Over the Wire

Annual Report 2019

Over the Wire

ANNUAL REPORT 2019

Over the Wire Holdings Limited
ACN 151 872 730

Share Register

LINK MARKET SERVICES

Auditor

PKF

Solicitors

Lawyers McCullough Robertson

GENERAL

This Annual Report is dated 29 October 2019.

Currency

Monetary amounts shown in this Annual Report are expressed in Australian dollars unless otherwise stated.

Photographs and diagrams

Photographs used in this report without descriptions are only for illustration. Diagrams used in this report may not be drawn to scale. The assets depicted in photographs in this report are not assets of the Company unless otherwise stated.

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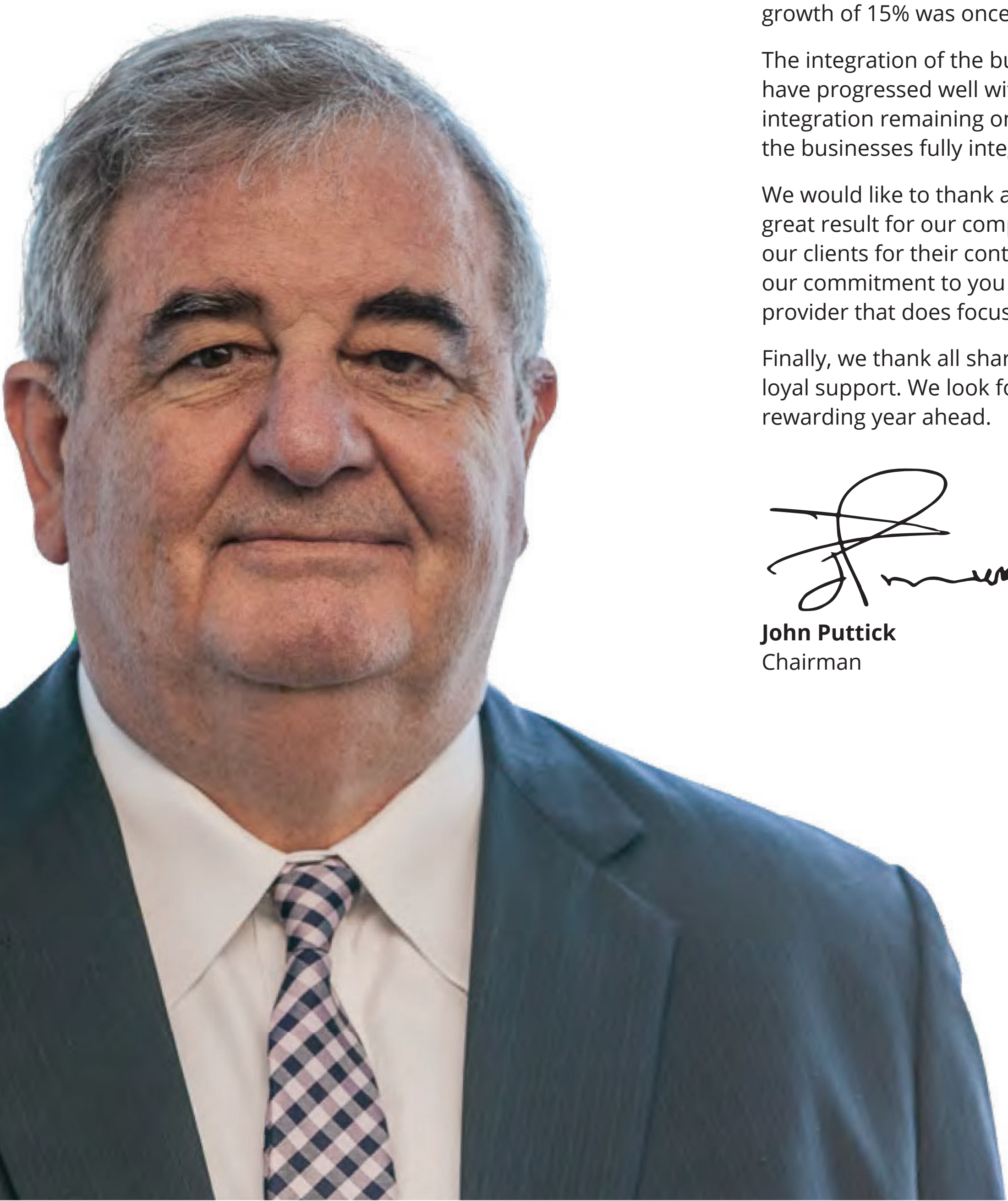
CHAIRMAN'S LETTER

On behalf of the Board of Over the Wire Holdings Limited, it is with great pleasure that we present to you the annual report for the 2019 financial year.



Highlights of the year

- Revenue increased by 49% to $79.6m
- EBITDA increased by 64% to $20.1m
- NPAT increased by 83% to $10.1m
- Achieved customer retention of 96%
- Successfully acquired Access Digital Networks Pty Ltd and Comlinx Pty Ltd
- EPS increased by 63% to 20.66cps

We would attribute the year's success to effectively implementing our geographic expansion plans complemented by quality acquisitions. Our overall organic growth of 15% was once again pleasing.

The integration of the businesses that we have acquired have progressed well with the Access Digital and Comlinx integration remaining on schedule and the remainder of the businesses fully integrated.

We would like to thank all of our staff for achieving another great result for our company. We would also like to thank our clients for their continued support, and we maintain our commitment to you of being the telecommunications provider that does focus on providing exceptional service.

Finally, we thank all shareholders for your continued and loyal support. We look forward to another successful and rewarding year ahead.

John Puttick
Chairman

BUSINESS OVERVIEW

Our purpose is to simplify technology to empower business.

Simplify

We love the challenge of turning our complex environment into solutions for our customers. We are the trusted advisors that make sense, remove barriers, and reduce confusion. We make it our business to understand our customers and their problems. We take tech problems out of the way so our customers can get on with what they do best.

Technology

Every day we are creating the future. We are known for our expertise in using all kinds of technology to empower our customers. Our proactive focus on tech solutions informs our approach; agile and adaptable, product-agnostic and customer-focused.

To Simplify Technology To Empower Business

Empower

Our customers' success is our success. We grow when they grow. We partner with our customers to achieve their goals. We provide transparency and knowledge to tailer solutions that ensure their ongoing competitive advantage.

Business

We're here for business. We love to work with those who have an appetite for doing things better. We are passionate about partnering in our customers' journey.

We aim to do this through:

- Our products - reliable, flexible and good value
- Our people – knowledgeable, passionate and helpful
- Our performance - superior service and highly recommended

Providing a broad and integrated offering of products and services provides our customers with a complete solution from one supplier dedicated to customer service.

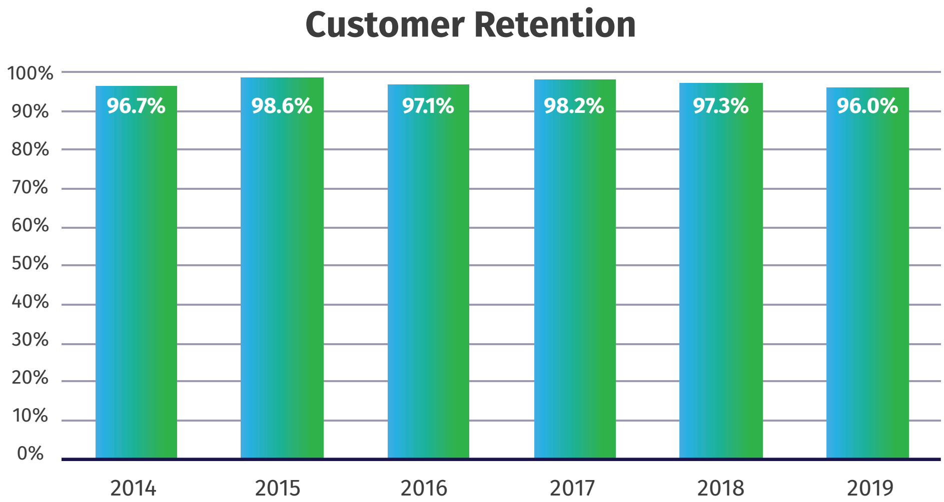
Our suite of services to businesses include:

- Data Networks and Internet
- Voice
- Hosting (Cloud and Data Centre Colocation) and
- Managed Services and Security

CUSTOMER SERVICE

Our vision is to be the technology solution provider passionately promoted by our customers.

Our dedication to customer service remains uncompromising and we have a culture which consistently delivers high levels of customer service and retention. This is verified by our high levels of customer retention, shown in the graph below as year on year customer revenue retained.



SIGNIFICANT ORGANIC GROWTH AND STRONG FINANCIAL PERFORMANCE

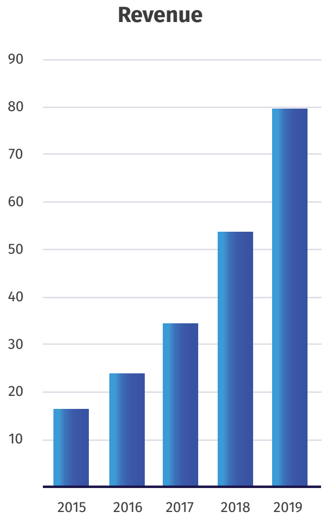
Total revenue from ordinary activities for the year was $79.6m (2018: $53.6m), representing an increase of 49% on the corresponding year. The result demonstrates demand from customers across all four product lines. 15% of the revenue growth was achieved organically.

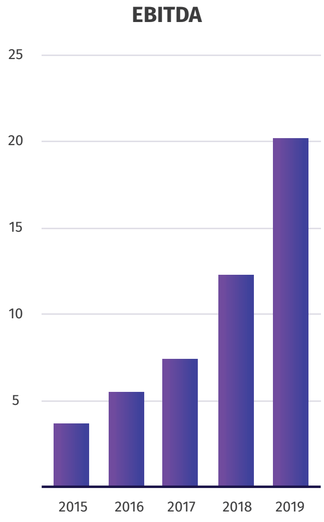
The group continued to build upon its geographic expansion strategy. The below table shows revenue growth figures from 2018 to 2019:

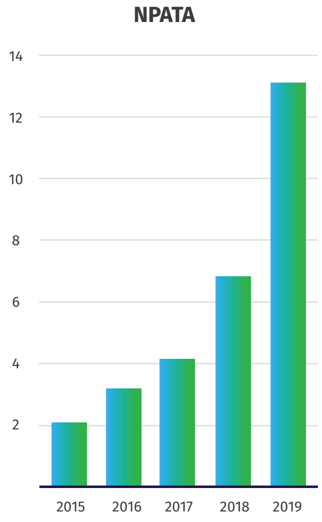
Geographic Area	Revenue growth 2018 to 2019 (Organic)	Revenue growth 2018 to 2019 (Statutory)
Queensland	17%	56%
New South Wales	14%	31%
Victoria	11%	18%
South Australia	13%	230%

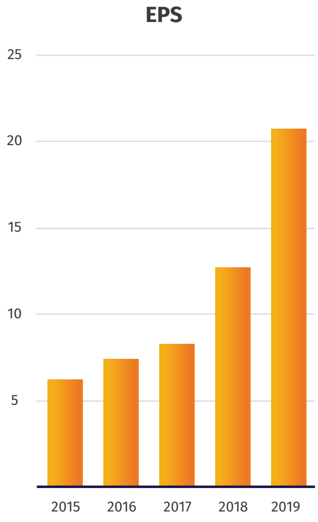
The group made a net profit after income tax expense of $10.1m (2018: $5.5m), representing an increase of 83% on the corresponding year. Net profit after tax before amortisation (NPATA) was $13.1m, up from $6.8m in 2018, representing an increase of 91% on the corresponding year. Statutory EBITDA profit was $20.1m, up from $12.3m in 2018, representing an increase of 64% on the corresponding year.

The group has delivered consistent growth in revenue, profitability and shareholder return since listing, as represented by the graphs below.









All graphs in $m except EPS in c/share.

SUCCESSFUL ACQUISITIONS

Acquisition of Access Digital

On 1 November 2018, Over the Wire acquired 100% of the shares in Access Digital. Access Digital Networks is a leading South Australian based provider of business grade telecommunications services including data networks, voice and private cloud solutions and services.

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 addressable near-term synergies and margin expansion.

Acquisition of Comlinx

On 1 November 2018, Over the Wire acquired 100% of the shares in Comlinx. Comlinx is a leading provider of IT managed solutions to Corporate, Enterprise and Government customers.

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.

Over the Wire has a track record of acquiring and then integrating acquisitions, with timely realisation of synergies and cost savings.

POSITIVE OUTLOOK

Our commitment to being able to provide a complete telecommunications, cloud and IT Services offering to businesses, that is supported by a team that is dedicated to a positive customer experience, gives us confidence that our growth will continue in FY20.

We remain focussed on achieving our vision and continuously improving the financial performance of the business and the returns for our shareholders.

GROW

To identify, understand, and realise our opportunities to grow

IMPROVE

For our systems to reduce friction, enhance customer experience, and support our growth

FOCUS

For our customers to value our technical expertise and strength of our relationships

ENGAGE

For our people to embody our purpose and values, and make a positive contribution to their and our success

EVOLVE

To offer seamless solutions to our customers and partners

- Organic revenue growth >15% targeted
- Take advantage of industry tailwinds in SD-WAN, Cyber Security and Hosted Voice
- Living our values
- Continuously focus on how we are improving the experience for our customers, resulting in retention and growth
- Operational efficiencies
- Build on our performance culture
- Purpose led leadership
- Attract, develop and retain great talent
- Selective future acquisitions
- Further enhance our systems and processes for optimal customer and team experience
- Realisation of synergies from acquisitions

GENERAL INFORMATION

The annual report covers Over the Wire Holdings Limited as a consolidated entity consisting of Over the Wire Holdings Limited and the entities it controls.

The report is presented in Australian dollars, which is Over the Wire Holdings Limited's functional and presentational currency.

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, 71 Eagle Street
Brisbane QLD 4000

A description of the nature of the group's operations and its principal activities are included in the directors' report.

The financial statements were authorised for issue, in accordance with a resolution of directors on 15 August 2019. The directors have the power to amend and/or reissue the financial report.

CORPORATE DIRECTORY

DIRECTORS

JOHN PUTTICK DUNIV QUT, FACS, ACA
Chair

MICHAEL OMEROS MAICD, BE(ELECTRONICS), BINFOTECH
Chief Executive Officer

BRENT PADDON BINFOTECH, GRADDIPBUSADMIN
Executive Director

SUSAN FORRESTER AM BA, LLB (HONS), EMBA, FAICD
Non-Executive Director

SECRETARY

MIKE STABB FCA, MAICD, BBUS(ACCY,BUSLAW), RTA
Chief Financial Officer

KEY MANAGEMENT

BEN CORNISH
Chief Technology Officer

GARY PITTORINO
Chief Operating Officer

Registered Office and Principal Place of Business
Level 21, 71 Eagle Street
Brisbane QLD 4000

Share Register
Link Market Services
10 Eagle St
Brisbane QLD 4000

Auditor
PKF Brisbane Audit
Level 6, 10 Eagle Street
Brisbane QLD 4000

Solicitors
McCullough Robertson Lawyers
Level 11, Central Plaza Two
66 Eagle Street
Brisbane QLD 4000

Bankers
Westpac
260 Queen Street
Brisbane QLD 4000

National Australia Bank
259 Queen Street
Brisbane QLD 4000

Stock Exchange Listings
Over the Wire Holdings Limited (OTW) shares are listed on the Australian Securities Exchange (ASX)

Website Address
www.overthewire.com.au

1.0 DIRECTORS' REPORT

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 Group") for the year ended 30 June 2019.

DIRECTORS AND COMPANY SECRETARY

The name of the directors who held office during or since the end of the year.

JOHN PUTTICK
Non-Executive Chairman
(appointed 1 December 2015)

MICHAEL OMEROS
Managing Director and Chief Executive Officer
(appointed 1 July 2011)

BRENT PADDON
Executive Director
(appointed 1 July 2011)

SUSAN FORRESTER AM
Non-Executive Director
(appointed 1 December 2015)

MIKE STABB
Company Secretary and Chief Financial Officer
(appointed 9 July 2012)

PRINCIPAL ACTIVITIES

The group 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.

During the year, the principal continuing activities of the group consisted of offering 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 Colocation

There has been no significant change to the principal activities of the group during the year. Access Digital Networks Pty Ltd was acquired on 1 November 2018, and its product suite predominantly includes Data Networks, Managed Services and Cloud, along with a small amount of Voice and Colocation, which is in line with the group's existing principal activities.

Comlinx Pty Ltd was acquired on 1 November 2018, and its product suite is predominantly managed services, however it too has a small amount of Voice, Data, Cloud and Colocation which is in line with the group's existing principal activities.

REVIEW OF OPERATIONS

Total revenue from ordinary activities for the year was $79,589K (2018: $53,561K), representing an increase of 49% on the corresponding year. The result demonstrates demand from customers across all four product lines including:

- Data Networks revenue of $36,959K (2018: $29,383K), representing an increase of 26% on the corresponding year and delivered through organic growth and the successful acquisition of Access Digital on 1 November 2018;
- Voice revenue of $16,417K (2018: $14,060K), representing an increase of 17% on the corresponding year and predominantly delivered through organic growth;
- Cloud and Managed Services revenue of $23,028K (2018: $7,258K), representing an increase of 217% on the corresponding year and delivered through organic growth and the successful acquisition of Comlinx on 1 November 2018;
- Data Centre Colocation revenue of $3,185K (2018: $2,860K), representing an increase of 11% on the corresponding year and delivered through the acquistion of Comlinx and Access Digital.

The group continued to build upon its geographic expansion strategy.

The below table shows revenue-growth figures from 2018 to 2019:

	Revenue growth 2018 to 2019 (Organic)	**Revenue Growth 2018 to 2019** (Statutory)
Geographic Area		
Queensland	17%	56%
New South Wales	14%	31%
Victoria	11%	18%
South Australia	13%	230%

FINANCIAL POSITION

Net assets of the group have increased by $40,264K from $24,867K to $65,131K due the following factors:

- $21,500K capital raise in October 2018
- $5,000K share placement in November 2018
- Acquisitions of both Access Digital Networks and Comlinx for total combined consideration of $35,025K, including $11,260K of deferred consideration and shares issued
- Net profit after tax for the year of $10,137K.

EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION (EBITDA)

EBITDA refers to earnings before interest, tax, depreciation and amortisation, and is an important metric to the group because it shows the strong gross profit and expenditure management delivered by the group and correlates well with operating cash flow. Set out below is a reconciliation of Profit before Income Tax Expense and EBITDA.

	Consolidated	
	2019 $,000	**2018** $,000
Profit before Income Tax Expense	**12,765**	**7,843**
Depreciation & Amortisation	6,818	3,937
Finance Costs	476	476
EBITDA	**20,059**	**12,256**

EBITDA was $20,059K (2018: $12,256K), representing an increase of 64% on the corresponding year. Net Profit after Income Tax Expense (NPAT) was $10,137K (2018: $5,531K), representing an increase of 83% on the corresponding year. The increase in profitability has been achieved through maintaining gross margins whilst increasing revenue and the effective management of operating expenses whilst still investing for future growth.

As at 30 June 2019, the group had $10,325K in cash or cash equivalents. Net cash flow from Operating Activities (before Interest and Tax) for the 2019 year was $15,869K ($12,203K in 2018) demonstrating an alignment with EBITDA once the one-off gain on change in expected deferred consideration payable (non-cash) is taken into consideration. The group's continued sound management of overhead expenses in the underlying business, maintaining net debtor days metrics, recognising cost synergies in the acquired entities, and when combined with revenue growth of 49%, has generated the growth in EBITDA and positive Cash from Operating Activities outlined in the Consolidated Statement of Cash flows.

DIVIDENDS PAID AND PROPOSED

A final dividend for 30 June 2018 of 1.5 cents per share fully franked was paid in October 2018.

An interim dividend of 1.25 cents per share fully franked, for the six months ended 31 December 2018, was paid in April 2019.

Subsequent to year-end, on 15 August 2019, the company declared a fully franked final dividend of 2.00 cents per share, for the year ended 30 June 2019. The dates of the dividend are as follows:

Ex Date	9 September 2019
Record Date	10 September 2019
Payment Date	10 October 2019

As this final dividend was declared subsequent to year-end, no provision has been made in the accounts for the dividend.

BUSINESS STRATEGIES AND PROSPECTS FOR FUTURE FINANCIAL YEARS

The primary objective of the group is to continue adding value for shareholders through a combination of organic growth, and strategic acquisitions.

The group operates four product lines: Data Networks, Voice, Cloud and Managed Services, and Data Centre Colocation. Each product line is capable of being delivered stand-alone or bundled with one or more other product lines to deliver a complete solution.

The group will continue its business development and marketing initiatives, and leverage its investment in the four product lines to grow organically, both through the acquisition of new customers and selling additional products and services to existing customers.

The group will leverage its investments in Comlinx and Access Digital to deliver further synergies. It will also continue to look to grow through identifying and acquiring suitable businesses that deliver a strategic fit, readily achievable synergies and add shareholder value.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

ACQUISITION OF ACCESS DIGITAL

ACCESS DIGITAL NETWORKS PTY LTD

On 1st of November 2018, the company acquired 100% of the shares in Access Digital for a total upfront consideration of $13,050K. The upfront consideration comprised $10,440K in cash, 567,393 OTW shares ($2,610K 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 $1,450K in cash, payable in November 2019, based on a number of performance measures being achieved. As at 30 June 2019, it is estimated that $1,392K is likely to become payable.

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 $21,500K and share purchase plan of $5,000K.

The acquisition of Access Digital has delivered approximately 250 business customers to Over the Wire and accelerates the group's geographic expansion into South Australia. With revenue of $8,500K and EBITDA of $2,900K for the 12 month period to 30 June 2018, Access Digital is expected to make a significant contribution to the group's future results.

The strategic rationale:

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

ACQUISITION OF COMLINX

COMLINX PTY LTD

On 1st of November 2018, the company acquired 100% of the shares in Comlinx for a total upfront consideration of $16,000K. The upfront consideration comprised $12,800K in cash, 695,655 OTW shares ($3,200K 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 vendors against a target amount at settlement. A warranty provided by the vendors provided that Comlinx would be free of all debt at completion.

The vendors are also entitled to receive further deferred consideration of up to $4,000K in cash, payable in September 2019, based on a number of performance measures being achieved, however as at 30 June 2019, it is estimated that no amount is likely to become payable.

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 $21,500K and share purchase plan of $5,000K.

The acquisition of Comlinx has delivered approximately 100 business customers to the group and accelerates the group's move into the provision of Software Defined WAN (SD-WAN) solutions and Security. With revenue of $16,100K and EBITDA of $3,200K for the 12 month period to 30 June 2018, Comlinx is expected to make a significant contribution to the group's future results.

The strategic rationale:

- The acquisition accelerates the group's move into the provision of Software Defined WAN (SD-WAN) solutions and Security;
- Provides the group's customers with a broader product offering, and creates opportunities for the group to cross-sell to existing Comlinx customers;
- Comlinx has a quality team that will integrate well with the group; and
- The acquisition is expected to offer attractive EBITDA and EPS accretion to the group immediately.

EVENTS SINCE THE END OF THE FINANCIAL YEAR

On 15 August 2019, the company declared a fully franked final dividend of 2.00 cents per share, for the year ended 30 June 2019. The dates of the dividend are as follows:

Ex Date	9 September 2019
Record Date	10 September 2019
Payment Date	10 October 2019

As this final dividend was declared subsequent to year-end, no provision has been made in the accounts for the dividend.

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

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The group will continue its focus on growing organically through geographic expansion, cross-selling of complementary products and new or enhanced product and service initiatives within its existing product lines.

Acquisitions will continue to be targeted where they provide synergies, complement the current offering and add shareholder value.

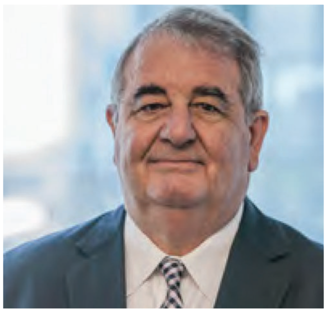
ENVIRONMENTAL REGULATION

The group's operations are not currently subject to significant environmental regulation under the law of the Commonwealth or of a State or Territory.

OUR VISION IS TO BE THE TECHNOLOGY SOLUTION PROVIDER PASSIONATELY PROMOTED BY OUR CUSTOMERS.

INFORMATION ON DIRECTORS & COMPANY SECRETARY

The following information is current as at the date of this report.



JOHN PUTTICK

DUNIV QUT, FACS, ACA

Non-Executive Chairman

John was appointed as Chairman of the company in December 2015. He was the founder and chairman of GBST Holdings Limited.

John holds an Honorary Doctorate from The Queensland University of Technology and a Chartered Accounting qualification from Auckland University of Technology.

John has over forty years of experience in building commercial systems with information technology, over thirty of which were in developing financial services solutions at GBST Holdings Limited.

Other Current Directorships
None

Former Directorships in last 3 years
None

Special Responsibilities
- Chair of the Board
- Chair of remuneration and nominations committee
- Member of audit and risk committee

Direct and indirect interest in shares and options
Ordinary Shares
Over the Wire Holdings **78,778**

MICHAEL OMEROS

MAICD, BE(ELECTRONICS)(HONS), BINFOTECH

Managing Director
Chief Executive Officer

Michael is a co-founder and the Managing Director of the company.

He has over twenty years of experience in the telecommunications and IT services sectors, and graduated from QUT in 1994 with a Bachelor of Engineering – Electronics (First Class Honours) and Bachelor of IT (with Distinction).

Prior to Over the Wire, Michael held a Senior Management role at GBST, worked for Zurich Insurance in the UK and founded Celentia which has now been absorbed by Over the Wire.

Other Current Directorships
None

Former Directorships in last 3 years
None

Special Responsibilities
- Member of audit and risk committee

Direct and indirect interest in shares and options
Ordinary Shares
Over the Wire Holdings **13,623,245**

BRENT PADDON

BINFOTECH, GRADDIPBUSADMIN

Executive Director

Brent is a co-founder and Director of the company.

He has over twenty years of experience in telecommunications and IT services sectors and graduated from QUT in 1996 with a bachelor of IT. He also completed a Graduate Diploma in Business Administration from QUT in 2008.

Brent held a senior management role at Web Central, worked for Pipe Networks and founded Brisbane Internet Technology, which was sold to Asia Online.

Other Current Directorships
None

Former Directorships in last 3 years
None

Special Responsibilities

- Member of remuneration and nominations committee

Direct and indirect interest in shares and options
Ordinary Shares
Over the Wire Holdings **12,150,000**

SUSAN FORRESTER AM

BA, LLB (HONS), EMBA, FAICD

Non-Executive Director

Susan was appointed as Non-Executive Director in December 2015.

She is an accomplished company director, with significant experience as non-executive director across a range of listed and unlisted company boards, spanning the professional services, healthcare and childcare sectors. In particular, she has chaired, or being a member of various audit, risk management and remuneration committees.

With a Bachelor of Laws (Honours) and a Bachelor of Arts (Japanese) from the University of Queensland, Susan completed an executive Masters of Business Administration (EMBA) from the Melbourne Business School. She is also a fellow of the Australian Institute of Company Directors (FAICD).

Other Current Directorships
Chair and Non-Executive Director of National Veterinary Care Ltd (ASX:NVL) (appointed February 2015)

Non-Executive Director of G8 Education Limited (ASX:GEM) (appointed November 2011)

Non-Executive Director of Viva Leisure Limited (ASX:VVA) (appointed 18 October 2018)

Former Directorships in last 3 years
Non-Executive Director of Xenith IP Group Limited (ASX:XIP) (appointed October 2015)

Special Responsibilities

- Chair of audit and risk committee
- Member of remuneration and nominations committee

Direct and indirect interest in shares and options
Ordinary Shares
Over the Wire Holdings: **161,738**

MIKE STABB

FCA, MAICD, BBUS(ACCY,BUSLAW), RTA

Chief Financial Officer & Company Secretary

Mike was appointed CFO and Company Secretary in July 2012.

He is a Fellow of the Institute of Chartered Accountants with over twenty years of experience, and graduated with Distinction from QUT in 1995 with a Bachelor of Business (Accy & BusLaw).

Mike worked for Deutsche Bank in London and on Wall Street, and held CFO and senior finance roles in the property, radio communications and banking industries in Australia.

Other Current Directorships
None

Former Directorships in last 3 years
None

Special Responsibilities

- Chief Financial Officer / Company Secretary

Direct and indirect interest in shares and options
Ordinary Shares
Over the Wire Holdings: **333,134**

MEETINGS OF DIRECTORS

The number of meetings of the company's board of directors and of each board committee held during the year ended 30 June 2019, and the numbers attended by each director were:

	Full Meetings of directors		Meetings of committees			
			Audit		Nominations & Remuneration	
	Held	**Attended**	**Held**	**Attended**	**Held**	**Attended**
John Puttick	12	12	3	3	4	4
Michael Omeros	12	12	3	3	NA	NA
Brent Paddon	12	12	NA	NA	4	3
Susan Forrester	12	12	3	3	4	4

INSURANCE OF OFFICERS AND INDEMNITIES

During the financial year, Over the Wire Holdings Limited maintained policies to insure the directors and secretaries of the company and its Australian-based controlled entities, and the executives and general managers of each of the divisions of the group. The terms of the insurance contracts prohibit disclosure of the premiums payable and other terms of the policies.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings. No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the *Corporations Act 2001*.

NON-AUDIT SERVICES

The company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the company and/or the group are important.

Details of the amounts paid or payable to the auditor (PKF Brisbane Audit) for audit and non-audit services provided during the year are set out below.

The board of directors has considered the position and, in accordance with advice received from the audit committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor.
- None of the services undermines the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

During the year the following fees were paid or payable for non-audit services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	Consolidated	
	2019 $,000	**2018** $,000
Taxation Services		
Tax Compliance Services	22	30
Total Remuneration for Taxation Services	22	30
Total Remuneration for Non-Audit Services	22	30

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 28.

ROUNDING OF AMOUNTS

The group is of a kind referred to in ASIC Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191, 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 Legislative Instrument.

REMUNERATION REPORT

The directors present the Over the Wire Holdings Limited 2019 remuneration report, outlining key aspects of our remuneration policy and framework as well as remuneration awarded this year. It has also been audited as required by section 308(3C) of the *Corporations Act (2001)*.

The Report is structured as follows:

(a) Key management personnel (KMP) covered in this report
(b) Remuneration policy and link to performance
(c) Elements of remuneration
(d) Remuneration expenses for executive KMP
(e) Non-executive director arrangements
(f) Other statutory information
(g) Options & Performance Rights

(A) KEY MANAGEMENT PERSONNEL (KMP) COVERED IN THIS REPORT

John Puttick
Non-Executive Chairman
(appointed 1 December 2015)

Michael Omeros
Managing Director and Chief Executive Officer
(appointed 1 July 2011)

Brent Paddon
Executive Director
(appointed 1 July 2011)

Susan Forrester
Non-Executive Director
(appointed 1 December 2015)

Other key management personnel:

Mike Stabb
Chief Financial Officer and Company Secretary

Ben Cornish
Chief Technology Officer

Gary Pittorino
Chief Operating Officer

There have been no changes in KMP since the end of the reporting period.

(B) REMUNERATION POLICY AND LINK TO PERFORMANCE

Our remuneration committee is made up of two independent non-executive directors and one executive director. The committee will review and determine our remuneration policy and structure annually to ensure it remains aligned to business needs, and meets our remuneration principles. As the group now has a dedicated HR Manager, our remuneration policy is now being developed and finalised through input by the remuneration committee and recommendations provided by externally engaged consultants.

Executive KMP Remuneration Policy Statement
Consistent with contemporary Corporate Governance standards, Over the Wire Holdings' remuneration policy will aim to set employee and executive remuneration that is fair, competitive and appropriate for the markets in which it operates and is mindful of internal relativities. Over the Wire Holdings will aim to ensure that the mix and balance of remuneration is appropriate to reward fairly, attract, motivate and retain senior executives and other key employees.

Specific objectives of this policy will include the following:

- Provide a fair and competitive (internal and external) fixed annual remuneration for all positions under transparent policies and review procedures;
- Link executive KMP rewards to shareholder value accretion by providing appropriate equity (or equivalent) incentives to selected senior executives and employees linked to long-term company performance and core values;
- Provide competitive total rewards to attract and retain appropriately skilled employees and executives;
- Have a meaningful portion of remuneration 'at risk', dependent upon meeting pre-determined performance benchmarks, both short (annual), medium (deferred STI) and long term (+ 3 years); and
- Establish appropriate, demanding performance hurdles for any executive short or long term equity incentive remuneration.

This broad remuneration policy will be delivered by Over the Wire Holdings under a Total Targeted Remuneration (TTR) or Total Annual Remuneration (TAR) framework. Appropriate remuneration policy settings will be achieved by consistently applying a clear remuneration strategy directed at supporting the Board approved business strategy with appropriate and flexible processes, policies and procedures established by the Board from time to time.

(C) ELEMENTS OF REMUNERATION

Fixed Annual Remuneration

Executives may receive their fixed remuneration as cash, superannuation and fringe benefits such as mobile phones, car allowances and in house fringe benefits.

During 2019 there were no fixed remuneration increases given to executive KMP.

During 2019, one new member of the KMP was hired. Their fixed remuneration is as follows:

- **Gary Pittorino:**
  Base Salary $220,000

Short-term Incentives – Operational Bonuses

In 2019, elements of KMP remuneration were dependent on the satisfaction of operational performance conditions as follows:

Short term incentive cash bonuses paid in relation to 2018:

- $99,237 for Michael Omeros linked to the achievement of operational KPIs.
- $39,695 for Brent Paddon linked to the achievement of operational KPIs.
- $59,634 for Mike Stabb linked to the achievement of operational KPIs.
- $53,364 for Ben Cornish linked to the achievement of operational KPIs.

Long-term Incentives

On 1 June 2019, the group issued 63,733 performance rights to key management personnel and select senior staff as part of a Long Term Incentive (LTI) scheme under an Employee Share Plan as a means of rewarding and incentivising key employees.

Further details of the performance rights, including details of rights issued during the financial year, are set out in note 32.

The Long term incentive (LTI) scheme contains features that meets contemporary generally accepted market standards, and that:

- Encourage the long term retention of selected key executives and aligns the interests of the key executives with shareholders;
- Reward service and performance by these executives;
- Meet contemporary governance and executive remuneration standards; and
- Satisfy all executive employment contract obligations and meet all regulatory requirements.

Details of performance measures used in relation to performance rights issued to KMP can be located at note 32 of the accompanying financial statements.

(D) REMUNERATION EXPENSES FOR EXECUTIVE KMP

The following table shows details of the remuneration expense recognised for the group's executive key management personnel for the current and previous financial year measured in accordance with the requirements of the accounting standards. Remuneration paid to directors and executives is valued at the cost to the group.

Key Management Personnel Remuneration

Name	Year	Fixed remuneration					Variable remuneration		Total	Performance Based
		Cash Salary*	Non-monetary Benefits*	Annual Leave*	Long service Leave **	Post-employment Benefits ***	Cash Bonus*	Share Based Payments ****		
		$	$	$	$	$	$	$	$	%
Executive Directors										
Michael Omeros	2019	263,170	45,768	23,077	5,000	20,531	99,237	-	456,783	22
	2018	257,306	48,234	23,077	5,000	20,049	-	-	353,666	-
Brent Paddon	2019	244,327	5,244	18,794	4,072	20,531	39,695	-	332,663	12
	2018	251,105	3,306	19,231	4,167	20,049	-	-	297,858	-
Other Management Personnel										
Mike Stabb	2019	224,938	-	16,923	3,667	24,531	59,634	70,151	399,844	32
	2018	229,407	-	16,923	3,667	24,049	12,500	194,337	480,883	43
Ben Cornish	2019	207,520	17,724	16,923	3,667	20,531	53,364	70,151	389,880	32
	2018	207,520	15,786	16,923	3,667	20,049	12,500	194,337	470,782	43
Gary Pittorino	2019	174,608	-	13,397	2,903	15,399	-	2,784	209,091	1
	2018	-	-	-	-	-	-	-	-	-
Total Executive Directors & Other KMPs	2019	1,114,563	68,736	89,114	19,309	101,523	251,930	143,086	1,788,261	22
	2018	945,338	67,326	76,154	16,501	84,196	25,000	388,674	1,603,189	25
Total NED Remuneration (see section (e) below)	2019	145,000	-	-	-	-	-	-	145,000	-
	2018	145,000	-	-	-	-	-	-	145,000	-
Total KMP remuneration Expensed	2019	1,259,563	68,736	89,114	19,309	101,523	251,930	143,086	1,933,261	20
	2018	1,090,338	67,326	76,154	16,501	84,196	25,000	388,674	1,748,189	24

* Short-term benefits as per *Corporations Regulation* 2M.3.03(1) Item 6

** Other long-term benefits as per *Corporations Regulation* 2M.3.03(1) Item 8

*** Post-employment benefits are provided through contributions to a superannuation fund. The amounts disclosed as remuneration represent the amount contributed by the employer at the statutory rate 9.5%, plus any salary sacrificed amounts if applicable, measured in accordance with AASB 119 *Employee Benefits*.

**** Shares issued under an employee share scheme established by the group on 30 November 2015 (re-approved 29 November 2018), as well as Performance Rights issued as set out at Note 32.

OPTIONS AND RIGHTS GRANTED AS REMUNERATION - LONG TERM INCENTIVE PLAN

Name	Balance at 1/07/2018	Grant Details			Exercised		Lapsed	Balance at 30/06/2019
Directors		**Issue Date**	**No.***	**Value $***	**No.****	**Value $****	**No.****	
Mike Stabb	104,920	1/06/2019	13,333	65,078	75,000	163,520	-	43,253
Ben Cornish	104,920	1/06/2019	13,333	65,078	75,000	163,520	-	43,253
Gary Pittorino	-	1/06/2019	10,400	50,762	-	-	-	10,400
Group Total	**209,840**							**96,906**

* The fair value of performance rights granted as remuneration and as shown in the above table has been determined in accordance with Australian Accounting Standards and will be recognised as an expense over the relevant vesting period to the extent that conditions necessary to vesting are satisfied.

** Tranche 2 & 3 of the 2017 performance rights were eligible for conversion to shares as all criteria has been satisfied, and they did vest and were converted on 23 August 2018 and 10 December 2018 respectively.

Details of the performance rights granted as remuneration to those KMP in the above table are included in Note 32 to the financial statements.

(E) NON-EXECUTIVE DIRECTOR ARRANGEMENTS

Board fees are $75,000 ($75,000 in 2018) for John Puttick and $50,000 ($50,000 in 2018) for Susan Forrester. In addition, they are paid $10,000 for chairing their respective committees. There are no performance-based payments or retirement allowances.

The table below represent the amounts paid for the periods in which their services were provided.

	Consolidated	
	2019 $	**2018** $
Base fees		
Chair	85,000	85,000
Other Non-executive Directors	60,000	60,000
Total	**145,000**	**145,000**

All non-executive directors enter into a service agreement with the company in the form of a letter of appointment. The letter summarises the board policies and terms, including remuneration, relevant to the office of director.

(F) OTHER STATUTORY INFORMATION

(i) Shareholdings
The numbers of shares in the company held (directly, indirectly or beneficially) during the financial year by KMP, including their related parties, are set out below:

	Balance at 1/07/2018	Sold on Market	Share Purchase Plan	Employee Share Scheme	Vested Performance Rights	Bought on Market	Balance at 30/06/2018
Directors							
Michael Omeros	13,616,115	-	7,130	-	-	-	13,623,245
Brent Paddon	13,150,000	(1,000,000)	-	-	-	-	12,150,000
John Puttick	80,000	(20,000)	4,278	-	-	14,500	78,778
Susan Forrester	155,413	-	2,139	-	-	4,186	161,738
Total Directors	**27,001,528**	**(1,020,000)**	**13,547**	**-**	**-**	**18,686**	**26,013,761**
Other Key Management Personnel (OKMP)							
Mike Stabb	251,513	-	6,417	204	75,000	-	333,134
Ben Cornish	46,760	-	2,139	204	75,000	-	124,103
Gary Pittorino	-	-	-	204	-	-	204
Total OKMP	**298,273**	**-**	**8,556**	**612**	**150,000**	**-**	**457,441**
Group Total	**27,299,801**	**(1,020,000)**	**22,103**	**612**	**150,000**	**18,686**	**26,471,202**

End of Remuneration Report

OPTIONS & PERFORMANCE RIGHTS

(i) Options
At the date of this report, there were no unissued shares of Over the Wire Holdings Limited under option. (2018: Nil)

(ii) Performance Rights
At the date of this report, there were 163,465 performance Rights over Over the Wire Holdings Limited shares. (2018: 249,732)

This report, incorporating the Remuneration Report is signed in accordance with a resolution of Directors.

Michael Omeros
Managing Director

Brisbane
15 August 2019

John Puttick
Chair Person

Brisbane
15 August 2019

2.0 AUDITOR'S INDEPENDENCE DECLARATION

PKF Brisbane Audit

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 year ended 30 June 2019, there have been no contraventions of:

(a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) any applicable code of professional conduct in relation to the audit.

PKF

PKF BRISBANE AUDIT

LIAM MURPHY
PARTNER

15 AUGUST 2019
BRISBANE

PKF Brisbane Audit
ABN 33 873 151 348

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3.0 CORPORATE GOVERNANCE STATEMENT

CORPORATE GOVERNANCE STATEMENT

Compliance with ASX Corporate Governance Principles and Recommendations
Over the Wire Holdings Limited and the board are committed to achieving and demonstrating the highest standards of corporate governance. Over the Wire Holdings Limited has reviewed its corporate governance practices against the Corporate Governance Principles and Recommendations (3rd edition) published by the ASX Corporate Governance Council.

The 2019 corporate governance statement is dated as at 30 June 2019 and reflects the corporate governance practices in place throughout the 2019 financial year. The 2019 corporate governance statement was approved by the board on 29 October 2019.

A description of the group's current corporate governance practices is set out in the group's corporate governance statement which can be viewed at www.overthewire.com.au/investors/corporate-governance.

Over the Wire's corporate governance charter has been drafted in light of these Guidelines and the table below summarises the company's compliance, in accordance with ASX Listing Rule 4.10.3.

Principles and Recommendations	Compliance	Comply
Principle 1 – Lay solid foundations for management and oversight		
1.1 Establish the functions expressly reserved to the Board and those delegated to management, and disclose those functions.	The Board is responsible for the overall corporate governance of the company. The Board has adopted a Board charter that formalises its roles and responsibilities and defines the matters that are reserved for the Board and specific matters that are delegated to management.	Complies
1.2 Undertake appropriate checks before appointing a person as a director, and provide shareholders with all material information relevant to a decision on whether or not to elect or re-elect a director.	The company will conduct police checks, solvency and banned director searches in relation to all appointed and future nominated directors. The company will publish Director profiles on the company's website outlining biographical details, other directorships held, commencement date of office and level of independence.	Complies
1.3 Have a written agreement with each director and senior executive setting out the terms of their appointment.	The company has written agreements with each director and senior executive. On appointment of directors and senior executives the company will issue necessary written agreements outlining the terms of their appointment.	Complies
1.4 The company secretary should be accountable directly to the Board on all matters to do with the proper functioning of the Board.	This is consistent with the Charter and corporate structure of the company. The company secretary has a direct relationship with the Board in relation to these matters.	Complies
1.5 Establish a diversity policy and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them, for reporting against in each reporting period.	The Board has adopted a diversity policy that outlines objectives to ensure that the company has as diverse a workforce as practicable. The Board determined that given the company's size and structure, it is not appropriate or possible to mandate a fixed number of women at any given level within the organisation, so no measurable objectives are included. As a measurement of gender diversity, the proportion of women working within Over the Wire as at 30 June 2019 is as follows: • Women on the Board – 25% • Women in Senior Executive positions – 13% • Women in the organisation – 21%	Partially Complies

1.6 Have a process for periodically evaluating the performance of the Board, its committees and individual directors, and disclose that process and, at the end of each reporting period, whether such performance evaluation was undertaken in that period.	The company conducts the process for evaluating the performance of the Board, its committee and individual directors as outlined in the Board Charter. Performance evaluation was conducted in this period.	Complies
1.7 Have a process for periodically evaluating the performance of the company's senior executives, and disclose that process and, at the end of each reporting period, whether such performance evaluation was undertaken in that period.	A summary of the processes for performance evaluation of key executives, directors and the Board is available on the company's website. The Chief Executive Officer (CEO) reviews the performance of the senior executives. The Board reviews the CEO's performance. These reviews were conducted in this period.	Complies

Principles and Recommendations	Compliance	Comply
Principle 2 – Structure the Board to add value		
2.1 The company should have a nomination committee, which has at least three members, a majority of independent directors and is chaired by an independent director. The functions and operations of the nomination committee should be disclosed.	A combined Nominations and Remuneration Committee has been established with its own charter and consists of: • John Puttick (committee chair); • Susan Forrester; and • Brent Paddon.	Complies
2.2 Have and disclose a board skills matrix, setting out what the board is looking to achieve in its membership.	The company has established charter rules as a guide for Board deliberations. Together, the Directors have a broad range of experience, expertise, skills, qualifications and contacts relevant to the company and its business.	Partially Complies
2.3 Disclose the names of the directors that the Board considers to be independent directors, and an explanation of why the Board is of that opinion if a factor that impacts on independence applies to a director, and disclose the length of service of each director.	The Board considers John Puttick (appointed in December 2015) to be an independent director. The Board also considers Susan Forrester (appointed in December 2015) to be an independent director. The Board notes the following directors are deemed not independent for the purposes of the Guidelines: • Michael Omeros (appointed in July 2011) – Michael is a founding shareholder of Over the Wire and is an executive director of the company. • Brent Paddon (appointed in July 2011) – Brent is also a founding shareholder of Over the Wire and is an executive director of the company.	Complies
2.4 A majority of the Board should be independent directors.	The Board currently comprises four Directors, of which two are independent non-executive Directors.	Partially Complies. The Board is equally weighted between independent and executive Directors. The size of the company does not justify the cost of appointing additional independent Directors at this stage.

2.5 The chair of the Board should be an independent director and should not be the CEO.	The chairman, John Puttick, is a non-executive and independent director.	Complies
2.6 There should be a program for inducting new directors and providing appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as a director effectively.	This is consistent with the Board Charter.	Complies

Principles and Recommendations	Compliance	Comply
Principle 3 – Act ethically and responsibly		
3.1 Have a code of conduct for the Board, senior executives and employees, and disclose that code or a summary of that code.	The company has adopted a code of conduct, which sets out a framework to enable Directors to achieve the highest possible standards in the discharge of their duties and to give a clear understanding of best practise in Corporate Governance.	Complies

Principles and Recommendations	Compliance	Comply
Principle 4 – Safeguard integrity in corporate reporting		
4.1 The company should have an audit committee, which consists of only non-executive directors, a majority of independent directors, is chaired by an independent chairman who is not chairman of the Board, and has at least three members. The functions and operations of the audit committee should be disclosed.	The Board has established an Audit and Risk Committee which operates under an audit and risk committee charter. The Audit and Risk Committee members are: • Susan Forrester (committee chair) • John Puttick; and • Michael Omeros. The committee includes two independent directors and is chaired by an independent director.	Partially Complies
4.2 The Board should, before approving financial statements for a financial period, receive a declaration from the CEO and CFO that, in their opinion, the financial records have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the company, formed on the basis of a sound system of risk management and internal controls, operating effectively.	This is consistent with the approach to be adopted by the Audit and Risk Committee and the Board.	Complies
4.3 The company's auditor should attend the AGM and be available to answer questions from security holders relevant to the audit.	Over the Wire's auditors will be requested to attend the AGM and shareholders will be entitled to ask questions in accordance with the Corporations Act and these guidelines.	Complies

Principles and Recommendations	Compliance	Comply
Principle 5 – Make timely and balanced disclosures		
5.1 Have a written policy for complying with continuous disclosure obligations under the Listing Rules, and disclose that policy or a summary of it.	The company has a written continuous disclosure policy which is designed to ensure that all material matters are appropriately disclosed in a balanced and timely manner and in accordance with the requirements of the ASX Listing Rules.	Complies

Principles and Recommendations	Compliance	Comply
Principle 6 – Respect the rights of security holders		
6.1 Provide information about the company and its governance to investors via its website.	The Board Charter and other applicable policies are available on the company's website.	Complies
6.2 Design and implement an investor relations program to facilitate effective two-way communication with investors.	The company has adopted a shareholder communications policy. The company will use its website, half year and annual reports, market announcements and media disclosures to communicate with its shareholders, as well as encourage participation at general meetings.	Complies
6.3 Disclose the policies and processes in place to facilitate and encourage participation at meetings of security holders.	The company intends to facilitate effective participation in the AGM, as well as the ability to submit written questions ahead of the AGM. The company intends to adopt appropriate technologies to facilitate the effective communication and conduct of general meetings.	The company has not disclosed a formal policy or process, but it has engaged a recognised and reputable share registry service provider to further these objectives.
6.4 Give security holders the option to receive communications from, and send communications to, the company and its share registry electronically.	The company has instructed its share registry to facilitate this option for shareholders.	Complies

Principles and Recommendations	Compliance	Comply
Principle 7 – Recognise and manage risk		
7.1 The Board should have a risk committee which is structured so that it consists of a majority of independent directors, is chaired by an independent director, and has at least three members. The functions and operations of the risk committee should be disclosed.	The company has a combined Audit and Risk Committee. See 4.1 above.	Partially Complies
7.2 The Board or a committee of the Board should review the entity's risk management framework with management at least annually to satisfy itself that it continues to be sound, and disclose, in relation to each reporting period, whether such a review has taken place.	The charter establishes the role of the committee. Risk review was conducted in this period.	Complies
7.3 Disclose if the company has an internal audit function, how the function is structured and what role it performs, or if it does not have an internal audit function, that fact and the processes the company employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.	Due to the company's limited number of employees and relative nature and scale of its operations, the costs of an independent internal audit function would be disproportionate. The company has an external auditor and the Audit and Risk Committee will monitor and evaluate material or systemic issues.	Does not comply due to the nature and scale of operations, however the Board believes it and the Audit and Risk Committee have adequate oversight of the existing operations.
7.4 Disclose whether the company has any material exposure to economic, environmental and social sustainability risks and, if so, how it manages those risks.	The Board does not believe that the company has any such material risks.	Complies

Principles and Recommendations	Compliance	Comply
Principle 8 – Remunerate fairly and responsibly		
8.1 The Board should have a remuneration committee which is structured so that it consists of a majority of independent directors, is chaired by an independent director, and has at least three members. The functions and operations of the remuneration committee should be disclosed.	The company has a combined Nominations and Remuneration Committee. See 2.1 above.	Partially Complies
8.2 The policies and practices regarding the remuneration of non-executive directors, and the remuneration of executive directors and other senior executives, should be separately disclosed.	The Nominations and Remuneration Committee charter is available on the company's website.	Complies
8.3 If the company has an equity-based remuneration scheme, it should have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme, and disclose that policy or a summary of it.	The company operates an exempt share plan and has approved a performance rights plan for the potential issue of rights in the future. In accordance with the company's Securities Trading Policy participants are not permitted to enter into transactions which limit economic risk without written clearance.	Complies

RESPONSIBILITY OF THE BOARD

The Board is responsible for the company's proper corporate governance. To carry out this obligation, the Board must act:

- Honestly, conscientiously and fairly;
- In accordance with the law;
- In the interests of the Shareholders (with a view to building sustainable value for them); and
- In the interests of employees and other stakeholders.

The Board's broad function is to:

- Represent, serve and protect the interests of shareholders;
- Develop, implement, oversee, and review the strategies and performance of the company;
- Optimise company performance and build sustainable shareholder value within an effective corporate governance framework of internal controls and risk management;
- Ensure shareholders and stakeholders are regularly and effectively informed of developments affecting the company, as well as the ongoing performance of the company; and
- Ensure that no decision or action is taken that has the effect of prioritising their personal interests over the company's interests.

Power and authority in certain areas is specifically reserved to the Board – consistent with its function described above. These areas include:

- Providing leadership and setting the strategic objectives of the company;
- Composition of the Board itself including the appointment and removal of the Chairman or deputy chairman (if applicable);
- Oversight of the company including its control and accountability system;
- Appointment and removal of senior management (including the CEO or equivalent) and the company Secretary;
- Reviewing, ratifying and monitoring the risk management framework and setting the risk appetite within which the Board expects management to operate;
- Approving and formulating company strategy and policy;
- Approving and monitoring operating budgets and major capital expenditure;
- Overseeing the integrity of the company's accounting and corporate reporting systems, including the external audit;
- Overseeing corporate strategy and performance objectives developed by management;
- Overseeing the company's compliance with its continuous disclosure obligations;
- Approving the company's remuneration framework;
- Monitoring the overall corporate governance of the company (including its strategic direction and goals for management, and the achievement of these goals); and
- Oversight of the Board's various committees.

COMPOSITION OF BOARD

The Board is comprised of four directors. Half of the Board are non-executive directors independent from management. The Chairman of the Board is an independent non-executive director.

BOARD CHARTER AND POLICY

The Board has adopted a charter which formally recognises its responsibilities, functions, power and authority and composition. This charter sets out other things which are important for effective corporate governance including:

- A detailed definition of 'independence';
- A framework for the identification of candidates for appointment to the Board and their selection (including undertaking appropriate background checks);
- A framework for individual performance review and evaluation;
- Proper training to be made available to Directors both at the time of their appointment and on an on-going basis;
- Basic procedures for meetings of the Board and its committees including frequency, agenda, minutes and private discussion of management issues among nonexecutive Directors;
- Ethical standards and values (in a detailed code of ethics and values);
- Dealings in securities (in a detailed code for securities transactions designed to ensure fair and transparent trading by Directors and senior management and their associates); and
- Communications with Shareholders and the market.

The purpose of the charter is to 'institutionalise' good corporate governance and to build a culture of best practice both in Over the Wire's internal practices and its dealings with others.

This information is available on the company's website at https://overthewire.com.au/investors/

AUDIT AND RISK COMMITTEE

The purpose of this committee is to advise on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the company. Its current members are:

- Susan Forrester (committee chair);
- John Puttick; and
- Michael Omeros.

The committee performs functions relevant to risk management and internal and external reporting and reports to the Board following each meeting. The committee's responsibilities include:

- Setting Board and committee structures to facilitate a proper review function by the Board;
- Internal control framework including management information systems;
- Corporate risk assessment (including economic, environmental and social sustainability risks) and compliance with internal controls;
- Management processes supporting external reporting practices;
- Review of financial statements and other financial information distributed externally;
- Review of the effectiveness of the audit function;
- Review of management corporate reporting processes supporting external reporting, including the appropriateness of the accounting judgements;
- Review of the performance and independence of the external auditors;
- Review of the external audit function to ensure prompt remedial action by management, where appropriate, in relation to any deficiency in or breakdown of controls; and
- Reviewing any proposal for the external auditor to provide non-audit services and whether it might compromise the independence of the external auditor.

Meetings will be held at least four times each financial year. A broad agenda is laid down for each regular meeting according to an annual cycle. The committee invites the external auditors to attend each of its meetings.

The Audit and Risk Committee information is available on the company's website at https://overthewire.com.au/investors/

NOMINATIONS AND REMUNERATION COMMITTEE

The purpose of this committee is to assist the Board and report to it on remuneration and related policies and practices (including remuneration of senior management and non-executive Directors). Its current members are:

- John Puttick (committee chair);
- Susan Forrester; and
- Brent Paddon.

The committee's functions include:

- Recommendations to the Board about the company's remuneration policies and procedures;
- Oversight of the performance of senior management and non-executive Directors;
- Recommendations to the Board about remuneration of senior management and non-executive Directors; and
- Reviewing the company's reporting and disclosure practices in relation to the remuneration of Directors and senior executives.

Meetings will be held at least four times each financial year and more often as required.

The Nominations and Remuneration Committee information is available on the company's website at https://overthewire.com.au/investors/

POLICIES

Securities Trading Policy

A securities trading policy (Trading Policy) has been adopted by the Board to provide guidance to Directors, identified employees including senior management, and other employees of Over the Wire, where they are contemplating dealing in the company's securities or the securities of entities with whom Over the Wire may have dealings. The Trading Policy is designed to ensure that any trading in the company's securities is in accordance with the law and minimises the possibility of misperceptions arising in relation to Directors' and employees' dealings in the company's securities or securities of other entities.

The Trading Policy is directed at dealing in the company's securities by the Directors and employees, dealings through entities or trusts controlled by a relevant person, or in which they have an interest, and encouraging family or friends to so deal. It also extends to addressing dealings in the securities of other entities that may be transacting with or be counterparties of Over the Wire.

Any non-compliance with the Trading Policy will be regarded as an act of serious misconduct. The Trading Policy is available on the company's website at https://overthewire.com.au/investors/

Diversity Policy

Over the Wire is committed to complying with the diversity recommendations published by ASX and promoting diversity among employees, Directors and senior management, and has adopted a policy in relation to diversity (Diversity Policy).

Over the Wire defines diversity to include, but not be limited to, gender, age, disability, ethnicity, marital or family status, religious or cultural background, sexual orientation and gender identity.

The Diversity Policy adopted by the Board outlines Over the Wire's commitment to fostering a corporate culture that embraces diversity and provides a process for the Board to determine measurable objectives and procedures to implement and report against to achieve its diversity goals.

The company's Nominations and Remuneration Committee is responsible for implementing the Diversity Policy, setting the company's measurable objectives and benchmarks for achieving diversity and reporting to the Board on compliance with the Diversity Policy.

As part of its role, the company's Nominations and Remuneration Committee is responsible for formulating and implementing a company remuneration policy. Under the Diversity Policy, a facet of this role will include reporting to the Board annually on the proportion of men and women in Over the Wire's workforce and their relative levels of remuneration.

The Board will assess and report annually to Shareholders on progress towards achieving its diversity goals. The Diversity Policy is available on the company's website at https://overthewire.com.au/investors/

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 30 September 2019.

Over The Wire Holdings Limited

Issued capital ordinary shares: 51,602,187 as at 30 September 2019.

Substantial Shareholders

Substantial shareholders in the company are set out below:

	Ordinary Shares	
	Number Held	**% of Total Shares Issued**
Michael Omeros (Including Related Entities and Indirect Holdings)	13,623,245	26.40%
Brent Paddon (Including Related Entities and Indirect Holdings)	12,150,000	23.55%
National Nominees Limited	6,684,069	12.95%
Total Substantial Shareholders	**32,457,314**	**62.90%**

Number Of Holders Of Each Class Of Equity Securities And Distribution Schedule Of The Number Of Holders

The number of holders of each class, and distribution schedule of the number of holders of equity securities, is set below:

	Ordinary Shares	
	Number Held	**Number of Holders**
1 – 1,000	334,011	638
1,001 – 5,000	2,053,222	759
5,001 – 10,000	2,034,496	267
10,001 – 100,000	5,742,556	243
100,001 – and Over	41,437,902	26
Total	**51,602,187**	**1,933**
Unmarketable Parcels	**-**	**-**

VOTING RIGHTS

The voting rights attached to each class of equity securities are set out below:

ORDINARY SHARES

On a show of hands every member present at a meeting in person, or by proxy, shall have one vote, and upon a poll each share shall have one vote.

THE NUMBER AND CLASS OF RESTRICTED SECURITIES SUBJECT TO VOLUNTARY ESCROW THAT ARE ON ISSUE

Voluntary Escrow

The number and class of securities subject to Voluntary Escrow are set out below:

	Ordinary Shares	
	Number Held	**% of Total Shares Issued**
Date that Voluntary Escrow Period Ends:		
One year anniversary of acquisition of Access Digital (Escrow release date - 31 October 2019)	567,392	1.10%
50% of shares issued on acquistion of Cominx (Escrow release date - 30 June 2020)	347,828	0.67%
50% of shares issued on acquistion of Cominx (Escrow release date - 30 June 2021)	347,828	0.67%
Total Substantial Shareholders	**1,263,048**	**2.45%**

The 20 Largest Holders of Each Class of Quoted Equity Securities

	Ordinary Shares	
Michael Nictarios Omeros (Including Related Entities And Indirect Holdings)	13,623,245	26.40%
Brent Evans Paddon (Including Related Entities And Indirect Holdings)	12,150,000	23.55%
National Nominees Limited	6,684,069	12.95%
Jay Heddon Binks	1,362,882	2.64%
Hsbc Custody Nominees (Australia) Limited	1,267,670	2.46%
J P Morgan Nominees Australia Pty Limited	1,087,067	2.11%
Dynamic Supplies Investments Pty Ltd	739,619	1.43%
Bnp Paribas Noms Pty Ltd	689,170	1.34%
Christopher Peter Marciano	567,392	1.10%
Citicorp Nominees Pty Limited	494,283	0.96%
Wayne Albert Shaw	347,827	0.67%
Scott Anthony Smith	347,827	0.67%
Birkdale Holdings (QLD) Pty Ltd	337,139	0.65%
Carter Haywood Pty Ltd	243,256	0.47%
Bnp Paribas Nominees Pty Ltd	207,766	0.40%
Mr Jamie Pherous	200,000	0.39%
Aust Executor Trustees Ltd	184,419	0.36%
Bnp Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd Drp	176,593	0.34%
Ms Susan Margaret Forrester & Mr Bruce Forrester	157,552	0.31%
Netwealth Investments Limited	130,486	0.25%
Total	**40,998,262**	**79.45%**

4.0 FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For Year Ended 30 June 2019

		Consolidated	
	Note	**2019** $,000	**2018** $,000
Revenue from Contracts with Customers	4	79,589	53,561
Other Income	5	4,123	116
Expenses			
Data Centre & Colocation Expense	6	(3,954)	(3,624)
Calls & Communications Expense	6	(24,846)	(19,061)
Other Cost of Goods Sold	6	(13,032)	(3,057)
Employee Benefits Expense	6	(18,511)	(13,247)
Depreciation & Amortisation Expense	6	(6,818)	(3,937)
Finance Costs	6	(476)	(476)
Other Expenses	6	(3,310)	(2,432)
Profit Before Income Tax Expense		**12,765**	**7,843**
Income Tax Expense	7	(2,628)	(2,312)
Profit After Income Tax Expense for the Year Attributable to members		**10,137**	**5,531**
Other Comprehensive Income		-	-
Other Comprehensive Income for the Year, Net of Tax		-	-
Total Comprehensive Income for the Year Attributable to members		**10,137**	**5,531**
		Cents	Cents
Basic Earnings per Share	8	20.661	12.625
Diluted Earnings per Share	8	20.596	12.566

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As At 30 June 2019

		Consolidated	
	Note	**2019** $,000	**2018** $,000
Assets			
Current Assets			
Cash & Cash Equivalents	9	10,325	7,013
Trade & Other Receivables	10	8,920	4,357
Inventories	11	217	263
Other Current Assets	12	2,304	899
Total Current Assets		**21,766**	**12,532**
Non-Current Assets			
Other Non-Current Assets	12	204	46
Property, Plant & Equipment	13	8,043	5,015
Intangibles	14	74,844	36,649
Total Non-Current Assets		**83,091**	**41,710**
Total Assets		**104,857**	**54,242**
Liabilities			
Current Liabilities			
Trade & Other Payables	15	10,732	6,283
Borrowings	16	4,252	4,027
Current Tax Liability	17	1,046	977
Employee Benefits	18	1,872	1,293
Unearned Income	19	2,384	1,015
Deferred Consideration		1,392	1,968
Total Current Liabilities		**21,678**	**15,563**
Non-Current Liabilities			
Borrowings	16	6,512	9,205
Employee Benefits	18	239	186
Unearned Income	19	256	-
Deferred Tax	20	11,041	4,421
Total Non-Current Liabilities		**18,048**	**13,812**
Total Liabilities		**39,726**	**29,375**
Net Assets		**65,131**	**24,867**
Equity			
Issued Capital	21	43,884	12,246
Reserves		155	361
Retained Profits	22	21,092	12,260
Total Equity		**65,131**	**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 Year Ended 30 June 2019

		Issued Capital	Share Based Payment Reserve	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 Year		-	-	5,531	5,531
Other Comprehensive Income		-	-	-	-
Total Comprehensive Income for the Year		-	-	5,531	5,531
Transactions with Owners, in their Capacity as Owners:					
Dividends Paid	23	-	-	(984)	(984)
Performance Rights Issued		-	29	-	29
Movements as a result of existing performance rights		109	260	-	369
Employee Share Plan	21	97	70	-	167
Shares Issued Net of Capital Raising Costs	21	781	-	-	781
Tax Effect of Capitalised Costs of IPO		(49)	-	-	(49)
Balance at 30 June 2018		**12,246**	**361**	**12,260**	**24,867**

		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 Year		-	-	10,137	10,137
Other Comprehensive Income		-	-	-	-
Total Comprehensive Income for the Year		-	-	10,137	10,137
Transactions with Owners, in their Capacity as Owners:					
Dividends Paid	23	-	-	(1,305)	(1,305)
Performance Rights Issued		-	11	-	11
Movements as a result of existing performance rights		327	(147)	-	180
Employee Share Plan	21	135	(70)	-	65
Shares Issued Net of Capital Raising Costs	21	31,235	-	-	31,235
Tax Effect of Capitalised Costs of IPO		(59)	-	-	(59)
Balance at 30 June 2019		**43,884**	**155**	**21,092**	**65,131**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For Year Ended 30 June 2019

	Note	Consolidated 2019 $,000	2018 $,000
Cash Flows from Operating Activities			
Receipts from Customers		83,224	57,858
Payments to Suppliers & Employees		(67,355)	(44,835)
		15,869	13,023
Interest Received		35	37
Interest Paid & Other Finance Costs Paid		(476)	(476)
Income Taxes Paid		(4,092)	(2,240)
Net Cash From / (Used In) Operating Activities	**29(a)**	**11,336**	**10,344**
Cash Flows from Investing Activities			
Payments for Business Combinations (net of cash acquired)		(24,821)	(14,532)
Payments for Property, Plant & Equipment		(2,602)	(2,074)
Payments for Intangible Assets		(896)	(555)
Proceeds from Sale of Property, Plant & Equipment		12	-
Net Cash From / (Used In) Investing Activities		**(28,307)**	**(17,161)**
Cash Flows from Financing Activities			
Proceeds from Issue of Shares (net of transaction costs)		25,441	-
Proceeds from Borrowings		-	17,724
Repayment of Borrowings		(3,853)	(8,394)
Dividends Paid		(1,305)	(984)
Net Cash From / (Used In) Financing Activities	**29(b)**	**20,283**	**8,346**
Net Increase (Decrease) in Cash & Cash Equivalents		3,312	1,529
Cash & Cash Equivalents at the Beginning of the Year		7,013	5,484
Cash & Cash Equivalents at the End of the Year	**9**	**10,325**	**7,013**
Non-Cash Financing Activities			
Shares Issued as Consideration for Business Acquisitions		5,810	781
Assets acquired through finance leases		1,353	-

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

5.0 NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For Year Ended 30 June 2019

These consolidated financial statements and notes represent those of Over the Wire Holdings Limited (the "Company") and its controlled entities (the "Group").

The separate financial statements of the parent entity Over the Wire Holdings Limited have not been presented within the financial report as permitted by the *Corporations Act 2001*.

The financial statements were authorised for issue on 15 August 2019 by the directors of the company.

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Except for cash flow information, the financial statements have been prepared on an accrual basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

A. NEW ACCOUNTING STANDARDS ADOPTED IN THE CURRENT FINANCIAL PERIOD

The group has considered the implications of new or amended Accounting Standards which have become applicable for the current financial reporting period and the group 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 3.

B. NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE PERIODS

Accounting Standards issued by the AASB that are not yet mandatorily applicable to the group, together with an assessment of the potential impact of such pronouncements on the group when adopted in future periods, are discussed below:

AASB 16: *Leases* (applicable to annual reporting periods beginning on or after 1 January 2019).

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: *Leases* and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases. This standard is applicable to the group for the reporting period commencing 1 July 2019.

The main changes introduced by the new Standard include:

- Recognition of a right-to-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-to-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;
- Variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability using the index or rate at the commencement date;
- By applying a practical expedient, a lessee is permitted to elect not to separate non-lease components and instead account for all components as a lease; and
- Additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

The standard will primarily affect the accounting for the group's operating leases. As at the reporting date, the group has non-cancellable operating lease commitments of $2,126K (see note 28) primarily associated with the rental of office and data centre premises. Although the directors anticipate that the adoption of AASB 16 will affect the group's financial statements by altering the ratio of net current assets to net non-current assets, as the operating leases are all arms-length commercial leases at fair market value, they do not anticipate any material impact on profit. Also, as a significiant portion of operating leases in place at present will have expired before the adoption of AASB 16 (see note 28), it is impracticable at this stage to provide a reasonable estimate of the impacts on the financial statements.

C. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the group ('Company' or 'Parent Entity') as at 30 June 2019 and the results of all subsidiaries for the year then ended. The group and its subsidiaries together are referred to in these financial statements as 'the group'.

Subsidiaries are all those entities over which the group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The effects of potential exercisable voting rights are considered when assessing whether control exists. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between entities in the group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. Refer to the 'Business Combinations' accounting policy for further details. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the group loses control over a subsidiary, it de-recognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

D. BUSINESS COMBINATIONS

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquirer's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the group assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the group's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of contingent consideration classified as an asset or liability is recognised in profit or loss.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquiree.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest forms the cost of the investment.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

E. FOREIGN CURRENCY TRANSLATION

The financial statements are presented in Australian dollars, which is the group's functional and presentation currency.

Foreign Currency Transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

F. REVENUE RECOGNITION

Revenue is recognised when it is probable that the economic benefit will flow to the group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Sale of Goods

Customers obtain control of products when the goods are delivered to 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 to 30 days.

For contracts that permit the customer to return an item, 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. No provision for returns is provided for by the group given the historical low levels of returns.

All goods sold come with a manufactor's warranty. As such, no provision for warranties is provided for by the group.

Rendering of Services
Services to be provided to customers are described in each contract and revenue is recognised on the following basis:

Recurring services:

Recurring services (monthly services for data networks, data centre, colocation and cloud and managed 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.

Non-recurring services:

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 recognised as each performance obligation is met based on either:

- 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.

Where there is a difference in timing between payment milestones and completion of performance obligations the following will be recognised:

- 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.

Interest
Interest revenue is recognised as interest accrues using the effective interest method. This is the method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other Revenue
Other revenue is recognised when it is received or when the right to receive payment is established.

G. INCOME TAX

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and un-recognised deferred tax assets are reviewed each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously un-recognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Tax Consolidation
The company and its wholly owned Australian subsidiaries have formed a tax consolidated group with effect from 1 November 2015. The head entity within the group is Over the Wire Holdings Limited.

The members of the tax-consolidated group are identified in Note 33. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the "separate taxpayer within group" approach by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under tax consolidation.

Current tax liabilities and assets and deferred tax assets arising from unused tax losses and relevant tax credits of the members of the tax-consolidated group are recognised by Over the Wire Holdings Limited (as head entity in the tax-consolidated group). Due to the existence of a tax funding arrangement between the entities in the tax-consolidated group, amounts are recognised as payable to or receivable by Over the Wire Holdings Limited and each member of the group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated group in accordance with the arrangement.

H. CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings of current liabilities on the statement of financial position.

I. TRADE AND OTHER RECEIVABLES

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any loss allowance. Trade receivables are generally due for settlement within 14 to 30 days.

Details about the group’s impairment policies and the calculation of the loss allowance are provided in note 25.

Other receivables are recognised at amortised cost, less any loss allowance.

J. INVENTORIES

Finished goods are stated at the lower of cost or net realisable value, on a first-in-first-out basis. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Stock in transit is stated at the lower of cost and net realisable value. Cost comprises purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

K. CONTRACT ASSETS AND COSTS

Accrued revenue (contract assets) relate to contracts where the group has recognised an asset for work performed and which the group has a right to payment when performance obligations are completed. A contract asset is recognised for work previously performed. When invoicing takes place, any amount that has previously been classified as a contract asset will be reclassified to trade receivables. Contract assets are generally converted to sales invoices / trade receivable within 1-3 months of being recognised.

Details about the group’s impairment policies and the calculation of the loss allowance are provided in note 25.

Contract costs (prepayments) represent external or staff costs incurred as part of satisfying a contract to a customer. Where the cost relates to a performance obligation that is satisfied at a point in time, it will be recognised in profit and loss on the date the performance obligation is met. Where the related performance obligation is satisfied over time, the cost will be amortised over the corresponding period.

L. CONTRACT LIABILITIES

The group recognises two types of contract liabilities being accrued expenses and unearned income.

The group recognises unearned income where it has received or is unconditionally entitled to receive consideration before there is a transfer of goods or services to a customer. Unearned income represents the group’s obligation to transfer goods or services to a customer for which it has received consideration.

Accrued expenses are recognised when the group has received a benefit from an employee or external source and has not yet been invoiced for the goods or services provided. The liability recognised is equal to the group's estimate of the cost to be incurred for the goods or services received, but not yet invoiced.

M. PROPERTY, PLANT AND EQUIPMENT

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on both a straight-line and diminishing value basis, depending on the asset. The depreciation method chosen is based on what is deemed the most reliable to write off the net cost of each item of property, plant and equipment over their expected useful lives.

The depreciation rates used for each class of depreciable assets are:

	Straight Line	Diminishing Value
Computer, Network & IT Plant & Equipment	13 - 33%	15 – 67%
Furniture and Fixtures	2½ - 33%	20 – 40%
Motor Vehicles	15%	N/A

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements and plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is de-recognised upon disposal or when there is no future economic benefit to the group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

N. LEASES

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the group will obtain ownership at the end of the lease.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

O. INTANGIBLE ASSETS

Brand Value
Brands are acquired in a business combination. Some brands are not amortised, given the Board has assessed them to have indefinite useful lives due to the strength of the brand in the market and the intention to continue using the brand indefinitely into the future. These are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Some brands are amortised where the Board has identified the Brand as likely to be transitioned to an Over the Wire Brand in the future.

Right-to-Use Assets
Right-to-Use assets are acquired in a business combination, whereby a right to access a specified asset is conveyed, for a period of time, in exchange for consideration. Right-to-Use assets are amortised on a straight-line basis over the period of their expected benefit, generally being the expected finite life of the underlying lease which grants the access, including the period of any options where the option is considered likely to be exercised. Right-to-Use assets are carried at cost less any accumulated amortisation and impairment losses.

Goodwill
Goodwill arises on the acquisition of a business combination. Goodwill is calculated as the excess sum of:

- the consideration transferred;
- any non-controlling interest; and
- the acquisition date fair value of any previously held equity interest; over the acquisition date fair value of net identifiable assets acquired.

Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Goodwill is allocated to the group's cash-generating units or groups of cash-generating units, representing the lowest level at which goodwill is monitored.

Customer Contracts
Customer contracts and relationships acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being their expected finite life of approximately 10 years, based upon the group's historical levels of customer retention. Customer contracts are carried at cost less any accumulated amortisation and impairment losses.

Internally Generated Computer Software
Costs that are clearly associated with an identifiable and unique product, which will be controlled by the group and have a profitable benefit exceeding the cost beyond one year, are recognised as intangible assets. The following criteria are required to be met before the related expenses can be capitalised as an intangible asset:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale.
- The intention to complete the intangible asset and use or sell it.
- The group's ability to use or sell the intangible asset.
- How the intangible asset will generate probable future economic benefits. Among other things, the group can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset.
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset, and
- Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Computer software development costs recognised as assets are amortised over their useful lives, not exceeding a period of five years.

P. IMPAIRMENT OF NON-FINANCIAL ASSETS

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Q. TRADE AND OTHER PAYABLES

These amounts represent liabilities for goods and services provided to the group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

R. BORROWINGS

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

S. FINANCE COSTS

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred, including:

- Interest on short-term and long-term borrowings
- Interest on finance leases

T. FINANCIAL INSTRUMENTS

Initial Recognition and Measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either purchase or sale of the asset (i e trade date accounting is adopted). Financial instruments (except for trade receivables) are initially measured at fair value plus transactions costs except where the instrument is classified as 'at fair value through profit or loss' in which case the transaction costs are expensed to profit or loss immediately.

Trade receivables are initially measured at the transaction price if the trade receivables do not contain a significant financing component.

Classification and Subsequent Measurement

- **Financial Liabilities**
  Financial liabilities are subsequently measured at amortised cost or fair value through profit or loss.
  All financial liabilities are subsequently measured at amortised cost using the effective interest method except for:
  - contingent consideration of an acquirer in a business combination to which AASB 3: *Business Combinations* applies
  - held for trading financial liabilities; or
  - financial liabilities initially designated as at fair value through profit or loss.

  Financial liabilities cannot be reclassified.
- **Financial Assets**
  Financial assets are subsequently measured at amortised cost, fair value through profit or loss or fair value through other comprehensive income. Measurement is on the basis of contractual cash flow characteristics of the financial asset and the business model for managing the financial assets.

  Financial assets that meet the following conditions are subsequently measured at amortised cost:
  - The financial asset is managed solely to collect contractual cash flows; and
  - the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates.

  Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income:
  - the contractual terms within the financial asset give

rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates; and
- the business model for managing the financial assets comprises both contractual cash flows collection and the selling of the financial asset.

All other financial assets are measured at fair value through profit or loss.

De-recognition
Financial assets are de-recognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are de-recognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

U. PROVISIONS

Provisions are recognised when the group has a present (legal or constructive) obligation as a result of a past event, it is probable the group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

V. EMPLOYEE BENEFITS

Wages and Salaries and Annual Leave
Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Based on past experience, the group does not expect the full amount of annual leave classified as current to be settled within the next 12 months.

Long Service Leave
The liability for long service leave is recognised in current and non-current liabilities, depending on the unconditional right to defer settlement of the liability for at least 12 months after the reporting date. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Based on past experience, the group does not expect the full amount of long service leave classified as current to be settled within the next 12 months.

Expected future payments are discounted using market yields at the reporting date on Australian corporate bonds (the Milliman G100 Australian Corporate bonds discount rate at the end of June) with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Equity-settled compensation
The group operates an employee share and performance rights plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortised over the vesting periods. As performance rights do not contain any market based targets, the fair value of the rights is determined using probability weighted pricing model. The number of rights expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest. Until vested, the expenses recognised are accumulated in the share based payment reserve.

W. ISSUED CAPITAL

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

X. SHARE BASED PAYMENT RESERVE

This reserve is used to record expenses in relation to share based payments during the vesting period of the underlying equity instruments.

Y. DIVIDENDS

Dividends are recognised when declared during the financial year and no longer at the discretion of the company.

Z. EARNINGS PER SHARE

Basic Earnings Per Share
Basic earnings per share is calculated by dividing the profit attributable to the owners of the group, by the weighted average number of ordinary shares outstanding during the financial year.

Diluted Earnings Per Share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

AA. GOODS AND SERVICES TAX ('GST') AND OTHER SIMILAR TAXES

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

AB. ROUNDING OF AMOUNTS

The company is of a kind referred to in ASIC Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Legislative Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

AC. COMPARATIVE FIGURES

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

NOTE 2: CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

IMPAIRMENT OF RECEIVABLES

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in Note 25.

TIMING OF SATISFACTION OF PERFORMANCE OBLIGATIONS

For performance obligations that are satisfied over time, the output method is used to determine the satisfaction of performance obligations, and therefore revenue recognised. This method is used due to the fact that services are provided evenly over the relevant contract period.

For performance obligations that are satisfied at a point in time, revenue is deemed to be earned where the customer has taken delivery of the goods or service, the risks and rewards are transferred to the customer, and where there is a valid sales contract.

TRANSACTION PRICE AND AMOUNTS ALLOCATED TO PERFORMANCE OBLIGATIONS

With the exception of larger contracts entered into by Comlinx, other contracts entered into by the group include the transaction price for each performance obligation contained within each contract. For Comlinx contracts, where the transaction price of a contract is not split out against individual performance obligations, the transaction price is allocated in proportion to stand-alone selling prices that would have been charged for each performance obligation. Stand-alone selling prices are based on the current sales prices of the group excluding any customer or volume discounts. Since acquisition, Comlinx are adopting contract pricing policies consistent with the rest of the group.

ESTIMATION OF USEFUL LIVES OF ASSETS

The group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated. Technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

GOODWILL AND OTHER INDEFINITE LIFE INTANGIBLE ASSETS

The group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 1.

IMPAIRMENT OF NON-FINANCIAL ASSETS OTHER THAN GOODWILL AND OTHER INDEFINITE LIFE INTANGIBLE ASSETS

The group assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

INCOME TAX

The group is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The group recognises liabilities based on the group's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

RECOVERY OF DEFERRED TAX ASSETS

Deferred tax assets are recognised for deductible temporary differences only if the group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

VALUATION OF DEFERRED CONSIDERATION PAYABLE

As the value of deferred consideration payable for business combinations is dependent upon vendors achieving revenue targets in future years, management is required to make judgements that affect the reported amounts in the financial statements. Management has used their best judgement in determining the fair value of the reported liabilities, including estimating the likelihood of achieving the revenue targets and in turn the likelihood of having to make the future payments.

LONG SERVICE LEAVE PROVISION

As discussed in note 1, the liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present values of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

CREDIT RISK OF TRADE RECEIVABLES

As the group provides a loss allowance against specific trade receivables that have been identified as a higher credit risk, remaining balances are deemed to be lower risk, even if over 30 days past due. This assumption is based on historical trends of low levels of trade receivable write-offs along with consistent aging of trade receivable balances of the group across current and prior periods.

BUSINESS COMBINATIONS

Business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the group taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

NOTE 3: 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 group'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 group's accounting policies had an insignificant impact on the reported balances of the group, 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 group'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 group may irrevocably elect to present subsequent changes in the investment’s fair value in other comprehensive income ("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 group 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.

Financial Asset Type	Accounting Policy
Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	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 de-recognition is recognised in profit or loss.
Debt investments at FVOCI	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 de-recognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	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 and liabilities 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 group’s financial assets and liabilities as at 1 July 2018.

Financial Assets & Liabilities	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	Loans and receivables (amortised cost)	Financial assets at amortised cost	4,357	4,354
Cash and cash equivalents	Loans and receivables (amortised cost)	Financial assets at amortised cost	7,013	7,013
Total Financial Assets			**11,370**	**11,367**
Trade and other payables	Loans and payables (amortised cost)	Financial liabilities at amortised cost	6,283	6,283
Borrowings	Loans and payables (amortised cost)	Financial liabilities at amortised cost	13,232	13,232
Total Financial Liabilities			**19,515**	**19,515**

As the initial adoption of AASB 9 had an insignificant impact on the carrying value of financial assets or liabilities, the group 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 contact 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 group 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 group has elected to use the simplified approach 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 group 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 group's historical experience and informed credit assessment and including forward-looking information.

The group considers a financial asset to be in default when the customer is unlikely to pay its credit obligations to the group in full, without recourse by the group 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 group 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 group 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 group for less than five years, the credit loss experience for the time they have been controlled has been used. The group performed the calculation of the ECL rates separately for each company within the group, as this was considered an appropriate basis for segmentation. Assumptions underpinning the company's expected credit loss model are outlined in Note 25.

Credit-impaired financial assets

At each reporting date, the group 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 group did not adjust opening balances to account for the change in impairment. Below is a summary outlining the impact to the group'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	(1)
Contract assets recognised on adoption of AASB 15	-
Cash and cash equivalents	-
Loss allowance at 1 July 2018 under AASB 9	302

No impairment was recognised on contract assets with the adoption of AASB 9 as contract assets are generally converted to sales invoices within 1-3 months, and as such do not reach an age where impairment would be probable.

(iii) Transition

While application of AASB 9 was required to be applied retrospectively, as the adoption of AASB 9 had an insignificant impact on financial information of the group, 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 group 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 group 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 income (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:

Product/ Service	Nature, timing of satisfaction of performance obligations, significant payment terms	Nature of change in accounting policy
Sale of goods (hardware & software)	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 to 30 days. 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.	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. As the group had previously recorded deposits received as a liability, the adoption of AASB 15 did not result in any significant impact on the group's accounting policy.

Product/ Service	Nature, timing of satisfaction of performance obligations, significant payment terms	Nature of change in accounting policy
Rendering of services	Services to be provided to customers are described in each contract and revenue is recognised on the following basis: Recurring services: Recurring services (monthly services for data networks, data centre, colocation and cloud and managed services) are recognised as revenue on a monthly basis as services are provided over the term of the contract. Administrative setup 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. With the exception of maintenance contracts within Comlinx, recurring services are invoiced to customers monthly and will give rise to a contract asset for services provided which will not be invoiced until the subsequent month (such as call & data usage), or a contract liability for services which in some instances are invoiced monthly in advance (such as access or fixed plan charges). Maintenance contracts within Comlinx are generally invoiced up front with a contract liability recognised at the date of invoicing. A contract asset is also recognised in relation to the vendor cost paid upfront for each maintenance contract. The revenue and expense in relation to each maintenance contract is recognised over the period of service, typically between 12 to 36 months. Non-recurring services: 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 recognised as each performance obligation is met based on either: • 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. Where there is a difference in timing between payment milestones and completion of performance obligations the following will be recognised: • 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.	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 Colocation and Cloud Services divisions, it is generally the monthly provision of, or access to, the service. Under AASB 15, administrative setup fees will now be capitalised and recognised as revenue over the period of the relevant contract. 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 and larger maintenance contracts which are paid up front compared with the other companies within the group, which predominately bill on a monthly basis as services are provided.

With the exception of revenue for non-recurring services, there has been no change in the way that revenue is recognised in the current financial year compared with the comparative period. In the comparative period, revenue for non-recurring services was recognised in proportion to the stage of completion of the work performed at the reporting date.

(iii) Contract assets, liabilities and costs

Contract assets

The group 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 3(a)(ii). Contract assets are reclassified to receivables when the group has an unconditional right to consideration.

Contract liabilities

The group 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 group's obligation to transfer goods or services to a customer for which it has received consideration.

Contract costs

The group 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 group 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 group 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 group, changes in accounting policies were applied prospectively with no adjustments made to opening balances as at 1 July 2018. As permitted under AASB 15, the group has applied the practical expedient regarding disclosure of remaining performance obligations on the basis that the output method is used to measure progress towards complete satisfaction of performance obligations.

NOTE 4: OPERATING SEGMENTS & PRODUCT LINES

The group 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 group 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 group 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.

Data Networks and Internet

The group 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 group 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 group supplies Internet connections matching the most appropriate technology to location and/or price requirements of its customers.

Voice

The group predominately 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 group 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 group offers its customers a range of IaaS platforms with cloud-based server, storage and network services.

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

Managed Services:
The group 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 where requested by the customer.

Equipment:
The group provides high quality equipment solutions, allowing customers to maximise their network performance and reliability.

Data Centre Colocation
Data Centre colocation allows customers to house their equipment, such as servers and network equipment, in the group'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 and by Product Line, split between revenue derived from the transfer of goods and services over time and at a point in time.

			Consolidated	
			2019 $,000	**2018** $,000
30 June 2018	**Timing of Revenue Recognition**			
Contract Revenue by Product Line	**At a point in time** $,000	**Over time** $,000		
Data Networks and Internet	44	29,339		29,383
Voice	293	13,767		14,060
Cloud and Managed Services	2,025	5,233		7,258
Data Centre Colocation	-	2,860		2,860
Total Contract Revenue by Product Line	**2,362**	**51,199**		**53,561**
30 June 2019				
Contract Revenue by Product Line				
Data Networks and Internet	100	36,859	36,959	
Voice	251	16,166	16,417	
Cloud and Managed Services	9,487	13,541	23,028	
Data Centre Colocation	-	3,185	3,185	
Total Contract Revenue by Product Line	**9,838**	**69,751**	**79,589**	

Contract Revenue by Geographic Area		
Australasia	79,589	53,561
Total Contract Revenue by Geographic Area	**79,589**	**53,561**

NOTE 5: OTHER INCOME

	Consolidated	
	2019 $,000	**2018** $,000
Other Income		
Interest Income	35	37
Provision for change in expected deferred consideration payable	4,058	-
Other Sundry Income	30	79
Total Other Income	**4,123**	**116**

NOTE 6: EXPENSES

	Consolidated	
	2019 $,000	**2018** $,000
Profit before income tax includes the following expenses:		
Data Centre & Colocation Expense		
Data Centre & Colocation - Cost of Sales	1,005	1,705
Data Centre & Colocation - Other Expenses	2,949	1,919
Total Data Centre & Colocation Expense	**3,954**	**3,624**
Calls & Communications Expense		
Calls & Communications - Cost of Sales	24,708	18,965
Calls & Communications - Other Expenses	138	96
Total Calls & Communications Expense	**24,846**	**19,061**
Other Cost of Goods Sold		
Hardware, Software & Maintenance	10,895	1,528
Other Cost of Goods Sold	2,137	1,529
Total Other Cost of Goods Sold	**13,032**	**3,057**
Employee Benefits		
Salaries and Wages	15,042	11,027
Superannuation	1,334	935
Annual and Long Service Leave	344	190
Other Employee Expenses	1,791	1,095
Total Employee Benefits	**18,511**	**13,247**
Depreciation		
Computer, Network & IT Plant & Equipment	2,558	1,985
Furniture & Fittings	56	71
Motor Vehicles	3	3
Total Depreciation	**2,617**	**2,059**

NOTE 6: EXPENSES (CONTINUED)

	Consolidated	
	2019 $,000	**2018** $,000
Amortisation		
Amortisation of Internally Generated Software	287	113
Amortisation of other Intangibles	3,896	1,739
Amortisation of Borrowing Costs	18	26
Total Amortisation	**4,201**	**1,878**
Total Depreciation & Amortisation	**6,818**	**3,937**
Finance Costs		
Interest and Finance Charges Paid/Payable	476	476
Total Finance Costs	**476**	**476**
Other Expenses		
Legal, Accounting & Business Acquisition Costs	534	356
Premises	1,061	815
Licenses & Subscriptions	665	407
Travel & Marketing	657	449
Loss allowance & impairment of financial assets	42	204
General Expenses	351	201
Total Other Expenses	**3,310**	**2,432**
Total Expenses	**70,947**	**45,834**

Expenses increased largely due to the growth in the business (both revenue, and in turn a corresponding increase in cost of goods sold), as well as the acquisition of VPN in the prior year, for which a full year of results was included in 2019 financial year, as well as the acquisition of Access Digital and Comlinx on 1 November 2018 (refer to note 24 for more information).

NOTE 7: INCOME TAX EXPENSE

	Consolidated	
	2019 $,000	**2018** $,000
Income Tax Expense		
Current Tax	4,095	3,035
Deferred Tax – origination and reversal of temporary differences	(1,464)	(723)
Deferred Tax – adjustment recognised for prior periods	-	-
Adjustment recognised for prior periods	(3)	-
Aggregate Income Tax Expense	**2,628**	**2,312**
Deferred tax included in income tax expense comprises:		
(Increase) / Decrease in Deferred Tax Assets	(138)	(210)
Increase / (Decrease) in Deferred Tax Liabilities	(1,326)	(513)
Deferred Tax – origination and reversal of temporary differences	(1,464)	(723)
Numerical Reconciliation of Income Tax Expense and Tax at Statutory Rate		
Profit before income tax expense	12,765	7,843
Tax at the statutory rate of 30%	3,830	2,353
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Entertainment	24	20
Amortisation of Intangibles	-	-
Accounting & Legal & Business Acquisition Costs	34	11
IPO Costs	(59)	(49)
Provision for change in deferred consideration	(1,218)	-
Other Sundry Items	23	(23)
	(1,196)	(41)
Adjustment recognised for prior periods	(3)	-
Movement in Timing Differences	-	-
Difference in tax balances acquired on business combinations	(3)	-
Income Tax Expense	**2,628**	**2,312**
The applicable weighted average effective tax rates are as follows:	21%	29%

The applicable weighted average effective tax rate is low in 2019 due to the reduction in the Provision for Deferred Consideration taken to profit and loss, which is not subject to tax.

NOTE 8: EARNINGS PER SHARE

	Consolidated	
	2019	**2018**
Reconciliation of Earnings to Profit or Loss	**$,000**	**$,000**
Earnings Used to Calculate Basic Earnings Per Share	10,137	5,531
Earnings Used to Calculate Diluted Earnings Per Share	10,137	5,531
Weighted Average Number of Ordinary Shares	**,000**	**,000**
Weighted Average Number of Ordinary Shares Outstanding During the Year Used in Calculating Basic Earnings Per Share	49,062	43,809
Adjustments for calculation of diluted earnings per share:		
Weighted Average Number of Performance Rights Outstanding During the Year Used in Calculating Dilutive Earnings Per Share	157	207
Weighted Average Number of Ordinary Shares Outstanding During the Year Used in Calculating Dilutive Earnings Per Share	49,219	44,016
	Cents	**Cents**
Basic Earnings Per Share (Cents Per Share)	20.661	12.625
Diluted Earnings Per Share (Cents Per Share)	20.596	12.566

NOTE 9: CASH & CASH EQUIVALENTS

	Consolidated	
	2019 $,000	**2018** $,000
Cash & Cash Equivalents (Current)		
Cash on Hand	1	1
Cash at Bank	10,324	7,012
Total Cash & Cash Equivalents	**10,325**	**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	**10,325**	**7,013**
Balance as per Statement of Cash Flows	**10,325**	**7,013**

Cash and cash equivalents increased during the year primarily due to the strong cash flows from operations. Cash reserves were used for principal reductions in debt, capital expenditure, and payment of dividends. The Consolidated Statement of Cash flows provides greater detail on the sources and uses of cash during the year.

NOTE 10: TRADE & OTHER RECEIVABLES

The following table details the group's trade and other receivables exposed to credit risk with aging analysis and impairment provided for thereon. Amounts are considered 'past due' when the debt has not been settled with the terms and conditions agreed between the group and the customer or counter-party to the transaction. Receivables that are past due are assessed for impairment by ascertaining the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the group.

	Consolidated	
	2019 $,000	**2018** $,000
Trade & Other Receivables (Current)		
Trade Receivables	6,030	3,053
Loss allowance	(191)	(303)
	5,839	2,750
Term Deposits	822	653
Deposits Paid	140	128
Other Receivables	2,119	826
Total Trade & Other Receivables	**8,920**	**4,357**

Impairment of Receivables		
The group has applied the lifetime expected loss model for calculating the loss allowance on trade receivables. The accounting policies in relation to the calculation of expected credit losses is outlined in Note 3. Assumptions underpinning the expected credit loss model and other information on credit risk is outlined in Note 25.		
Loss allowance at 30 June The aging of the impaired receivables provided for above are as follows:		
Gross Trade Receivables	6,030	3,053
Less expected credit loss for specific balances	(127)	(232)
	5,903	2,821
Expected credit loss - Based on weighted expected loss rate on remaining balances at 1.09% for 30 June 2019 (2018: 2.50%)	(64)	(70)
Total Loss Allowance	**(191)**	***(302)**
* Prior year loss allowance of $303K was not adjusted based on calculation of loss allowance of $302K on adoption of AASB 9.		

Movements in Loss Allowance of Receivables is as Follows:		
Opening Balance	303	80
Amounts restated through opening retained earnings	-	-
Opening loss allowance calculated under AASB 9	303	80
Additional Provision Recognised	156	249
Receivables Written off During the Year as Uncollectable	(268)	(26)
Unused amount reversed	-	-
Closing Balance	**191**	**303**

Trade and Other Receivables increased largely due to the acquisition of Comlinx and Access Digital, and the overall growth in revenue of the business.

NOTE 11: INVENTORIES

	Consolidated	
	2019 $,000	**2018** $,000
Inventories (Current)		
Finished Goods – at Net Realisable Value	217	263
Total Inventories	**217**	**263**

NOTE 12: OTHER ASSETS

	Consolidated	
	2019 $,000	**2018** $,000
Other Assets (Current)		
Prepayments - Maintenance Contracts	1,056	-
Prepayments - Other contracts	779	510
Prepayments - Other	469	389
Total Other Assets (Current)	**2,304**	**899**
Other Assets (Non-current)		
Borrowing Costs	32	46
Prepayments - Maintenance Contracts	172	-
Total Other Assets (Non-current)	**204**	**46**
Total Other Assets	**2,508**	**945**
Amortisation of prepaid maintenance contracts recognised as a cost of providing services during the period	2,498	-

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 19.

NOTE 13: PLANT & EQUIPMENT

	Consolidated	
	2019 $,000	**2018** $,000
Computer, Network & IT Plant & Equipment (Non-Current)		
Computer, Network & IT Plant & Equipment – at cost*	20,150	14,667
Less: Accumulated Depreciation	(12,279)	(9,835)
	7,871	**4,832**
Furniture & Fixtures (Non-Current)		
Furniture & Fixtures – at cost	591	454
Less: Accumulated Depreciation	(428)	(275)
	163	**179**
Motor Vehicles (Non-Current)		
Motor Vehicles – at cost	95	23
Less: Accumulated Depreciation	(86)	(19)
	9	**4**
Total Plant & Equipment at written Down Value	**8,043**	**5,015**

Reconciliations
Reconciliations of the written down value at the beginning and end of the current and previous financial year are set out below:

	Computer, Network, IT Plant & Equipment $,000	**Furniture & Fixtures** $,000	**Motor Vehicles** $,000	**Total** $,000
Balance at 1 July 2017	4,569	241	7	4,817
Additions through Business Combinations	174	9	-	183
Additions	2,074	-	-	2,074
Transfer between classes*	-	-	-	-
Disposals	-	-	-	-
Depreciation Expense	(1,985)	(71)	(3)	(2,059)
Balance at 30 June 2018	4,832	179	4	**5,015**
Additions Through Business Combinations	1,143	46	8	1,196
Additions	3,892	1	-	3,893
Transfers from inventory	566	-	-	566
Disposals**	(3)	(7)	-	(10)
Depreciation Expense	(2,558)	(56)	(3)	(2,617)
Balance at 30 June 2019	7,871	163	9	**8,043**

* A transfer between classes occurred, but as the written down value of the assets was nil, no value appears in the reconciliation above.

** During the year $1,177K of assets with a written down value of nil were scrapped during the year.

NOTE 14: INTANGIBLES

	Consolidated	
	2019 $,000	**2018** $,000
Intangibles (Non-Current)		
Goodwill – at Cost	29,032	16,300
	29,032	**16,300**
Brand Value	5,510	3,460
Less: Accumulated Amortisation	(439)	(214)
	5,071	**3,246**
Location and Right-to-Use	1,817	1,817
Less: Accumulated Amortisation	(709)	(543)
	1,108	**1,274**
Customer Lists	43,950	17,250
Less: Accumulated Amortisation	(5,757)	(2,252)
	38,193	**14,998**
Internally Generated Software	1,867	971
Less: Accumulated Amortisation	(427)	(140)
	1,440	**831**
Total Intangibles	**74,844**	**36,649**

Reconciliations

Reconciliations of the written down value at the beginning and end of the current and previous financial year are set out below:

	Internally Generated Software $,000	**Goodwill** $,000	**Brand Value** $,000	**Location & Right to Use** $,000	**Customer List** $,000	**Total** $,000
Balance at 1 July 2017	389	5,331	3,145	1,439	7,423	**17,727**
Additions - Business Combinations	-	10,969	250	-	9,000	**20,219**
Additions	555	-	-	-	-	**555**
Disposals*	-	-	-	-	-	**-**
Amortisation Expense	(113)	-	(149)	(165)	(1,425)	**(1,852)**
Balance at 30 June 2018	831	16,300	3,246	1,274	14,998	**36,649**
Additions - Business Combinations	-	12,732	2,050	-	26,700	**41,482**
Additions	896	-	-	-	-	**896**
Disposals	-	-	-	-	-	**-**
Amortisation Expense	(287)	-	(225)	(166)	(3,505)	**(4,183)**
Balance at 30 June 2019	1,440	29,032	5,071	1,108	38,193	**74,844**

*During the prior year $434K of assets with a written down value of nil were scrapped.

Finite Life Intangible Assets

Outlined below are the carrying amounts and remaining amortisation periods of the individual intangible assets that are material to the group's financial statements at 30 June 2019.

	Remaining Amortisation Period	Carrying Amount
	Years	
Location & Right to Use - Sanity	8	1,045
Right to Use - WebCentral	1	63
Location & Right to Use		**1,108**
Customer List - Faktortel	6	1,217
Customer List - Sanity	6	965
Customer List - Telarus	8	3,413
Customer List - SpiderBox	6	179
Customer List - VPN Solutions	8	7,500
Customer List - Access Digital	9	12,973
Customer List - Comlinx	9	11,946
Customer List		**38,193**
Brand - Sanity	3	150
Brand - Telarus	3	238
Brand - VPN Solutions	3	167
Brand - Access Digital	4	217
Brand		**772**
Internally Generated Computer Software - 2017	3	156
Internally Generated Computer Software - 2018	4	388
Internally Generated Computer Software - 2019	5	896
Internally Generated Computer Software		**1,440**

Impairment Disclosures
Both goodwill and a select number of brand values are allocated to a cash generating unit, which is based on the group's reporting segment. As per Note 4, the group has one reportable segment, being IT and Telecommunications.

Brand Value has been recorded in relation to the acquisition of Faktortel & Comlinx, and these costs are not amortised, given the Board has assessed them to have indefinite useful lives due to the strength of the brand in the market, and the intention of the Board to continue to trade under this brand indefinitely. Instead, these Brands are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other acquired Brand values are being amortised, where the Board has assessed that the Brands will eventually be replaced in the market by the Over the Wire brand after an appropriate period of co-branding.

Impairment Testing of Goodwill
All Goodwill is allocated to the group's one cash generating unit (CGU) being IT & telecommunications.

The recoverable amount of the cash-generating unit is determined based on value-in-use calculations. These calculations use the present value of cash flow projections over a 5 year period, with growth rates based on historical growth rates achieved in the past and budgets approved by management. A terminal value based on the EBITDA exit multiple method was used in the calculation.

Key assumptions used for value-in-use calculations:

	2019	2018
CGU – IT & Telecommunications:		
EBITDA & Net Cash flow from Operations (growth rate)	18%	20%
Discount Rate	10%	10%

As the group runs a business structure that is light on capital expenditure requirements and utilises back-to-back purchasing arrangements aligned with the contractual terms of customers contracts, revenue, cost of goods sold and overhead have not been assessed in isolation, but instead EBITDA has been used for future cash flow projections, based on the entity's historical accuracy on forecasting EBITDA growth and its ability to manage expenses in line with revenue growth.

The Discount rate has been based upon an estimate of the entity's weighted average cost of capital, and is similar to that used in the valuation of other intangible assets such as customer lists.

Impairment Charge for Goodwill

As a result of the impairment testing and evaluation, the group has determined that the carrying value of Goodwill does not exceed their value-in-use, and no impairment charge is required.

Impact of possible changes in key assumptions

If the growth rate for EBITDA and Net Cash flow from Operations was reduced by 50% to 9%, there would still be no impairment charge required.

If the discount rate, based on an estimate of the entity's weighted average cost of capital was increased by 50% to 15%, there would still be no impairment charge required.

NOTE 15: TRADE & OTHER PAYABLES

	Consolidated	
	2019 $,000	**2018** $,000
Trade & Other Payables (Current)		
Trade Payables	7,396	3,433
GST Payable	761	596
Accrued Expenses	1,930	1,903
Other payables	645	351
Total Trade & Other Payables (Current)	**10,732**	**6,283**

Trade and Other Payables increased largely due to the inclusion of the Trade Payables and Accrued Expenses of Access Digital and Comlinx.

NOTE 16: BORROWINGS

		Consolidated	
		2019 $,000	**2018** $,000
Borrowings (Current)			
Equipment Financing	28	328	102
Westpac Term Loan		3,924	3,925
Total Borrowings (Current)		**4,252**	**4,027**
Borrowings (Non-Current)			
Equipment Financing	28	886	77
Westpac Term Loan		5,626	9,128
Total Borrowings (Non-Current)		**6,512**	**9,205**
Total Borrowings		**10,764**	**13,232**

Equipment Financing
Lease liabilities are secured by the underlying leased assets.

Westpac Term Loan
This facility is secured by an interlocking guarantee and indemnity given by all entities in the group supported by a first registered general security agreement over all present and subsequently-acquired property over each of the entities in the consolidated group. The nominal interest rate for the loan is 2.06% on top of the bank bill swap rate, with a maturity date of 31 July 2021.

Loan Covenants

Under the terms of the group's major borrowing facility, the group is required to comply with the following financial covenants:

- Debt Service Coverage Ratio must at all times exceed 1.75 times
- Financial debt / EBITDA Ratio must at all times be less than 2.25x

As at 30 June 2019, the group had complied with these covenants.

Facilities Available

The group has access to the following facilities, with the balance of the facilities as at 30 June 2019 being as follows:

Facility	Limit	Used
	$,000	$,000
Westpac Term Loan	10,390	9,551
NAB Credit Card Facility	150	105
ANZ Bank Guarantee Facility	250	119

In May 2019, the group acquired the following facilities which will be used to eventually replace the NAB facility above:

Facility	Limit	Used
	$,000	$,000
Westpac Credit Card Facility	250	-
Westpac Bank Guarantee Facility	1,000	282

NOTE 17: CURRENT TAX LIABILITY

	Consolidated	
	2019 $,000	**2018** $,000
Current Tax Liability		
Provision For Income Tax Payable	1,046	977
Total Current Tax Liability	**1,046**	**977**

NOTE 18: EMPLOYEE BENEFITS

	Consolidated	
	2019 $,000	**2018** $,000
Employee Benefits (Current)		
Provision for Long Service Leave	570	341
Provision for Annual Leave	1,302	952
Other employee benefits payable	-	-
Total Employee Benefits Payable (Current)	**1,872**	**1,293**
Employee Benefits (Non-Current)		
Provision for Long Service Leave	239	186
Total Employee Benefits Payable (Non-Current)	**239**	**186**
Total Employee Benefits	**2,111**	**1,479**

	Consolidated	
	2019 $,000	**2018** $,000
Movement in Provisions		
Provision for Long Service Leave		
Balance at 1 July	527	280
Additional Provisions	209	93
Additions Through Business Combinations	94	154
Amounts Used	(21)	-
Balance at 30 June	**809**	**527**
Provision for Annual Leave		
Balance at 1 July	952	581
Additional Provisions	1,053	682
Additions Through Business Combinations	193	274
Amounts Used	(896)	(585)
Balance at 30 June	**1,302**	**952**

Amounts Not Expected to be Settled Within the Next 12 Months:
The current provision for long service leave includes all unconditional entitlements where employees have completed the required period of service and also where employees are entitled to pro-rata payments in certain circumstances. Based on past experience the group does not expect all employees to take the full amount of accrued long service leave or require payment within the next 12 months.

NOTE 19: UNEARNED INCOME

	Consolidated	
	2019 $,000	**2018** $,000
Unearned Income (Current)		
Customer prepayments and deposits	1,031	1,015
Setup fees	15	-
Unearned income - maintenance contracts	1,338	-
Total Unearned Income (Current)	**2,384**	**1,015**
Unearned income (Non-current)		
Unearned income - maintenance contracts	256	-
Total Unearned Income (Non-Current)	**256**	**-**
Total Unearned Income	**2,640**	**1,015**
Revenue recognised in the reporting period that was included in unearned income at the beginning of the period	1,015	946

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 12.

NOTE 20: DEFERRED TAX

	Consolidated	
	2019 $,000	**2018** $,000
Deferred Tax Consist Of:		
Deferred Tax Assets (a)	1,014	779
Deferred Tax Liabilities (b)	(12,055)	(5,200)
Net Deferred Tax Asset / (Liability)	**(11,041)**	**(4,421)**
a) Deferred Tax Assets:		
The Balance Comprises Temporary Differences Attributable to:		
Accrued Expenses	261	144
Provision for Doubtful Debts	57	91
Employee Benefits	633	444
Claimable IPO Costs	63	100
Other	-	-
Deferred Tax Asset	**1,014**	**779**

Movement in Deferred Tax Assets	**Accrued Expenses** $,000	**Prov. for Doubtful Debts** $,000	**Employee Benefits** $,000	**Claimable IPO Costs** $,000	**Other** $,000	**Total** $,000
Balance at 1 July 2017	57	25	259	149	-	490
(Charged) / Credited to Profit or Loss	87	66	57	-	-	210
(Charged) / Credited through Equity	-	-	-	(49)	-	(49)
Additions Through Business Combinations	-	-	128	-	-	128
(Over) / Under Provision of Prior Year	-	-	-	-	-	-
Balance at 30 June 2018	**144**	**91**	**444**	**100**	**-**	**779**
(Charged) / Credited to Profit or Loss	83	(55)	110	-	-	138
(Charged) / Credited through Equity	-	-	-	(37)	-	(37)
Additions Through Business Combinations	34	21	79	-	-	134
(Over) / Under Provision of Prior Year	-	-	-	-	-	-
Balance at 30 June 2019	**261**	**57**	**633**	**63**	**-**	**1,014**

	Consolidated	
	2019 $,000	**2018** $,000
b) Deferred Tax Liabilities:		
The Balance Comprises Temporary Differences Attributable to:		
Accrued Revenue	(89)	(202)
Provision for Change in Contingent Liability	-	-
Provision for Doubtful Creditors	(63)	(46)
Intangibles on Acquisitions – Right to Use	(313)	(350)
Intangibles on Acquisitions – Brand	(186)	(164)
Intangibles on Acquisitions – Customer List	(11,404)	(4,438)
Property Plant & Equipment	-	-
Deferred Tax Liability	**(12,055)**	**(5,200)**

Movement in Deferred Tax Liability

	Accrued Revenue	Prov. for Change in Contingent Liability	Prov. For Doubtful Creditors	Intangibles on Acquisitions	Other	Total
	$,000	$,000	$,000	$,000	$,000	$,000
Balance at 1 July 2017	(109)	(17)	(59)	(2,733)	(20)	(2,938)
(Charged) / Credited to Profit or Loss	(93)	17	13	556	20	513
Additions Through Business Combinations	-	-	-	(2,775)	-	(2,775)
(Over) / Under Provision of Prior Year	-	-	-	-	-	-
Balance at 30 June 2018	**(202)**	**-**	**(46)**	**(4,952)**	**-**	**(5,200)**
(Charged) / Credited to Profit or Loss	206	-	(13)	1,133	-	1,326
Additions Through Business Combinations	(93)	-	(4)	(8,084)	-	(8,181)
(Over) / Under Provision of Prior Year	-	-	-	-	-	-
Balance at 30 June 2019	**(89)**	**-**	**(63)**	**(11,903)**	**-**	**(12,055)**

NOTE 21: ISSUED CAPITAL

	Consolidated	
	2019	**2018**
	$,000	$,000
Issued Capital		
Ordinary Shares – Fully Paid	43,884	12,246
Total Issued Capital	**43,884**	**12,246**

Movements in ordinary share capital

	Date	No. of Shares	Issue Price	Paid up Amount
		,000	$	$,000
Balance	1 Jul 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 Jun 2018	-	-	(49)
Balance	**30 June 2018**	**43,998**		**12,246**
ESOP Shares vested from Performance Rights	23 Aug 2018	50	-	109
Shares issued on Capital Raise	25 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
Employee Share Plan	21 May 2019	28	4.88	135
Tax Effect of Capitalised Costs of IPO	30 Jun 2019		-	(59)
Balance	**30 June 2019**	**51,602**		**43,884**

ORDINARY SHARES

Ordinary shares entitle the holder to participate in dividends and the proceeds of winding up the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

SHARE BASED PAYMENTS - EMPLOYEE SHARES

On 21 May 2019, 27,744 ordinary shares were issued to employees under an Employee Share Plan with an issue price of $4.88 per share and for nil consideration.

Shares acquired under this plan carry all of the same rights and obligations of other shares, except for any rights attaching to shares by reference to a record date prior to the date of issue or transfer. Further details of the shares issued under the Employee Share Plan are set out in note 32.

SHARE BASED PAYMENTS – PERFORMANCE RIGHTS

On 23 August 2018, 50,000 performance rights (2017 Tranche 2) vested and were converted to Ordinary Shares.

On 10 December 2018, 100,000 performance rights (2017 Tranche 3) vested and were converted to Ordinary Shares.

On 1 June 2019, the group issued 63,733 performance rights to key management personnel and select senior staff under an Employee Share Plan as a means of rewarding and incentivising key employees.

Further details of the performance rights, including details of rights issued during the financial year, are set out in note 32.

CAPITAL RISK MANAGEMENT

The group's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits to other stakeholders and to maintain an optimum capital structure to reduce the cost of capital. Based on the current capital structure, issued capital is the only balance that the group manages as capital.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt. Issued capital increased significantly in the current financial year, as can be seen from the above table, predominately due to a capital raise, share placement and shares issued on acquisitions.

The group is subject to certain financing arrangement covenants and meeting these are given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

NOTE 22: RETAINED PROFITS

	Consolidated	
	2019 $,000	**2018** $,000
Retained Profits		
Retained Profits at the Beginning of the Financial Year	12,260	7,713
Profits After Income Tax Expense for the Financial Year	10,137	5,531
Dividends Paid	(1,305)	(984)
Retained Profits at the End of the Financial Year	**21,092**	**12,260**

NOTE 23: EQUITY – DIVIDENDS

	Consolidated	
	2019 $,000	**2018** $,000
Dividends		
Interim fully franked ordinary dividend of 1.25 cents per share franked at the tax rate of 30% (2018: 1.00 cents per share fully franked at 30%)	644	439
Final fully franked ordinary dividend of 1.50 cents per share franked at the tax rate of 30% (2018: 1.25 cents per share fully franked at 30%)	661	545
Total Dividends for the Financial Year	**1,305**	**984**

Subsequent to year-end, on 15 August 2019, the company declared a fully franked final dividend of 2.00 cents per share, for the year ended 30 June 2019. The dates of the dividend are as follows:

Ex date 9 September 2019
Record Date 10 September 2019
Payment Date 10 October 2019

As this final dividend was declared subsequent to year-end, no provision has been made in the accounts for the dividend.

	Consolidated	
	2019 $,000	**2018** $,000
Franking Credits		
Franking Credits Available at the Reporting Date Based on a Tax Rate of 30%	9,973	5,138
Franking Credits that Will Arise From the Payment of the Amount of the Provision for Income Tax at the Reporting Date Based on a Tax Rate of 30%	1,046	977
Franking Credits available for Subsequent Financial Years based on a Tax Rate of 30%	**11,019**	**6,115**

NOTE 24: BUSINESS COMBINATIONS

(a) Acquisition of Access Digital Networks Pty Ltd (Trading as Access Digital)

On 1 November 2018, the company acquired Access Digital. The acquisition of Access Digital has delivered approximately 250 business customers to the group and accelerates the group's geographic expansion in South Australia.

The original contracted price was $14,500K, comprising upfront consideration comprised $10,440K in cash, plus 567,393 OTW shares ($2,610K 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 $249K payable to the vendor. Accordingly, the provisional adjusted purchase price is $14,749K.

Revenue of Access Digital included in the consolidated revenue of the group since acquisition amounted to $5,437K. Profit before tax of Access Digital included in consolidated profit before tax of the group since acquisition amounted to $2,072K.

Had the results of Access Digital been consolidated from 1 July 2018, using a simple pro-rata calculation and ignoring any seasonality, if any, revenue of the consolidated group would have been $82,308K and consolidated profit before tax would have been $13,801K for the year ended 30 June 2019.

(b) Details on acquisitions

Company	Primary Business Division	Acquisition	Purchase Price	Intangibles Acquired	Shares Issued to Settle	Shares Issued to Settle	Cash to Settle	Deferred Consideration
			$,000	$,000	Units	$,000	$,000	$,000
Access Digital (finalised)	Data Networks	100% of shares	14,749	18,429	567,393	2,610	10,689	1,450
Total			**14,749**	**18,429**	**567,393**	**2,610**	**10,689**	**1,450**

The company engaged the services of independent consultants to provide the economic valuation of the acquisition of Access Digital, including purchase price, net assets acquired and intangibles (both identifiable and goodwill). Goodwill on the acquisition is attributable to the internal systems and processes, an established skilled workforce, and other proprietary knowledge, loyalties and relationships.

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.

Deferred consideration is payable in November 2019, and is calculated based on a combination of the retention of identified key clients and identified key staff. As at 30 June 2019, it is estimated that $1,392K is likely to become payable.

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

Access Digital Networks	
	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**
Liabilities	
Current Liabilities	
Trade & Other Payables	292
Borrowings (Related Party)	4,848
Income Tax	108
Borrowings	7
Employee Benefits	46
Total Current Liabilities	**5,301**
Non-Current Liabilities	
Deferred Tax Liabilities	887
Borrowings	25
Employee Benefits	6
Total Non-Current Assets	**918**
Total Liabilities	**6,219**
Net Assets	**249**

Acquired Intangibles

		Description	Brand Value	Location / Right-to-Use	Customer List / Relationships	Goodwill	Total
		Class:	Limited Life	Limited Life	Limited Life	Indefinite Life	
		Treatment:	Amortised and Impaired	Amortised and Impaired	Amortised and Impaired	Impaired	
		Rate:	Forecast Use of Brand	Length of Lease	Churn/ Customer Retention		
	$,000		$,000	$,000	$,000	$,000	$,000
Access Digital							
Purchase Price:	14,500						
Add: Net Assets Adjustment	249						
Less: Identifiable Net Assets	(565)						
Add: Deferred tax liability recognised on limited life intangibles	4,245						
Intangible Assets upon Acquisition	**18,429**						
Allocation of Intangibles:			250	-	13,900	4,279	**18,429**
Estimate Useful Life of Limited Life Assets:			5 Years		10 Years		
Annual Forecast Amortisation			50		1,390		**1,440**

(c) Acquisition of Comlinx Pty Ltd (Trading as Comlinx)
On 1 November 2018, the company acquired Comlinx. The acquisition of Comlinx has delivered approximately 100 business customers to the group and accelerates the group's move into the provision of Software Defined WAN (SD-WAN) solutions, further enhancing the group's data network capability.

The original contracted price was $20,000K, comprising upfront consideration comprised $12,800K in cash, plus 695,655 OTW shares ($3,200K 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 vendors at settlement. Upon completion of the settlement accounts, the working capital adjustment is $276K payable to the vendors. Accordingly, the provisional adjusted purchase price is $20,276K.

Revenue of Comlinx included in the consolidated revenue of the group since acquisition amounted to $11,132K. Profit before tax of Comlinx included in consolidated profit before tax of the group since acquisition amounted to $3,185K.

Had the results of Comlinx been consolidated from 1 July 2018, using a simple pro-rata calculation and ignoring any seasonality, if any, revenue of the consolidated group would have been $85,155K and consolidated profit before tax would have been $14,358K for the year ended 30 June 2019.

(d) Details on acquisitions

Company	Primary Business Division	Acquisition	Purchase Price	Intangibles Acquired	Shares Issued to Settle	Shares Issued to Settle	Cash to Settle	Deferred Consideration
			$,000	$,000	Units	$,000	$,000	$,000
Comlinx (finalised)	Managed Services	100% of shares	20,276	23,053	695,655	3,200	13,076	4,000
Total			**20,276**	**23,053**	**695,655**	**3,200**	**13,076**	**4,000**

The company engaged the services of independent consultants to provide the economic valuation of the acquisition of Comlinx, including purchase price, net assets acquired and intangibles (both identifiable and goodwill). Goodwill on the acquisition is attributable to the internal systems and processes, an established skilled workforce, and other proprietary knowledge, loyalties and relationships.

Under the agreement, the vendors and their 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 vendors have 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.

Deferred consideration is payable in September 2019, calculated with reference to agreed gross profit targets on a scaling basis, and is also conditional upon, continuing employment of the vendors of the company, and meeting minimum revenue targets, however as at 30 June 2019, it is estimated that no amount is likely to become payable.

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

Comlinx	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**
Liabilities	
Current Liabilities	
Trade & Other Payables	1,393
Unearned Income	2,742
Employee Benefits	213
Total Current Liabilities	**4,348**
Non-Current Liabilities	
Unearned Income	539
Employee Benefits	23
Total Non-Current Assets	**562**
Total Liabilities	**4,910**
Net Assets	**1,063**

Acquired Intangibles

		Description	Brand Value	Location / Right-to-Use	Customer List / Relationships	Goodwill	Total
		Class:	Indefinite Life	Limited Life	Limited Life	Indefinite Life	
		Treatment:	Impaired	Amortised and Impaired	Amortised and Impaired	Impaired	
		Rate:		Length of Lease	Churn/ Customer Retention		
	$,000		$,000	$,000	$,000	$,000	$,000
Comlinx							
Purchase Price:	20,000						
Add: Working Capital Adjustment	276						
Less: Identifiable Net Assets	(1,063)						
Add: Deferred tax liability recognised on limited life intangibles	3,840						
Intangible Assets upon Acquisition	**23,053**						
Allocation of Intangibles:			1,800	-	12,800	8,453	**23,053**
Estimate Useful Life of Limited Life Assets:					10 Years		
Annual Forecast Amortisation					1,280		**1,280**

NOTE 25: FINANCIAL RISK MANAGEMENT

FINANCIAL RISK MANAGEMENT OBJECTIVES

The group's financial instruments consist mainly of deposits with banks, local money market instruments, accounts receivable and payable, loans to and from subsidiaries, and leases.

The main purpose of non-derivative financial instruments is to raise finance for group operations.

The group does not have any derivative instruments at 30 June 2019 or 30 June 2018.

The totals for each category of financial instruments, measured in accordance with AASB 9 as detailed in the accounting policies to these financial statements, are as follows.

	Consolidated	
	2019 $,000	**2018** $,000
Financial Assets		
Cash & Cash Equivalents (Note 9)	10,325	7,013
Trade & Other Receivables (Note 10)	8,920	4,357
Total Financial Assets	**19,245**	**11,370**
Financial Liabilities		
Trade & Other Payables (Note 15)	10,732	6,283
Borrowings (Note 16)	10,764	13,232
Total Financial Liabilities	**21,496**	**19,515**

TREASURY RISK MANAGEMENT

The Boards overall risk management strategy seeks to assist the consolidated group in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

FINANCIAL RISK EXPOSURES AND MANAGEMENT

The main risks the group is exposed to through its financial instruments are interest rate risk, liquidity risk and credit risk.

FOREIGN CURRENCY RISK

The group has no material exposure to fluctuations in foreign currencies.

LIQUIDITY RISK

The group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

Cash flows realised from financial assets in the table below reflect management's expectation as to the timing of realisation. Actual timing may therefore defer from that disclosed.

Contracted maturities at 30 June 2018	0 – 12 Months	1 – 2 Years	2 – 5 Years	> 5 Years	Total Cash Flows	Carrying Amount
	$,000	$,000	$,000	$,000	$,000	$,000
Cash & Cash Equivalents	7,013	-	-	-	7,013	7,013
Trade and Other Receivables	4,357	-	-	-	4,357	4,357
Total	**11,370**	**-**	**-**	**-**	**11,370**	**11,370**

Contracted maturities at 30 June 2019	0 – 12 Months	1 – 2 Years	2 – 5 Years	> 5 Years	Total Cash Flows	Carrying Amount
	$,000	$,000	$,000	$,000	$,000	$,000
Cash & Cash Equivalents	10,325	-	-	-	10,325	10,325
Trade and Other Receivables	8,920	-	-	-	8,920	8,920
Total	**19,245**	**-**	**-**	**-**	**19,245**	**19,245**

The group has recognised a loss of $156K (2018: $249K) in profit and loss in respect of impairment of receivables for the year ended 30 June 2019. The movements in the provision for impairment of receivables were outlined in Note 10.

The table below sets out the maturity periods of the financial liabilities of the consolidated group as at 30 June 2019 and 30 June 2018. All carrying amounts of equipment finance are discounted contractual cash flows.

Contracted maturities at 30 June 2018	< 6 Months	6 – 12 Months	1 – 2 Years	2 – 5 Years	> 5 Years	Total Cash Flows	Carrying Amount
	$,000s	$,000s	$,000s	$,000s	$,000s	$,000s	$,000s
Trade & Other Payables	6,283	-	-	-	-	6,283	6,283
Borrowings	2,016	2,017	9,195	13	-	13,241	13,232
Total	**8,299**	**2,017**	**9,195**	**13**	**-**	**19,524**	**19,515**

Contracted maturities at 30 June 2019	< 6 Months	6 – 12 Months	1 – 2 Years	2 – 5 Years	> 5 Years	Total Cash Flows	Carrying Amount
	$,000s	$,000s	$,000s	$,000s	$,000s	$,000s	$,000s
Trade & Other Payables	10,732	-	-	-	-	10,732	10,732
Borrowings	2,465	1,811	4,249	2,741	-	11,266	10,764
Total	**13,197**	**1,811**	**4,249**	**2,741**	**-**	**21,998**	**21,496**

CREDIT RISK

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

There are no material amounts of collateral held as security at 30 June 2019 or 30 June 2018.

Credit risk is managed on a group basis and reviewed regularly by the Board. It arises from exposures to customers as well as through deposits with financial institutions.

The Board monitors credit risk by actively assessing the rating quality and liquidity of counter parties:

- only major Australian banks and financial institutions are utilised;
- potential customers with a monthly spend in excess of $1,000 are often rated for credit worthiness taking into account their size, market position and financial standing; and
- customers that do not meet the group's strict credit policies may only purchase in cash or using recognised credit cards.

There has been no substantive changes to credit risk in the current financial year.

The following table provides information regarding the credit risk relating to cash and money market securities based on Moody's counter-party credit ratings.

	Consolidated	
	2019 $,000	**2018** $,000
Cash & Cash Equivalents		
Aa3 Rated	10,131	7,008
A1 Rated	193	4
Unallocated	1	1
Total Cash & Cash Equivalents	**10,325**	**7,013**

The following table summarises the assumptions underpinning the consolidated group's expected credit loss model.

Category	Consolidated group definition of category	Basis for recognition of expected credit loss provision
Performing	Customers have a low risk of default and a strong capacity to meet contractual cash flows	12 month expected losses for Cash & Cash Equivalents. Lifetime expected losses for Trade & Other Receivables
Under-performing	Balances are past due, however there is no further indication that interest or principal repayments will be unrecoverable	Lifetime expected losses
Non-performing	Balances are past due and there are other indicators that interest or principal repayments will be unrecoverable	Lifetime expected losses for Cash & Cash Equivalents. Full balance of specific customer for Trade & Other Receivables
Write-off	Confirmation that amounts will not be recovered	Asset is written off

The consolidated group does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the consolidated group.

INTEREST RATE AND MARKET RISK

Market risk is the risk that changes in market prices, such as interest rates will affect the company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising returns.

All of the group's equipment finance leases are at a fixed interest rate, and while the group has term debt, the pricing is a fixed margin above BBSY, the group has significant cash and cash equivalents, and generally maintains a Debt-to-EBITDA ratio of less than 1:1, and accordingly the Directors consider interest rate and market risk to be low.

SENSITIVITY ANALYSIS

As the group's equipment finance leases are not material to the group and at a fixed interest rate, no sensitivity analysis has been performed, as any +/- variation in interest rates would not have a material impact on the post-tax profit for the remaining period of the loans.

A change in interest rates on the Westpac Term Loan would have the following impact on the post-tax profit over the remainder of the expected term of the loan:

	Consolidated	
	2020 $,000	**2021** $,000
2% Decrease in Interest Rates	154	81
1% Decrease in Interest Rates	77	42
1% Increase in Interest Rates	(78)	(44)
2% Increase in Interest Rates	(157)	(90)
3% Increase in Interest Rates	(237)	(138)

DEBT MATURITY AND REFINANCING RISK

Refinancing risk is the risk that the company is not able to refinance the full amount of its ongoing debt requirements on appropriate terms and pricing. To reduce this risk, group maintains significant cash and cash equivalents, generally maintains a Debt-to-EBITDA ratio of less than 1:1 making the company an attractive lending proposition, and maintains regular contact and good relationships with a variety of debt and equity funding institutions.

NOTE 26: REMUNERATION OF AUDITORS

	Consolidated	
	2019 $,000	**2018** $,000
During the financial year the following fees were paid or payable for services provided by PKF Brisbane Audit, the auditor of the group		
PKF Brisbane Audit		
Audit Services	102	85
PKF Brisbane Pty Ltd		
Other Services – Tax compliance services	22	31
Total	**124**	**116**

NOTE 27: CONTINGENT ASSETS & LIABILITIES

CONTINGENT ASSETS

The group had no contingent assets as at 30 June 2019 or 30 June 2018.

CONTINGENT LIABILITIES

The group had bank guarantees in place totalling $612,327 as at 30 June 2019 and $269,174 as at 30 June 2018.

NOTE 28: CAPITAL & LEASING COMMITMENTS

	Consolidated	
	2019 $,000	**2018** $,000
Lease commitments - Operating		
Committed at the reporting date but not recognised as liabilities payable:		
Within one year	1,077	1,134
One to five years	1,349	1,791
More than five years	-	69
Total Lease commitments - Operating	**2,426**	**2,994**

Operating lease commitments include contracted amounts for various offices under non-cancellable operating leases expiring within one to ten years with, in some cases, options to extend. On renewal, the terms of the leases will be renegotiated.

	Consolidated	
	2019 $,000	**2018** $,000
Commitments in relation to non-cancellable finance leases are as follows:		
Not Later Than 1 Year	351	105
Later Than 1 Year But Not Later Than 5 Years	921	83
Minimum Lease Payments	1,272	188
Less Future Finance Charges	(58)	(9)
	1,214	**179**
Representing Finance Lease Commitments		
Current (Note 16)	328	102
Non-Current (Note 16)	886	77
Total Lease Commitments - Financing	**1,214**	**179**

Finance leases are for computer and IT equipment, generally leased over a 3-5 year period, with payments being made monthly or quarterly in advance.

NOTE 29: CASH FLOW INFORMATION

	Consolidated	
	2019 $,000	**2018** $,000
(a) Reconciliation of Cash Flows from Operations with Profit After Income Tax		
Profit After Income Tax	**10,137**	**5,531**
Non cash flows in profit/(loss):		
Depreciation	2,617	2,059
Amortisation	4,201	1,878
Provision for Doubtful Debts	(226)	156
(Write-down) / Increase of Earn-out Payments	(4,058)	5
Other Non Cash Movements	223	105
Changes in Assets and Liabilities		
(Increase) / Decrease in Trade and Other Receivables	(2,754)	(238)
(Increase)/ Decrease in Inventories	255	(74)
(Increase)/ Decrease in Other Assets	1,015	(618)
(Decrease)/ Increase in Deferred Tax Liabilities	(1,427)	(672)
(Decrease)/ Increase in Payables	2,643	1,208
(Decrease)/ Increase in Unearned Income	(1,656)	69
(Decrease)/ Increase in Provisions	344	191
(Decrease)/ Increase in Current Tax Liabilities	22	744
Net Cash Flows from Operating Activities	**11,336**	**10,344**

(b) Reconciliation of Cash Flows from Financing Activities

	Equipment Financing	NAB Term Loan	Westpac Term Loan	Dividends Payable	Shares Issued	Total
	$,000	$,000	$,000	$,000	$,000	$,000
Balance at 1 July 2017	417	3,485	-	-	-	3,902
Dividends declared	-	-	-	984	-	984
Shares issued	-	-	-	-	-	-
Net cash provided by/ (used in) financing activities	(238)	(3,485)	13,053	(984)	-	8,346
Other changes	-	-	-	-	-	
Balance at 30 June 2018	**179**	**-**	**13,053**	**-**	**-**	**13,232**
Dividends declared	-	-	-	1,305	-	1,305
Shares issued	-	-	-	-	(25,441)	(25,441)
Net cash (used in) financing activities	(351)	-	(3,502)	(1,305)	25,441	20,283
Other changes	1,386	-	-	-	-	1,386
Balance at 30 June 2019	**1,214**	**-**	**9,551**	**-**	**-**	**10,765**

NOTE 30: PARENT INFORMATION

The following information has been extracted from the books and records of the parent and has been prepared in accordance with Australian Accounting Standards.

PARENT ENTITY STATEMENT OF FINANCIAL POSITION

As At 30 June 2019

	2019 $,000	**2018** $,000
Assets		
Current Assets	10,938	2,747
Non-Current Assets	64,010	33,846
Total Assets	**74,948**	**36,593**
Liabilities		
Current Liabilities	21,467	15,577
Non-Current Liabilities	5,626	9,128
Total Liabilities	**27,093**	**24,705**
Net Assets	**47,855**	**11,888**
Equity		
Issued Capital	43,884	12,246
Retained Profits	3,971	(358)
Total Equity	**47,855**	**11,888**

PARENT ENTITY STATEMENT OF COMPREHENSIVE INCOME
For Year Ended 30 June 2019

	2019 $,000	2018 $,000
Total Profit	**5,509**	**1,170**
Total Comprehensive Income	**5,509**	**1,170**

GUARANTEES AND CONTRACTUAL COMMITMENTS
During the reporting period, Over the Wire Holdings Limited has a parent entity guarantee in place over the credit card facilities with NAB operated by two of its subsidiaries (OTW Corp Pty Ltd and Over the Wire Pty Ltd) totalling $150,000, as well as a bank guarantee facility with ANZ for $119,174.

CONTINGENT LIABILITIES
Other than the bank guarantees above, the parent entity did not have any contingent liabilities as at 30 June 2019 or 30 June 2018.

NOTE 31: RELATED PARTY TRANSACTIONS

Over the Wire Holdings Limited is the ultimate parent entity in the wholly owned group comprising the company and its wholly owned controlled entities. Transactions between the company and its controlled entities have been eliminated in the consolidated financial statements.

The aggregate amounts of transactions between the company and its controlled entities are in the respective classification categories in the financial statements. The nature, terms and conditions of each different type of transaction area are as follows:

- Fees charged by OTW Corp Pty Ltd to the members of the group are in respect of the company acting as a central provider of corporate services to the group, including employing all staff, providing office and administration services.
- Management fees charged by Over the Wire Holdings Limited to cover the costs of being listed on the Australian Securities Exchange.
- A limited number of re-charged costs between Over the Wire Pty Ltd, Netsip Pty Ltd, Faktortel Pty Ltd, Telarus Pty Ltd and Comlinx Pty Ltd, for discretionary operational reasons such as ease of reconciliations, facilitating a customer to receive a single invoice despite ordering services from multiple companies, etc.
- Operational Loans for day-to-day working capital between the company and its controlled entities are unsecured and advanced on an interest free basis.

During the year, the group has conducted the following related party transactions:

- Management fees paid to Over the Wire Holdings by its controlled entities for 2019: $3,360K (2018: $2,400K)
- Fees charged by OTW Corp to the members of the group for 2019: $19,140K (2018: $12,990K)
- Operational recharged costs between group companies for 2019: $1,230K (2018: $1,200K)

KEY MANAGEMENT PERSONNEL (KMP) COMPENSATION

	Consolidated	
	2019 $,000	**2018** $,000
Short –Term Employee Benefits	1,669	1,259
Long-Term Employee Benefits	19	17
Post-Employment Benefits	102	84
Termination Payments	-	-
Share based Payments	143	388
Key Management Personnel	**1,933**	**1,748**

Detailed remuneration disclosures are provided in the remuneration report on pages 22 to 26.

NOTE 32: SHARE-BASED PAYMENTS - PERFORMANCE RIGHTS

EMPLOYEE SHARE PLAN

The Employee Share Plan was established to assist in maintaining a company culture of promoting employee ownership. Under the plan, employees who are employed on the anniversary of the group's listing date are eligible to receive $1,000 of shares in the company. The table below summarises details of shares issued to eligible employees under the group's Employee Share Plan.

	Consolidated	
	2019	**2018**
Issue Date	21 May 2019	18 Apr 2018
Number of shares issued	27,744	35,280
Eligibility date	31 Oct 2018	31 Oct 2017
Share price on eligibility date	$4.88	$2.77
Consideration	-	-
Escrow period (from issue date)	3 years	3 years
Expense recognised in profit and loss	$135,391	$97,726

PERFORMANCE RIGHTS

In line with its remuneration policy, the Board approved the issue of performance rights under the OTW Performance Rights Plan during the 2018 and 2019 financial years to key management personnel.

The Performance Rights will not give the holder a legal or beneficial interest in ordinary fully paid shares in Over the Wire until those Performance Rights vest. Prior to vesting, Performance Rights do not carry a right to vote or receive dividends.

When the Performance Rights have vested, ordinary fully paid shares will be allocated, and these shares will rank equally with existing Over the Wire Shares.

The Performance Rights over Ordinary Shares have been issued in tranches as set out below.

	2017 Tranche 2 (2017-2)	2017 Tranche 3 (2017-3)	2018	2019
Issue Date	29 June 2017	29 June 2017	1 April 2018	1 June 2019
Vesting Date & Test Date	1 July 2018	3 December 2018	30 September 2020	30 September 2021
Expiry Date	1 August 2018	3 January 2019	31 October 2020	31 October 2021
Exercise Price	$0.00	$0.00	$0.00	$0.00
Amount Payable on Grant	$0.00	$0.00	$0.00	$0.00
Performance Hurdles	Service tenure from Grant to Vesting. Issued in recognition of the FYE2016 short term incentive achievement and represent an STI deferral benefit.	Service Tenure and TSR absolute Compound Annual Growth Rate from IPO date to vesting: <10% p.a. 0% 10%-15% 50-100% pro-rata >15% p.a. 100%	Service Tenure & EPS absolute Compound Annual Growth Rate hurdle from FY2017 to FY2020: <10% p.a. 0% 10%-15% 50-100% pro-rata >15% pa 100%	Service Tenure and TSR absolute Compound Annual Growth Rate from IPO date to vesting: <10% p.a. 0% 10%-15% 50-100% pro-rata >15% p.a. 100%
Performance Rights Granted to:				
Mike Stabb	25,000	50,000	29,920	13,333
Ben Cornish	25,000	50,000	29,920	13,333
Gary Pittorino	-	-	-	10,400
Dennis Muscat	-	-	19,946	8,889
Daniel Roates	-	-	19,946	8,889
Rebecca Tuma	-	-	-	8,889

Fair Value of Performance Rights Issued

30 June 2018	Opening Balance	Granted	Vested	Closing Balance	Weighted Average Fair Value
	Qty	Qty	Qty	Qty	$
Mike Stabb	100,000	29,920	(25,000)	104,920	249,882
Ben Cornish	100,000	29,920	(25,000)	104,920	249,882
Dennis Muscat	-	19,946	-	19,946	57,572
Daniel Roates	-	19,946	-	19,946	57,572
TOTAL	**200,000**	**99,732**	**(50,000)**	**249,732**	**614,908**

30 June 2019	Opening Balance	Granted	Vested	Closing Balance	Weighted Average Fair Value
	Qty	Qty	Qty	Qty	$
Mike Stabb	104,920	13,333	(75,000)	43,253	45,422
Ben Cornish	104,920	13,333	(75,000)	43,253	45,422
Gary Pittorino	-	10,400	-	10,400	1,785
Dennis Muscat	19,946	8,889	-	28,835	30,281
Daniel Roates	19,946	8,889	-	28,835	30,281
Rebecca Tuma	-	8,889	-	8,889	1,526
TOTAL	**249,732**	**63,733**	**(150,000)**	**163,465**	**154,717**

The weighted average fair value of the performance rights granted to employees has been calculated by an independent valuer at the date the performance rights were granted.

The weighted average fair value of performance rights granted is set out below. This value was calculated using the Black-Scholes pricing model applying the following inputs:

	Consolidated	
	2019	**2018**
Weighted average fair value	$4.881	$2.8864
Weighted average life of the rights	2.3 Years	2.5 Years
Expected share price volatility	41.0%	40.6%
Risk-free interest rate	1.10%	2.04%

Historical share price volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future volatility.

NOTE 33: SUBSIDIARIES

		Consolidated	
		2019	**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 (Acquired 28 July 2015)	Australia	100 %	100 %
Faktortel Holdings Pty Ltd (Acquired 28 July 2015)	Australia	100 %	100 %
Aero Telecom Pty Ltd (Acquired 28 July 2015)	Australia	100 %	100 %
Sanity Holdings Pty Ltd (Acquired 30 November 2015)	Australia	100 %	100 %
OTW Corp Pty Ltd (Registered 25 September 2015)	Australia	100 %	100 %
Telarus Pty Ltd (Acquired 16 January 2017)	Australia	100 %	100 %
VPN Solutions Pty Ltd (Acquired 1 November 2017)	Australia	100 %	100 %
Access Digital Networks Pty Ltd (Acquired 1 November 2018)	Australia	100 %	0 %
Comlinx Pty Ltd (Acquired 1 November 2018)	Australia	100 %	0 %

NOTE 34: SUBSEQUENT EVENTS

On 15 August 2019, the company declared a fully franked final dividend of 2.00 cents per share, for the year ended 30 June 2019. The dates of the dividend are as follows:

Ex date 9 September 2019
Record Date 10 September 2019
Payment Date 10 October 2019

As this final dividend was declared subsequent to year-end, no provision has been made in the accounts for the dividend.

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

6.0 DIRECTORS' DECLARATION

DIRECTORS' DECLARATION

In the directors' opinion:

i The financial statements and notes set out on pages 39 to 93 are in accordance with the Corporations Act 2001, including:
  a complying with Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS) and the Corporations Regulations 2001; and
  b giving a true and fair view of the financial position as at 30 June 2019 and of the performance for the year ended on that date of the company and consolidated group;

ii There are reasonable grounds to believe that the consolidated group will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations by the Chief Executive Officer and the Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

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

Michael Omeros
Managing Director

Brisbane
15 August 2019

John Puttick
Chair Person

Brisbane
15 August 2019

7.0 INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF OVER THE WIRE HOLDINGS LIMITED

Report on the Financial Report

Opinion

We have audited the accompanying financial report of Over the Wire Holdings Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company and the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

In our opinion the financial report of Over the Wire Holdings Limited is in accordance with the *Corporations Act 2001*, including:

a) Giving a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of its performance for the year ended on that date; and

b) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the Auditor's Responsibility section of our report.

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

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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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1. Impairment testing of intangible assets

Why significant	How our audit addressed the key audit matter

As at 30 June 2019 the carrying value of intangible assets was $74.8m (2018: $36.6m), as disclosed in Note 14. This represents 71% of total assets.
 	
The Group's accounting policy in respect of intangible assets is outlined in Note 1.
 	
An annual impairment test for goodwill and other indefinite life intangible assets is required under Australian Accounting Standard (AASB) 136 Impairment of Assets.
 	
The evaluation of the recoverable amount requires the Group to exercise significant judgement in determining the key assumptions, which include:
 	
• 5 year cash flow forecast
• Terminal growth factor
• Discount rate
• The determination that the Group has one CGU, being the whole Group
 	
The outcome of the impairment assessment could vary if different assumptions were applied. As a result, the evaluation of the recoverable amount of intangible assets including goodwill is an area of significant estimation and judgement.
	Our work included, but was not limited to, the following procedures:
	
	• assessing and challenging:
	  ○ the FY20 budget by comparing the budget to FY19 and FY 18 actuals
	  ○ the assumptions used for the growth rate by comparing normalised average growth rate from FY18 to FY19 to the growth rate adopted in the impairment model
	  ○ the key assumptions for long term growth in the forecast cash flows by comparing them to historical results and industry forecasts; and
	  ○ the discount rate applied by comparing the WACC to industry benchmarks
	• testing, on a sample basis, the mathematical accuracy of the cash flow models;
	• agreeing inputs in the cash flow models to relevant data including approved budgets and latest forecasts
	• performing sensitivity analysis in relation to key assumptions including discount rate, growth rate and terminal value
	
	Additionally, as part of our procedures:-
	
	• we assessed the Group's determination of Cash Generating Units (CGUs); and
	• we assessed the appropriateness of the disclosures including those relating to sensitivities in the assumptions used, included in Note 14.

2. Business Combinations, including valuation of acquired identifiable intangible assets and allocation of goodwill

Why significant	How our audit addressed the key audit matter
During the year, the Group acquired the shares of Access Digital Networks Pty Ltd and Comlinx Pty Ltd. As disclosed in Note 24, as part of the transaction, goodwill of $12.732m, brand value of $2.05m, and customer list / relationships of $26.7m were recognised. Significant judgement is required in valuing the acquired identifiable intangible assets and allocation of goodwill. The Group engaged an independent expert to assist in the valuation of identifiable intangible assets.	Our work included, but was not limited to, the following procedures: • Obtaining a detailed understanding of the acquired business • Assessing the competency and objectivity of the independent expert and the scope of their work • Analysing the independent expert's report to understand the valuation methodology and key judgements made in determining the fair values such as: o EBIT multiples o Growth rates o Customer retention rates o Estimated useful lives o Internal rate of return • Assessing the appropriateness of the valuation methodology of the intangible assets employed by the external expert and evaluating the key assumptions used in determining the fair values In addition, we assessed the appropriateness of the disclosures in relation to both the business combination and intangible assets acquired included in note 24.

3. Recognition of Revenue

Why significant	How our audit addressed the key audit matter
The recognition of revenue, totalling $79.6m and associated unearned revenue liabilities of $2.6m is considered a key audit matter due to the number of different revenue streams and the complexity in the nature and timing of revenue generated by the Group through each stream. Note 4 to the financial statements details the revenue streams of the Group and associated accounting policies. Revenue amounts are disclosed in the Consolidated Statement of Comprehensive Income, and associated unearned revenue liabilities are disclosed in Note 19 and the Consolidated Statement of Financial Position.	Our work included, but was not limited to, the following procedures: We performed procedures on the significant revenue streams as noted below and as disclosed in Note 4 to the financial statements: • Data networks and internet • Voice • Cloud and managed services • Data centre co-location For a sample of contracts across each of the revenue streams, we evaluated the individual contract and agreed revenue amounts to the financial statements and other records such as bank statements. As part of these procedures we assessed the values recorded and the timing of recognition over the service period. We considered the adequacy of the Group's revenue recognition accounting policies and assessed compliance with the policies in terms of applicable Australian Accounting Standards.

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the consolidated entity's Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibilities for the Financial Report

The Directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the Directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report complies with International Financial Reporting Standards.

In preparing the financial report, the Directors are responsible for assessing the consolidated entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using a going concern basis of accounting unless the Directors either intend to liquidate the consolidated entity or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our responsibility is to express an opinion on the financial report based on our audit. Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individual or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report.

The procedures selected depend on the auditor's judgement, including assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the consolidated entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the consolidated entity to cease to continue as a going concern.

We evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the consolidated entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2019. The Directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Over the Wire Holdings Limited for the year ended 30 June 2019 complies with section 300A of the *Corporations Act 2001*.

PKF

PKF BRISBANE AUDIT

LIAM MURPHY
PARTNER

15 AUGUST 2019
BRISBANE

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