



# 2021

## APPENDIX 4E

Over the Wire Holdings Limited  
ACN 151 872 730

# APPENDIX 4E

## FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2021

PREVIOUS CORRESPONDING PERIOD: YEAR ENDED 30 JUNE 2020

### RESULTS FOR ANNOUNCEMENT TO THE MARKET

#### KEY INFORMATION:

Consolidated				
	2021	2020	Change	Change
	\$ ,000	\$ ,000	\$ ,000	%
Revenue from Ordinary Activities	112,687	87,611	25,076	29
Profit after Tax from Ordinary Activities Attributable to Members	3,435	5,033	(1,598)	(32)
Profit Attributable to Members	3,435	5,033	(1,598)	(32)
Dividends Paid	Amount per Security	Franked Amount per Security		
	Cents	Cents		
Ordinary Shares				
2020 Final - Paid 15 October 2020	2.25	2.25		
2021 Interim - Paid 7 April 2021	1.75	1.75		

NPAT decreased predominately due to \$3,907K amortisation incurred on \$51,819K of intangible assets with a limited life, recognised through the acquisitions of Fonebox/ Zintel and Digital Sense in the current financial year.

### SUBSEQUENT EVENT – DIVIDEND DECLARED

On 19 August 2021, the Company declared a fully franked final dividend of 2.25 cents per share, for the year ended 30 June 2021. The dates of the dividend are as follows:

Ex date	– 13 September 2021
Record Date	– 14 September 2021
DRP Election Close Date	– 15 September 2021
Payment Date	– 14 October 2021

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

The Company operates a dividend reinvestment plan (DRP) that is available to holders of fully paid ordinary shares who have a registered address in Australia or New Zealand. Shareholders who wish to commence participation in the DRP, or to vary their current participation election, must do so by 5:00pm (AEST) on 15 September 2021.

### SUBSEQUENT EVENT – CHANGE IN DIRECTORS

From 1 July 2021 John Puttick resigned from the roles of Non-executive Director and Chair of the Group and Stephe Wilks was appointed as Non-executive Director and Chair of the Group.

### SUBSEQUENT EVENT – CHANGE IN KEY MANAGEMENT PERSONNEL

On 2 August 2021 Scott Smith resigned from the role of Chief Executive Officer of Over the Wire, effective from 30 September 2021.

### COMMENTARY ON RESULTS FOR THE PERIOD

#### SIGNIFICANT FEATURES OF OPERATING PERFORMANCE:

Refer to the attached consolidated financial report of Over the Wire Holdings Limited (the “Company”) and the entities it controlled during the year (the “Group”), and accompanying media release and investor presentation.

### ACQUISITION OF J2 AUSTRALIA CLOUD CONNECT AND ZINTEL COMMUNICATIONS (“FONEBOX/ ZINTEL”)

On 31 August 2020, the Company acquired 100% of the shares in J2 Australia Cloud Connect Pty Ltd and Zintel Communications Limited for a total upfront consideration of \$36,000K. The upfront consideration comprised \$36,000K in cash, less a working capital adjustment of \$43K to reflect profits retained in the business by the vendor against a target at settlement. The vendor provided a warranty that J2 Australia Cloud Connect Pty Ltd and Zintel Communications Limited would be free of all debt at completion.

The acquisition of J2 Australia Cloud Connect Pty Ltd and Zintel Communications Limited was fully funded through a debt facility with Westpac.

The acquisition of J2 Australia Cloud Connect Pty Ltd and Zintel Communications Limited has delivered approximately 9,000 business customers to Over the Wire and enhances our existing voice offerings. With annual revenue of \$19,000K and EBITDA of \$6,000K, J2 Australia Cloud Connect Pty Ltd and Zintel Communications Limited is expected to make a significant contribution to Over the Wire's future results.

The strategic rationale for acquiring J2 Australia Cloud Connect Pty Ltd and Zintel Communications Limited was:

- Acquisition of a leading platform provider of inbound telecommunication services in Australia and New Zealand, delivering proven solutions to the corporate and small / medium enterprise (SME) market.
- Introduces new solution capability to Over the Wire in the areas of inbound telephony services including call routing intelligence, data intelligence, call management and analytics reporting, via a proprietary technology platform.
- Customer base offers cross sell opportunities, particularly in outbound voice and Hosted Telephony services.
- Highly capable team led by experienced management that will be able to deliver a whole of business voice offering to the Australian and New Zealand SME market with complimentary capabilities, when combined with Over the Wire subsidiary Faktortel.
- Delivers platform capability to Over the Wire that further complements our growth objectives within the Cloud Voice, Mobility and Communications Platform (CPaaS) market.

## APPENDIX 4E

# SIGNIFICANT CHANGES IN STATE OF AFFAIRS

### ACQUISITION OF DIGITAL SENSE HOSTING PTY LTD (“DIGITAL SENSE”)

On 30 October 2020, the Company acquired 100% of the shares in Digital Sense Hosting Pty Ltd for a total upfront consideration of \$27,000K. The upfront consideration comprised \$21,600K in cash (of which \$6,960K was via a loan from the Group), 1,483,518 OTW shares (\$5,400K in OTW shares at an issue price of \$3.64, being the volume weighted average price for 10 trading days prior to the announcement of the acquisition), plus or minus a working capital adjustment to reflect profits retained in the business by the vendor against a target at settlement. The vendor provided a warranty that Digital Sense Hosting Pty Ltd would be free of all debt at completion with the exception of approved equipment finance.

The vendor is also entitled to receive a further deferred consideration of up to \$12,000K (\$1,000K was paid during Jan 2021, up to \$6,000K payable in September 2021 and up to \$5,000K payable in September 2022), based on a number of performance measures being achieved.

The acquisition of Digital Sense Hosting Pty Ltd was fully funded through an institutional share placement of \$20,000K and the Group's cash reserves.

The acquisition of Digital Sense Hosting Pty Ltd has delivered a number of Enterprise and Government customers to Over the Wire and positions Over the Wire well to capitalise on the cloud industry's strong growth outlook. With revenue of \$18,300K and EBITDA of \$5,400K for the 12 month period to 30 June 2020, Digital Sense Hosting Pty Ltd is expected to make a significant contribution to Over the Wire's future results.

The strategic rationale for acquiring Digital Sense Hosting Pty Ltd was:

- Acquisition of a leading Sovereign Cloud platform provider in Australia delivering proven solutions to the Enterprise and Government markets.
- Introduces further solution capability in the areas of Infrastructure as a Service (IaaS), Desktop as a Service (DaaS), Storage as a Service (STaaS) and Data Protection as a Service (DPaaS).
- Extensive Cloud offering offers cross sell opportunities to existing Over the Wire customers and offers cross sell opportunities of Over the Wire solutions to Digital Sense Customers.
- Digital Sense accelerates Over the Wire's growth and capability in our Cloud Solution pillar, resulting in further diversification of revenue across each of the Cloud. Connect. Collaborate. pillars.
- Leverage Over the Wire's existing national network to take Digital Sense's offering national.
- Strengthens Over the Wire's ability to provide a complete and integrated solution set to Enterprise and Government customers across their data, voice and cloud requirements.
- High quality management team committed to long term success.
- High levels of recurring revenue with strong margins.

## APPENDIX 4E

### EXPLANATION OF KEY INFORMATION AND DIVIDENDS

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

	2021	2020
	\$ ,000	\$ ,000
Net Assets	100,315	68,945
Net Tangible Assets	(64,503)	(11,629)
Net Tangible Assets Per Security	Cents	Cents
Net tangible asset per share	(108.30)	(22.52)

Net Tangible Assets per share has decreased over the year to June 2021 predominately due to the Group entering into a new finance facility agreement for the purpose of acquiring the share capital of Fonebox / Zintel for \$36,000K as well as recognising \$85,877K of intangible assets for the acquisitions of Fonebox/ Zintel and Digital Sense.

	2021	2020
	Cents	Cents
Earnings Per Share		
Basic Earnings Per Share	6.038	9.749
Diluted Earnings Per Share	6.012	9.716

Earnings per share decreased predominately due the amortisation incurred on \$51,819K of intangible assets with a limited life, recognised through the acquisitions of Fonebox/ Zintel and Digital Sense in the current financial year.

#### STATUS OF AUDIT

The 30 June 2021 financial statements and accompanying notes for Over the Wire Holdings Limited and its controlled entities have been audited and the attached consolidated financial report contains the independent auditor's report.



**Simone Dejun**  
Company Secretary

**Brisbane**  
19 August 2021



# 2021

## FINANCIAL REPORT

Over the Wire Holdings Limited  
ACN 151 872 730

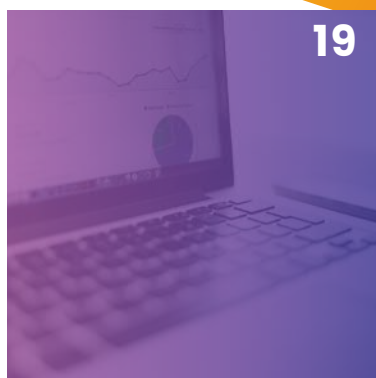
# 2021 FINANCIAL REPORT

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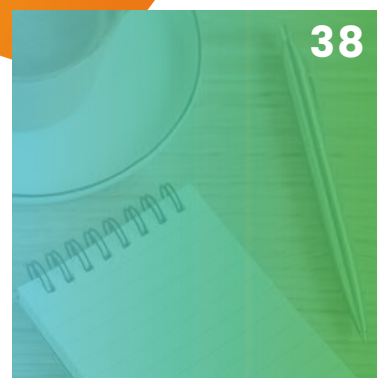
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Directors' Report



Remuneration Report



Notes to the Financial Statements

# GENERAL INFORMATION

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

The 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 24, 100 Creek 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 19 August 2021. The directors have the power to amend and/or reissue the financial report.

Share Register	Auditor	Solicitors	Bankers	Stock Exchange Listings
<b>Link Market Services</b> 10 Eagle Street Brisbane QLD 4000	<b>PKF Brisbane Audit</b> Level 6, 10 Eagle Street Brisbane QLD 4000	<b>McCullough Robertson Lawyers</b> Level 11, Central Plaza Two 66 Eagle Street Brisbane QLD 4000	<b>Westpac</b> 260 Queen Street Brisbane QLD 4000  <b>National Australia Bank</b> 259 Queen Street Brisbane QLD 4000	<b>Over the Wire Holdings Limited</b> (OTW) shares are listed on the Australian Securities Exchange (ASX)

# CORPORATE DIRECTORY

## DIRECTORS

Chair (resigned 1 July 2021)	<b>John Puttick</b>	DUniv QUT, FACS, ACA
Chair (appointed 1 July 2021)	<b>Stephe Wilks</b>	BSC, LLM
Managing Director & Group Chief Executive Officer	<b>Michael Omeros</b>	BE(Electronics), BInfoTech
Non-Executive Director (Non-Executive Director from 1 July 2020)	<b>Brent Paddon</b>	BInfoTech, GradDipBusAdmin
Non-Executive Director	<b>Susan Forrester AM</b>	BA, LLB (Hons), EMBA, FAICD
Non-Executive Director (appointed 1 July 2020)	<b>Cathy Aston</b>	BEc, MComm, GAICD, FFin

## SECRETARY

Group General Counsel	<b>Simone Dejun</b>	LLM, Grad Dip Legal Practice, LLB, BBus(Advertising)
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## KEY MANAGEMENT

Chief Executive Officer (resigned 2 August 2021, effective 30 September 2021)	<b>Scott Smith</b>
Chief Technology Officer (moved to CISO role 1 March 2021)	<b>Ben Cornish</b>
Chief Operating Officer	<b>Gary Pittorino</b>
Chief Financial Officer	<b>Ben Melville</b>



# 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 2021.

# DIRECTORS' REPORT

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

## DIRECTORS & SECRETARY

Chair (Resigned 1 July 2021)	<b>John Puttick</b>
Chair (Appointed 1 July 2021)	<b>Stephe Wilks</b>
Managing Director Group Chief Executive Officer	<b>Michael Omeros</b>
Non-Executive Director (Non-Executive Director from 1 July 2020)	<b>Brent Paddon</b>
Non-Executive Director	<b>Susan Forrester AM</b>
Non-Executive Director (Appointed 1 July 2020)	<b>Cathy Aston</b>
Company Secretary	<b>Simone Dejun</b>

## 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
- Hosting
- Security & Managed Services

There has been no significant change to the principal activities of the Group during the year.



## REVIEW OF OPERATIONS

Total revenue from ordinary activities for the year was \$112,687K (2020: \$87,611K), representing an increase of 29% on the corresponding year. The result demonstrates demand from customers across all four product lines including:

Data Networks and Internet revenue of \$37,021K (2020: \$37,531K), representing a decrease of 1% on the corresponding year;

Voice revenue of \$34,945K (2020: \$19,597K), representing an increase of 78% on the corresponding year;

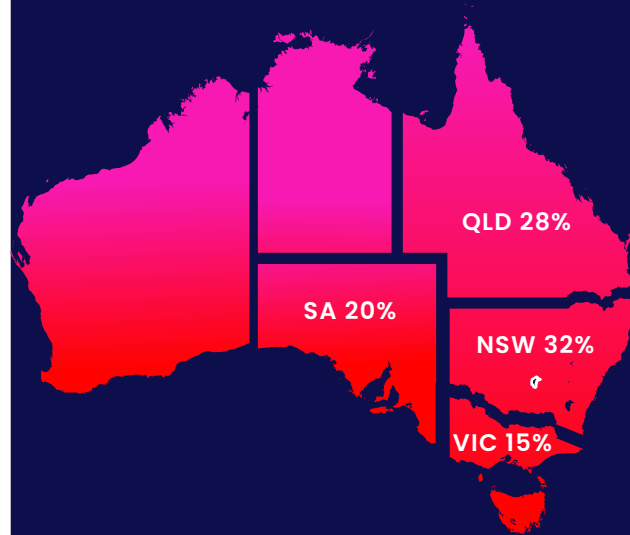
Hosting revenue of \$21,815K (2020: \$10,134K), representing an increase of 115% on the corresponding year;

Security & Managed Services revenue of \$18,906K (2020: \$20,349K), representing a decrease of 7% on the corresponding year.

The Group continued to build upon its geographic expansion strategy.

The below table shows revenue-growth figures from 2020 to 2021:

### Revenue Growth 2020 to 2021 (Statutory) in Australia



## FINANCIAL POSITION

The financial position of the Group remains strong with net assets increasing by \$31,370K to \$100,315K from \$68,945K due to the following factors:

- New \$36,000K loan facility in August 2020 and \$20,000K capital raise in September 2020 to support acquisitions of both Zintel/ Fonebox and Digital Sense for total combined consideration of \$69,066K, including \$15,955K of deferred consideration and shares issued.
- Net profit after tax for the year of \$3,435K.

## 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	
	2021 \$ ,000	2020 \$ ,000
Profit before Income Tax Expense	4,848	7,214
Depreciation & Amortisation	17,425	9,756
Finance Costs	1,260	426
<b>EBITDA</b>	<b>23,533</b>	<b>17,396</b>

EBITDA was \$23,533K (2020: \$17,396K), representing an increase of 35% on the corresponding year. Net Profit after Income Tax Expense (NPAT) was \$3,435K (2020: \$5,033K), representing a decrease of 35% on the corresponding year. The increase in EBITDA was predominately due to the acquisitions of Fonebox/ Zintel and Digital Sense as well as organic growth over the current financial year. The decrease in NPAT was predominately due to \$3,907K amortisation incurred on \$51,819K of intangible assets with a limited life, recognised through the acquisitions of Fonebox/ Zintel and Digital Sense in the current financial year.

As at 30 June 2021, the Group had \$16,696K in cash or cash equivalents. Net cash flow from Operating Activities (before Interest and Tax) for the 2021 year was \$29,788K (\$15,705K in 2020) demonstrating continued strong cash conversion.

The Group's continued sound management of overhead expenses in the underlying business, maintaining net debtor days metrics and when combined with revenue growth of 29%, has generated the positive Cash from Operating Activities outlined in the Consolidated Statement of Cash flows.

## DIVIDENDS PAID AND PROPOSED

A final dividend for 30 June 2020 of 2.25 cents per share fully franked was paid in October 2020.

An interim dividend of 1.75 cents per share fully franked, for the six months ended 31 December 2020, was paid in April 2021.

Subsequent to year-end, on 19 August 2021, the Group declared a fully franked final dividend of 2.25 cents per share, for the year ended 30 June 2021. The dates of the dividend are as follows:

Ex Date	– 13 September 2021
Record Date	– 14 September 2021
DRP Election Close Date	– 15 September 2021
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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, Security & Managed Services and Hosting. 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 and partner channel.

The Group will 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 ZINTEL AND FONEBOX J2 AUSTRALIA CLOUD CONNECT AUSTRALIA PTY LTD AND ZINTEL COMMUNICATIONS LIMITED

On 31 August 2020, the Company acquired 100% of the shares in J2 Australia Cloud Connect Pty Ltd and Zintel Communications Limited for a total upfront consideration of \$36,000K. The upfront consideration comprised \$36,000K in cash, less a working capital adjustment of \$43K to reflect profits retained in the business by the vendor against a target at settlement. The vendor provided a warranty that J2 Australia Cloud Connect Pty Ltd and Zintel Communications Limited would be free of all debt at completion.

The acquisition of J2 Australia Cloud Connect Pty Ltd and Zintel Communications Limited was fully funded through a debt facility with Westpac.

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- Acquisition of a leading platform provider of inbound telecommunication services in Australia and New Zealand, delivering proven solutions to the corporate and small / medium enterprise (SME) market.
- Introduces new solution capability to Over the Wire in the areas of inbound telephony services including call routing intelligence, data intelligence, call management and analytics reporting, via a proprietary technology platform.
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- Delivers platform capability to Over the Wire that further complements our growth objectives within the Cloud Voice, Mobility and Communications Platform (CPaaS) market.

### ACQUISITION OF DIGITAL SENSE HOSTING PTY LTD

On 30 October 2020, the Company acquired 100% of the shares in Digital Sense Hosting Pty Ltd for a total upfront consideration of \$27,000K. The upfront consideration comprised \$21,600K in cash (of which \$6,960K was via a loan from the Group), 1,483,518 OTW shares (\$5,400K in OTW shares at an issue price of \$3.64, being the volume weighted average price for 10 trading days prior to the announcement of the acquisition), plus or minus a working capital adjustment to reflect profits retained in the business by the vendor against a target at settlement. The vendor provided a warranty that Digital Sense Hosting Pty Ltd would be free of all debt at completion with the exception of approved equipment finance.

The vendor is also entitled to receive a further deferred consideration of up to \$12,000K (\$1,000K was paid during Jan 2021, up to \$6,000K payable in September 2021 and up to \$5,000K payable in September 2022), based on a number of performance measures being achieved.

The acquisition of Digital Sense Hosting Pty Ltd was fully funded through an institutional share placement of \$20,000K and the Group's cash reserves.

The acquisition of Digital Sense Hosting Pty Ltd has delivered a number of enterprise and Government customers to Over the Wire and positions Over the Wire well to capitalise on the cloud industry's strong growth outlook. With revenue of \$18,300K and EBITDA of \$5,400K for the 12 month period to 30 June 2020, Digital Sense Hosting Pty Ltd is expected to make a significant contribution to Over the Wire's future results.

The strategic rationale for acquiring Digital Sense Hosting Pty Ltd was:

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- Extensive Cloud offering offers cross sell opportunities to existing Over the Wire customers and offers cross sell opportunities of Over the Wire solutions to Digital Sense Customers.
- Digital Sense accelerates Over the Wire's growth and capability in our Cloud Solution pillar, resulting in further diversification of revenue across each of the Cloud. Connect. Collaborate. pillars.

## SIGNIFICANT CHANGES IN STATE OF AFFAIRS

### ACQUISITION OF DIGITAL SENSE HOSTING PTY LTD

- Leverage Over the Wire's existing national network to take Digital Sense's offering national.
- Strengthens Over the Wire's ability to provide a complete and integrated solution set to Enterprise and Government customers across their data, voice and cloud requirements.
- High quality management team committed to long term success.
- High levels of recurring revenue with strong margins.

### EVENTS SINCE THE END OF THE FINANCIAL YEAR

#### DIVIDEND DECLARED

On 19 August 2021, the Company declared a fully franked final dividend of 2.25 cents per share, for the year ended 30 June 2021. The dates of the dividend are as follows:

Ex Date	– 13 September 2021
Record Date	– 14 September 2021
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As this final dividend was declared subsequent to year-end, no provision has been made in the accounts for the dividend.

#### CHANGE IN DIRECTORS

From 1 July 2021 John Puttick resigned from the roles of Non-executive Director and Chair of the Group and Stephe Wilks was appointed as Non-executive Director and Chair of the Group.

#### CHANGE IN KEY MANAGEMENT PERSONNEL

On 2 August 2021 Scott Smith resigned from the role of Chief Executive Officer of Over the Wire, effective from 30 September 2021.

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.

### CORONAVIRUS (COVID-19) PANDEMIC

The Group actively managed the impact of COVID-19 on its team and business through 2021 and continues to monitor the impact going forward. Our key focus throughout lockdowns was and continues to remain the health and safety of our team and maintaining a high level of service and reliability for our customers, to support them through these unprecedented times.

### OVERALL FINANCIAL IMPACT ON BUSINESS

#### Revenue

While business has returned closer to pre-COVID levels in 2021, the Group continues to actively work with suppliers and customers as the pandemic has created some additional lead time requirements which while not impacting the recurring side of the business, can impact the Group's ability to recognise revenue from non-recurring deals in a timely manner.

#### Working Capital

While having sufficient headroom, the Group continues to closely monitor working capital to ensure that we are well placed to be able to operate effectively both with our customers and suppliers.

### 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.



## DIRECTORS' REPORT

# INFORMATION ON DIRECTORS & COMPANY SECRETARY

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



### JOHN PUTTICK

DUniv QUT, FACS, ACA  
Former Non-Executive  
Director and Chair of the  
Group

John was appointed as Chair of the Group in December 2015 and resigned on 1 July 2021. He was the founder and Chair 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 (ceased Chair role 1 July 2021)
- Member of people and culture committee (ceased Chair role 29 July 2020, ceased role 1 July 2021)
- Member of audit and risk committee (ceased role 1 July 2021)

#### Direct and indirect interest in shares and options

Ordinary Shares

Over the Wire Holdings **174,557**



### STEPHE WILKS

BSC, LLM  
Non-Executive Director  
and Chair of the Group

Stephe was appointed as Chair of the Group on 1 July 2021.

Stephe is an active non-executive Director on the Board of several public and private companies, across a range of commercial and operations disciplines, with a particular emphasis on technology, governance, corporate finance and M&A. Stephe is Chair of 1st Group Limited and non-executive director of ASX listed BluGlass Limited (ASX:BLG) and Interactive Pty Limited.

Stephe has extensive corporate finance, CEO, senior management and operational experience, particularly in the Australian and US markets, building on earlier work for telcos in the UK, Australia and the Asia Pacific region. He previously held roles as diverse as Chief Operating Officer of an aggressive wireless broadband infrastructure company, Consulting Director of NM Rothschild & Sons, and COO of Nextgen Networks.

#### Other Current Directorships

- Chair of 1ST Group Limited (ASX:1ST) (appointed May 2021)
- Non-Executive Director of Interactive Pty Ltd (appointed September 2015)
- Non-Executive Director of BluGlass Limited (ASX:BLG) (appointed May 2018)

#### Former Directorships in last 3 years

- Chair of Speedcast (ASX:SDA) (appointed August 2019, delisted March 2021)
- Chair of BrainChip Holdings Limited (appointed February 2019)
- Non-Executive Director of DataDot Technology (appointed February 2016)

#### Special Responsibilities

- Chair of the Board (appointed 1 July 2021)

#### Direct and indirect interest in shares and options

None

# INFORMATION ON DIRECTORS & COMPANY SECRETARY



## **MICHAEL OMEROS**

MAICD, BE(Electronics)  
(Hons), BInfoTech  
Managing Director  
Group 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 (ceased 29 July 2020)
- Direct and indirect interest in shares and options

### **Direct and indirect interest in shares and options**

Ordinary Shares  
Over the Wire Holdings **13,031,141**



## **BRENT PADDON**

BInfoTech,  
GradDipBusAdmin  
Non-Executive Director

(Non-Executive Director from 1 July 2020)

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 people and culture committee
- Member of audit and risk committee (appointed 29 July 2020)

### **Direct and indirect interest in shares and options**

Ordinary Shares  
Over the Wire Holdings **11,500,000**

# INFORMATION ON DIRECTORS & COMPANY SECRETARY



### 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, health and technology 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

- Non-Executive Director of Jumbo Interactive Limited (ASX:JIN) (appointed September 2020)
- Non-Executive Director of Plenti Group Ltd (ASX:PLT) (appointed October 2020)

#### Former Directorships in last 3 years

- Non-Executive Director of Viva Leisure Limited (ASX:VVA) (appointed 18 October 2018)
- Non-Executive Director of G8 Education Limited (ASX:GEM) (appointed November 2011)
- Non-Executive Director of National Veterinary Care Ltd (ASX:NVL) (appointed February 2015)
- Non-Executive Director, Xenith IP Group Limited (ASX:XIP) (appointed October 2015)

#### Special Responsibilities

- Member of audit and risk committee (appointed 29 July 2020)
- Chair of people and culture committee (appointed as Chair 29 July 2020)

#### Direct and indirect interest in shares and options

Ordinary Shares

Over the Wire Holdings: **186,920**



### CATHY ASTON

BEC. MComm, GAICD, FFin  
Non-Executive Director

Cathy was appointed as an independent director of Over The Wire effective 1 July 2020.

She is an experienced Chair and non-executive director of telecommunications, digital and financial services businesses in Australia and greater Asia. Senior executive experience includes CEO/Managing Director, Mobitel Pvt Ltd (Sri Lanka) and Finance Director for Telstra International (Hong Kong).

Cathy holds a Bachelor of Economics from Macquarie University and a Master of Commerce from the University of NSW. She is a graduate of the Australian Institute of Company Directors and a Fellow of the Financial Services Institute of Australia.

#### Other Current Directorships

- Non-Executive Director, IVE Group (appointed December 2020), Chair of Audit, Risk & Compliance Committee
- Non-Executive Director, IMB Ltd (appointed September 2016), Chair of Risk Committee
- Non-Executive Director, Macquarie Investment Management Limited (appointed December 2017)
- Advisor, Avanseus Holdings Pty Ltd, (Singapore) (appointed October 2015)

#### Former Directorships in last 3 years

- Non-Executive Director, Southern Phone Ltd, Chair of Governance, Risk and Remuneration Committee (appointed November 2015)
- Non-Executive Director, Financial Services Institute of Australasia (appointed 2015), Chair of Audit and Risk Committee

#### Special Responsibilities

- Chair of audit and risk committee (appointed as Chair 29 July 2020)
- Member of people and culture committee (appointed 1 September 2020)

#### Direct and indirect interest in shares and options

None



# INFORMATION ON DIRECTORS & COMPANY SECRETARY



## **SIMONE DEJUN**

LLM, Grad Dip  
Legal Practice, LLB,  
BBus(Advertising)  
Company Secretary  
General Counsel

Simone was appointed Company Secretary 1 April 2020. She completed a Master of Laws, Bachelor of Laws, Bachelor of Business (Advertising) at QUT, and a Graduate Diploma of Legal Practice at the College of Law.

Simone is Over the Wire's General Counsel with 9 years post-admission experience. Simone was previously General Counsel at Superloop and has also worked as a lawyer for PIPE Networks. She has volunteered as Company Secretary at not-for-profit Australian Pet Welfare Foundation.

**Other Current Directorships** None

Former Directorships in last 3 years None

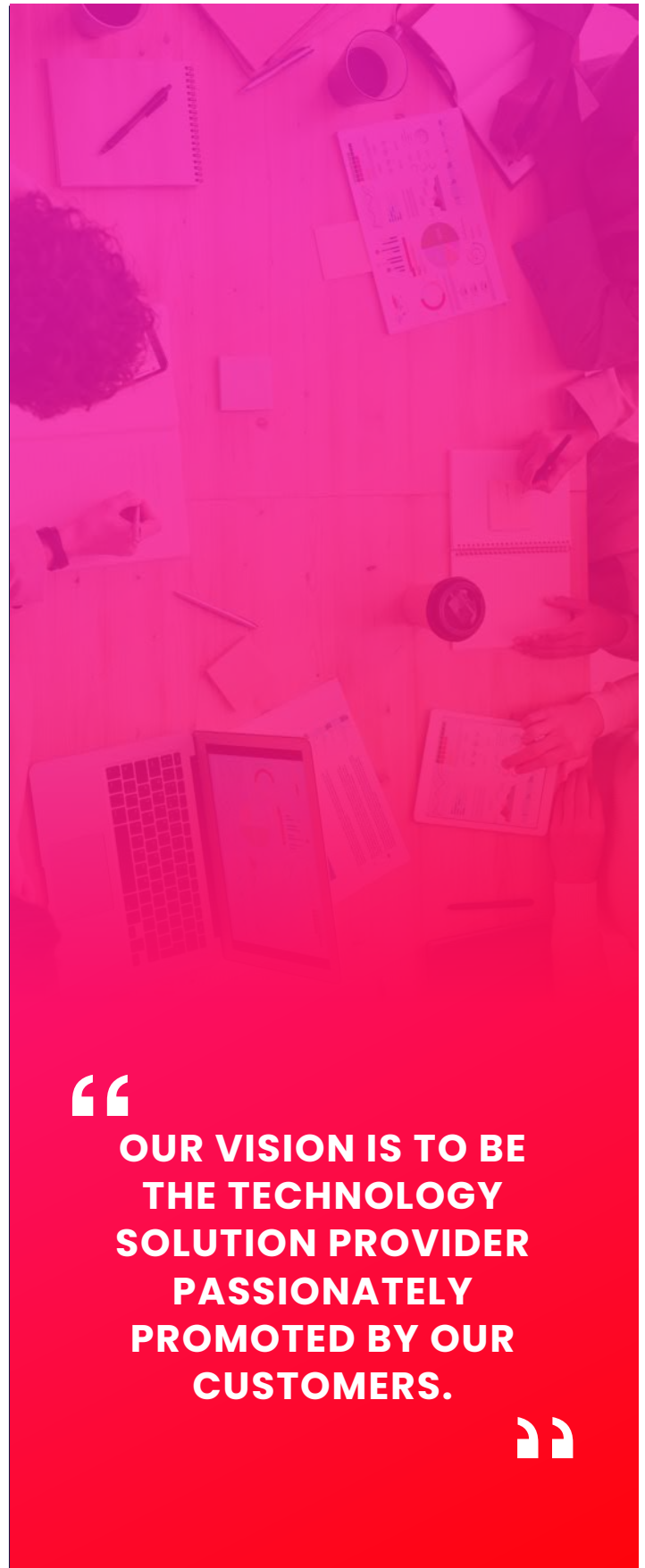
### **Special Responsibilities**

▀ Company Secretary

### **Direct and indirect interest in shares and options**

Ordinary Shares

Over the Wire Holdings: **642**



“

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

”

# DIRECTORS' REPORT

## 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 2021, and the numbers attended by each director were:

### FULL MEETINGS OF DIRECTORS

	Held	Attended
John Puttick	10	10
Stephe Wilks	N/A	N/A
Michael Omeros	10	10
Brent Paddon	10	10
Susan Forrester	10	10
Cathy Aston	10	10

### MEETING OF COMMITTEES

Audit	Held	Attended
John Puttick	3	3
Stephe Wilks	N/A	N/A
Michael Omeros	N/A	N/A
Brent Paddon	3	3
Susan Forrester	3	3
Cathy Aston	3	3

People and Culture Committee	Held	Attended
John Puttick	3	3
Stephe Wilks	N/A	N/A
Michael Omeros	N/A	N/A
Brent Paddon	3	3
Susan Forrester	3	3
Cathy Aston	3	3

## 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 statutory audit services provided by the auditor of the parent entity, its related practices and non-related audit firms:

Non Statutory Audit Services	Consolidated	
	2021 \$ ,000	2020 \$ ,000
Tax Compliance Services	31	19
Other Audit Services	47	-
<b>Total Remuneration for Non Statutory Audit Services</b>	<b>78</b>	<b>19</b>

## 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 32.

## 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 2021 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 and Performance Rights
- H** Voluntary information: remuneration received

## A

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

John Puttick	Non-Executive Chair (appointed 1 December 2015, resigned 1 July 2021)
Michael Omeros	Managing Director and Group Chief Executive Officer (appointed 1 July 2011)
Brent Paddon	Non-Executive Director (appointed 1 July 2011) (Non-Executive Director from 1 July 2020)
Susan Forrester AM	Non-Executive Director (appointed 1 December 2015)
Cathy Aston	Non-Executive Director (appointed 1 July 2020)

### OTHER KEY MANAGEMENT PERSONNEL

Scott Smith	Chief Executive Officer (appointed 9 March 2020, resigned 30 September 2021)
Ben Cornish	Chief Technology Officer (moved into CISO role 1 March 2021)
Gary Pittorino	Chief Operating Officer
Ben Melville	Chief Financial Officer (appointed 9 March 2020)
Mike Stabb	Company Secretary and Chief Financial Officer (ceased CFO position 9 March 2020) (ceased Company Secretary role 26 June 2020)

From 1 July 2020 Brent Paddon and Cathy Aston were appointed as Non-executive Directors of the Group.

From 1 July 2021 John Puttick resigned from the roles of Non-executive Director and Chair of the Group and Stephe Wilks was appointed as Non-executive Director and Chair of the Group.

There have been no further changes in KMP since the end of the reporting period other than those disclosed above.

## B

### REMUNERATION POLICY AND LINK TO PERFORMANCE

During 2021 the people and culture committee was made up of four non-executive directors. 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 General Manager of Human Resources, 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, The Group's 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;

**B**

- ▀ 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 2021 fixed remuneration increases given to three executive KMP.

Scott Smith	Base Salary \$300,000
Ben Melville	Base Salary \$220,000
Gary Pittorino	Base Salary \$240,000

During 2021, no new members of the KMP were promoted from within the Group.

## LONG-TERM INCENTIVES

Details of the performance rights, including details of rights issued during the financial year, are set out in Note 31.

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 31 of the accompanying financial statements.

No performance rights were issued during the current financial year.

## SHORT-TERM INCENTIVES – OPERATIONAL BONUSES

In 2021, elements of KMP remuneration were dependent on the satisfaction of operational performance conditions.

Short term incentive cash bonuses paid in relation to 2020:

- ▀ \$61,964 for Michael Omeros linked to the achievement of operational KPIs.
- ▀ \$15,491 for Scott Smith linked to the achievement of operational KPIs.
- ▀ \$43,374 for Ben Cornish linked to the achievement of operational KPIs.
- ▀ \$43,374 for Gary Pittorino linked to the achievement of operational KPIs.
- ▀ \$7,745 for Ben Melville linked to the achievement of operational KPIs.





## ELEMENTS OF REMUNERATION SHORT-TERM INCENTIVES

Feature	Description		
Max opportunity	Group CEO and CEO: 29% - 34% Total Fixed Remuneration Other KMP executives: 29% - 31% Total Fixed Remuneration		
Performance metrics	The STI metrics align with our strategic priorities of financial growth, customer retention and experience and fostering talented and engaged people.		
	Metric	Weighting	Reason for selection
	Revenue	15%	New revenue committed is connected to the level of incremental new business signed by the Group.
	Exit recurring-revenue run rate	15%	The exit recurring- revenue run rate is connected to the level of incremental new business signed by the Group.
	EBITDA	10%	Indicates the Group’s underlying profitability
	Customer Churn	10%	Customer success and satisfaction is key to our ongoing strategy.
	Net Promoter Score	10%	Customer success and satisfaction is key to our ongoing strategy.
	Products per customer	5%	Customer success and satisfaction is key to our ongoing strategy.
	Staff engagement	25%	Reducing staff turnover will reduce costs and hence improve EBITDA.
	Individual performance metrics	10%	Targeted metrics have been chosen that are critical to individual roles.
Delivery of STI	100% of the STI award is paid in cash after the end of the financial year.		
Board discretion	The Board has discretion to adjust remuneration outcomes up or down to prevent any inappropriate reward outcomes, including reducing (down to zero, if appropriate) any STI award.		

## C

## ELEMENTS OF REMUNERATION

### LONG-TERM INCENTIVES

Executive KMP participate, at the Board's discretion, in the Long Term Incentive (LTI) scheme comprising of annual grants of performance rights which are subject to a 3 year Cash EPS compound growth performance condition. Further details are shown below:

Feature	Description								
Opportunity/ Allocation	<p>CEO: 62% of Total Fixed Remuneration; Other KMP executives: 30 - 33% of Total fixed remuneration.</p> <p>The opportunity is divided by the share price on issue date to determine the number of instruments.</p> <p>The opportunity is pro-rata based on the starting or ending date in the role.</p>								
Performance hurdle	<p>The Group's Cash Earnings per Share is assessed over 3 years to the end of FY 2022. Vesting will occur based on the compound annual growth rate (CAGR) over this period compared to a target of 15%. This is designed to focus executives on delivering sustainable long-term shareholder returns.</p> <table> <tr> <th>CAGR of Cash EPS over the measurement period relative to base year</th><th>Proportion to vest</th></tr> <tr> <td>Less than 10% p.a.</td><td>0%</td></tr> <tr> <td>10% to 15% p.a.</td><td>50%</td></tr> <tr> <td>&gt; 15% p.a.</td><td>100%</td></tr> </table> <p>Pro-rata vesting occurs between the 50th and 100th percentile.</p>	CAGR of Cash EPS over the measurement period relative to base year	Proportion to vest	Less than 10% p.a.	0%	10% to 15% p.a.	50%	> 15% p.a.	100%
CAGR of Cash EPS over the measurement period relative to base year	Proportion to vest								
Less than 10% p.a.	0%								
10% to 15% p.a.	50%								
> 15% p.a.	100%								
Forfeiture and termination	<p>Performance rights will lapse if performance conditions are not met. Rights will be forfeited on cessation of employment unless the Board determines otherwise, eg in the case of retirement due to injury, disability, death or redundancy.</p>								

## LINK BETWEEN REMUNERATION AND PERFORMANCE

### FY 2021 PERFORMANCE AND IMPACT ON REMUNERATION

The Group's performance in 2021 remained strong despite difficult trading conditions in our Australian and New Zealand markets.

As a result of the financial performance and resulting shareholder returns, the Board awarded senior management 60% of the maximum short-term incentives. Senior management also received benefits in the form of shares after satisfying the required service and performance conditions. These equity instruments had been granted in prior years under the long-term incentive scheme.

## C

### ELEMENTS OF REMUNERATION HISTORICAL GROUP PERFORMANCE

We aim to align our executive remuneration to our strategic and business objectives to the creation of shareholder wealth. The table below shows measures of the Group's financial performance over the last five years as required by the *Corporations Act 2001*. However, these are different to the measures used in determining the variable amounts of remuneration to be awarded to KMPs. As a consequence, there may not always be a direct correlation between the statutory key performance measures and the variable remuneration awarded.

#### HISTORICAL GROUP PERFORMANCE OVER THE LAST FIVE YEARS

	2021	2020	2019	2018	2017
Profit for the year attributable to owners of Over The Wire Holdings Limited (\$'000)	3,435	5,033	10,162	5,531	3,598
Basic earnings per share (cents)	6.038	9.749	20.713	12.625	8.270
Dividend payments (\$'000)	2,204	1,806	1,305	984	761
Dividend payout ratio (%)	21.5	20.2	9.9	14.3	18.3
Total KMP incentives as percentage of profit/(loss) for the year(%)	7.5	7.5	3.9	7.5	1.5

The dividend payout ratio is calculated based on dividends paid and net profit after tax before amortisation (NPATA) for the year.

## 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	2021	301,271	57,668	(5,385)	5,833	30,422	66,080	-	455,890	14
	2020	255,691	45,768	22,500	4,875	24,392	61,390	-	414,617	15
Brent Paddon <sup>1</sup>	2021	-	-	-	-	-	-	-	-	-
	2020	244,213	3,990	18,750	4,063	21,090	24,556	-	316,662	8



## D

## REMUNERATION EXPENSES FOR EXECUTIVE KMP

## i

## 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****		
		\$	\$	\$	\$	\$	\$	\$	\$	%
<b>Other Management Personnel</b>										
Scott Smith	2021	300,000	-	(15,577)	5,000	24,867	66,080	11,272	391,643	20
	2020	75,308	-	5,929	1,295	6,438	15,348	1,928	106,236	16
Mike Stabb <sup>3</sup>	2021	-	-	-	-	-	-	-	-	-
	2020	152,626	-	11,282	2,444	15,212	32,230	54,234	268,029	32
Ben Cornish <sup>4</sup>	2021	115,931	30,736	(5,641)	2,444	18,054	30,037	(12,800)	178,761	10
	2020	196,523	22,430	16,500	3,575	21,723	42,973	65,771	369,496	29
Gary Pittorino	2021	236,306	4,282	(2,954)	4,000	26,105	45,055	2,087	314,881	15
	2020	215,109	-	16,500	3,575	20,804	42,973	25,009	323,970	21
Ben Melville <sup>2</sup>	2021	213,560	1,361	777	3,667	21,058	45,055	5,108	290,586	17
	2020	55,114	-	4,269	925	5,234	7,674	1,371	74,587	12
<b>Total Executive Directors &amp; Other KMPs</b>	2021	1,167,069	94,047	(28,780)	20,944	120,507	252,307	5,667	1,631,761	16
	2020	1,194,585	72,188	95,731	20,742	114,894	227,144	148,314	1,873,598	20
<b>Total NED Remuneration (see section (e) below)</b>	2021	412,500	-	-	-	24,146	-	-	436,646	-
	2020	190,125	-	-	-	-	-	-	190,125	-
<b>Total KMP remuneration Expensed</b>	2021	1,579,569	94,047	(28,780)	20,944	144,653	252,307	5,667	2,068,407	12
	2020	1,384,710	72,188	95,731	20,742	114,894	227,144	148,314	2,063,723	18

- 1 Appointed as Non-executive Director from 1 July 2020  
2 Appointed 9 March 2020  
3 Ceased role as Chief Financial Officer on 9 March 2020  
4 Moved into Chief Information Security Officer Role on 1 March 2021  
\* Short-term benefits as per Corporations Regulation 2M.3.03(1) Item 6  
Along with other full time staff, all KMP accepted a 10% reduction in hours over the period 1 April 2020 to 30 June 2020 to support working capital of the Group through the COVID-19 imposed lockdowns  
\*\* 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 31. These include negative amounts for rights forfeited during the year.



## REMUNERATION EXPENSES FOR EXECUTIVE KMP

ii

### CONTRACTUAL ARRANGEMENTS WITH EXECUTIVE KMPS

Component	Group CEO description	CEO description	Other Executive KMP description
Fixed Remuneration	\$350,000	\$300,000	Range Between \$220,000 and \$240,000
Contract Duration	Ongoing Contract	Ongoing Contract	Ongoing Contract
Notice by the individual/ company	6 months	1 month	1 - 6 months
Termination of employment (without cause)	Entitlement to pro-rata STI for the year. Unvested LTI will lapse. At the discretion of the Board.		
Termination of employment (with cause)	STI is not awarded, and all unvested LTI will lapse.		

iii

### RIGHTS GRANTED AS REMUNERATION - LONG TERM INCENTIVE PLAN

Name	Year Granted	Balance at Start of year	Granted during year	Rights to deferred shares				Balance at end of year (unvested)	Maximum value to vest*
				Vested		Forfeited			
KMP		No.	No.	No.	%	No.	%	No.	\$
Scott Smith <sup>1</sup>	2020	8,362	-	-	-	-	-	8,362	12,863
Mike Stabb <sup>2</sup>	2020	20,067	-	-	-	-	-	20,067	30,868
	2019	13,333	-	-	-	(13,333)	100	-	-
	2018	29,920	-	(29,920)	100	-	-	-	-
Ben Cornish <sup>3</sup>	2020	20,067	-	-	-	-	-	20,067	30,868
	2019	13,333	-	-	-	(13,333)	100	-	-
	2018	29,920	-	(29,920)	100	-	-	-	-
Gary Pittorino	2020	20,067	-	-	-	-	-	20,067	30,868
	2019	10,400	-	-	-	(10,400)	100	-	-
Ben Melville <sup>1</sup>	2020	3,345	-	-	-	-	-	3,345	5,145

1

Appointed 9 March 2020

2

Ceased role as Chief Financial Officer on 9 March 2020

3

Moved into Chief Information Security Officer Role on 1 March 2021

\*

The maximum value of the deferred shares yet to vest has been determined as the amount of the grant date fair value of the rights that is yet to be expensed. The minimum value of deferred shares yet to vest is nil, as the shares will be forfeited if the vesting conditions are not met

Details of the performance rights granted as remuneration to those KMP in the above table are included in Note 31 to the financial statements.

D

## REMUNERATION EXPENSES FOR EXECUTIVE KMP

iv

### PERFORMANCE BASED REMUNERATION GRANTED AND FORFEITED DURING THE YEAR

Cash bonuses are dependent on meeting defined performance measures. The amount of the bonus is determined having regard to the satisfaction of performance measures and weightings as described above in section (B) 'Remuneration Policy and Link to Performance'. The maximum bonus values are established at the start of each financial year and amounts payable are determined in the final month of the financial year by the People and Culture Committee.

The proportion of the cash bonus paid/payable or forfeited is as follows:

30 June 2021	Total STI Cash bonus		
	Total Opportunity \$	Awarded %	Forfeited %
<b>Executive Directors:</b>			
Michael Omeros	110,000	60	40
<b>Other Key Management Personnel:</b>			
Scott Smith	110,000	60	40
Ben Cornish	75,000	60	40
Gary Pittorino	75,000	60	40
Ben Melville	75,000	60	40

E

## NON-EXECUTIVE DIRECTOR ARRANGEMENTS

Board fees are \$150,000 (\$117,000 in 2020) for John Puttick and \$80,000 (\$73,125 in 2020) for Susan Forrester, Brent Paddon and Cathy Aston. In addition, they are paid \$10,000 for chairing their respective committees. There are no performance-based payments or retirement allowances.

From 1 July 2021 John Puttick resigned from the roles of Non-executive Director and Chair of the Group and Stephe Wilks was appointed as Non-executive Director and Chair of the Group.

	Consolidated	
	2021 \$	2020 \$
<b>Base fees</b>		
Chair	150,000	120,000
Other Non-executive Directors	260,000	75,000
<b>Total</b>	<b>410,000</b>	<b>195,000</b>

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

### 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 1/07/2020	Sold on Market	Share Purchase Plan	Employee Share Scheme	Vested Performance Rights	Other Changes	Balance at 30/06/2021
<b>Directors</b>							
Michael Omeros	13,025,297	-	5,595	-	-	249	13,031,141
Brent Paddon	11,500,000	-	-	-	-	-	11,500,000
John Puttick	171,889	-	1,920	-	-	768	174,577
Susan Forrester	185,000	-	1,920	-	-	-	186,920
Cathy Aston	-	-	-	-	-	-	-
<b>Total Directors</b>	<b>24,882,186</b>	<b>-</b>	<b>9,435</b>	<b>-</b>	<b>-</b>	<b>1,017</b>	<b>24,892,638</b>
<b>Other Key Management Personnel (OKMP)</b>							
Scott Smith	367,470	-	3,840	226	-	3,576	375,112
Ben Cornish	124,315	-	-	226	29,920	226	154,687
Gary Pittorino	421	-	-	226	-	6	653
Ben Melville	214	-	-	226	-	4	444
<b>Total OKMP</b>	<b>492,420</b>	<b>-</b>	<b>3,840</b>	<b>904</b>	<b>29,920</b>	<b>3,812</b>	<b>530,896</b>
<b>Group Total</b>	<b>25,374,606</b>	<b>-</b>	<b>13,275</b>	<b>904</b>	<b>29,920</b>	<b>4,829</b>	<b>25,423,534</b>

## G

## OPTIONS AND PERFORMANCE RIGHTS

### i

### OPTIONS

At the date of this report, there were no unissued shares of Over the Wire Holdings Limited under option. (2020: Nil)

### ii

### PERFORMANCE RIGHTS

At the date of this report, there were 31,774 performance Rights over Over the Wire Holdings Limited shares. (2020: 102,494)

## H

**REMUNERATION RECEIVED**

The amounts disclosed in the table below as executive KMP remuneration for FY 2021 reflect the actual benefits received by each KMP during the reporting period. The remuneration values disclosed below have been determined as follows:

**FIXED REMUNERATION**

Fixed remuneration includes base salaries received, payments made to superannuation funds, the taxable value of non-monetary benefits received and any once-off payments such as sign-on bonuses or termination benefits, see section D above for details.

Fixed remuneration excludes any accruals of annual or long-service leave.

**SHORT-TERM INCENTIVES**

The cash STI benefits represent the bonuses that were awarded to each KMP in relation to FY 2020 and which were paid in February 2021.

**LONG-TERM INCENTIVES**

The value of performance rights was calculated by an independent valuer at the date the performance rights were granted. The rights that vested in FY 2021 were granted in April 2018.

**REMUNERATION RECEIVED DURING THE PERIOD**

Executive	Fixed Remuneration	Awarded STI (cash)	Vested LTI	Total Value
Michael Omeros	389,188	61,964	-	451,152
Scott Smith	324,694	15,491	-	340,185
Ben Cornish <sup>1</sup>	165,982	43,374	116,987	326,344
Gary Pittorino	265,986	43,374	-	309,361
Ben Melville	234,996	7,745	-	242,741
<b>Total executive KMP</b>	<b>1,380,847</b>	<b>171,949</b>	<b>116,987</b>	<b>1,669,783</b>
Non executive Directors	438,164	-	-	438,164
<b>Total KMP remuneration</b>	<b>1,819,011</b>	<b>171,949</b>	<b>116,987</b>	<b>2,107,947</b>

<sup>1</sup> Moved into Chief Information Security Officer Role on 1 March 2021

The amounts disclosed above are not the same as the remuneration expensed in relation to each KMP in accordance with the accounting standards (\$2,068,407 for 2021, see section D on page 27).

The directors believe that the remuneration received is more relevant to users for the following reasons:

- ▀ The statutory remuneration expensed is based on historic cost and does not reflect the value of the equity instruments when they are actually received by the KMPs.
- ▀ The statutory remuneration shows benefits before they are actually received by the KMPs.
- ▀ Share-based payment awards are treated differently under the accounting standards depending on whether the performance conditions are market conditions (no reversal of expense) or non-market conditions (reversal of expense where shares fail to vest), even though the benefit received by the KMP is the same (nil where equity instruments fail to vest).

The information in this section has been audited together with the rest of the Remuneration Report.

# DIRECTORS' REPORT

## END OF REMUNERATION REPORT

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



Michael Omeros  
**Managing Director**

Brisbane  
19 August 2021



Stephen Wilks  
**Chair**

Brisbane  
19 August 2021

# AUDITOR'S INDEPENDENCE DECLARATION

# 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 2021, 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.

This declaration is in respect of Over the Wire Holdings Limited and the entities it controlled during the year.

PKF BRISBANE AUDIT

CAMERON BRADLEY  
PARTNER

BRISBANE  
19 AUGUST 2021

PKF Brisbane Audit ABN 33 873 151 348

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04

# FINANCIAL STATEMENTS

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR YEAR ENDED 30 JUNE 2021

	Note	Consolidated	
		2021	2020
		\$ ,000	\$ ,000
<b>Revenue from Contracts with Customers</b>	3	112,687	87,611
Other Income	4	131	50
<b>Expenses</b>			
Data Centre & Colocation Expense	5	(6,881)	(3,516)
Calls & Communications Expense	5	(30,244)	(27,157)
Other Cost of Goods Sold	5	(15,128)	(15,343)
Employee Benefits Expense	5	(32,010)	(20,711)
Depreciation & Amortisation Expense	5	(17,425)	(9,756)
Finance Costs	5	(1,260)	(426)
Other Expenses	5	(5,022)	(3,538)
<b>Profit Before Income Tax Expense</b>		<b>4,848</b>	<b>7,214</b>
Income Tax Expense	6	(1,413)	(2,181)
<b>Profit After Income Tax Expense for the Year Attributable to members</b>		<b>3,435</b>	<b>5,033</b>
Other Comprehensive Income		1	-
<b>Other Comprehensive Income for the Year, Net of Tax</b>		<b>1</b>	<b>-</b>
<b>Total Comprehensive Income for the Year Attributable to members</b>		<b>3,436</b>	<b>5,033</b>
Basic Earnings per Share	7	6.038	9.749
Diluted Earnings per Share	7	6.012	9.716

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 2021

		Consolidated	
	Note	2021	2020
		\$ ,000	\$ ,000
<b>Assets</b>			
<b>Current Assets</b>			
Cash & Cash Equivalents	8	16,696	10,435
Trade & Other Receivables	9	10,717	9,328
Inventories	10	128	292
Other Current Assets	11	4,562	2,658
<b>Total Current Assets</b>		<b>32,103</b>	<b>22,713</b>
<b>Non-Current Assets</b>			
Other Non-Current Assets	11	524	198
Property, Plant & Equipment	12	29,247	16,778
Intangibles	13	147,722	70,354
<b>Total Non-Current Assets</b>		<b>177,493</b>	<b>87,330</b>
<b>Total Assets</b>		<b>209,596</b>	<b>110,043</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade & Other Payables	14	14,446	9,310
Borrowings	15	9,054	3,925
Lease Liability	16	4,493	1,426
Current Tax Liability	17	1,391	987
Employee Benefits	18	3,129	1,954
Unearned Income	19	5,060	2,567
Deferred Consideration	24	4,686	-
<b>Total Current Liabilities</b>		<b>42,259</b>	<b>20,169</b>
<b>Non-Current Liabilities</b>			
Borrowings	15	25,373	1,600
Lease Liability	16	14,814	9,523
Employee Benefits	18	225	115
Unearned Income	19	717	342
Deferred Consideration	24	4,684	-
Deferred Tax	20	21,209	9,349
<b>Total Non-Current Liabilities</b>		<b>67,022</b>	<b>20,929</b>
<b>Total Liabilities</b>		<b>109,281</b>	<b>41,098</b>
<b>Net Assets</b>		<b>100,315</b>	<b>68,945</b>
<b>Equity</b>			
Issued Capital	21	74,710	44,321
Reserves	31	166	416
Retained Profits	22	25,439	24,208
<b>Total Equity</b>		<b>100,315</b>	<b>68,945</b>

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 2021

		Issued Capital	Share Based Payment Reserve	Foreign Currency Translation Reserve	Retained Profits	Total Equity
Consolidated	Note	\$ ,000	\$ ,000	\$ ,000	\$ ,000	\$ ,000
Balance at 1 July 2019		43,884	155	-	20,981	65,020
Profit after Income Tax for the Year		-	-	-	5,033	5,033
Other Comprehensive Income		-	-	-	-	-
<b>Total Comprehensive Income for the Year</b>		-	-	-	<b>5,033</b>	<b>5,033</b>
<b>Transactions with Owners, in their Capacity as Owners:</b>						
Dividends Paid	23	-	-	-	(1,806)	(1,806)
Dividend Reinvestment Plan	21	45	-	-	-	45
Performance Rights Issued	31	-	13	-	-	13
Movements as a result of existing Performance Rights	31	-	248	-	-	248
Employee Share Plan	21	153	-	-	-	153
Tax Effect of Capitalised Costs		239	-	-	-	239
<b>Balance at 30 June 2020</b>		<b>44,321</b>	<b>416</b>	<b>-</b>	<b>24,208</b>	<b>68,945</b>

		Issued Capital	Share Based Payment Reserve	Foreign Currency Translation Reserve	Retained Profits	Total Equity
Consolidated	Note	\$ ,000	\$ ,000	\$ ,000	\$ ,000	\$ ,000
Balance at 1 July 2020		44,321	416	-	24,208	68,945
Profit after Income Tax for the Year		-	-	-	3,435	3,435
Other Comprehensive Income		-	-	1	-	1
<b>Total Comprehensive Income for the Year</b>		-	-	<b>1</b>	<b>3,435</b>	<b>3,436</b>
<b>Transactions with Owners, in their Capacity as Owners:</b>						
Dividends Paid	23	-	-	-	(2,204)	(2,204)
Dividend Reinvestment Plan	21	81	-	-	-	81
Performance Rights Issued	31	-	-	-	-	-
Movements as a result of existing Performance Rights	31	288	(251)	-	-	37
Shares Issued Net of Capital Raising Costs	21	29,409	-	-	-	29,409
Employee Share Plan	21	256	-	-	-	256
Tax Effect of Capitalised Costs		355	-	-	-	355
<b>Balance at 30 June 2021</b>		<b>74,710</b>	<b>165</b>	<b>1</b>	<b>25,439</b>	<b>100,315</b>

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 2021

		Consolidated	
	Note	2021	2020
		\$ ,000	\$ ,000
<b>Cash Flows from Operating Activities</b>			
Receipts from Customers		129,432	96,396
Payments to Suppliers & Employees		(99,644)	(80,691)
		<b>29,788</b>	<b>15,705</b>
Interest Received		23	29
Interest Paid & Other Finance Costs Paid		(1,260)	(426)
Income Taxes Paid		(4,012)	(3,669)
<b>Net Cash From / (Used In) Operating Activities</b>	<b>28(a)</b>	<b>24,539</b>	<b>11,639</b>
<b>Cash Flows from Investing Activities</b>			
Payments for Business Combinations (net of cash acquired)		(59,555)	(1,427)
Payments for Property, Plant & Equipment		(6,415)	(4,404)
Payments for Intangible Assets		(680)	(864)
<b>Net Cash From / (Used In) Investing Activities</b>		<b>66,650</b>	<b>(6,695)</b>
<b>Cash Flows from Financing Activities</b>			
Proceeds from Issue of Shares (net of transaction costs)		24,009	-
Proceeds from Borrowings		37,019	2,170
Repayment of Borrowings		(7,098)	(4,025)
Repayment of Lease Liabilities		(3,436)	(1,219)
Dividends Paid		(2,123)	(1,760)
<b>Net Cash From / (Used In) Financing Activities</b>	<b>28(b)</b>	<b>48,371</b>	<b>(4,834)</b>
Net Increase (Decrease) in Cash & Cash Equivalents		6,260	110
Cash & Cash Equivalents at the Beginning of the Year		10,435	10,325
Foreign exchange movement in cash		1	-
<b>Cash &amp; Cash Equivalents at the End of the Year</b>	<b>8</b>	<b>16,696</b>	<b>10,435</b>
<b>Non-Cash Financing Activities</b>			
Shares Issued as Consideration for Business Acquisitions		5,400	-
Dividend Reinvestment plan		81	45

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

# NOTES TO THE FINANCIAL STATEMENTS

## For Year Ended 30 June 2021

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 19 August 2021 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 ('IFRS') 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.

### NET CURRENT ASSET DEFICIENCY

The Group recorded a net current liability position of \$10,156K (June 2020: net current asset position of \$2,455K) as at 30 June 2021.

Given the Group's net current liability position, the ability of the Group to continue as a going concern, including its ability to pay its debts as and when they fall due, needs to be considered.

The net current liability position is due to the acquisitions of Zintel/ Fonebox, which was predominately funded through external borrowings (refer to Notes 15 and 24), and Digital Sense, where a large portion of the consideration is a deferred earnout (refer to Note 24).

The continuation of the Group as a going concern is dependent upon the continuation of generating future profits by the underlying businesses.

It is on the basis of the Group's ability to maintain future profits and cash inflows from operations, for which there is no significant uncertainty, that the Directors have prepared the financial report on a going concern basis.

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 has determined there was no need to change its accounting policies as a result of adopting the following standards:

- Amendments to AASB 101 and 108: Definition of Material;
- Amendments to AASB 3: Definition of a Business;
- Amendments to AASB 1054: Disclosure of the effect of New IFRS Standards Not Yet issued in Australia;
- Amendments to AASB 9, 139 and 7: Interest Rate Benchmark reform; and
- Revised Conceptual Framework for Financial Reporting.

The Group also elected to adopt the following amendments early:

- Amendments to AASB 16: Covid-19-Related Rent Concessions; and
- Where applicable - Amendments to AASB 1, 3, 116, 137 and 141: Annual Improvements 2018-2020 and Other Amendments.

The amendments and revised conceptual framework listed above did not have any material impact on the amounts recognised in prior periods and are not expected to significantly affect current or future periods.

During the year, the IFRS Interpretations Committee (IFRIC) published its final agenda decision on accounting for configuration and customisation costs in a SaaS arrangement. The decision outlines the way certain configuration and customisation costs should be treated when considered under the requirements of AASB 138: Intangible Assets. While this decision will result in less costs meeting the criteria for being capitalised under AASB 138, review and application of the decision by the Group has not resulted in any significant reduction in costs capitalised.

## NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

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 17: Insurance Contracts (applicable to annual reporting periods beginning on or after January 2023)  
When effective, this Standard will replace the current accounting requirements applicable to Insurance Contracts in AASB 4: Insurance Contracts. The overall objective of AASB 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in AASB 4 which are largely based on grandfathering previous local accounting policies.  
This standard is not applicable to the Group.
- Amendments to AASB 101: Classification of Liabilities as Current or Non-current (applicable to annual reporting periods beginning on or after January 2023)

The amendments specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer settlement must exist at the end of the reporting date;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right; and
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The Group is still assessing the impact these amendments will have on current practice and whether existing loan agreements may require renegotiation.

C

### PRINCIPLES OF CONSOLIDATION

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Over the Wire Holdings Limited ('Company' or 'Parent Entity') as at 30 June 2021 and the results of all subsidiaries for the year then ended. The Company and its subsidiaries together are referred to in these financial statements as 'the Group'.

Subsidiaries are all those entities over which the Company 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 Company. 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 derecognises 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.



## NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

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, the difference is recognised as a gain directly in profit or loss 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 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 Group 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 Group 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.

#### FOREIGN OPERATIONS

The assets and liabilities of foreign operations are translated into AUD using the exchange rates at the reporting date.

The income and expenses of foreign operations are translated into AUD using the monthly average rate at the dates of the transactions.

Foreign currency differences are recognised in Other Comprehensive Income ("OCI") and accumulated in the foreign currency translation reserve, except to the extent that the translation difference is allocated to a Non-Controlling Interest ("NCI").

## NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

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 manufacturer'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.

##### 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.

## NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

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 32. 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 in 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.

## NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

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.

## NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

M

### PROPERTY, PLANT AND EQUIPMENT

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

At the commencement of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- The contract involves the use of an identified asset which may be specified explicitly or implicitly. The asset should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the lessor has a substantive substitution right, then the asset is not identified;
- The Group has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and
- The Group has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions.

For leases that contain components, the Group allocates the consideration in the lease to each component based on their relative stand-alone prices.

A number of leases for office and data centre premises include options to extend the period of the lease. These options are included in the calculation of the lease liability and right of use asset where the Group is reasonably certain that the option will be exercised.

### LEASE LIABILITIES

Lease liabilities are measured at the present value of lease payments, net of cash lease incentives that are not paid at the balance date. Lease payments are apportioned between principal repayments of the liability and finance charges using the Group's incremental borrowing rate, calculated at the commencement of the lease. Lease payments for office and data centre premises exclude service fees such as outgoings, electricity or cleaning costs.

### RIGHT OF USE ASSETS

Leased assets are capitalised at the commencement date of the lease and comprise of the following:

- initial lease liability amount
- add: initial direct costs incurred when entering into the lease
- less: lease incentives received
- add: estimate of any make good or restoration costs per the lease agreement.

Right of use assets are depreciated on a straight-line basis over the useful life to the Group, commencing from the time the asset is ready for use.

## NOTE 1: SIGNIFICANT ACCOUNTING POLICIES



### **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 fair value 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.



# NOTE 1:

## SIGNIFICANT ACCOUNTING POLICIES

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 assets 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 Group 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.



## NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

T

### **FINANCIAL INSTRUMENTS** **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.

### **CREDIT-IMPAIRED FINANCIAL ASSETS**

At each reporting date the Group assesses whether the 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.

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.

## NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

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.

## NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

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.

### **CORONAVIRUS (COVID-19) PANDEMIC**

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Group based on known information and concluded that there is no current material impact on the financial statements.

# NOTE 2: CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

### 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 SALES 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 and Note 13.

### 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 2: CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

### 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.

### LEASE TERM

Each office and data centre premises lease is assessed to determine whether any available options to extend the lease are likely to be exercised. This has resulted in a mix of cases in the assumed extension of premises leases, dependant on location and future business and operational goals of the Group.

### LEASE DISCOUNT RATES

The discount rate used to calculate the present value of lease liabilities is the incremental borrowing rate of the Group. The incremental borrowing rate is the estimated rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right of use asset in a similar economic environment.

### MAKE GOOD OR RESTORATION COSTS

Where office and data centre premises leases include a make good or restoration clause, an estimate of these costs is included in the value of the right to use asset where a reasonable estimate can be calculated. In the case where a reasonable estimate cannot be made, no cost is recognised until such time as amounts can be reasonably determined.

### 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. Assumptions underpinning the Group's expected credit loss model are outlined in Note 25.

### CAPITALISATION OF INTERNALLY DEVELOPED SOFTWARE

Distinguishing between the research and development phases of a new customised software project and determining whether the recognition requirements for the capitalisation of development costs are met requires judgement. After capitalisation, management monitors whether the recognition requirements continue to be met and whether there are any indicators that capitalised costs may be impaired.

### BUSINESS COMBINATIONS

As discussed in Note 1, 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: OPERATING SEGMENTS AND 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.



### HOSTING (CLOUD AND DATA CENTRE COLOCATION)

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.

#### 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).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 3: OPERATING SEGMENTS AND PRODUCT LINES

A

### DESCRIPTION OF PRODUCT LINES



#### MANAGED SERVICES AND SECURITY

##### 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.

##### SECURITY

The Group provides a range of customised security options including unified threat management, remote and mobile user connectivity management, content filtering, managed firewall and individualised reporting.



#### 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.

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	
	2021 \$ ,000	2020 \$ ,000
<b>Contract Revenue by Product Line</b>		
Data Networks and Internet	37,021	37,531
Voice	34,945	19,597
Hosting	21,815	10,134
Security & Managed Services	18,906	20,349
<b>Total Contract Revenue by Product Line</b>	<b>112,687</b>	<b>87,611</b>
<b>Contract Revenue by Geographic Area</b>		
Australasia	112,687	87,611
<b>Total Contract Revenue by Geographic Area</b>	<b>112,687</b>	<b>87,611</b>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 3: OPERATING SEGMENTS AND PRODUCT LINES

B

### PRODUCT LINE INFORMATION PROVIDED TO THE CHIEF OPERATING DECISION MAKERS ('CODM').

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

			Consolidated
			2021 \$ ,000
			2020 \$ ,000
30 June 2021	Timing of Revenue Recognition		
	At a point in time \$ ,000	Over time \$ ,000	
<b>Contract Revenue by Product Line</b>			
Data Networks and Internet	851	36,170	37,021
Voice	896	34,049	34,945
Hosting	224	21,591	21,815
Security & Managed Services	10,546	8,360	18,906
<b>Total Contract Revenue by Product Line</b>	<b>12,517</b>	<b>100,170</b>	<b>112,687</b>
30 June 2020			
<b>Contract Revenue by Product Line</b>			
Data Networks and Internet	565	36,966	37,531
Voice	683	18,914	19,597
Hosting	11	10,123	10,134
Security & Managed Services	13,780	6,569	20,349
<b>Total Contract Revenue by Product Line</b>	<b>15,039</b>	<b>72,572</b>	<b>87,611</b>

## NOTE 4: OTHER INCOME

			Consolidated
			2021 \$ ,000
			2020 \$ ,000
<b>Other Income</b>			
Interest Income		23	29
Provision for change in expected deferred consideration payable		-	(35)
Other Sundry Income		108	56
<b>Total Other Income</b>		<b>131</b>	<b>50</b>

## NOTE 5: EXPENSES

	Consolidated	
	2021 \$ ,000	2020 \$ ,000
<b>Profit before income tax includes the following expenses:</b>		
<b>Data Centre &amp; Colocation Expense</b>		
Data Centre & Colocation - Cost of Sales	4,199	1,185
Data Centre & Colocation - Other Expenses	2,682	2,331
<b>Total Data Centre &amp; Colocation Expense</b>	<b>6,881</b>	<b>3,516</b>
<b>Calls &amp; Communications Expense</b>		
Calls & Communications - Cost of Sales	30,112	27,085
Calls & Communications - Other Expenses	132	72
<b>Total Calls &amp; Communications Expense</b>	<b>30,244</b>	<b>27,157</b>
<b>Other Cost of Goods Sold</b>		
Hardware, Software & Maintenance	11,872	12,532
Other Cost of Goods Sold	3,256	2,811
<b>Total Other Cost of Goods Sold</b>	<b>15,128</b>	<b>15,343</b>
<b>Employee Benefits</b>		
Salaries and Wages	25,078	16,801
Superannuation	2,241	1,524
Annual and Long Service Leave	313	(42)
Share-based Payments Expense	306	459
Other Employee Expenses	4,072	1,969
<b>Total Employee Benefits</b>	<b>32,010</b>	<b>20,711</b>
<b>Depreciation</b>		
Computer, Network & IT Plant & Equipment	4,263	2,760
Furniture & Fittings	32	113
Motor Vehicles	2	3
Right of Use Assets	3,671	1,501
<b>Total Depreciation</b>	<b>7,968</b>	<b>4,377</b>
<b>Amortisation</b>		
Amortisation of Internally Generated Software	734	552
Amortisation of other Intangibles	8,688	4,802
Amortisation of Borrowing Costs	35	25
<b>Total Amortisation</b>	<b>9,457</b>	<b>5,379</b>
<b>Total Depreciation &amp; Amortisation</b>	<b>17,425</b>	<b>9,756</b>

## NOTE 5: EXPENSES

	Consolidated	
	2021 \$ ,000	2020 \$ ,000
<b>Finance Costs</b>		
Interest and Finance Charges Paid/Payable on Borrowings	741	226
Interest and Finance Charges Paid/Payable on Lease Liabilities	519	200
<b>Total Finance Costs</b>	<b>1,260</b>	<b>426</b>
<b>Other Expenses</b>		
Legal, Accounting & Business Acquisition Costs	1,077	481
Premises	648	523
Licenses & Subscriptions	1,898	879
Travel & Marketing	619	493
Loss allowance & impairment of financial assets	263	550
General Expenses	517	632
<b>Total Other Expenses</b>	<b>5,022</b>	<b>3,538</b>
<b>Total Expenses</b>	<b>107,970</b>	<b>80,447</b>

Expenses increased largely due to the impact of acquiring Zintel/ Fonebox and Digital Sense in August and October respectively.

## NOTE 6: INCOME TAX EXPENSE

	Consolidated	
	2021 \$ ,000	2020 \$ ,000
<b>Income Tax Expense</b>		
Current Tax	4,230	3,531
Deferred Tax – origination and reversal of temporary differences	(2,917)	(1,408)
Deferred Tax – adjustment recognised for prior periods	100	(8)
Adjustment recognised for prior periods	-	66
<b>Aggregate Income Tax Expense</b>	<b>1,413</b>	<b>2,181</b>
<b>Deferred tax included in income tax expense comprises:</b>		
(Increase) / Decrease in Deferred Tax Assets	(669)	(1,722)
Increase / (Decrease) in Deferred Tax Liabilities	(2,248)	314
Deferred Tax – origination and reversal of temporary differences	(2,917)	(1,408)
<b>Numerical Reconciliation of Income Tax Expense and Tax at Statutory Rate</b>		
Profit before income tax expense	4,848	7,214
Tax at the statutory rate of 30%	1,454	2,164

## NOTE 6: INCOME TAX EXPENSE

	Consolidated	
	2021 \$ ,000	2020 \$ ,000
<b>Tax effect amounts which are not deductible/(taxable) in calculating taxable income:</b>		
Entertainment	14	27
Accounting & Legal & Business Acquisition Costs	68	-
Share based payments	(75)	-
Provision for change in deferred consideration	-	10
Other Sundry Items	28	(86)
	35	(49)
Adjustment recognised for prior periods	-	66
Movement in Timing Differences	-	-
Difference in overseas tax rates	(27)	-
Difference in tax balances acquired on business combinations	(49)	-
<b>Income Tax Expense</b>	<b>1,413</b>	<b>2,181</b>
The applicable weighted average effective tax rates are as follows:	29%	30%

## NOTE 7: EARNINGS PER SHARE

	Consolidated	
	2021 \$ ,000	2020 \$ ,000
<b>Reconciliation of Earnings to Profit or Loss</b>	<b>\$ ,000</b>	<b>\$ ,000</b>
Earnings Used to Calculate Basic Earnings Per Share	3,435	5,033
Earnings Used to Calculate Diluted Earnings Per Share	3,435	5,033
<b>Weighted Average Number of Ordinary Shares</b>	<b>,000</b>	<b>,000</b>
Weighted Average Number of Ordinary Shares Outstanding During the Year Used in Calculating Basic Earnings Per Share	56,895	51,626
<b>Adjustments for calculation of diluted earnings per share:</b>		
Weighted Average Number of Performance Rights Outstanding During the Year Used in Calculating Dilutive Earnings Per Share	246	174
Weighted Average Number of Ordinary Shares Outstanding During the Year Used in Calculating Dilutive Earnings Per Share	57,041	51,800
	<b>Cents</b>	<b>Cents</b>
Basic Earnings Per Share (Cents Per Share)	6.038	9.749
Diluted Earnings Per Share (Cents Per Share)	6.012	9.716

Earnings per share decreased predominately due the amortisation incurred on \$51,819K of intangible assets with a limited life, recognised through the acquisitions of Fonebox/ Zintel and Digital Sense in the current financial year.

## NOTE 8: CASH &amp; CASH EQUIVALENTS

	Consolidated	
	2021 \$ ,000	2020 \$ ,000
<b>Cash &amp; Cash Equivalents (Current)</b>		
Cash on Hand	3	1
Cash at Bank	16,693	10,434
<b>Total Cash &amp; Cash Equivalents</b>	<b>16,696</b>	<b>10,435</b>

**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:

<b>Balance as Above</b>	<b>16,696</b>	<b>10,435</b>
<b>Balance as per Statement of Cash Flows</b>	<b>16,696</b>	<b>10,435</b>

## NOTE 9: TRADE &amp; 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	
	2021 \$ ,000	2020 \$ ,000
<b>Trade &amp; Other Receivables (Current)</b>		
Trade Receivables	6,728	7,952
Loss allowance	(471)	(384)
	<b>6,257</b>	<b>7,568</b>
Term Deposits	527	257
Deposits Paid	295	183
Accrued Revenue	3,467	1,153
Other Receivables	171	167
<b>Total Trade &amp; Other Receivables</b>	<b>10,717</b>	<b>9,328</b>

## NOTE 9: TRADE & OTHER RECEIVABLES

Consolidated		
	2021 \$ ,000	2020 \$ ,000
<b>Impairment of Receivables</b>		
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 2. Assumptions underpinning the expected credit loss model and other information on credit risk is outlined in Note 25.		
<b>Loss allowance at 30 June</b>		
The aging of the impaired receivables provided for above are as follows:		
Gross Trade Receivables	6,728	7,952
Less expected credit loss for specific balances	(210)	(122)
	6,518	7,830
Expected credit loss - Based on weighted expected loss rate on remaining balances at 3.99% for 30 June 2021 (2020: 2.35%)	(261)	(184)
Additional Overlay for COVID-19 - Based on weighted expected loss rate on customers most at risk in impacted industries	-	(78)
Refer to Note 25 for further information.		
<b>Total Loss Allowance</b>	<b>(471)</b>	<b>(384)</b>
<b>Movements in Loss Allowance of Receivables is as Follows:</b>		
Opening Balance	384	191
Amounts restated through opening retained earnings	-	-
Additional Provision Recognised	589	530
Receivables Written off During the Year as Uncollectable	(502)	(337)
Unused amount reversed	-	-
<b>Closing Balance</b>	<b>471</b>	<b>384</b>

Trade and Other Receivables decreased largely due to deferred payment terms offered to customers who were impacted by COVID-19 in the prior year.

## NOTE 10: INVENTORIES

Consolidated		
	2021 \$ ,000	2020 \$ ,000
<b>Inventories (Current)</b>		
Finished Goods – at Net Realisable Value	128	292
<b>Total Inventories</b>	<b>128</b>	<b>292</b>

## NOTE 11: OTHER ASSETS

	Consolidated	
	2021 \$ ,000	2020 \$ ,000
<b>Other Assets (Current)</b>		
Prepayments - Maintenance Contracts	997	800
Prepayments - Other contracts	2,294	1,333
Prepayments - Other	1,271	525
<b>Total Other Assets (Current)</b>	<b>4,562</b>	<b>2,658</b>
<b>Other Assets (Non-current)</b>		
Borrowing Costs	151	10
Prepayments - Maintenance Contracts	373	188
<b>Total Other Assets (Non-current)</b>	<b>524</b>	<b>198</b>
<b>Total Other Assets</b>	<b>5,086</b>	<b>2,856</b>
Amortisation of prepaid maintenance contracts recognised as a cost of providing services during the period	1,949	2,259

Other Assets increased mainly due to the assets acquired through the acquisitions of Fonebox/ Zintel and Digital Sense in the current financial year. This should be read in conjunction with the corresponding Unearned Income - Maintenance Contracts, at Note 19.

## NOTE 12: PLANT &amp; EQUIPMENT

	Consolidated	
	2021 \$ ,000	2020 \$ ,000
<b>Computer, Network &amp; IT Plant &amp; Equipment (Non-Current)</b>		
Computer, Network & IT Plant & Equipment – at cost	42,566	21,049
Less: Accumulated Depreciation	(30,624)	(14,563)
	<b>11,942</b>	<b>6,486</b>
<b>Furniture &amp; Fixtures (Non-Current)</b>		
Furniture & Fixtures – at cost	660	480
Less: Accumulated Depreciation	(456)	(415)
	<b>204</b>	<b>65</b>
<b>Motor Vehicles (Non-Current)</b>		
Motor Vehicles – at cost	95	95
Less: Accumulated Depreciation	(91)	(89)
	<b>4</b>	<b>6</b>
<b>Right of Use (Non-Current)</b>		
Right of Use Assets – at cost	30,621	12,233
Less: Accumulated Depreciation	(13,524)	(2,012)
	<b>17,097</b>	<b>10,221</b>
<b>Total Plant &amp; Equipment at written Down Value</b>	<b>29,247</b>	<b>16,778</b>



# NOTE 12: PLANT & EQUIPMENT

## 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	Right of Use Assets \$,'000	Total \$,'000
<b>Balance at 1 July 2019</b>	<b>6,751</b>	<b>163</b>	<b>9</b>	<b>3,474</b>	<b>10,397</b>
Additions Through Business Combinations	-	-	-	-	-
Additions	2,496	15	-	8,247	10,758
Transfers from inventory	-	-	-	-	-
Disposals	-	-	-	-	-
Depreciation Expense	(2,761)	(113)	(3)	(1,500)	(4,377)
<b>Balance at 30 June 2020</b>	<b>6,486</b>	<b>65</b>	<b>6</b>	<b>10,221</b>	<b>16,778</b>
<b>Balance at 1 July 2020</b>	<b>6,486</b>	<b>65</b>	<b>6</b>	<b>10,221</b>	<b>16,778</b>
Additions Through Business Combinations	4,118	3	-	5,321	9,442
Additions	6,248	168	-	4,579	10,995
Transfers from inventory	(2)	-	-	-	(2)
Transfer between classes	(647)	-	-	647	-
Disposals	-	-	-	-	-
Depreciation Expense	(4,263)	(32)	(2)	(3,671)	(7,968)
Exchange differences	2	-	-	-	2
<b>Balance at 30 June 2021</b>	<b>11,942</b>	<b>204</b>	<b>4</b>	<b>17,097</b>	<b>29,247</b>

Property, Plant and Equipment increased predominately due to the assets acquired through the acquisitions of Fonebox/ Zintel and Digital Sense in the current financial year.

# NOTE 13: INTANGIBLES

	Consolidated	
	2021 \$ ,000	2020 \$ ,000
<b>Intangibles (Non-Current)</b>		
Goodwill – at Cost	61,890	29,032
	<b>61,890</b>	<b>29,032</b>
Brand Value	7,210	5,510
Less: Accumulated Amortisation	(1,006)	(681)
	<b>6,204</b>	<b>4,829</b>
Location and Right-to-Use	1,817	1,817
Less: Accumulated Amortisation	(1,018)	(874)
	<b>799</b>	<b>943</b>

## NOTE 13: INTANGIBLES

	Consolidated	
	2021 \$ ,000	2020 \$ ,000
Customer Lists	95,269	43,950
Less: Accumulated Amortisation	(18,371)	(10,152)
	<b>76,898</b>	<b>33,798</b>
Internally Generated Software	3,643	2,731
Less: Accumulated Amortisation	(1,712)	(979)
	<b>1,931</b>	<b>1,752</b>
<b>Total Intangibles</b>	<b>147,722</b>	<b>70,354</b>

## 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
<b>Balance at 1 July 2019</b>	<b>1,440</b>	<b>29,032</b>	<b>5,071</b>	<b>1,108</b>	<b>38,193</b>	<b>74,844</b>
Additions - Business Combinations	-	-	-	-	-	-
Additions	864	-	-	-	-	-
Disposals	-	-	-	-	-	-
Amortisation Expense	(552)	-	(242)	(165)	(4,395)	(5,354)
<b>Balance at 30 June 2020</b>	<b>1,752</b>	<b>29,032</b>	<b>4,829</b>	<b>943</b>	<b>33,798</b>	<b>70,354</b>
<b>Balance at 1 July 2020</b>	<b>1,752</b>	<b>29,032</b>	<b>4,829</b>	<b>943</b>	<b>33,798</b>	<b>70,354</b>
Additions - Business Combinations	-	32,858	1,700	-	51,319	<b>85,877</b>
Additions	913	-	-	-	-	<b>913</b>
Disposals	-	-	-	-	-	-
Amortisation Expense	(734)	-	(325)	(144)	(8,219)	<b>(9,422)</b>
<b>Balance at 30 June 2021</b>	<b>1,931</b>	<b>61,890</b>	<b>6,204</b>	<b>799</b>	<b>76,898</b>	<b>147,722</b>

## NOTE 13: INTANGIBLES

### 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 2021.

	Remaining Amortisation Period	Carrying Amount
	Years	\$ ,000
Location & Right to Use - Sanity	6	799
<b>Location &amp; Right to Use</b>		<b>799</b>
Customer List - Faktortel	4	817
Customer List - Sanity	4	668
Customer List - Telarus	6	2,512
Customer List - SpiderBox	4	126
Customer List - VPN Solutions	6	5,700
Customer List - Access Digital	7	10,193
Customer List - Comlinx	7	9,387
Customer List - Zintel / Fonebox	9	22,147
Customer List - Digital Sense	9	25,348
<b>Customer List</b>		<b>76,898</b>
Brand - Sanity	1	50
Brand - Telarus	1	54
Brand - VPN Solutions	1	67
Brand - Access Digital	2	117
Brand - Zintel / Fonebox	4	417
<b>Brand</b>		<b>705</b>
Internally Generated Computer Software - 2018	1	55
Internally Generated Computer Software - 2019	2	358
Internally Generated Computer Software - 2020	3	605
Internally Generated Computer Software - 2021	4	913
<b>Internally Generated Computer Software</b>		<b>1,931</b>

### 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 3, the Group has one reportable segment, being IT and Telecommunications.

Brand Value has been recorded in relation to the acquisition of Faktortel, Comlinx & Digital Sense, 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.

## NOTE 13: INTANGIBLES

### 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 no growth perpetuity method was used in the 2021 calculation.

#### Key assumptions used for value-in-use calculations:

	2021	2020
CGU – IT & Telecommunications:		
EBITDA & Net Cash flow from Operations (growth rate)	7%	13%
Discount Rate	9%	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 adjusted for lease payments 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 its 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 3.5%, 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 12%, there would still be no impairment charge required.

## NOTE 14: TRADE & OTHER PAYABLES

	Consolidated	
	2021 \$ ,000	2020 \$ ,000
<b>Trade &amp; Other Payables (Current)</b>		
Trade Payables	8,600	4,981
GST Payable	1,430	1,010
Accrued Expenses	3,339	2,624
Other Payables	1,077	695
<b>Total Trade &amp; Other Payables (Current)</b>	<b>14,446</b>	<b>9,310</b>

Trade and Other Payables increased mainly due to the acquisitions of Fonebox/ Zintel and Digital Sense in the current financial year as well as increased supplier costs for non-recurring sales in June 2021.

## NOTE 15: BORROWINGS

	Consolidated	
	2021 \$ ,000	2020 \$ ,000
<b>Borrowings (Current)</b>		
Term Loan	9,054	3,925
<b>Total Borrowings (Current)</b>	<b>9,054</b>	<b>3,925</b>
<b>Borrowings (Non-Current)</b>		
Term Loan	25,373	1,600
<b>Total Borrowings (Non-Current)</b>	<b>25,373</b>	<b>1,600</b>
<b>Total Borrowings</b>	<b>34,427</b>	<b>5,525</b>

**TERM LOAN**

During the reporting period, the Group entered into a new finance facility agreement for the purpose of acquiring the share capital of Fonebox / Zintel. 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 Group. The facility has a maturity date of 28 August 2023.

**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 1.5 times
- ▀ Net Leverage Ratio must at all times be less than 2.25 times
- ▀ Debt to Capital Ratio must be no more than 50% at all times

As at and during the financial year ended 30 June 2021, 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 2021 being as follows:

Facility	Limit	Used
	\$,000	\$,000
Term Loan	34,427	34,427
Credit Card Facilities	410	8
Multi-Option Facility	1,350	869

## NOTE 16: LEASE LIABILITIES

The Consolidated Group leases office premises, data centre premises and IT Equipment across QLD, NSW, VIC & SA.

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**LEASE LIABILITIES**

	Consolidated	
	2021 \$ ,000	2020 \$ ,000
<b>Current</b>		
Lease Liability - Premises	1,989	1,119
Lease Liability - IT Equipment	2,504	307
<b>Lease Liability - Current</b>	<b>4,493</b>	<b>1,426</b>
<b>Non-Current</b>		
Lease Liability - Premises	11,645	8,941
Lease Liability - IT Equipment	3,169	582
<b>Lease Liability - Non-Current</b>	<b>14,814</b>	<b>9,523</b>
<b>Total Lease Liability</b>	<b>19,307</b>	<b>10,949</b>

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**ASSOCIATED RIGHT OF USE ASSETS**

The written down value of Right of Use assets that relate to the above lease liabilities are as follows. They are also included in the line Item "Property, Plant & Equipment" in the Consolidated Statement of Financial Position (Refer Note 12).

	Consolidated	
	2021 \$ ,000	2020 \$ ,000
<b>Right of Use Assets</b>		
Properties/ Premises	11,896	9,125
IT Equipment	5,201	1,096
<b>Total Written Down Value (Note 12)</b>	<b>17,097</b>	<b>10,221</b>

## NOTE 16: LEASE LIABILITIES

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### AMOUNTS RECOGNISED IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

The Consolidated Statement of Comprehensive Income includes the following amounts relating to leases.

	Consolidated	
	2021 \$ ,000	2020 \$ ,000
<b>Right of Use Assets</b>		
Depreciation charge on properties/ premises (included in depreciation and amortisation)	2,031	1,235
Depreciation charge on IT equipment (included in depreciation and amortisation)	1,621	265
Interest expense on properties/ premises (included in finance costs)	347	174
Interest expense on IT Equipment (included in finance costs)	172	26
	<b>4,171</b>	<b>1,700</b>

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### CASH OUTFLOWS

Total cash outflows for leases for the year ended 30 June 2021 was \$3,956K (2020: \$1,419K)

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### OTHER INFORMATION EXPENSE RELATING TO LOW VALUE LEASED ASSETS

The expense relating to leases of low-value assets for which no lease liability or right of use asset has been recognised was \$12K for the year ended 30 June 2021 (2020: \$29K).

### LEASES NOT YET COMMENCED TO WHICH THE CONSOLIDATED GROUP IS COMMITTED

As at the date of this report, the Consolidated Group has not entered into any new lease agreements.

### EXTENSION AND TERMINATION OPTIONS

Extension and termination options are included in a number of property and equipment leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor. Most extension options in property leases have not been included in the lease liability, because the Group could replace the assets without significant cost or business disruption. No estimate of potential future cash outflows on available options outside of those recognised in the lease liability have been calculated on the basis that the majority of options, if taken up will trigger a rent review which could significantly alter the outflows for these additional periods.



## NOTE 17: CURRENT TAX LIABILITY

	Consolidated	
	2021 \$ ,000	2020 \$ ,000
<b>Current Tax Liability</b>		
Provision For Income Tax Payable	1,391	987
<b>Total Current Tax Liability</b>	<b>1,391</b>	<b>987</b>

## NOTE 18: EMPLOYEE BENEFITS

	Consolidated	
	2021 \$ ,000	2020 \$ ,000
<b>Employee Benefits (Current)</b>		
Provision for Long Service Leave	1,108	820
Provision for Annual Leave	2,021	1,134
Other Employee Benefits Payable	-	-
<b>Total Employee Benefits Payable (Current)</b>	<b>3,129</b>	<b>1,954</b>
<b>Employee Benefits (Non-Current)</b>		
Provision for Long Service Leave	225	115
<b>Total Employee Benefits Payable (Non-Current)</b>	<b>225</b>	<b>115</b>
<b>Total Employee Benefits</b>	<b>3,354</b>	<b>2,069</b>
<b>Movement in Provisions</b>		
<b>Provision for Long Service Leave</b>		
Balance at 1 July	935	809
Additional Provisions	246	149
Additions Through Business Combinations	234	-
Amounts Used	(82)	(23)
<b>Balance at 30 June</b>	<b>1,333</b>	<b>935</b>
<b>Provision for Annual Leave</b>		
Balance at 1 July	1,134	1,302
Additional Provisions	1,749	1,039
Additions Through Business Combinations	777	-
Amounts Used	(1,640)	(1,209)
Exchange differences	1	-
<b>Balance at 30 June</b>	<b>2,021</b>	<b>1,134</b>

## NOTE 18: EMPLOYEE BENEFITS

**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	
	2021 \$ ,000	2020 \$ ,000
<b>Unearned Income (Current)</b>		
Customer prepayments and deposits	4,208	1,688
Setup fees	16	19
Unearned income - maintenance contracts	836	860
<b>Total Unearned Income (Current)</b>	<b>5,060</b>	<b>2,567</b>
<b>Unearned income (Non-current)</b>		
Unearned income - maintenance contracts	717	342
<b>Total Unearned Income (Non-Current)</b>	<b>717</b>	<b>342</b>
<b>Total Unearned Income</b>	<b>5,777</b>	<b>2,909</b>
Revenue recognised in the reporting period that was included in unearned income at the beginning of the period	2,567	2,384

Unearned income increased predominately due to a significant customer deposit made in June 2021 for goods to be provided. This should be read in conjunction with the corresponding prepaid maintenance contracts, at Note 11.

## NOTE 20: DEFERRED TAX

	Consolidated	
	2021 \$ ,000	2020 \$ ,000
<b>Deferred Tax Consist Of:</b>		
Deferred Tax Assets (a)	6,667	3,728
Deferred Tax Liabilities (b)	(27,876)	(13,077)
<b>Net Deferred Tax Asset / (Liability)</b>	<b>(21,209)</b>	<b>(9,349)</b>
<b>a) Deferred Tax Assets:</b>		
The Balance Comprises Temporary Differences Attributable to:		
Accrued Expenses	192	293
Provision for Doubtful Debts	141	115
Employee Benefits	1,186	731
Claimable IPO Costs	448	201
Leases	4,700	2,388
<b>Deferred Tax Asset</b>	<b>6,667</b>	<b>3,728</b>

# NOTE 20: DEFERRED TAX

## Movement in Deferred Tax Assets

	Accrued Expenses \$ ,000	Prov. for Doubtful Debts \$ ,000	Employee Benefits \$ ,000	Claimable IPO Costs \$ ,000	Lease Liability \$ ,000	Total \$ ,000
<b>Balance at 1 July 2019</b>	<b>261</b>	<b>57</b>	<b>633</b>	<b>63</b>	<b>732</b>	<b>1,746</b>
(Charged) / Credited to Profit or Loss	32	58	(24)	-	1,656	1,722
(Charged) / Credited through Equity	-	-	-	125	-	125
(Over) / Under Provision of Prior Year	-	-	122	13	-	135
<b>Balance at 30 June 2020</b>	<b>293</b>	<b>115</b>	<b>731</b>	<b>201</b>	<b>2,388</b>	<b>3,728</b>
(Charged) / Credited to Profit or Loss	(105)	(71)	142	-	700	666
(Charged) / Credited through Equity	-	-	-	208	-	208
Additions Through Business Combinations	4	97	313	39	1,612	2,065
(Over) / Under Provision of Prior Year	-	-	-	-	-	-
<b>Balance at 30 June 2021</b>	<b>192</b>	<b>141</b>	<b>1,186</b>	<b>448</b>	<b>4,700</b>	<b>6,667</b>

## Consolidated

2021	2020
\$ ,000	\$ ,000

## b) Deferred Tax Liabilities:

The Balance Comprises Temporary Differences Attributable to:

Accrued Revenue	(51)	(52)
Provision for Doubtful Creditors	(37)	(29)
Intangibles on Acquisitions	(23,468)	(10,500)
Property Plant & Equipment	(4,330)	(2,500)
Other	10	4
<b>Deferred Tax Liability</b>	<b>(27,876)</b>	<b>(13,077)</b>

## Movement in Deferred Tax Liability

	Accrued Revenue \$ ,000	Prov. for Doubtful Creditors \$ ,000	Intangibles on Acquisitions \$ ,000	Property, Plant & Equipment \$ ,000	Other \$ ,000	Total \$ ,000
<b>Balance at 1 July 2019</b>	<b>(89)</b>	<b>(63)</b>	<b>(11,903)</b>	<b>(707)</b>	<b>-</b>	<b>(12,762)</b>
(Charged) / Credited to Profit or Loss	37	34	1,403	(1,793)	5	(314)
(Over) / Under Provision of Prior Year	-	-	-	-	(1)	-
<b>Balance at 30 June 2020</b>	<b>(52)</b>	<b>(29)</b>	<b>(10,500)</b>	<b>(2,500)</b>	<b>4</b>	<b>(13,077)</b>
(Charged) / Credited to Profit or Loss	1	(8)	2,578	(327)	6	2,250
Additions Through Business Combinations	-	-	(15,546)	(1,503)	-	(17,049)
(Over) / Under Provision of Prior Year	-	-	-	-	-	-
<b>Balance at 30 June 2021</b>	<b>(51)</b>	<b>(37)</b>	<b>(23,468)</b>	<b>(4,330)</b>	<b>10</b>	<b>(27,876)</b>

## NOTE 21: ISSUED CAPITAL

	Consolidated	
	2021 \$ ,000	2020 \$ ,000
<b>Issued Capital</b>		
Ordinary Shares – Fully Paid	74,710	44,321
<b>Total Issued Capital</b>	<b>74,710</b>	<b>44,321</b>

### MOVEMENTS IN ORDINARY SHARE CAPITAL

	Date	No. of Shares ,000	Issue Price \$	Paid up Amount \$,000
Balance	1 Jul 2019	51,602		43,884
Shares issued on DRP	10 Oct 2019	5	4.61	23
Employee Share Plan	13 Dec 2019	33	4.70	153
Tax Effect of Capitalised Costs	31 Dec 2019	-	-	239
Shares issued on DRP	7 April 2020	11	2.05	22
<b>Balance</b>	<b>30 June 2020</b>	<b>51,651</b>		<b>44,321</b>
Shares issued on DRP	15 Oct 2020	9	4.14	35
Shares issued for Share Placement	29 Oct 2020	5,000	4.00	19,085
Shares issued on Share Purchase Plan	30 Oct 2020	1,250	4.00	4,924
Shares issued on Acquisitions	30 Oct 2020	1,483	3.64	5,400
Employee Share Plan	1 Mar 2021	58	4.41	256
ESOP Shares Vested from Performance Rights	2 Mar 2021	100	2.89	288
Shares issued on DRP	7 Apr 2021	11	4.15	46
Tax Effect of Capitalised Costs	30 Jun 2021	-	-	355
<b>Balance</b>	<b>30 June 2021</b>	<b>59,562</b>		<b>74,710</b>

### 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 1 March 2021, 58,082 ordinary shares were issued to employees under an Employee Share Plan with an issue price of \$4.41 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 31.

### SHARE BASED PAYMENTS – PERFORMANCE RIGHTS

On 2 March 2021, the Group issued 99,732 shares to key management personnel and select senior staff due to the vesting of the 2018 performance rights. Further details of the performance rights are set out in Note 31.

## NOTE 21: ISSUED CAPITAL

### 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.

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.

The capital risk management policy remains unchanged from the 30 June 2020 Annual Report.

## NOTE 22: RETAINED PROFITS

	Consolidated	
	2021 \$ ,000	2020 \$ ,000
<b>Retained Profits</b>		
Retained Profits at the Beginning of the Financial Year	24,208	20,981
Profits After Income Tax Expense for the Financial Year	3,435	5,033
Dividends Paid	(2,204)	(1,806)
<b>Retained Profits at the End of the Financial Year</b>	<b>25,439</b>	<b>24,208</b>

## NOTE 23: EQUITY – DIVIDENDS

	Consolidated	
	2021 \$ ,000	2020 \$ ,000
<b>Dividends</b>		
Interim fully franked ordinary dividend of 1.75 cents per share franked at the tax rate of 30% (2020: 1.50 cents per share fully franked at 30%)	1,042	774
Final fully franked ordinary dividend of 2.25 cents per share franked at the tax rate of 30% (2020: 2.00 cents per share fully franked at 30%)	1,162	1,032
<b>Total Dividends for the Financial Year</b>	<b>2,204</b>	<b>1,806</b>

Subsequent to year-end, on 19 August 2021, the Company declared a fully franked final dividend of 2.25 cents per share, for the year ended 30 June 2021. The dates of the dividend are as follows:

Ex date	– 13 September 2021
Record Date	– 14 September 2021
DRP Election Date	– 15 September 2021
Payment Date	– 14 October 2021

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

## NOTE 23: EQUITY – DIVIDENDS

	Consolidated	
	2021 \$,000	2020 \$,000
Franking Credits		
Franking Credits Available at the Reporting Date Based on a Tax Rate of 30%	16,048	12,944
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%	1,106	987
Franking Credits available for Subsequent Financial Years based on a Tax Rate of 30%	17,154	13,931

## NOTE 24: BUSINESS COMBINATIONS

A

**J2 AUSTRALIA CLOUD CONNECT PTY LTD AND ZINTEL AUSTRALIA LIMITED (TRADING AS FONEBOX AND ZINTEL)**

On 31 August 2020, the Company acquired J2 Australia Cloud Connect Pty Ltd and Zintel Australia Limited ("Fonebox / Zintel")

The acquisition of Fonebox / Zintel has delivered approximately 9,000 business customers to Over the Wire and enhances our existing voice offerings.

The original contracted price was \$36,000K, comprising upfront consideration of \$36,000K in cash, less a working capital adjustment to reflect profits retained in the business by the vendor against a target at settlement. Upon completion of the settlement accounts, the working capital adjustment was \$43K payable to Over the Wire. Accordingly the provisional adjusted purchase price is \$35,957K.

**DETAILS ON ACQUISITION**

Company	Primary Business Division	Acquisition	Purchase price \$,000	Intangibles Acquired \$,000	Cash to Settle \$,000
J2 Australia Cloud Connect Pty Ltd and Zintel Communications Limited (Provisional)	Inbound Telecommunications	100% of shares	35,957	42,590	35,957
<b>Total</b>			<b>35,957</b>	<b>42,590</b>	<b>35,957</b>

The Group engaged the services of 22 Corporate Advisory Pty Ltd in order to provide the economic valuation of the business acquisition of J2 Australia Cloud Connect Pty Ltd and Zintel Communications Limited, including purchase price allocation, net assets acquired and intangibles (both identifiable and goodwill). At the date of these financial statements, the amounts noted in relation to the business combination are provisional awaiting the finalisation of tax balances. Provisional amounts may be retrospectively adjusted to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised at that date.

Under the agreement, the vendor and its affiliates are restrained for three years from engaging in business similar to or in competition with J2 Australia Cloud Connect Pty Ltd or Zintel Communications Limited in Australia and New Zealand, including being restrained from inducing an employee of J2 Australia Cloud Connect Pty Ltd or Zintel Communications Limited to terminate their employment or soliciting any clients of J2 Australia Cloud Connect Pty Ltd or Zintel Communications Limited. The Vendor has provided customary warranties including those relating to the share capital of J2 Australia Cloud Connect Pty Ltd and Zintel Communications Limited, that there are no encumbrances, the completeness and accuracy of information relating to the accounts and records of J2 Australia Cloud Connect Pty Ltd and Zintel Communications Limited and tax related matters.

## NOTE 24: BUSINESS COMBINATIONS

A

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

**J2 Australia Cloud Connect Pty Ltd and Zintel Communications Limited**

Aug 2020  
\$ ,000

**Assets**
**Current Assets**

Cash & Cash Equivalents	37
Trade & Other Receivables	2,217
Other Current Assets	199
<b>Total Current Assets</b>	<b>2,453</b>

**Non-Current Assets**

Property, Plant & Equipment	828
Intangible Assets	233
Deferred Tax	191
<b>Total Non-Current Assets</b>	<b>1,252</b>
<b>Total Assets</b>	<b>3,705</b>

**Liabilities**
**Current Liabilities**

Trade & Other Payables	1,468
Lease Liability	157
Employee Benefits	547
Unearned Income	507
<b>Total Current Liabilities</b>	<b>2,679</b>

**Non-Current Liabilities**

Lease Liability	217
Employee Benefits	44
<b>Total Non-Current Liabilities</b>	<b>261</b>
<b>Total Liabilities</b>	<b>2,940</b>
<b>Net Assets</b>	<b>765</b>



## NOTE 24: BUSINESS COMBINATIONS

A

## ACQUIRED INTANGIBLES

	Description	Brand Value	Customer List / Relationships	Goodwill (Provisional)	Total
	<b>Class:</b>	Limited Life	Limited Life	Indefinite Life	
	<b>Treatment:</b>	Amortised and Impaired	Amortised and Impaired	Impaired	
	<b>Rate:</b>	Forecast Use of Brand	Churn/ Customer Retention		
	<b>Estimated Useful Life:</b>	5 years	10 years		
	<b>\$,000</b>	<b>\$,000</b>	<b>\$,000</b>	<b>\$,000</b>	<b>\$,000</b>
<b>J2 Australia Cloud Connect Pty Ltd and Zintel Communications Limited</b>					
Purchase Price:	36,000				
Less: Working Capital Adjustment	(43)				
Less: Identifiable Net Assets	(765)				
Add: Deferred tax liability recognised on limited life intangibles	7,398				
Intangible Assets upon Acquisition	<b>42,590</b>				
Allocation of Intangibles:		500	24,160	17,930	<b>42,590</b>
Annual Forecast Amortisation		100	2,416	-	<b>2,516</b>

B

**DIGITAL SENSE HOSTING PTY LTD**

On 30 October 2020, the Company acquired Digital Sense Hosting Pty Ltd.

The acquisition of Digital Sense Hosting Pty Ltd has delivered a number of enterprise and Government customers to Over the Wire and positions Over the Wire well to capitalise on the cloud industry's strong growth outlook.

The total consideration was \$39,000K which included a loan of \$6,960K, resulting in a purchase price of \$32,040K. Upfront consideration was \$27,000K comprising \$21,600K in cash (of which, \$6,960K was via a loan from the Group), 1,483,518 OTW shares (\$5,400K in OTW shares at an issue price of \$3.64, being the volume weighted average price for 10 trading days prior to the announcement of the acquisition), plus or minus a working capital adjustment to reflect profits retained in the business by the vendor against a target at settlement.

Upon completion of the settlement accounts, the working capital adjustment was \$2,422K payable to the vendor. Accordingly the provisional adjusted purchase price is \$34,462K prior to present value discounting.

## NOTE 24: BUSINESS COMBINATIONS

B

## DETAILS ON ACQUISITION

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
Digital Sense Hosting Pty Ltd (Provisional)	Cloud Platform Provider	100% of shares	33,018	43,287	1,483,518	5,400	17,062	10,555
<b>Total</b>			<b>33,018</b>	<b>43,287</b>	<b>1,483,518</b>	<b>5,400</b>	<b>17,062</b>	<b>10,555</b>

The Group engaged the services of 22 Corporate Advisory Pty Ltd in order to provide the economic valuation of the business acquisition of Digital Sense Hosting Pty Ltd, including purchase price, net assets acquired, intangibles (both identifiable and goodwill) and deferred consideration. At the date of these financial statements, the amounts noted in relation to the business combination are provisional awaiting the finalisation of tax balances. Provisional amounts may be retrospectively adjusted to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised at that date.

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

Total deferred consideration recognised was \$12,000K, present value discounted to \$10,555K at 30 June 2021. Deferred consideration is payable in three instalments in January 2021 (paid), September 2021, and September 2022, calculated with reference to agreed profitability and revenue scaling targets and is also conditional on continued employment of the vendors of the Company. As at the date of this report, deferred consideration of \$9,370K remains payable. The deferred consideration has been recorded on the basis that the full amount will be due and payable over the earn-out period.

Under the agreement, the vendor and its affiliates are restrained for five years from engaging in business similar to or in competition with Digital Sense Hosting Pty Ltd in Australia, including being restrained from inducing an employee of Digital Sense Hosting Pty Ltd to terminate their employment or soliciting any clients of Digital Sense Hosting Pty Ltd. The Vendor has provided customary warranties including those relating to the share capital of Digital Sense Hosting Pty Ltd, the completeness and accuracy of information relating to the accounts and records of Digital Sense Hosting Pty Ltd and tax related matters.

## NOTE 24: BUSINESS COMBINATIONS

B

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

Digital Sense Hosting Pty Ltd	
	Oct 2020
	\$ ,000
<b>Assets</b>	
<b>Current Assets</b>	
Cash & Cash Equivalents	1,573
Trade & Other Receivables	2,163
Other Current Assets	521
<b>Total Current Assets</b>	<b>4,257</b>
<b>Non-Current Assets</b>	
Property, Plant & Equipment	8,614
Deferred Tax	322
<b>Total Non-Current Assets</b>	<b>8,936</b>
<b>Total Assets</b>	<b>13,193</b>
<b>Liabilities</b>	
<b>Current Liabilities</b>	
Trade & Other Payables	1,449
Lease Liability	1,052
Current Tax Liability	185
Employee Benefits	400
Unearned Income	482
<b>Total Current Liabilities</b>	<b>3,568</b>
<b>Non-Current Liabilities</b>	
Borrowings	6,960
Lease Liability	4,766
Employee Benefits	20
<b>Total Non-Current Liabilities</b>	<b>11,746</b>
<b>Total Liabilities</b>	<b>15,314</b>
<b>Net Liabilities</b>	<b>2,121</b>

## NOTE 24: BUSINESS COMBINATIONS

B

## ACQUIRED INTANGIBLES

	Description	Brand Value	Customer List / Relationships	Goodwill (Provisional)	Total
	<b>Class:</b>	Indefinite Life	Limited Life	Indefinite Life	
	<b>Treatment:</b>	Impaired	Amortised and Impaired	Impaired	
	<b>Rate:</b>		Churn/ Customer Retention		
	<b>Estimated Useful Life:</b>		10 years		
	<b>\$,000</b>	<b>\$,000</b>	<b>\$,000</b>	<b>\$,000</b>	<b>\$,000</b>
<b>Digital Sense Hosting Pty Ltd</b>					
Total consideration	39,000				
Less: Loan provided	(6,960)				
Purchase Price:	32,040				
Less: PV discounting	(1,445)				
Add: Provisional Working Capital Adjustment	2,422				
Add: Identifiable Net Liabilities	2,121				
Add: Deferred tax liability recognised on limited life intangibles	8,148				
Intangible Assets upon Acquisition	<b>43,287</b>				
Allocation of Intangibles:		1,200	27,159	14,928	<b>43,287</b>
Annual Forecast Amortisation		-	2,716	-	<b>2,716</b>

## 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 2021 or 30 June 2020.

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 25: FINANCIAL RISK MANAGEMENT

	Consolidated	
	2021 \$ ,000	2020 \$ ,000
<b>Financial Assets</b>		
Cash & Cash Equivalents (Note 8)	16,696	10,435
Trade & Other Receivables (Note 9)	10,717	9,328
<b>Total Financial Assets</b>	<b>27,413</b>	<b>19,763</b>
<b>Financial Liabilities</b>		
Trade & Other Payables (Note 14)	14,446	9,310
Borrowings (Note 15)	34,427	5,525
Lease Liabilities (Note 16)	19,307	10,211
<b>Total Financial Liabilities</b>	<b>68,180</b>	<b>25,046</b>

### 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 minimal exposure to fluctuations in foreign currencies due to the size of foreign operations.

### LIQUIDITY RISK

Vigilant liquidity risk management requires the Group to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

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 2020	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	10,435	-	-	-	10,435	10,435
Trade and Other Receivables	9,328	-	-	-	9,328	9,328
<b>Total</b>	<b>19,763</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19,763</b>	<b>19,763</b>

Contracted maturities at 30 June 2021	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	16,696	-	-	-	16,696	16,696
Trade and Other Receivables	10,717	-	-	-	10,717	10,717
<b>Total</b>	<b>27,413</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>27,413</b>	<b>27,413</b>

The Group has recognised a loss of \$502K (2020: \$530K) in profit and loss in respect of impairment of receivables for the year ended 30 June 2021. The movements in the provision for impairment of receivables were outlined in Note 9.

# NOTE 25: FINANCIAL RISK MANAGEMENT

The table below sets out the maturity periods of the financial liabilities of the consolidated Group as at 30 June 2021 and 30 June 20. All carrying amounts of equipment finance are discounted contractual cash flows.

Contracted maturities at 30 June 2020	< 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	9,310	-	-	-	-	9,310	9,310
Borrowings	1,962	1,962	1,690	-	-	5,614	5,525
Lease Liabilities	846	920	1,838	2,687	6,139	12,430	10,949
<b>Total</b>	<b>12,118</b>	<b>2,882</b>	<b>3,528</b>	<b>2,687</b>	<b>6,139</b>	<b>27,354</b>	<b>25,784</b>

Contracted maturities at 30 June 2021	< 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	14,446	-	-	-	-	14,446	14,446
Borrowings	4,896	4,841	9,538	16,379	-	35,654	34,427
Lease Liabilities	2,533	2,452	4,013	7,350	4,617	20,965	19,307
<b>Total</b>	<b>21,875</b>	<b>7,293</b>	<b>13,551</b>	<b>23,729</b>	<b>4,617</b>	<b>71,065</b>	<b>68,180</b>

## 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 2021 or 30 June 2020.

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.

Due to the Coronavirus (COVID-19) pandemic, the calculation of expected credit losses were revised as at 30 June 2020 and as a result rates were increased to account for the increased uncertainty. The adjustment to loss rates was made with reference to the industries in which our customers operate and the expected impact of COVID-19 to that industry.

As a result of the impacts of COVID-19 now being reflected in the actual loss rates of the Group and reduced uncertainty, the additional overlay has been removed in the current reporting period.

## NOTE 25: FINANCIAL RISK MANAGEMENT

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	
	2021 \$ ,000	2020 \$ ,000
<b>Cash &amp; Cash Equivalents</b>		
Aa3 Rated	15,756	10,409
A1 Rated	765	5
A3 Rated	172	20
Unallocated	3	1
<b>Total Cash &amp; Cash Equivalents</b>	<b>16,696</b>	<b>10,435</b>

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 1.5:1, and accordingly the Directors consider interest rate and market risk to be low.



# NOTE 25: FINANCIAL RISK MANAGEMENT

## SENSITIVITY ANALYSIS

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

	Consolidated	
	2022 \$ ,000	2023 \$ ,000
2% Decrease in Interest Rates	623	441
1% Decrease in Interest Rates	312	221
1% Increase in Interest Rates	(312)	(221)
2% Increase in Interest Rates	(626)	(443)
3% Increase in Interest Rates	(940)	(666)

## 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, the Group maintains significant cash and cash equivalents, generally maintains a Debt-to-EBITDA ratio of less than 1:1.5 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	
	2021 \$ ,000	2020 \$ ,000
During the financial year the following fees were paid or payable for services provided by PKF Brisbane Audit, the auditor of the Group		
<b>PKF Brisbane Audit</b>		
Audit Services (Statutory)	139	107
Other Audit Services	47	-
<b>PKF Brisbane Pty Ltd</b>		
Other Services – Tax compliance services	31	19
<b>Total</b>	<b>217</b>	<b>126</b>

# NOTE 27: CONTINGENT ASSETS AND LIABILITIES

## Contingent Assets

The Group had no contingent assets as at 30 June 2021 or 30 June 2020.

## Contingent Liabilities

The Group had no contingent liabilities as at 30 June 2021 or 30 June 2020.

## NOTE 28: CASH FLOW INFORMATION

	Consolidated				
	2021 \$ ,000	2020 \$ ,000			
(a) Reconciliation of Cash Flows from Operations with Profit After Income Tax					
Profit After Income Tax	3,435	5,033			
Non cash flows in profit/(loss):					
Depreciation	7,968	4,377			
Amortisation	9,457	5,379			
Provision for Doubtful Debts	263	193			
Other Non Cash Movements	(338)	646			
Changes in Assets and Liabilities					
(Increase) / Decrease in Trade and Other Receivables	3,254	(215)			
(Increase)/ Decrease in Inventories	164	(75)			
(Increase)/ Decrease in Other Assets	(1,510)	(399)			
(Decrease)/ Increase in Deferred Tax Liabilities	(2,818)	(1,428)			
(Decrease)/ Increase in Payables	2,292	(2,040)			
(Decrease)/ Increase in Unearned Income	1,879	269			
(Decrease)/ Increase in Provisions	274	(42)			
(Decrease)/ Increase in Current Tax Liabilities	219	(59)			
Net Cash Flows from Operating Activities	24,539	11,639			
(b) Reconciliation of Cash Flows from Financing Activities					
	Lease Liability	Term Loan	Dividends Payable	Shares Issued	Total
	\$ ,000	\$ ,000	\$ ,000	\$ ,000	\$ ,000
Balance at 30 June 2019	3,653	9,551	-	-	13,204
Dividends declared	-	-	1,806	-	1,806
Shares issued	-	-	(46)	-	(46)
Net cash provided by/ (used in) financing activities	9,51	(4,025)	(1,760)	-	(4,834)
Acquisition of leases	6,345	-	-	-	6,345
Other changes	-	-	-	-	-
Balance at 30 June 2020	10,949	5,525	-	-	16,473
Dividends declared	-	-	2,204	-	2,204
Shares issued	-	-	(81)	(24,009)	(24,090)
Net cash provided by/ (used in) financing activities	(2,417)	28,902	(2,123)	24,009	48,371
Acquisition of leases	6,192	-	-	-	6,192
Other changes	4,583	-	-	-	4,583
Balance at 30 June 2021	19,307	34,427	-	-	53,733

## NOTE 29: 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 2021

	2021 \$ ,000	2020 \$ ,000
<b>Assets</b>		
Current Assets	842	3,452
Non-Current Assets	133,451	64,245
<b>Total Assets</b>	<b>134,293</b>	<b>67,697</b>
<b>Liabilities</b>		
Current Liabilities	27,257	18,017
Non-Current Liabilities	30,057	1,600
<b>Total Liabilities</b>	<b>57,314</b>	<b>19,617</b>
<b>Net Assets</b>	<b>76,979</b>	<b>48,080</b>
<b>Equity</b>		
Issued Capital	74,710	44,321
Reserves	165	416
Retained Profits	2,104	3,343
<b>Total Equity</b>	<b>76,979</b>	<b>48,080</b>

### PARENT ENTITY STATEMENT OF COMPREHENSIVE INCOME FOR YEAR ENDED 30 JUNE 2021

	2021 \$ ,000	2020 \$ ,000
Total Profit	965	1,309
Total Comprehensive Income	965	1,309

### GUARANTEES AND CONTRACTUAL COMMITMENTS

During the reporting period, Over the Wire Holdings Limited has a parent guarantee in place over the credit card facilities operated by two of its subsidiaries (OTW Corp Pty Ltd and Over the Wire Pty Ltd) totalling \$400,000, a bank guarantee facility totalling \$1,100,000 as well as an interlocking guarantee between all entities of the Group for the Group's major loan facility.

### CONTINGENT LIABILITIES

The parent entity did not have any contingent liabilities as at 30 June 2021 or 30 June 2020.

## NOTE 30: 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 companies within the Group 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.

### KEY MANAGEMENT PERSONNEL (KMP) COMPENSATION

	Consolidated	
	2021 \$ ,000	2020 \$ ,000
Short -Term Employee Benefits	1,896	1,780
Long-Term Employee Benefits	21	21
Post-Employment Benefits	145	115
Termination Payments	-	-
Share based Payments	6	148
<b>Key Management Personnel</b>	<b>2,068</b>	<b>2,064</b>

Detailed remuneration disclosures are provided in the remuneration report on pages 20 to 27.

## NOTE 31: 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	
	2021	2020
Issue Date	1 Mar 2021	13 Dec 2019
Number of shares issued	58,082	32,648
Eligibility date	28 Feb 2021	31 Oct 2019
Share price on eligibility date	\$4.41	\$4.70
Consideration	-	-
Escrow period (from issue date)	3 years	3 years
Expense recognised in profit and loss	\$256,142	\$153,446

# NOTE 31: SHARE-BASED PAYMENTS – PERFORMANCE RIGHTS

## PERFORMANCE RIGHTS

In line with its remuneration policy, the Board approved the issue of performance rights under the OTW Performance Rights Plan 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. Performance rights are forfeited earlier than the test date, if, prior to the test date it has been determined that there is no possibility of issued rights vesting.

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

	2019	2020
Issue Date	1 June 2019	29 May 2020
Vesting Date & Test Date	30 September 2021	30 September 2022
Expiry Date	31 October 2021	31 October 2022
Exercise Price	\$0.00	\$0.00
Amount Payable on Grant	\$0.00	\$0.00
Grant Date Value	\$4.88	\$2.88
Performance Hurdles	Service Tenure & Cash EPS absolute Compound Annual Growth Rate hurdle from FY2018 to FY2021:	Service Tenure & Cash EPS absolute Compound Annual Growth Rate hurdle from FY2019 to FY2022:
	<10% p.a. 0%	<10% p.a. 0%
	10%-15% 50-100%	10%-15% 50-100%
	pro-rata	pro-rata
	>15% pa 100%	>15% pa 100%
Performance Rights Granted to:		
Mike Stabb	13,333	20,067
Ben Cornish	13,333	20,067
Gary Pittorino	10,400	20,067
Scott Smith	-	8,362
Ben Melville	-	3,345
Other Senior Staff	26,667	43,479

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 31: SHARE-BASED PAYMENTS – PERFORMANCE RIGHTS

### FAIR VALUE OF PERFORMANCE RIGHTS ISSUED

30 June 2020	Opening Balance	Granted	Vested		Forfeited		Closing Balance	Share-Based Payment Reserve
	Qty	Qty	Qty	%	Qty	%	Qty	\$
Mike Stabb* <sup>1</sup>	43,253	20,067	-	-	-	-	63,320	110,195
Ben Cornish*	43,253	20,067	-	-	-	-	63,320	110,195
Gary Pittorino*	10,400	20,067	-	-	-	-	30,467	25,795
Scott Smith* <sup>2</sup>	-	8,362	-	-	-	-	8,362	929
Ben Melville* <sup>2</sup>	-	3,345	-	-	-	-	3,345	372
Other Senior Staff	66,559	43,479					110,038	168,924
<b>Total</b>	<b>163,465</b>	<b>115,387</b>	-	-	-	-	<b>278,852</b>	<b>416,410</b>

30 June 2021	Opening Balance	Granted	Vested		Forfeited		Closing Balance	Share-Based Payment Reserve
	Qty	Qty	Qty	%	Qty	%	Qty	\$
Ben Cornish*	63,320	-	(29,920)	100	(13,333)	100	20,067	33,624
Gary Pittorino*	30,467	-	-	-	(10,400)	100	20,067	33,624
Scott Smith* <sup>2</sup>	8,362	-	-	-	-	-	8,362	14,011
Ben Melville* <sup>2</sup>	3,345	-	-	-	-	-	3,345	5,605
Other Senior Staff	173,358	-	(69,812)	100	(56,723)	100	46,823	78,457
<b>Total</b>	<b>278,852</b>	-	<b>(99,732)</b>	<b>100</b>	<b>(80,456)</b>	<b>100</b>	<b>98,664</b>	<b>165,321</b>

<sup>1</sup> Ceased role as Chief Financial Officer on 9 March 2020

<sup>2</sup> Appointed 9 March 2020

\* Indicates KMP

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	
	2021	2020
Weighted average fair value	-	\$2.878
Weighted average life of the rights	-	2.3 Years
Expected share price volatility	-	48.0%
Risk-free interest rate	-	0.26%

As of the date of these financial statements no performance rights in respect of the 2021 financial year have been issued to employees.

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 32: SUBSIDIARIES

Consolidated			
		2021	2020
The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policies described in Note 1:			
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 %	100 %
Comlinx Pty Ltd (Acquired 1 November 2018)	Australia	100 %	100 %
Zintel Communications Pty Ltd (Acquired 31 August 2020)	Australia	100 %	-
(formerly J2 Australia Cloud Connect Pty Ltd)			
Zintel Communications Limited (Acquired 31 August 2020)	New Zealand	100 %	-
Digital Sense Hosting Pty Ltd (Acquired 30 October 2020)	Australia	100 %	-

NOTE 33: SUBSEQUENT EVENTS  
DIVIDEND DECLARED

On 19 August 2021, the Company declared a fully franked final dividend of 2.25 cents per share, for the year ended 30 June 2021. The dates of the dividend are as follows:

Ex date	13 September 2021
Record Date	14 September 2021
DRP Election Close Date	15 September 2021
Payment Date	14 October 2021

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

## CHANGE IN DIRECTORS

From 1 July 2021 John Puttick resigned from the roles of Non-executive Director and Chair of the Group and Stephe Wilks was appointed as Non-executive Director and Chair of the Group.

## CHANGE IN KEY MANAGEMENT PERSONNEL

On 2 August 2021 Scott Smith resigned from the role of Chief Executive Officer of Over the Wire, effective from 30 September 2021.

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.



# DIRECTORS' DECLARATION

# DIRECTORS' DECLARATION

In the directors' opinion:

- i The financial statements and notes set out on pages 33 to 89 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 2021 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  
19 August 2021



Stephie Wilks  
**Chair**

Brisbane  
19 August 2021

# 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 2021, 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 2021 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report 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 auditor independence requirements of 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 (including Independence Standards)* (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. Business combinations, including valuation of the acquired intangible assets and allocation of goodwill

### Why significant

During the year, the Company acquired 100% interest in the following entities:

- J2 Australia Cloud Connect Pty Ltd
- Zintel Communications Limited
- Digital Sense Hosting Pty Ltd

As disclosed in Note 13 and Note 24, the consolidated entity recognised the following total amounts of goodwill and other identifiable intangible assets in connection with the acquisitions:

• Goodwill	\$32.86m
• Brand Value	\$ 1.70m
• Customer Lists	\$51.32m
	<u>\$85.88m</u>

Significant judgement is required in valuing the acquired identifiable intangible assets and allocation of goodwill. The Company engaged an independent expert to assist in the valuation of identifiable intangible assets.

### How our audit addressed the key audit matter

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:
  - Marginal cash flow methodology
  - Capitalisation of costs
  - Growth rates
  - Discount rates
  - Estimated useful lives
- Assessing the appropriateness of the valuation methodology of the intangible assets employed by the independent expert and evaluating the key assumptions used in determining the fair values;
- Assessing the fair value of the assets and liabilities acquired, as determined by the independent expert;
- Assessing the fair value of the consideration paid and the recognition of deferred consideration upon the acquisition date; and
- In addition, we assessed the appropriateness of the disclosures in relation to both the business combination and intangible assets acquired included in Notes 1(o), 2, 13, and 24.

## 2. Impairment testing of intangible assets

### Why significant

As at 30 June 2021 the carrying value of intangible assets was \$147.72m (2020: \$70.35m), as disclosed in Note 13. This represents 70% of total assets.

The consolidated entity's accounting policy in respect of intangible assets is outlined in Note 1(o).

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 consolidated entity to exercise significant judgement in determining the key assumptions, which include:

### How our audit addressed the key audit matter

Our work included, but was not limited to, the following procedures:

- assessing and challenging:
  - the FY22 budget by comparing the budget to FY21 and FY20 actuals;
  - the assumptions used for the growth rate by comparing normalised average growth rate from FY20 to FY21 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 forecast deferrals in light of the COVID-19 pandemic; and
  - the discount rate applied by comparing the WACC to industry benchmarks.
- testing, on a sample basis, the mathematical



- 5-year cash flow forecast;
- Terminal growth factor;
- Discount rate; and
- The determination that the consolidated entity has one CGU, being the whole consolidated entity.

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.

- accuracy of the cash flow models;
- agreeing inputs in the cash flow models to relevant data including approved budgets and latest forecasts; and
- 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 determination of Cash Generating Unit (CGU); and
- the appropriateness of the disclosures including those relating to sensitivities in the assumptions used, included in Note 13.

### 3. Recognition of revenue

#### Why significant

The recognition of revenue, totalling \$112.69m and associated unearned income liabilities of \$5.78m 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 consolidated entity through each stream.

Note 3 to the financial statements details the revenue streams of the consolidated entity and associated accounting policies. Revenue amounts are disclosed in the Consolidated Statement of Comprehensive Income, and associated unearned income liabilities are disclosed in Note 19 and the Consolidated Statement of Financial Position.

#### How our audit addressed the key audit matter

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 3 to the financial statements:

- Data networks and internet
- Voice
- Hosting
- Security & Managed Services

For a sample of contracts across each of the revenue streams, we evaluated the individual contract where applicable 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 consolidated entity'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 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 the 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 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, individually 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. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. 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.
- Obtain an understanding of internal control relevant to the audit 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 consolidated entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- 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.





- 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.
- 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 group financial report. We are responsible for the direction, supervision and performance of the group 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.

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, actions taken to eliminate threats or safeguards applied.

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 the 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 2021. 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 2021 complies with section 300A of the *Corporations Act 2001*.

PKF BRISBANE AUDIT

CAMERON BRADLEY  
PARTNER

BRISBANE  
19 August 2021

# CONTACT DETAILS

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