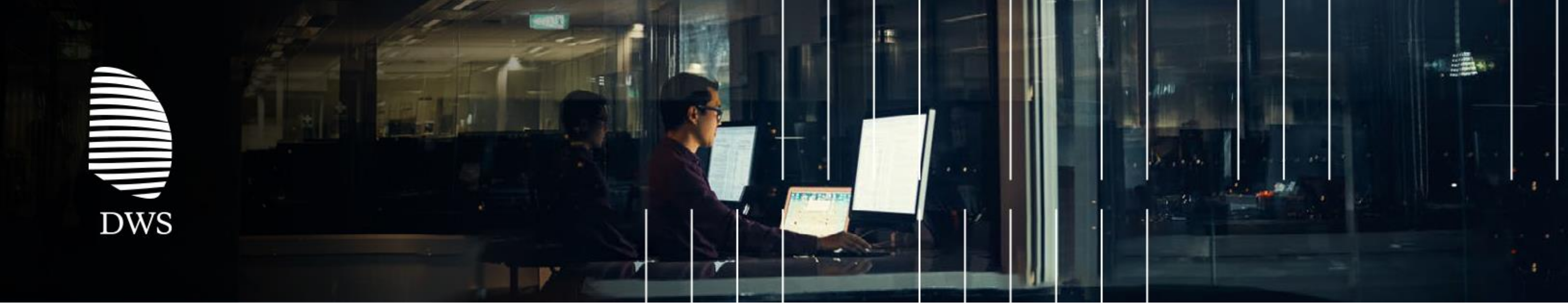
The Group at times enters into transactions involving a range of the Group's products or services, for example the delivery and customisation of software. In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price excludes any amounts collected on behalf of third parties.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

Revenue is recognised over time if;

- The customer simultaneously received and consumes the benefits as the entity performs;
- The customer controls the asset as the entity creates or enhances it; or
- The seller's performance does not create an asset for which the seller has an alternative use and there is a right to payment for performance to date

Where the above criteria is not met, revenue is recognised at a point in time.



Note 1 Summary of Significant Accounting Policies (cont.)

(d) Intangibles

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at the date of acquisition. Goodwill on acquisition of a controlled entity is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(e) Impairment of assets

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(f) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

(g) Employee benefits

Provision is made for the Group liability for employee benefits arising from services rendered by employees up to the balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

(h) Provisions

Provisions are recognised when the Group has a legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Critical accounting estimates and judgments

The Directors evaluate estimates and judgments incorporated into the consolidated 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.

Note 1 Summary of Significant Accounting Policies (cont.)

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 2020.

Operating segments

DWS Limited and its controlled entities provide IT, management and business consulting services and develop, manage and implement information technology and business solutions. There is only one reportable segment based on the aggregation criteria in AASB 8. The business operates within Australia and New Zealand only.

Note 2 Revenue

	Consolidated	
	2020	2019
	$'000	$'000
Revenue from continuing operations		
Services revenue	**167,035**	162,685
Licensing revenue	**913**	811
Total revenue from continuing operations	**167,948**	163,496
Other income		
Interest received	**52**	86
Other	**755**	633
Total other income	**807**	719

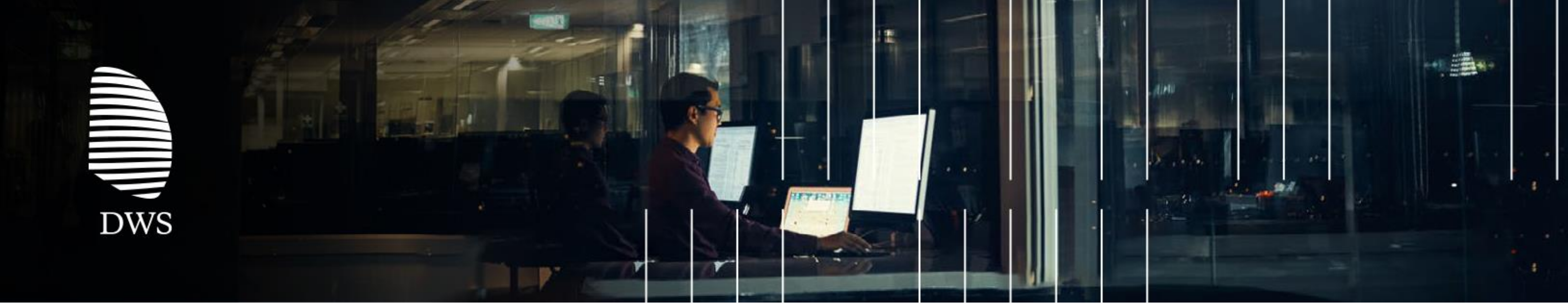
Note 3 Income Tax Expense

	Consolidated	
	2020	2019
	$'000	$'000
The components of income tax expense comprise:		
Current tax expense	**7,487**	7,278
Prior year tax payment adjustment	**249**	-
Prior year tax refund	**(10)**	(14)
Deferred tax expense	**(1,378)**	(1,175)
	6,348	6,089
Profit/Loss before income tax	**13,858**	16,387
Prima facie tax on profit from ordinary activities before income tax at 30% (2019 30%)	**4,157**	4,916
Numerical reconciliation of income tax expense:		
Non-deductible entertainment	**151**	142
Non-deductible acquisition costs and other payments	**1,801**	1,045
Prior year tax payment adjustment	**249**	-
Prior year tax refund	**(10)**	(14)
Adjustment for tax rate differences in foreign jurisdictions	**-**	-
Adjusted income tax	**6,348**	6,089
Income tax expense	**6,348**	6,089
Applicable weighted average effective tax rate	**45.81%**	37.16%

Recognised deferred tax assets and liabilities

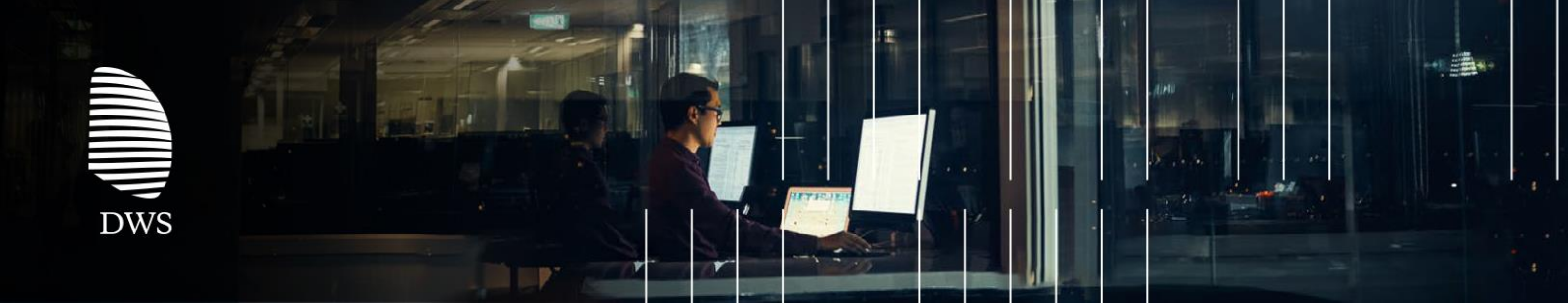
Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2020	2019	**2020**	2019	**2020**	2019
Consolidated	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Employee Benefits	**504**	501	**-**	-	**504**	501
Provisions	**3,064**	2,479	**-**	-	**3,064**	2,479
Customer relationships	**-**	-	**-**	(447)	**-**	(447)
Other	**1,483**	1,140	**-**	-	**1,483**	1,140
Sub-total	**5,051**	4,120	**-**	(447)	**5,051**	3,673
Deferred tax assets through business combinations	**248**	-	**-**	-	**248**	-
Net Tax assets/ liabilities	**5,299**	4,120	**-**	(447)	**5,299**	3,673



Note 3 Income Tax Expense (cont.)

Movements in temporary differences	**Consolidated**	
	2020	2019
	$'000	$'000
The overall movement in the deferred tax account is as follows:		
Opening balance	**3,673**	3,066
Charge to Income Statement	**1,378**	1,175
Acquisition of Group Entity	**248**	(568)
	5,299	3,673
Deferred tax asset movement		
Employee Benefits		
Opening balance	**501**	567
Charged to Income Statement	**3**	(151)
Acquisition of Group Entity	**-**	85
Closing balance	**504**	501
Provisions		
Opening balance	**2,479**	2,196
Charged to Income Statement	**585**	185
Acquisition of Group Entity	**-**	98
Closing balance	**3,064**	2,479
Customer Relationships		
Opening balance	**(447)**	-
Charged to Income Statement	**447**	447
Acquisition of Group Entity	**-**	(894)
Closing balance	**-**	(447)
Other		
Opening balance	**1,140**	303
Charged to Income Statement	**343**	694
Acquisition of Group Entity	**-**	143
Closing balance	**1,483**	1,140
Deferred tax assets through business combinations		
Opening balance	**-**	-
Acquisition of Group Entity	**248**	-
Charged to retained earnings	**-**	-
Closing balance	**248**	-
Total Closing Balance	**5,299**	3,673



Note 4 Dividends

(a) Dividends paid during the year

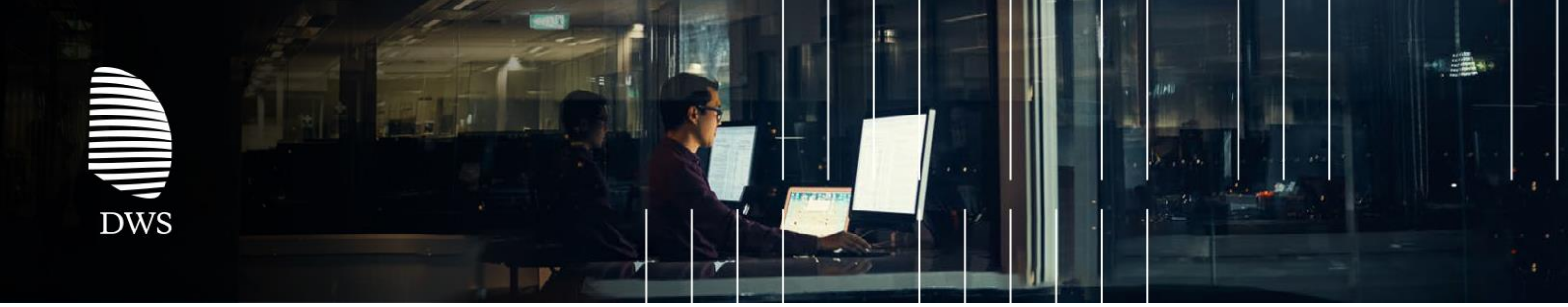
2020	**Cents per share**	**Total amount $'000**	**Franked/ Unfranked**	**Payment Date**
Final 2019 ordinary	4.00	5,273	Franked at 30%	2-Oct-19
Interim 2020 ordinary	3.00	3,955	Franked at 30%	3-Apr-20
2019				
Final 2018 ordinary	5.00	6,592	Franked at 30%	2-Oct-18
Interim 2019 ordinary	4.00	5,273	Franked at 30%	4-Apr-19

(b) Dividends Declared

Declared final dividend	**2020 $'000**	2019 $'000
Declared final fully franked ordinary dividend of 3.00 cents (2019 4.00 cents) per share at the tax rate of 30%	**3,955**	5,273

(c) Dividend Franking Account

30% franking credits available to shareholders of DWS Limited for subsequent financial years	**34,781**	30,819



Note 5 Earnings per Share

	Consolidated	
	2020	2019
	$	$
Earnings used in calculation of basic and dilutive EPS	**7,510,027**	10,298,968
Adjusted weighted average number of ordinary shares used in calculating basic earnings per share	**131,831,328**	131,831,328
Number for diluted earnings per share		
Ordinary shares	**131,831,328**	131,831,328
Effect of dilutive share options	**-**	-
Adjusted weighted average number of ordinary shares used in calculating diluted earnings	**131,831,328**	131,831,328
Basic earnings per share	**5.7 cents**	7.8 cents
Diluted earnings per share	**5.7 cents**	7.8 cents

Note 6 Contingent Liabilities

The directors are of the opinion that provisions are not required in respect of the matter stated below as there is no probability of future sacrifice of economic benefits nor are the amounts capable of reliable measurement.

Bank guarantees

Bank guarantees of $975,010 remain in place and are provided as a security for the performance of rental property covenants. The bank guarantees are secured by a Standard Authority to Appropriate and Set-Off Term deposits to the equivalent guarantee value or are drawn down under a bank guarantee facility.

Note 7 Business Combinations

On 4 October 2019, DWS Limited acquired the certain assets of the software services and products business operated by Object Consulting Pty Ltd. The acquisition was funded by cash.

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

	Recognised Values $'000
Net Assets Acquired	
Other assets and liabilities	(154)
Property, plant & equipment	30
Net Deferred Tax Asset	248
Net identifiable assets and liabilities	124
Goodwill on acquisition	3,194
Total acquisition Cost	**3,318**
Consideration paid in cash	**3,318**
Consideration outstanding	-

The goodwill on acquisition arises as a result of a premium being paid in excess of the fair value of the net assets acquired. The value of the goodwill represents the future benefit arising from future earnings, synergies and personnel acquired via the acquisition.

Goodwill is not deductible for tax purposes.

There were no separately identifiable intangible assets recorded from the acquisition.

Transaction costs

Transaction costs of $34,710 relating to the acquisition have been expensed through other expenses in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

Note 8 Subsequent events

Following a review of the operations of Site Supervisor, DWS has chosen to exit its investment and sold its shareholding to its Joint Venture partner.

Other than the above, no other matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect:

(a) The Group’s operations in future financial years;

(b) The results of those operation in future years;

(c) The Group’s state of affairs in future financial years.

Note 9 COVID-19

As with many other Australian businesses, trading conditions for the DWS Group have been impacted by COVID-19. Overall, DWS has successfully transitioned to remote working but has seen some client projects delayed or cancelled. Within the DWS Group, Symplicit has been the most impacted by the COVID-19 affected trading conditions and has received JobKeeper payments and is negotiating rent relief for its offices in Melbourne and Sydney.