

OVER THE WIRE HOLDINGS LIMITED

ACN 151 872 730

APPENDIX 4D

HALF YEAR REPORT

31 December 2018

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GENERAL INFORMATION

The interim financial report covers Over the Wire Holdings Limited as a consolidated entity consisting of Over the Wire Holdings Limited and the entities it controls. The interim financial report is presented in Australian dollars, which is Over the Wire Holdings Limited's functional and presentational currency.

The interim financial report consists of the financial statements, notes to the financial statements and the directors' declaration.

Over the Wire Holdings Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered Office & Principal Place of Business

Level 21, Riparian Plaza
71 Eagle Street
Brisbane Qld 4000

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial report.

The interim financial report was authorised for issue, in accordance with a resolution of directors on 13 February 2019. The directors have the power to amend and/or reissue the interim financial report.

APPENDIX 4D – INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2018

(PREVIOUS CORRESPONDING PERIOD: HALF YEAR ENDED 31 DECEMBER 2017)

RESULTS FOR ANNOUNCEMENT TO THE MARKET:

KEY INFORMATION:

	CONSOLIDATED			
	Dec	Dec	Change	Change
	2018	2017	Change	Change
	\$,000	\$,000	\$,000	%
Revenue from Ordinary Activities	34,339	24,053	10,286	43%
Profit / (Loss) after Tax from Ordinary Activities Attributable to Members	3,159	2,176	983	45%
Profit / (Loss) Attributable to Members	3,159	2,176	983	45%
<hr/>				
Dividends Paid	Amount per Security	Franked Amount per Security		
	Cents	Cents		
Ordinary Shares				
2018 Final - Paid 9 October 2018	1.5	1.5		

The fully franked final dividend relates to the financial reporting period ending 30 June 2018.

Subsequent Event – Dividend Declared

On 13 February 2019, The Company declared a fully franked interim dividend of 1.25 cents per share, for the six months ended 31 December 2018. The dates of the dividend are as follows:

Ex date – 11 March 2019
Record Date – 12 March 2019
Payment Date – 9 April 2019

As this interim dividend was declared subsequent to the half-year end, no provision has been made in the accounts for the interim dividend. The total amount of the dividend to be paid is \$644,681.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

On 1 November 2018, the Company acquired Access Digital Networks Pty Ltd ("Access Digital") and Comlinx Pty Ltd ("Comlinx"), and these acquisitions will have an impact on the state of affairs of the Company going forward.

The Directors Report and Notes to the Financial Statements give more detail of the acquisitions.

EXPLANATION OF KEY INFORMATION AND DIVIDENDS

The commentary on the results for the period is contained in the review of operations included within the Director's Report.

Net Tangible Assets Per Security	31 December 2018 Cents	30 June 2018 Cents
Net tangible assets per share	(32.82)	(26.78)

Net Tangible Assets per share has decreased because the acquisitions of Access Digital and Comlinx were partially funded from cash reserves (tangible in nature), however the assets acquired were mostly intangible by nature (Customer List, Brand, and Goodwill).

Earnings Per Share	31 December 2018 Cents	31 December 2017 Cents
Basic Earnings Per Share	6.780	4.984
Diluted Earnings Per Share	6.751	4.962

Earnings per share increased by 36%, compared to an increase in Net Profit after Tax of 45%, due to the dilutive impact of the shares issued to fund the acquisitions of Access Digital Networks and Comlinx.

REVIEW OPINION

The consolidated entity's financial report for the half year ended 31 December 2018 has been subject to review by its auditor, and an unqualified conclusion was received.

DIRECTORS' REPORT

Your directors present their report on the consolidated entity consisting of Over the Wire Holdings Limited (*"the Company"*) and the entities it controlled (*"the consolidated entity"*) for the half-year ended 31 December 2018.

DIRECTORS

The name of the directors who held office during or since the end of the half-year:

John Puttick	Non-Executive Chairman
Michael Omeros	Managing Director and Chief Executive Officer
Brent Paddon	Executive Director
Susan Forrester	Non-Executive Director

REVIEW OF OPERATIONS

The consolidated entity is a profitable, high growth provider of telecommunications, cloud and IT solutions. It has a national network presence with Points of Presence (POPs) in all major Australian capital cities and Auckland, New Zealand. The consolidated entity offers an integrated product suite of the following services to businesses in Australia and New Zealand:

- Data Networks and Internet;
- Voice;
- Cloud and Managed Services; and
- Data Centre Co-location.

Revenue from ordinary activities for the half-year was \$34.339m (H1 FY17: \$24.053m), representing an increase of 43% on the corresponding half year. The result demonstrates demand from customers across all four product lines including:

- Data Networks revenue of \$17.659m (H1 FY17: \$12.600m), representing an increase of 40% on the corresponding half year;
- Voice revenue of \$8.107m (H1 FY17: \$6.694m), representing an increase of 21% on the corresponding half year;
- Cloud and Managed Services revenue of \$7.036m (H1 FY17: \$3.328m), representing an increase of 111% on the corresponding half year; and
- Data Centre Co-location revenue of \$1.537m (H1 FY17: \$1.431m), representing an increase of 7% on the corresponding half year.

The consolidated entity made a statutory Net Profit after Tax of \$3.159m (H1 FY17: \$2.176m), representing an increase of 45% on the corresponding half year. Statutory NPATA was \$4.171m (H1 FY17: \$2.681m), representing an increase of 56% on the corresponding half year. Statutory EBITDA was \$7.532m (H1 FY17: \$4.935m), representing an increase of 53% on the corresponding half year.

The increase in profitability has been primarily achieved through increased revenue, which has been achieved both through acquisition and organically. The consolidated entity has effectively managed costs in the underlying business and is progressively recognising cost synergies in the acquired entities.

EBITDA refers to earnings before interest, tax, depreciation and amortisation, and is an important metric to the consolidated entity because it shows the strong gross profit and expense management delivered by the consolidated entity and it also correlates well with the increase in cash and cash equivalents.

NPATA refers to Net Profit after Tax before Amortisation (after Tax), and is an important metric to the consolidated entity because it shows the strong growth and profitability delivered by the consolidated entity organically.

Set out below is a reconciliation of NPAT and EBITDA.

	CONSOLIDATED	
	31 Dec 2018 \$,000	31 Dec 2017 \$,000
Net Profit after Tax (NPAT)	3,159	2,176
Amortisation (Acquired Intangibles)	1,424	714
Income Tax Expense	(412)	(209)
Net Profit after Tax before Amortisation (NPATA)	4,171	2,681
Amortisation (Internally Generated Software)	144	57
Income Tax Expense	1,792	1,059
Depreciation	1,176	953
Finance Costs	249	185
EBITDA	7,532	4,935

The Company maintains its strong management of overhead expenses in the underlying business. When combined with revenue growth of 43% through acquisition and organically, it continues to deliver strong growth in EBITDA and positive cash from operating activities outlined in the Consolidated Statement of Cashflows.

The earnings per share of The Company (as set out below) increased by 36% compared to the corresponding period last year. This demonstrates the strong growth in the underlying business, as well as The Company delivering quality acquisitions that are EBITDA and EPS accretive. Earnings per share increased by 36%, compared to an increase in Net Profit after Tax of 45%, due to the dilutive impact of the shares issued to fund the acquisitions of Access Digital Networks and Comlinx.

	31 December 2018 Cents	31 December 2017 Cents
Basic Earnings Per Share	6.780	4.984
Diluted Earnings Per Share	6.751	4.962

As at 31 December 2018 the consolidated entity has \$8.428m in cash or cash equivalents. This represents an increase of \$1.415m in the six-month period, primarily through continued profitable trading, and strong ongoing conversion of this profit into cash, as shown in the Consolidated Statement of Cashflows.

Acquisition of Access Digital

On 1st of November 2018, The Company acquired 100% of the shares in Access Digital for a total upfront consideration of \$13,050,000. The upfront consideration comprised \$10,440,000 in cash, 567,393 OTW shares (\$2,610,000 in OTW shares at an issue price of \$4.60, being the volume weighted average price for the 10 trading days prior to the announcement of the acquisition), plus or minus a net assets adjustment to reflect the profits retained in the business by the vendor on settlement. The vendor provided a warranty that Access Digital would be free of all debt at completion with the exception of finance leases acquired.

The vendor is also entitled to receive further deferred consideration of up to \$1,450,000 in cash, payable in November 2019, based on a number of performance measures being achieved.

The acquisitions of Access Digital & Comlinx (below) were settled concurrently, and were funded through a combination of cash on hand, as well as funds raised through a share placement of \$21,500,000 and share purchase plan of \$5,000,000.

The acquisition of Access Digital has delivered approximately 250 business customers to Over the Wire and accelerates Over the Wire's geographic expansion in South Australia. With revenue of \$8.5m and EBITDA of \$2.9m for the 12 month period to 30 June 2018, Access Digital is expected to make a significant contribution to Over the Wire's future results.

The strategic rationale for acquiring Access Digital was:

- The acquisition accelerates the consolidated entity's expansion into the South Australian market;
- Creates opportunities for the combined group to cross-sell to existing Access Digital customers;
- Access Digital has a quality team that will integrate well with the consolidated entity;
- The acquisition is expected to offer attractive EBITDA and EPS accretion to the consolidated entity immediately; and
- Potential for significant addressable near-term synergies and margin expansion.

Acquisition of Comlinx

On 1st of November 2018, The Company acquired 100% of the shares in Comlinx for a total upfront consideration of \$16,000,000. The upfront consideration comprised \$12,800,000 in cash, 695,655 OTW shares (\$3,200,000 in OTW shares at an issue price of \$4.60, being the volume weighted average price for the 10 trading days prior to the announcement of the acquisition), plus or minus a working capital adjustment to reflect the profits retained in the business by the vendor against a target amount at settlement. A warranty provided by the vendor provided that Comlinx would be free of all debt at completion.

The vendor is also entitled to receive further deferred consideration of up to \$4,000,000 in cash, payable in September 2019, based on a number of performance measures being achieved.

The acquisitions of Access Digital (above) & Comlinx were settled concurrently, and were funded through a combination of cash on hand, as well as funds raised through a share placement of \$21,500,000 and share purchase plan of \$5,000,000.

The acquisition of Comlinx has delivered approximately 100 business customers to the consolidated entity and accelerates the consolidated entity's move into the provision of Software Defined WAN (SD-WAN) solutions, further enhancing the consolidated entity's data network capability. With revenue of \$16.1m and EBITDA of \$3.2m for the 12 month period to 30 June 2018, Comlinx is expected to make a significant contribution to the consolidated entity's future results.

The strategic rationale for acquiring Comlinx was:

- The acquisition accelerates the consolidated entity's move into the provision of Software Defined WAN (SD-WAN) solutions;
- Provides Over the Wire customers with a broader product offering, and creates opportunities for the combined group to cross-sell to existing Comlinx customers;
- Comlinx has a quality team that will integrate well with the consolidated entity;
- The acquisition is expected to offer attractive EBITDA and EPS accretion to the consolidated entity immediately; and
- Synergies are expected to be achieved in this financial year with further cost savings to be delivered in the next financial year.

SUBSEQUENT EVENTS

Subsequent Event – Dividend Declared

On 13 February 2019, The Company declared a fully franked interim dividend of 1.25 cents per share, for the six months ended 31 December 2018. The dates of the dividend are as follows:

Ex date – 11 March 2019
Record Date – 12 March 2019
Payment Date – 9 April 2019

As this interim dividend was declared subsequent to the half-year end, no provision has been made in the accounts for the interim dividend. The total amount of the dividend to be paid is \$644,681.

No other matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in future financial periods.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration, required under section 307C of the Corporations Act 2001 is set out on page 9.

ROUNDING OF AMOUNTS

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

This report is made in accordance with a resolution of directors.



Michael Omeros
Managing Director
Brisbane
13 February 2019

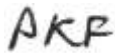


John Puttick
Chairman
Brisbane
13 February 2019

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE *CORPORATIONS ACT 2001*
TO THE DIRECTORS OF OVER THE WIRE HOLDINGS LIMITED**

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2018, there have been no contraventions of:

- (a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) any applicable code of professional conduct in relation to the review.



PKF BRISBANE AUDIT



**LIAM MURPHY
PARTNER**

BRISBANE

DATE: 13 FEBRUARY 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 31 DECEMBER 2018

	Note	CONSOLIDATED	
		31 Dec 2018 \$,000	31 Dec 2017 \$,000
Revenue from Continuing Operations	3	34,339	24,053
Other Income		21	20
Expenses			
Data Centre & Co-Location Expense		(1,938)	(1,687)
Calls & Communications Expense		(11,691)	(8,993)
Other Cost of Goods Sold		(3,261)	(1,070)
Employee Benefits Expense		(8,345)	(6,152)
Depreciation & Amortisation Expense		(2,744)	(1,724)
Finance Costs		(249)	(185)
Other Expenses	4	(1,593)	(1,236)
Profit before Income Tax Expense		4,539	3,026
Income Tax Expense		(1,380)	(850)
Profit after Income Tax Expense for the Half Year attributable to the owners of the consolidated entity		3,159	2,176
Other Comprehensive Income		-	-
Other Comprehensive Income for the Half Year, net of Tax		-	-
Total Comprehensive Income for the Half Year attributable to the owners of the consolidated entity		3,159	2,176
		Cents	Cents
Basic Earnings per Share		6.780	4.984
Diluted Earnings per Share		6.751	4.962

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Note	CONSOLIDATED	
		31 Dec	30 Jun
		2018	2018
		\$,000	\$,000
Assets			
Current Assets			
Cash & Cash Equivalents	5	8,428	7,013
Trade & Other Receivables	6	7,186	4,357
Inventories		771	263
Other Assets	7	2,949	899
Total Current Assets		19,334	12,532
Non-Current Assets			
Property, Plant & Equipment		7,794	5,061
Intangibles	8	75,555	36,649
Other Non-Current Assets	7	391	-
Total Non-Current Assets		83,740	41,710
Total Assets		103,074	54,242
Liabilities			
Current Liabilities			
Trade & Other Payables		8,115	6,283
Borrowings		4,253	4,027
Current Tax Liability		527	977
Employee Benefits		1,548	1,293
Unearned Income	9	4,286	1,015
Deferred Consideration	13	5,975	1,968
Total Current Liabilities		24,704	15,563
Non-Current Liabilities			
Borrowings		8,126	9,205
Employee Benefits		251	186
Unearned Income	9	456	-
Deferred Tax		10,909	4,421
Total Non-Current Liabilities		19,742	13,812
Total Liabilities		44,446	29,375
Net Assets		58,628	24,867
Equity			
Issued Capital	10	43,783	12,246
Reserves		87	361
Retained Profits	11	14,758	12,260
Total Equity		58,628	24,867

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 31 DECEMBER 2018

		ISSUED CAPITAL	SHARE BASED PAYMENT RESERVES	RETAINED PROFITS	TOTAL EQUITY
CONSOLIDATED	Note	\$,000	\$,000	\$,000	\$,000
Balance at 1 July 2017		11,308	2	7,713	19,023
Profit after Income Tax for the Half Year		-	-	2,176	2,176
Other Comprehensive Income		-	-	-	-
Total Comprehensive Income for the Half Year		-	-	2,176	2,176
<i>Transactions with owners, in their capacity as owners:</i>					
Dividends Paid		-	-	(544)	(544)
Performance Rights Issued		-	225	-	225
Shares Issued Net of Capital Raising Costs		781	-	-	781
Tax Effect of Capitalised Costs of IPO		(25)	-	-	(25)
Balance at 31 December 2017		12,064	227	9,345	21,636

		ISSUED CAPITAL	SHARE BASED PAYMENT RESERVE	RETAINED PROFITS	TOTAL EQUITY
CONSOLIDATED	Note	\$,000	\$,000	\$,000	\$,000
Balance at 1 July 2018		12,246	361	12,260	24,867
Profit after Income Tax for the Half Year		-	-	3,159	3,159
Other Comprehensive Income		-	-	-	-
Total Comprehensive Income for the Half Year		-	-	3,159	3,159
<i>Transactions with owners, in their capacity as owners:</i>					
Dividends Paid	12	-	-	(661)	(661)
Movements as a result of existing performance rights		327	(274)	-	53
Shares Issued Net of Capital Raising Costs		31,235	-	-	31,235
Tax Effect of Capitalised Costs of IPO		(25)	-	-	(25)
Balance at 31 December 2018		43,783	87	14,758	58,628

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 31 DECEMBER 2018

	Note	CONSOLIDATED	
		31 Dec 2018 \$,000	31 Dec 2017 \$,000
Cash Flows from Operating Activities			
Receipts from Customers		37,576	26,440
Payments to Suppliers & Employees		(30,358)	(21,358)
		7,218	5,082
Interest Received		13	20
Other Revenue		-	-
Interest Paid & Other Finance Costs Paid		(249)	(185)
Income Taxes Paid		(2,201)	(1,413)
Net Cash From / (Used) in Operating Activities		4,781	3,504
Cash Flows from Investing Activities			
Payments for Business Combinations (net of cash acquired)		(24,296)	(14,532)
Payments for Property, Plant & Equipment		(2,713)	(996)
Payments for Intangibles (Internally Generated Software)		(252)	(120)
Proceeds from Sale of Property, Plant & Equipment		-	-
Net Cash From / (Used) Investing Activities		(27,261)	(15,648)
Cash Flows from Financing Activities			
Proceeds from Issue of Shares (net of transaction costs)		25,441	-
Proceeds from Borrowings		1,353	18,545
Dividends Paid		(661)	(544)
Repayment of Borrowings		(2,238)	(6,579)
Net Cash From / (Used) Financing Activities		23,895	11,422
Net Increase (Decrease) in Cash & Cash Equivalents		1,415	(722)
Cash & Cash Equivalents at the Beginning of the Half Year		7,013	5,484
Cash & Cash Equivalents at the End of the Half Year	5	8,428	4,762
Non-Cash Financing Activities			
- Shares Issued as Consideration for Business Acquisitions		5,810	781

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

These general purpose interim financial statements for Over the Wire Holdings Limited ('the Company') and its controlled entities ('the consolidated entity'), for the half-year reporting period ended 31 December 2018 have been prepared in accordance with requirements of the Corporations Act 2001 and Australian Accounting Standard AASB 134: Interim Financial Reporting. The consolidated entity is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of the consolidated entity. As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the consolidated entity. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the consolidated entity for the year ended 30 June 2018, together with any public announcements made during the following half-year.

These interim financial statements were authorised for issue on 13 February 2019.

Accounting Policies

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements, except for those described below.

New and Amended Standards Adopted by the Consolidated Entity

The consolidated entity has considered the implications of new or amended Accounting Standards which have become applicable for the current financial reporting period and the consolidated entity had to change its accounting policies as a result of adopting the following standards:

- AASB 9: *Financial Instruments*, and
- AASB 15: *Revenue from Contracts with Customers*.

The impact of the adoption of these standards and the respective accounting policies are disclosed in Note 2.

Impact of Standards Issued But Not Yet Applied by the consolidated entity

AASB 16: Leases (effective 1 July 2019) will supersede the existing lease accounting requirements in AASB 117: Leases and the related Interpretations. It introduces a single lessee accounting model by eliminating the current requirement to distinguish leases as either operating leases or finance leases depending on the transfer of risks and rewards of ownership. The key requirements of AASB 16 are summarised as follows:

- recognition of a right-of-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
- depreciation of right-of-use assets in line with AASB 116: Property Plant and Equipment in profit or loss and unwinding of the liability in principal and interest components;
- inclusion of variable lease payments that depend on an index or a rate in the initial measurement of the lease liability using the index or rate at the commencement date;
- application of a practical expedient to permit a lessee to elect not to separate non-lease components, instead accounting for all components as a lease; and
- inclusion of additional disclosure requirements.

AASB 16 will affect primarily the accounting for the Consolidated entity's operating leases. As at the reporting date, the Consolidated entity has non-cancellable operating lease commitments of \$2.421m. The Consolidated entity is currently assessing to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Consolidated entity's profit, financial position and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under AASB 16.

The Standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. The consolidated entity does not intend to adopt the Standard before its effective date.

Net current asset deficiency

The consolidated entity recorded a net current liability position of \$5.370m (June 2018: \$3.031m) as at 31 December 2018. The net current liability position is due to the acquisition of Access Digital and Comlinx in November 2018, which gave rise to \$5.975m in current deferred consideration and completion adjustment payments, whilst contribution to cashflow is only two months trading.

Given the consolidated entity's strong cash flow forecast and budgeted profit targets, as well as the future ongoing cash profits to be generated by the Access Digital and Comlinx acquisitions, the Directors are of the view that despite the net current liability position, the consolidated entity will continue to be able to pay its debts as and when they fall due.

It is on the basis of the consolidated entity's ability to maintain future profits and cash inflows from operations that the Directors have prepared the financial report on a going concern basis.

NOTE 2: CHANGES IN ACCOUNTING POLICIES

This note describes the nature and effect of the adoption of AASB 9: *Financial Instruments* and AASB 15: *Revenue from Contracts with Customers* on the consolidated entity's financial statements and also discloses the new accounting policies that have been applied from 1 July 2018, where they are different to those applied in prior periods.

As the resulting changes in the consolidated entity's accounting policies had an insignificant impact on the reported balances of the consolidated entity, comparative balances were not restated. The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below.

(a) AASB 9: *Financial Instruments*

AASB 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces AASB 139 *Financial Instruments: Recognition and Measurement*.

(i) Classification and measurement of financial assets and financial liabilities

AASB 9 largely retains the existing requirements in AASB 139 for the classification and measurement of financial liabilities. However, it eliminates the previous AASB 139 categories for financial assets of held to maturity, loans and receivables and available for sale.

The adoption of AASB 9 has not had a significant effect on the consolidated entity's accounting policies related to financial liabilities. The impact of AASB 9 on the classification and measurement of financial assets is set out below.

Under AASB 9, on initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income ("FVOCI") – debt investment; FVOCI – equity investment; or fair value through profit and loss ("FVTPL"). The classification of financial assets under AASB 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the consolidated entity may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the consolidated entity may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The following accounting policies apply to the subsequent measurement of financial assets.

<i>Financial assets at FVTPL</i>	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
<i>Financial assets at amortised cost</i>	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses (see (ii) below). Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
<i>Debt investments at FVOCI</i>	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
<i>Equity investments at FVOCI</i>	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

The effect of adopting AASB 9 on the carrying amounts of financial assets at 1 July 2018 relates solely to the new impairment requirements, as described further below. The following table below outlines the original measurement categories under AASB 139 and the new measurement categories under AASB 9 for each class of the consolidated entity's financial assets as at 1 July 2018.

Financial Assets	Original classification under AASB 139	New classification under AASB 9	Original carrying amount under AASB 139 \$,000	New carrying amount under AASB 9 \$,000
Trade and other receivables	Amortised cost	Amortised cost	4,357	4,354
Cash and cash equivalents	Amortised cost	Amortised cost	7,013	7,013
Total financial assets			11,370	11,367

As the initial adoption of AASB 9 had an insignificant impact on the carrying value of financial assets, the consolidated entity did not adjust opening balances to account for the change in accounting policies.

(ii) *Impairment of financial assets*

AASB 9 replaces the 'incurred loss' model in AASB 139 with an 'expected credit loss' ("ECL") model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under AASB 9, credit losses are recognised earlier than under AASB 139.

The financial assets at amortised cost consist of trade receivables, cash and cash equivalents, and contract assets. Under AASB 9, loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The consolidated entity measures loss allowances at an amount equal to lifetime ECLs, except for bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition, which are measured as 12-month ECLs.

The consolidated entity has elected to measure loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the consolidated entity considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and

analysis, based on the consolidated entity's historical experience and informed credit assessment and including forward-looking information.

The consolidated entity considers a financial asset to be in default when the customer is unlikely to pay its credit obligations to the consolidated entity in full, without recourse by the consolidated entity to actions such as realising security (if any is held).

The maximum period considered when estimating ECLs is the maximum contractual period over which the consolidated entity is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the consolidated entity expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

In measuring the expected credit loss, a provision matrix for trade receivables was used, based on actual credit loss experience over the past five years, adjusted for any specific trade receivables which were identified as a higher risk of being non-recoverable. For companies which have been part of the consolidated entity for less than five years, the credit loss experience for the time they have been controlled has been used. The consolidated entity performed the calculation of the ECL rates separately for each company within the consolidated entity, as this was considered a appropriate basis for segmentation of trade receivables.

Credit-impaired financial assets

At each reporting date, the consolidated entity assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Presentation of Impairment

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Impairment losses related to trade and other receivables, including contract assets, are recognised in the consolidated statement of comprehensive income.

Impact of the new impairment model

For assets in the scope of the AASB 9 impairment model, initial application of the new impairment requirements had an insignificant impact on the loss allowance on adoption. As such, the consolidated entity did not adjust opening balances to account for the change in impairment. Below is a summary outlining the impact to the consolidated entity's loss allowance balance on 1 July 2018:

	\$,000
Loss allowance at 30 June 2018 under AASB 139	303
Adjustment to impairment at 1 July 2018 on:	
Trade and other receivable as at 30 June 2018	3
Contract assets recognised on adoption of AASB 15	-
Cash and cash equivalents	-
Loss allowance at 1 July 2018 under AASB 9	306

(iii) Transition

As the adoption of AASB 9 had an insignificant impact on financial information of the consolidated entity, changes in accounting policies were applied prospectively with no adjustments made to opening balances as at 1 July 2018.

(b) AASB 15: Revenue from contracts with customers

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced AASB 118 *Revenue* and related interpretations. The consolidated entity has adopted AASB 15 using the cumulative effect method, with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 July 2018). Accordingly, the information presented for comparative periods has not been restated.

Under AASB 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

(i) *Financial impact on adoption*

Initial application of the new revenue standard had an insignificant impact on the opening balance of the consolidated entity in the current reporting period. As such, no adjustment was made to opening balances to account for the change in accounting policy. Below is a summary outlining the impact to each financial statement line item that would have been adjusted on 1 July 2018:

	\$,000
Net asset at 30 June 2018 under AASB 118	24,867
Current Liabilities	
Unearned revenue (setup fees)	(27)
Net assets at 1 July 2018 under AASB 15	24,840

(ii) *Changes in revenue recognition policy*

The table below summarises the nature of change in accounting policy for each type of product / service:

Type of Revenue	Nature, timing of satisfaction of performance obligations, significant payment terms	Nature of change in accounting policy
Sale of goods (hardware & software)	<p>Customers obtain control of products when the goods are delivered to and have been accepted at their premises, unless otherwise stated in the contract. Revenue is recognised at this point in time. Any deposits taken as part of a contract with a customer are recorded as a contract liability and are only recognised as revenue once the relevant performance obligation is met, in this case being the delivery of goods. Invoices are usually payable within 14 days.</p> <p>For contracts that permit the customer to return an item, under AASB 15 revenue is recognised to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognised will not occur. Therefore, the amount of revenue recognised is adjusted for expected returns, which are estimated based on the historical data for specific types of goods.</p>	<p>Under AASB 118, sale of goods revenue was recognised at the point of sale, which is where the customer has taken delivery of the goods, the risks and rewards are transferred to the customer, and where there is a valid sales contract.</p> <p>As the consolidated entity had previously recorded deposits received as a liability, the adoption of AASB 15 did not result in any significant impact on the consolidated entity's accounting policy.</p>
Rendering of services	<p>Services to be provided to customers are described in each contract and revenue is recognised on the following basis:</p> <p><i>Recurring services:</i></p> <p>Recurring services (monthly services for data networks, data centre, co-location and cloud services are recognised as revenue on a monthly basis as services are provided over the term of the contract. Set up fees in relation to signing up a customer on a contract are capitalised and recognised as revenue over the period of the contract, normally between 12 and 36 months.</p> <p><i>Non-recurring services:</i></p> <p>For non-recurring services, where no breakdown of individual service performance obligations are outlined in a contract, services are taken to be provided to the customer at the conclusion of the contract, at which point revenue for these services will be recognised, otherwise revenue is</p>	<p>Under AASB 118, rendering of services revenue is recognised by reference to when the service has been provided. In the case of voice revenue, this is the timing of the phone calls made, whilst for the Data Networks, Data Centre Co-Location and Cloud Services divisions, it is generally the monthly provision of, or access to, the service.</p> <p>Under AASB 15, setup fees will now be capitalised and recognised as revenue over the period of the relevant contract.</p> <p>There will also be larger fluctuations in both accrued income and unearned income (contract assets and liabilities) with movement dependent on the specific terms of individual contracts in place at each reporting period end. This is predominately due to the acquisition of Comlinx which has larger project based contracts compared with the other companies within the consolidated entity which predominately bill on a monthly basis as services are provided.</p>

Type of Revenue	Nature, timing of satisfaction of performance obligations, significant payment terms	Nature of change in accounting policy
	<p>recognised as each performance obligation is met based on either:</p> <ul style="list-style-type: none"> - The price allocated to each performance obligation under the contract; or - Where no price has been allocated to individual performance obligations, the total revenue per the contract, allocated based on the weighted sales price for each performance obligation had they been sold individually. <p>Where there is a difference in timing between payment milestones and completion of performance obligations the following will be recognised:</p> <ul style="list-style-type: none"> - A contract liability is recognised where a payment milestone is invoiced prior to the satisfaction of performance obligations - A contract asset is recognised where a performance obligation is met, however under the relevant contract the amount is not yet able to be invoiced. 	

(iii) *Contract assets, liabilities and costs*

Contract assets

The consolidated entity recognises a contract asset (excluding any amounts presented as a receivable) where it has satisfied a performance obligation under a contract before the customer pays consideration or before payment is due. Contract assets are assessed for impairment in accordance with the accounting policy described in Note 2(b)(ii). Contract assets are reclassified to receivables when the consolidated entity has an unconditional right to consideration.

Contract liabilities

The consolidated entity recognises a contract liability where it has received or is unconditionally entitled to receive consideration before there is a transfer of goods or services to a customer. A contract liability represents the consolidated entity's obligation to transfer goods or services to a customer for which it has received consideration.

Contract costs

The consolidated entity capitalises costs incurred to fulfil a contract provided the costs relate directly to a contract, can be specifically identified, the costs will generate or enhance resources of the consolidated entity that will be used in satisfying performance obligations in the future and the costs are expected to be recovered. The most common contract cost of the consolidated entity is direct labour costs incurred in providing services. Contract costs are amortised over the expected life of the contract, and is assessed for impairment to the extent that the carrying amount of the asset exceeds the remaining amount of consideration expected to be received to which the asset relates, less costs that relate directly to providing goods or services and that have not been recognised as expenses.

(iv) *Transition*

As the adoption of AASB 15 had an insignificant impact on financial information of the consolidated entity, changes in accounting policies were applied prospectively with no adjustments made to opening balances as at 1 July 2018.

NOTE 3: OPERATING SEGMENTS & PRODUCT LINES

The consolidated entity has identified its operating segments based on the internal reports that are reviewed and used by the Chief Operating Decision Makers ('CODM') in assessing performance and determining the allocation of resources. The CODM considers that the business has one reportable segment, being IT and Telecommunications. Therefore, all segment assets and liabilities, and the segment result, relate to one business segment and consequently no detailed segment analysis has been prepared.

Product Lines are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to product lines and assessing their performance. This is also the basis on which the board receive internal management results.

(a) Description of Product Lines

The consolidated entity is a profitable, high growth provider of telecommunications, cloud and IT solutions. It has a national network with Points of Presence (POPs) in all major Australian capital cities and Auckland, New Zealand. The consolidated entity utilises more than 20 wholesale infrastructure providers to deliver services into these POPs for delivery of a complete data and voice solution to meet each customer's specific requirements. The Chief Operating Decision Makers ('CODM') consider the business from both a product and a geographic perspective and have identified four reportable Product Lines.

With the exception of immaterial amounts relating to ad-hoc sales of hardware and services, all of the consolidated entity's revenue is derived from contracts with customers.

Data Networks and Internet

The consolidated entity typically enters into an initial three year contract with a customer for the establishment, provision and maintenance of its WAN. Customers include small to large businesses with single to multiple sites.

The Data Networks Product Line includes the provision of internet products and services. Access to affordable, high speed and reliable connectivity is a prerequisite for consuming cloud based applications and services, facilitating transactions, and utilising IP-based communications. The consolidated entity provides high bandwidth, dependable, business grade internet connectivity to enable Internet services, video conferencing, Software as a Service applications and online collaboration for businesses of any size.

The consolidated entity supplies internet connections matching the most appropriate technology to location and/or price requirements of its customers.

Voice

The consolidated entity provides Session Initiation Protocol (SIP) based internet voice solutions that offer high quality, high availability, voice calls at a lower cost to traditional telephony.

Over the Wire's voice platform supports a range of client usage scenarios, from Private Branch exchanges (PBX) to call centre diallers, for both inbound and outbound calling.

Cloud and Managed Services

The consolidated entity provides a range of private cloud-based services to its customers consisting of:

Infrastructure as a Service (IaaS): Forming the base of a fully outsourced infrastructure solution. The consolidated entity offers its customers a range of IaaS platforms with cloud-based server, storage and network services.

Hosted PBX: The consolidated entity provides a business-grade hosted telephony solution, eliminating the need for high capital expenditure and costly upgrade cycles to gain access to new features.

Amazon Web Services Direct Connect and Microsoft Azure Express Route: Being the two major public cloud service providers in Australia. The consolidated entity provides a dedicated connection, directly into a customer's public cloud service provider's hosted environment.

Managed Services: The consolidated entity offers a range of Managed Services from basic maintenance through to complete outsourced IT support and administration. This division also includes one-off project work and equipment sales where requested by the customer.

Data Centre Co-location

Data Centre Co-Location allows customers to house their equipment, such as servers and network equipment, in the consolidated entity's secure, highly stable and monitored data centres reducing the risk of downtime and saving on environmental infrastructure costs (such as power and air-conditioning).

(b) Product Line Information provided to the Chief Operating Decision Makers ('CODM').

The breakdown of revenue has been shown below geographically, by Product Line and over time or point in time

	CONSOLIDATED	
	31 Dec 2018 \$,000	31 Dec 2017 \$,000
Revenue by Product line		
Data Networks and Internet	17,659	12,600
Voice	8,107	6,694
Cloud and Managed Services	7,036	3,328
Data Centre Co-location	1,537	1,431
Total Revenue by Product line	34,339	24,053
Revenue by Geographic Area		
Australasia	34,339	24,053
Total Revenue by Geographic Area	34,339	24,053

Revenue is derived from the transfer of goods and services over time and at a point in time in the following product lines:

	CONSOLIDATED	
	31 Dec 2018 \$,000	31 Dec 2017 \$,000
31 December 2018	Timing of revenue recognition	
Revenue by Product line	At a point in time \$,000	Over time \$,000
Data Networks and Internet	63	17,596
Voice	142	7,965
Cloud and Managed Services	2,591	4,445
Data Centre Co-location	-	1,537
Total Revenue by Product line	2,796	31,543
31 December 2017		
Revenue by Product line		
Data Networks and Internet	16	12,584
Voice	108	6,586
Cloud and Managed Services	687	2,641
Data Centre Co-location	-	1,431
Total Revenue by Product line	811	23,242

NOTE 4: OTHER EXPENSES

	CONSOLIDATED	
	31 Dec	31 Dec
	2018	2017
	\$,000	\$,000
Legal, Accounting & Business Acquisition Costs	310	166
Rent	484	435
Licenses, Subscriptions & Other Fees and Charges	292	198
Travel & Marketing	280	209
Impairment of financial assets	82	62
All Other Expenses	145	166
Total Other Expenses	1,593	1,236

Other expenses for the half year predominantly increased as a result of the growth in the company, both organic and through the acquisition of Access Digital Networks and Comlinx.

NOTE 5: CURRENT ASSETS – CASH & CASH EQUIVALENTS

	CONSOLIDATED	
	31 Dec	30 Jun
	2018	2018
	\$,000	\$,000
Cash & Cash Equivalents		
Cash on Hand	1	1
Cash at Bank	8,427	7,012
Total Cash & Cash Equivalents	8,428	7,013
Reconciliation to cash and cash equivalents at the end of the financial year:		
The above figures are reconciled to cash and cash equivalents at the end of the financial year as shown in the statement of cash flows as follows:		
Balance as above	8,428	7,013
Bank Overdrafts	-	-
Balance as per Statement of Cash Flows	8,428	7,013

Cash and cash equivalents increased by \$1.415m in the six-month period, primarily through continued profitable trading, and strong ongoing conversion of this profit into cash, as shown in the Consolidated Statement of Cashflows.

NOTE 6: CURRENT ASSETS – TRADE & OTHER RECEIVABLES

	CONSOLIDATED	
	31 Dec	30 Jun
	2018	2018
	\$,000	\$,000
Trade & Other Receivables		
Trade Receivables	5,313	3,053
Less: Provision for Impairment of Receivables	(228)	(303)
	5,085	2,750
Contract Assets	264	-
Other Receivables	1,837	1,607
Total Trade & Other Receivables	7,186	4,357

Trade & Other Receivables increased by approximately \$2.3m in the six-month period, and this was primarily a result of the acquisitions of Comlinx and Access Digital, which in aggregate added \$2.1m in Trade & Other Receivables.

NOTE 7: OTHER ASSETS

	CONSOLIDATED	
	31 Dec	30 Jun
	2018	2018
	\$,000	\$,000
Current		
Prepayments	1,108	899
Prepaid Maintenance Contracts	1,841	-
Other Assets - Current	2,949	899
Non-Current		
Prepaid Maintenance Contracts	391	-
Other Assets – Non-Current	391	-
Other Assets - TOTAL	3,340	899

Other Assets increased due to the inclusion of Prepaid Maintenance Contracts following the acquisition of Comlinx. This should be read in conjunction with the corresponding Unearned Income – Maintenance Contracts, at Note 9.

NOTE 8: NON-CURRENT ASSETS – INTANGIBLES

	CONSOLIDATED	
	31 Dec 2018	30 Jun 2018
	\$,000	\$,000
Intangibles		
Goodwill – at Cost *	31,772	16,300
	31,772	16,300
Brand Value *	5,710	3,460
Less: Accumulated Amortisation	(318)	(214)
	5,392	3,246
Location and Right-to-Use	1,817	1,817
Less: Accumulated Amortisation	(626)	(543)
	1,191	1,274
Customer Lists *	39,750	17,250
Less: Accumulated Amortisation	(3,489)	(2,252)
	36,261	14,998
Internally Generated Software	971	971
Less: Accumulated Amortisation	(284)	(140)
	687	831
Internally Generated Software – Work in Progress	252	-
Total Intangibles	75,555	36,649

Intangible assets increased during the period through the acquisition of Access Digital and Comlinx (Customer List, Brand, and Goodwill) as well as costs incurred towards the development of internally generated software.

* The economic value of the intangible assets recognised upon the acquisition of Access Digital Networks and Comlinx is provisional in nature as at the date of these interim financial statements and is included above. Refer to Note 13 for further details.

NOTE 9: UNEARNED INCOME

	CONSOLIDATED	
	31 Dec	30 Jun
	2018 \$,000	2018 \$,000
Current		
Customer Deposits	1,285	1,015
Setup fees	16	-
Unearned income – maintenance contracts	2,985	-
Unearned Income - Current	4,286	1,015
Non-Current		
Unearned income – maintenance contracts	456	-
Unearned Income – Non-Current	456	-
Unearned Income – TOTAL	4,742	1,015

Unearned Income increased due to the inclusion of Unearned Income - Maintenance Contracts, following the acquisition of Comlinx. This should be read in conjunction with the corresponding Prepaid Maintenance Contracts, at Note 7.

NOTE 10: EQUITY – ISSUED CAPITAL

	CONSOLIDATED	
	31 Dec	30 Jun
	2018 \$,000	2018 \$,000
Issued Capital		
Ordinary Shares – Fully Paid	43,783	12,246
Total Issued Capital	43,783	12,246

Movements in ordinary share capital:

	Date	No. of Shares	Issue Price	Paid up Amount
		,000	\$	\$,000
Balance	1 July 2017	43,531		11,308
Shares Issued on Acquisitions	1 Nov 2017	382	2.04	781
ESOP Shares Vested from Performance Rights	26 Feb 2018	50	-	109
Employee Share Plan	18 Apr 2018	35	2.77	97
Tax Effect of Capitalised Costs of IPO	30 June 2018	-	-	(49)
Balance	30 June 2018	43,998		12,246

	Date	No. of Shares	Issue Price	Paid up Amount
		,000	\$	\$,000
Balance	1 Jul 2018	43,998		12,246
ESOP Shares Vested from Performance Rights	23 Aug 2018	50	-	109
Shares issued on Capital Raise	31 Oct 2018	5,000	4.30	20,627
Shares issued on Acquisitions	1 Nov 2018	1,263	4.60	5,794
Share placement	19 Nov 2018	1,163	4.30	4,814
ESOP Shares Vested from Performance Rights	10 Dec 2018	100	-	218
Tax Effect of Capitalised Costs of IPO	31 December 2018	-	-	(25)
Balance	31 December 2018	51,574		43,783

NOTE 11: EQUITY – RETAINED PROFITS

	CONSOLIDATED	
	31 Dec	30 Jun
	2018	2018
	\$,000	\$,000
Retained Profits		
Retained Profits at the Beginning of the Reporting Period	12,260	7,713
Profits After Income Tax Expense for the Reporting Period	3,159	5,531
Dividends Paid	(661)	(984)
Retained Profits at the end of the period	14,758	12,260

NOTE 12: EQUITY – DIVIDENDS

	CONSOLIDATED	
	31 Dec	30 Jun
	2018	2018
	\$,000	\$,000
Dividends		
Interim Dividends	-	439
Final Dividends	661	545
Total Dividends	661	984

A final fully franked dividend of 1.5 cents per share was paid in October 2018.

Subsequent Event: On 13 February 2019, The Company declared a fully franked interim dividend of 1.25 cents per share, for the six months ended 31 December 2018. As this interim dividend was declared subsequent to the half-year end, no provision has been made in the accounts for the interim dividend.

NOTE 13: BUSINESS COMBINATIONS

(a) Access Digital Networks Pty Ltd

On 1 November 2018, The Company acquired Access Digital.

The acquisition of Access Digital has delivered approximately 250 business customers to the consolidated entity and accelerates the consolidated entity's geographic expansion in South Australia. With revenue of \$8.541m and EBITDA of \$2.900m for the 12 month period to 30 June 2018, Access Digital is expected to make a significant contribution to Over the Wire's future results.

The original contracted price was \$14.500m, comprising upfront consideration comprised \$10.440m in cash, plus 567,393 OTW shares (\$2.610m in OTW shares at an issue price of \$4.60, being the volume weighted average price for the 10 trading days prior to the announcement of the acquisition), plus or minus a net assets adjustment to reflect the profits retained in the business by the vendor at settlement. Upon completion of the settlement accounts, the net tangible assets adjustment is \$0.249m payable to the vendor. Accordingly, the provisional adjusted purchase price is \$14.749m.

(b) Details on acquisitions – *Provisional*

PRIMARY BUSINESS DIVISION	ACQUISITION	TOTAL PURCHASE PRICE \$,000	INTANGIBLES ACQUIRED \$,000	SHARES ISSUED TO SETTLE	SHARES ISSUED TO SETTLE \$,000	CASH TO SETTLE \$,000	DEFERRED CONSIDERATION \$,000
Data Networks	100% of shares	14,749	17,259	567,393	2,610	10,689	1,450
TOTAL		14,749	17,259	567,393	2,610	10,689	1,450

The consolidated entity has engaged the services of 22 Capital in order to provide the economic valuation of the business acquisition including purchase price, net assets acquired, intangibles (both identifiable and goodwill) and deferred consideration.

As such, at the date of these interim financial statements, the amounts noted in relation to the business combinations are provisional. Once finalised, provisional amounts will be retrospectively adjusted to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date.

The overall purchase consideration is a combination of cash, shares and deferred consideration (due in November 2019, upon a number of performance measures being achieved as set out below).

- (a) 80% of the Deferred Consideration is payable in respect of the retention of identified key clients; and
- (b) 20% of the Deferred Consideration is payable in respect of the retention of identified key staff.

Under the agreement, the vendor and its affiliates are restrained for five years from engaging in business similar to or in competition with the business of Access Digital in Australia, including being restrained from inducing an employee of Access Digital to terminate their employment or soliciting any clients of Access Digital.

The vendor has provided customary warranties including those relating to the share capital of Access Digital, that there are no liabilities or encumbrances, information relating to the accounts and records of Access Digital and tax related matters.

The assets and liabilities recognised as a result of the acquisition are as follows:

Access Digital Networks

1 Nov 2018

\$,000

Assets

Current Assets

Cash & Cash Equivalents	164
Trade & Other receivables	287
Other Assets	120
Total Current Assets	571

Non-Current Assets

Property, Plant & Equipment	346
Intangible Assets	5,506
Other Non-Current Assets	45
Total Non-Current Assets	5,897

Total Assets	6,468
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Liabilities

Current Liabilities

Trade & Other Payables	292
Borrowings – Related Party	4,848
Income Tax	108
Borrowings	7
Employee Provisions	46
Total Current Liabilities	5,301

Non-Current Liabilities

Borrowings	25
Deferred Tax	887
Employee Provisions	6
Total Non-Current Liabilities	918

Total Liabilities	6,219
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Net Assets	249
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Acquired Intangibles

		Description	Brand Value	Customer List / Relationships	Goodwill	TOTAL
Class:			Limited Life	Limited Life	Indefinite Life	
Treatment:			Amortised and Impaired	Amortised and Impaired	Impaired	
Basis:			Estimated life of Brand	Churn/ Retention Rate		
Estimated Useful Life:			5 Years	10 Years		
			\$,000	\$,000	\$,000	\$,000
Access Digital						
Original Purchase Price:			14,500			
Add: Net Assets Adjustment			249			
Less: Identifiable Net Assets			(565)			
Add: Deferred Tax Liability			<u>3,075</u>			
Intangible Assets upon Acquisition			<u>17,259</u>			
Allocation of Intangibles:			-	250	10,000	7,009
						17,259
Annual Forecast Amortisation				50	1,000	-
						1,050

(c) Comlinx

On 1 November 2018, The Company acquired Comlinx.

The acquisition of Comlinx has delivered approximately 100 business customers to the consolidated entity and accelerates the consolidated entity's move into the provision of Software Defined WAN (SD-WAN) solutions, further enhancing the consolidated entity's data network capability. With revenue of \$16.158m and EBITDA of \$3.200m for the 12 month period to 30 June 2018, Comlinx is expected to make a significant contribution to the consolidated entity's future results.

The original contracted price was \$20.000m, comprising upfront consideration comprised \$12.800m in cash, plus 695,655 OTW shares (\$3.200m in OTW shares at an issue price of \$4.60, being the volume weighted average price for the 10 trading days prior to the announcement of the acquisition), plus or minus a working capital adjustment to reflect the profits retained in the business by the vendor at settlement. Upon completion of the settlement accounts, the working capital adjustment is \$0.276m payable to the vendor. Accordingly, the provisional adjusted purchase price is \$20.276m.

(d) Details on acquisitions – Provisional

PRIMARY BUSINESS DIVISION	ACQUISITION	TOTAL PURCHASE PRICE \$,'000	INTAN- GIBLES ACQUIRED \$,'000	SHARES ISSUED TO SETTLE	SHARES ISSUED TO SETTLE \$,'000	CASH TO SETTLE \$,'000	DEFERRED CONSID- ERATION \$,'000
Managed Services	100% of shares	20,276	22,963	695,655	3,200	13,076	4,000
TOTAL		20,276	22,963	695,655	3,200	13,076	4,000

The consolidated entity has engaged the services of 22 Capital in order to provide the economic valuation of the business acquisition including purchase price, net assets acquired, intangibles (both identifiable and goodwill) and deferred consideration. As such, at the date of these interim financial statements, the amounts noted in relation to the business combinations are provisional. Once finalised, provisional amounts will be retrospectively adjusted to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date.

The overall purchase consideration is a combination of cash, shares and deferred consideration.

Deferred consideration is payable in September 2019, calculated with reference to agreed gross profit targets on a scaling basis, and is also conditional upon:

- (a) continuing employment of the vendors of the company; and
- (b) meeting minimum revenue targets.

Under the agreement, the vendor and its affiliates are restrained for five years from engaging in business similar to or in competition with the business of Comlinx in Australia, including being restrained from inducing an employee of Comlinx to terminate their employment or soliciting any clients of Comlinx.

The vendor has provided customary warranties including those relating to the share capital of Comlinx, that there are no liabilities or encumbrances, information relating to the accounts and records of Comlinx and tax related matters.

The assets and liabilities recognised as a result of the acquisition are as follows:

Comlinx

1 Nov 2018

\$,000

Assets

Current Assets

Cash & Cash Equivalents	748
Trade & Other receivables	1,748
Inventory	209
Income Tax	61
Other Assets	1,976
Total Current Assets	4,742

Non-Current Assets

Property, Plant & Equipment	768
Deferred Tax	25
Other Non-Current Assets	438
Total Non-Current Assets	1,231

Total Assets	5,973
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Liabilities

Current Liabilities

Trade & Other Payables	1,393
Unearned Income	2,742
Employee Provisions	231
Total Current Liabilities	4,348

Non-Current Liabilities

Unearned Income	539
Employee Provisions	23
Total Non-Current Liabilities	562

Total Liabilities	4,910
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Net Assets	1,063
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Acquired Intangibles

	Description	Brand Value	Customer List / Relationships	Goodwill	TOTAL
	Class:	Indefinite Life	Limited Life	Indefinite Life	
	Treatment:	Impaired	Amortised and Impaired	Impaired	
	Basis:		Churn/Retention Rate		
	Estimated Useful Life:		10 Years		
	\$,000	\$,000	\$,000	\$,000	\$,000
Comlinx					
Original Purchase Price:	20,000				
Add: Working Capital Adjustment	276				
Less: Identifiable Net Assets	(1,063)				
Add: Deferred Tax Liability	<u>3,750</u>				
Intangible Assets upon Acquisition	<u>22,963</u>				
Allocation of Intangibles:	-	2,000	12,500	8,463	22,963
Annual Forecast Amortisation		-	1,250	-	1,250

NOTE 14: CONTINGENT ASSETS & LIABILITIES

CONTINGENT LIABILITIES

The consolidated entity had guarantees in place totalling \$670,160 as at 31 December 2018 and \$633,192 as at 30 June 2018.

CONTINGENT ASSETS

The consolidated entity had no contingent assets as at 31 December 2018 and 30 June 2018.

NOTE 15: SUBSIDIARIES

		CONSOLIDATED	
		31 Dec 2018	30 Jun 2018
The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policies described in Note1:			
Name of Entity	Country of Incorporation	Equity Holding	Equity Holding
Over the Wire Pty Ltd	Australia	100%	100%
Netsip Pty Ltd	Australia	100%	100%
Faktortel Pty Ltd	Australia	100%	100%
Faktortel Holdings Pty Ltd	Australia	100%	100%
Aero Telecom Pty Ltd	Australia	100%	100%
Sanity Holdings Pty Ltd	Australia	100%	100%
OTW Corp Pty Ltd	Australia	100%	100%
Telarus Pty Ltd	Australia	100%	100%
VPN Solutions Pty Ltd	Australia	100%	100%
Access Digital Networks Pty Ltd (Acquired 1 November 2018)	Australia	100%	-
Comlinx Pty Ltd (Acquired 1 November 2018)	Australia	100%	-

NOTE 16: SUBSEQUENT EVENTS

Interim Dividend

Subsequent Event – Dividend Declared

On 13 February 2019, The Company declared a fully franked interim dividend of 1.25 cents per share, for the six months ended 31 December 2018. The dates of the dividend are as follows:

Ex date – 11 March 2019
Record Date – 12 March 2019
Payment Date – 9 April 2019

As this interim dividend was declared subsequent to the half-year end, no provision has been made in the accounts for the interim dividend. The total amount of the dividend to be paid is \$644,681.

Except for the above, no other matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in future financial periods.

DIRECTORS' DECLARATION

In the directors' opinion:

- 1) The financial statements and notes set out on pages 10 to 34 are in accordance with the Corporations Act 2001, including:
 - a) complying with Accounting Standard AASB 134: Interim Financial Reporting, and the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
 - b) giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and
- 2) There are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

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



Michael Omeros
Managing Director

Brisbane

13 February 2019



John Puttick
Chair Person

Brisbane

13 February 2019

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF OVER THE WIRE HOLDINGS LIMITED

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Over the Wire Holdings Limited (the company), which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes, and the directors' declaration of the company and the consolidated entity, comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Over the Wire Holdings Limited is not in accordance with the Corporations Act 2001 including:-

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2018, and of its financial performance for the half-year ended on that date; and
- (b) Complying with the Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

Independence

We are independent of the consolidated entity in accordance with the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and its performance for the half year ended on that date, and complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Over the Wire Holdings Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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



PKF BRISBANE AUDIT



LIAM MURPHY
PARTNER

13 FEBRUARY 2019
BRISBANE