

OVER THE WIRE HOLDINGS LIMITED

ACN 151 872 730

APPENDIX 4D

HALF YEAR REPORT

31 December 2015

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GENERAL INFORMATION

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

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

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

Registered Office & Principal Place of Business

Level 1
24 Little Edward Street
Brisbane Qld 4000

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

The financial report was authorised for issue, in accordance with a resolution of directors on 23 February 2016. The directors have the power to amend and/or reissue the financial report.

APPENDIX 4D – HALF YEAR REPORT FOR THE PERIOD ENDED 31 DECEMBER 2015

(PREVIOUS CORRESPONDING PERIOD: HALF YEAR ENDED 31 DECEMBER 2014)

RESULTS FOR ANNOUNCEMENT TO THE MARKET:

KEY INFORMATION:

	CONSOLIDATED			
	Dec 2015 \$,000	Dec 2014 \$,000	Change \$,000	Change %
Revenue from Ordinary Activities	10,821	7,592	3,229	43%
Profit / (Loss) after Tax from Ordinary Activities Attributable to Members	1,418	635	783	123%
Profit / (Loss) Attributable to Members	1,418	635	783	123%
<hr/>				
Dividends Paid and Proposed	Amount per Security	Franked Amount per Security		

In accordance with the prospectus, no interim dividend has been proposed for the six months ended 31 December 2015.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

The Company completed an Initial Public Offering of 10 million dollars and gained admission to the ASX on 3 December 2015.

On 28 July 2015, The Company acquired Faktortel Holdings Pty Ltd and the entities it controlled. Faktortel Holdings Pty Ltd provides VoIP services to business and residential customers. The Company has acquired Faktortel Holdings Pty Ltd for the following reasons:

- Increased volume and revenue for the Voice division
- Geographic expansion as Faktortel clients are more heavily weighted to NSW and VIC
- EBITDA accretion
- Ability to cross-sell non-voice products into the Faktortel client base
- Cost savings due to replication of infrastructure with other companies in the consolidated entity

The Faktortel Holdings Pty Ltd acquisition contributed \$150,773 of net profits after tax from ordinary activities to the profits of the consolidated entity.

On 30 November 2015, The Company acquired Sanity Holdings Pty Ltd (trading as Sanity Technology); a data centre business, based in Brisbane with a national customer base. Sanity Technology provides data centre colocation and cloud based services to business customers. The Company has acquired Sanity Technology for the following reasons:

- Increased data centre colocation footprint in Brisbane
- Increased revenue for the colocation division
- EBITDA accretion
- Ability to cross-sell data and voice products into the Sanity Technology client base
- Cost savings due to replication of infrastructure with other companies in the consolidated entity

The Sanity Technology acquisition contributed \$8,628 of net profits after tax from ordinary activities to the profits of the consolidated entity.

DEREGISTERED ENTITIES

During the current half-year Celentia Pty Ltd, EcoHost Pty Ltd and Spartan IT Pty Ltd were deregistered. The dates that the entities ceased to be part of the consolidated entity are as follows:

- Celentia Pty Ltd (Deregistered 7 October 2015)
- EcoHost Pty Ltd (Deregistered 7 October 2015)
- Spartan IT Pty Ltd (Deregistered 7 October 2015)

Due to these entities having remained dormant for an extended period of time, the profit/loss from these discontinued operations are immaterial to the consolidated entity, and have not been shown separately in the consolidated statement of comprehensive income.

EXPLANATION OF KEY INFORMATION AND DIVIDENDS

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

Net Tangible Assets Per Security	31 December 2015	30 June 2015
Net tangible assets per share	\$0.13	\$0.05

For comparative purposes, Net Tangible assets per security at 30 June 2015 has been recalculated using the number of shares on issue at 30 June 2015, adjusted for the effect of the share split performed just prior to the IPO.

REVIEW OPINION

The consolidated entity's financial report for the half year ended 31 December 2015 has been subject to review by the consolidated entity's auditor.

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Over the Wire Holdings Limited ("the Company") and its controlled entities ("the consolidated entity"), which comprises the consolidated statement of financial position as at 31 December 2015, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Over the Wire Holdings Limited and its controlled entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PKF HACKETTS

PKF HACKETTS AUDIT



Liam Murphy
Partner

Brisbane, 23 February 2016

DIRECTORS' REPORT

Your directors present their report on the consolidated entity consisting of Over the Wire Holdings Limited ("The Company") and the entities it controlled ("The consolidated entity") for the half-year ended 31 December 2015.

DIRECTORS

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

John Puttick	Non-Executive Chairman (appointed 12 October 2015)
Michael Omeros	Managing Director and Chief Executive Officer (appointed 1 July 2011)
Brent Paddon	Executive Director (appointed 1 July 2011)
Susan Forrester	Non-Executive Director (appointed 8 October 2015)

REVIEW OF OPERATIONS

The Company completed an Initial Public Offering of 10 million dollars and gained admission to the ASX on 3 December 2015. The consolidated entity is a profitable, high growth provider of telecommunications, cloud and IT solutions. It has a national network presence with Points of Presence (POPs) in all major Australian capital cities and Auckland, New Zealand. The consolidated entity offers an integrated product suite of the following services:

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

Revenue from ordinary activities for the half-year was \$10.821m (H1 FY15: \$7.592m), representing an increase of 43% on the corresponding half year. The result demonstrates strong demand from customers across all four product lines including:

- Data Networks revenue of \$4.918m (H1 FY15: \$3.803m), representing an increase of 29% on the corresponding half year and delivered through strong organic growth;
- Voice revenue of \$3.592m (H1 FY15: \$2.073m), representing an increase of 73% on the corresponding half year and delivered through organic growth and the successful acquisition of Faktortel Holdings Pty Ltd on 28 July 2015;
- Cloud and Managed Services revenue of \$1.146m (H1 FY15: \$0.792m), representing an increase of 45% on the corresponding half year and delivered through strong organic growth and the successful acquisition of Sanity Technology on 30 November 2015;
- Data Centre co-location revenue of \$1.165m (H1 FY15: \$0.924m), representing an increase of 26% on the corresponding half year and delivered through organic growth and the successful acquisition of Sanity Technology on 30 November 2015.

The consolidated entity made a Profit before Income Tax Expense of \$1.924m (H1 FY15: \$0.942m), representing an increase of 104% on the corresponding half year. Statutory EBITDA profit was \$2.437m (H1 FY15: \$1.315m), representing an increase of 85% on the corresponding half year. The significant increase in profitability has been achieved through effective management of operating expenses, and delivering ahead of schedule a number of cost synergies from the acquisitions of Faktortel and Sanity Technology.

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

	CONSOLIDATED	
	31 Dec 2015 \$,000	31 Dec 2014 \$,000
Profit before Income Tax Expense	1,924	942
Depreciation & Amortisation	465	339
Finance Costs	48	34
EBITDA	2,437	1,315

As at 31 December 2015 the consolidated entity has \$6.491m in cash or cash equivalents. This represents an increase of \$4.331m in the six month period, primarily as a result of the \$10m capital raising upon IPO in December 2015, The Company's continued strong management of overhead expenses in the underlying business, recognising cost synergies in the acquired entities ahead of schedule, and when combined with total revenue growth of 45%, has generated the strong growth in EBITDA and positive Cash from Operating Activities outlined in the Consolidated Statement of Cashflows.

POST ACQUISITION UPDATE

Faktortel Holdings Pty Ltd

Faktortel Holdings Pty Ltd provides VoIP services to business and residential customers. The Company acquired Faktortel for:

- Increased Voice volume and revenue
- Geographic expansion as Faktortel clients are more heavily weighted in New South Wales and Victoria
- EBITDA accretion
- Ability to cross-sell non-voice products into the Faktortel client base
- Cost synergies due to replication of infrastructure with the consolidated entity

Completed on 28 July 2015, the Faktortel acquisition contributed five months of revenue to the consolidated revenues and has further strengthened the consolidated entity as a major provider of Voice over IP services in Australia. Focus has been directed on integration activities and as a result some of the forecast cost synergies have been delivered ahead of schedule. The increase in voice volume also positions the consolidated entity well for negotiating better wholesale pricing in the near future.

Sanity Holdings Pty Ltd (Trading as Sanity Technology)

Sanity Technology provides data centre colocation and cloud based services to business customers. The Company acquired Sanity Technology for:

- An increased data centre colocation footprint in Brisbane
- Increased colocation revenue
- EBITDA accretion
- Ability to cross-sell data and voice products into the Sanity Technology client base
- Cost savings due to replication of infrastructure with the consolidated entity

Completed on 30 November 2015, the Sanity Technology acquisition contributed one month of revenue to the consolidated revenues.

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 10.

Rounding of amounts

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

This report is made in accordance with a resolution of directors



Michael Omeros
Managing Director

Brisbane

23 February 2016



John Puttick
Chairman

Brisbane

23 February 2016

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

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2015 there have been no contraventions of:

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

PKF HACKETTS

PKF Hacketts Audit



Liam Murphy
Partner

Brisbane, 23 February 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 31 DECEMBER 2015

	Note	CONSOLIDATED	
		31 Dec 2015 \$,000	31 Dec 2014 \$,000
Revenue from Continuing Operations	2	10,821	7,592
Other Income		177	1
Expenses			
Data Centre & Co-Location Expense		(810)	(688)
Calls & Communications Expense		(3,611)	(2,963)
Employee Benefits Expense		(2,666)	(1,965)
Depreciation & Amortisation Expense		(465)	(339)
Finance Costs		(48)	(34)
Other Expenses	3	(1,474)	(662)
Profit before Income Tax Expense		1,924	942
Income Tax Expense		(506)	(307)
Profit after Income Tax Expense for the Half Year attributable to the owners of The consolidated entity		1,418	635
Other Comprehensive Income		-	-
Other Comprehensive Income for the Half Year, net of Tax		-	-
Total Comprehensive Income for the Half Year attributable to the owners of The consolidated entity		1,418	635
		Cents	Cents
Basic Earnings per Share		4.206	2.000
Diluted Earnings per Share		4.206	2.000

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As At 31 DECEMBER 2015

	Note	CONSOLIDATED	
		31 Dec 2015 \$,000	30 Jun 2015 \$,000
Assets			
Current Assets			
Cash & Cash Equivalents	4	6,491	2,160
Trade & Other Receivables	5	1,793	959
Inventories		57	51
Other			
Prepayments		195	103
Total Current Assets		8,536	3,273
Non-Current Assets			
Property, Plant & Equipment		2,405	2,056
Intangibles	6	8,767	234
Deferred tax Assets		466	164
Total Non-Current Assets		11,638	2,454
Total Assets		20,174	5,727
Liabilities			
Current Liabilities			
Trade & Other Payables	7	1,970	1,194
Borrowings		238	237
Current Tax Liability		809	646
Employee Benefits		286	251
Other			
Deferred Consideration	9(c)	176	-
Total Current Liabilities		3,479	2,328
Non-Current Liabilities			
Borrowings		1,224	1,344
Deferred Tax Liability		12	-
Employee Benefits		25	25
Other			
Deferred Consideration	9(c)	706	-
Total Non-Current Assets		1,967	1,369
Total Liabilities		5,446	3,697
Net Assets		14,728	2,030
Equity			
Issued Capital	8	11,280	1
Retained Profits		3,448	2,029
Total Equity		14,728	2,030

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 31 DECEMBER 2015

		ISSUED CAPITAL	RESERVES	RETAINED PROFITS	TOTAL EQUITY
CONSOLIDATED	Note	\$,000	\$,000	\$,000	\$,000
Balance at 1 July 2014		1	-	1,562	1,563
Profit after Income Tax for the Half Year		-	-	635	635
Other Comprehensive Income		-	-	-	-
Total Comprehensive Income for the Half Year		1	-	635	636
<i>Transactions with owners, in their capacity as owners:</i>					
Dividends Paid		-	-	-	-
Share Issued Net of Capital Raising Costs		-	-	-	-
Other		-	-	-	-
Balance at 31 December 2014		1	-	2,196	2,197

		ISSUED CAPITAL	RESERVES	RETAINED PROFITS	TOTAL EQUITY
CONSOLIDATED	Note	\$,000	\$,000	\$,000	\$,000
Balance at 1 July 2015		1	-	2,029	2,030
Profit after Income Tax for the Half Year		-	-	1,418	1,418
Other Comprehensive Income		-	-	-	-
Total Comprehensive Income for the Half Year		1	-	1,418	1,419
<i>Transactions with owners, in their capacity as owners:</i>					
Dividends Paid		-	-	-	-
Shares Issued Net of Capital Raising Costs	8	11,279	-	-	11,279
Other		-	-	-	-
Balance at 31 December 2015		11,280	-	3,448	14,728

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 31 DECEMBER 2015

		CONSOLIDATED	
		31 Dec	31 Dec
	Note	2015 \$,000	2014 \$,000
Cash Flows from Operating Activities			
Receipts from Customers		11,696	8,380
Payments to Suppliers & Employees		(9,276)	(7,132)
		2,420	1,248
Interest Received			
Other Revenue		-	-
Interest Paid & Other Finance Costs Paid		(48)	(34)
Income Taxes paid		(832)	(79)
Net Cash From / (Used) in Operating Activities		1,540	1,135
Cash Flows from Investing Activities			
Payments for Purchases of Businesses (net of cash acquired)		-	-
Payments for Acquisition Of Subsidiary/Intangibles (net of cash acquired)		(6,027)	-
Payments for Property, Plant & Equipment		(568)	(393)
Proceeds from Sale of Investments		-	51
Proceeds from Sale of Property, Plant & Equipment		-	-
Net Cash From / (Used) Investing Activities		(6,595)	(342)
Cash Flows from Financing Activities			
Proceeds from Issue of Shares		10,000	-
Proceeds from Borrowings		-	-
Share Issue Transaction Costs		(496)	-
Dividends Paid		-	-
Repayment of Borrowings		(118)	(567)
Net Cash From / (Used) Financing Activities		9,386	(567)
Net Increase (Decrease) in Cash & Cash Equivalents		4,331	226
Cash & Cash Equivalents at the Beginning of the Half Year		2,160	599
Cash & Cash Equivalents at the End of the Half Year		6,491	826

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

These general purpose interim financial statements for Over the Wire Holdings Limited ('The Company') and its controlled entities ('the consolidated entity'), for the half-year reporting period ended 31 December 2015 have been prepared in accordance with requirements of the Corporations Act 2001 and Australian Accounting Standard AASB 134: Interim Financial Reporting. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of the consolidated entity. As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the consolidated entity. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the consolidated entity for the year ended 30 June 2015, together with any public announcements made during the following half-year.

These interim financial statements were authorised for issue on 23 February 2016.

Accounting Policies

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

The consolidated entity has considered the implications of new or amended Accounting Standards, but determined that their application to the financial statements is either not relevant or not material.

NOTE 2: OPERATING SEGMENTS & PRODUCT LINES

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

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

(a) Description of Product Lines

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

Data Networks and Internet

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

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

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

Voice

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

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

Cloud and Managed Services

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

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

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

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

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

Data Centre Co-location

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

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

The breakdown of revenue has been shown below geographically and by Product Line.

	CONSOLIDATED	
	31 Dec 2015	31 Dec 2014
	\$,000	\$,000
Revenue by Product line		
Data Networks and Internet	4,918	3,803
Voice	3,592	2,073
Cloud and Managed Services	1,146	792
Data Centre Co-location	1,165	924
Total Revenue by Product line	10,821	7,592
Revenue by Geographic Area		
Australasia	10,821	7,592
Total Revenue by Geographic Area	10,821	7,592

NOTE 3: OTHER EXPENSES

	CONSOLIDATED	
	31 Dec 2015 \$,000	31 Dec 2014 \$,000
Reseller Commissions Paid	79	70
IPO & Share Issuance Costs	334	-
Legal, Accounting & Business Acquisition Costs	133	21
Rent	96	82
Licenses & Subscriptions	78	34
Travel & Marketing	80	30
All Other COGS	436	290
All Other Expenses	238	135
Total Other Expenses	1,474	662

Other expenses increased largely due to additional service contracts and other agreements as a result of the acquisition of Faktortel Holdings Pty Ltd and Sanity Technology as well as IPO and share issuance costs.

NOTE 4: CURRENT ASSETS – CASH & CASH EQUIVALENTS

	CONSOLIDATED	
	31 Dec 2015 \$,000	30 Jun 2015 \$,000
Cash & Cash Equivalents		
Cash on Hand	1	1
Cash at Bank	6,490	2,159
Total Other Income	6,491	2,160
Reconciliation to cash and cash equivalents at the end of the financial year		
The above figures are reconciled to cash and cash equivalents at the end of the financial year as shown in the statement of cash flows as follows:		
Balance as above	6,491	2,160
Bank Overdrafts	-	-
Balance as per Statement of Cash Flows	6,491	2,160

Cash and cash equivalent movements for the period were largely due to capital raised through the issue of shares as well as cash paid for the acquisition of Faktortel Holdings Pty Ltd and Sanity Technology.

NOTE 5: CURRENT ASSETS – TRADE & OTHER RECEIVABLES

	CONSOLIDATED	
	31 Dec 2015 \$,000	30 Jun 2015 \$,000
Trade Receivables	1,343	758
Less: Provision for Doubtful Debts	(74)	(21)
	1,269	737
Other Receivables	524	222
Total Trade and Other Receivables	1,793	959

Trade and Other Receivables increased largely due to the inclusion of the Debtors and Receivables of the acquired companies Faktortel Holdings Pty Ltd and Sanity Technology.

NOTE 6: NON-CURRENT ASSETS – INTANGIBLES

	CONSOLIDATED	
	31 Dec 2015 \$,000	30 Jun 2015 \$,000
Intangibles		
Provisional Goodwill – at cost*	860	-
	860	-
Provisional Brand Value – at cost*	2,750	-
	2,750	-
Location and Right-to-Use – at cost	342	486
Less: Accumulated amortisation	(129)	(252)
	213	234
Provisional Location and Right-to-Use – at cost*	1,500	-
Less: Accumulated amortisation	-	-
	1,500	-
Provisional Customer Lists – at cost*	3,540	-
Less: Accumulated amortisation	(96)	-
	3,444	-
Total Intangibles	8,767	234

* The economic value of the intangibles recognised on acquisition of Faktortel Holdings Pty Ltd and Sanity Technology is Provisional in nature as at the date of these interim financial statements. Refer to Note 9 for further details.

NOTE 7: CURRENT LIABILITIES – TRADE & OTHER PAYABLES

	CONSOLIDATED	
	31 Dec 2015 \$,000	30 Jun 2015 \$,000
Trade & Other Payables		
Trade Payables	638	421
GST Payable	261	184
Employee Entitlements	109	70
Other payables	962	519
Total Trade and Other Payables	1,970	1,194

Trade and Other Payables increased largely due to the inclusion of the Creditors and Payables of the acquired companies Faktortel Holdings Pty Ltd and Sanity Technology.

NOTE 8: EQUITY – ISSUED CAPITAL

	CONSOLIDATED	
	31 Dec 2015 \$,000	30 Jun 2015 \$,000
Issued Capital		
Ordinary Shares – Fully Paid	11,280	1
Total Issued Capital	11,280	1

Movements in ordinary share capital

	Date	No. of Shares	Issue Price \$	Paid up Amount \$,000
Balance	01 Jul 15	100,000	0.01	1
Share Split Incremental Shares	02 Nov 15	31,624,973	0.00	0
Issue of shares	30 Nov 15	10,000,000	1.00	10,000
Employee Share Plan	30 Nov 15	48,000	1.00	48
Shares issued on Acquisitions	30 Nov 15	1,727,027	1.00	1,727
Capitalised Costs of Share Capital Issue	30 Nov 15	-	-	(496)
Balance	31 Dec 15	43,500,000		11,280

Movements in ordinary share capital

	Date	No. of Shares	Issue Price \$	Paid up Amount \$,000
Balance	1 Jul 14	100,000	0.01	1
Issues of shares	-	-	-	-
Employee Share Plan	-	-	-	-
Balance	31 Dec 14	100,000		1

NOTE 9: BUSINESS COMBINATIONS

(a) Acquisition of Faktortel Holdings Pty Ltd

On 28 July 2015, The Company acquired Faktortel Holdings Pty Ltd and the entities it controlled ("The Faktortel Group"), which is formed by Faktortel Pty Ltd and Aero Telecom Pty Ltd; The Faktortel Group is one of Australia's largest managed VoIP providers offering a range of products and services to SMEs and residential users. The Faktortel Group is based on the Gold Coast with a national customer base and was privately owned. Prior to its acquisition, the Faktortel Group was a customer of the consolidated entity, which provided management with the opportunity to observe the group's business for a number of years. The Faktortel Group offered the consolidated entity:

- Increased scale when combined with the consolidated entity's Voice business;
- Synergies and cost savings realisable over the medium term; and
- The opportunity to cross sell other services of the consolidated entity.

(b) Acquisition of Sanity Holdings Pty Ltd (Trading as Sanity Technology)

On 30 of November 2015, The Company acquired Sanity Technology; A data centre business, based in Brisbane with a national customer base, which offers a fully managed hosting solution to its customers. The Sanity Technology business is close to capacity but has demand for growth. This demand for growth provides an opportunity to utilise the existing data centre capacity of the consolidated entity.

(c) Details on acquisitions

Company	Primary Business Division	Acquisition	Purchase Price \$,000	Intangibles Acquired \$,000	Shares Issued to Settle Number	Cash to Settle \$,000	Deferred Consideration \$,000
Faktortel Group	Voice	100% of shares	5,348	5,191	1,374,081	3,681	-
Sanity Technology	Data Centre Co-location	100% of shares	3,529	3,419	352,946	2,294	882
Total			8,877	8,610	1,727,027	5,975	882

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

With respect to both acquisitions, the overall purchase consideration is a combination of cash, shares and in the case of Sanity Technology, deferred consideration, payments which are to be paid by The Company to the vendor upon the release of each of the financial accounts for the financial years 2016, 2017 and 2018. The quantum of each of the deferred consideration payments will depend upon the revenue achieved by Sanity Technology in each of the respective years, however:

- (a) The maximum amount of each of the respective payment will not exceed 10% of the purchase price; and
- (b) No deferred consideration will be payable in circumstances where Sanity Technology fails to achieve a minimum revenue amount of \$1.0 million in each applicable year.

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

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

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

Sanity Holdings Pty Ltd

30 Nov 2015
\$,000

Assets

Current Assets

Cash & Cash Equivalents	35
Trade & Other Receivables	36
Inventories	-
Other Assets	24
Total Current Assets	96

Non-Current Assets

Property, Plant & Equipment	127
Intangibles	-
Total Non-Current Assets	127

Total Assets	223
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Liabilities

Current Liabilities

Trade & Other Payables	94
Borrowings	-
Income Tax	19
Short-term Provisions	-
Total Current Liabilities	113

Non-Current Liabilities

Borrowings	-
Total Non-Current Assets	-

Total Liabilities	113
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Net Assets	110
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Faktortel Holdings Pty Ltd

28 Jul 2015
\$,000

Assets

Current Assets

Cash & Cash Equivalents	205
Trade & Other Receivables	353
Inventories	8
Other Assets	97
Total Current Assets	664

Non-Current Assets

Property, Plant & Equipment	8
Intangibles	34
Total Non-Current Assets	42

Total Assets	707
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Liabilities

Current Liabilities

Trade & Other Payables	365
Borrowings	-
Income Tax	147
Short-term Provisions	12
Total Current Liabilities	523

Non-Current Liabilities

Deferred Tax Liabilities	26
Employee Benefits	-
Total Non-Current Assets	26

Total Liabilities	549
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Net Assets	157
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Acquired Intangibles

		Description	Brand Value	Location / Right-to-Use	Customer List / Relationships	Goodwill	TOTAL
	Class:		Indefinite Life	Limited Life	Limited Life	Indefinite Life	
	Treatment:		Impaired	Amortised and Impaired	Amortised and Impaired	Impaired	
	Rate:			Length of Lease	Churn/Retention Rate		
			\$,000	\$,000	\$,000	\$,000	\$,000
Sanity							
Purchase Price:	3,529						
Less: Identifiable Net Assets	<u>110</u>						
Intangible Assets upon Acquisition	<u>3,419</u>						
Allocation of Intangibles:			250	1,500	1,500	169	3,419
Estimate Useful Life of Limited Life Assets:				12	10		
Annual Forecast Amortisation				125	150		275
Faktortel							
Purchase Price:	5,348						
Less: Identifiable Net Assets	<u>157</u>						
Intangible Assets upon Acquisition	<u>5,191</u>						
Allocation of Intangibles:			2,500	-	2,000	691	5,191
Estimate Useful Life of Limited Life Assets:					10		
Annual Forecast Amortisation					200		200
TOTAL - Intangibles			2,750	1,500	3,500	860	8,610
TOTAL - Forecast Amortisation per year			-	125	350	-	475

Acquisition Related costs

Acquisition-related costs of \$96,848 are included in Legal and Accounting expenses in profit or loss.

NOTE 10: CONTINGENT ASSETS

Before completion of the acquisition of Faktortel Holdings Pty Ltd, an aggregate amount of \$236,990 (outstanding amount) was received by way of director loans in the accounts of the Group.

The outstanding amount remains unpaid. It is noted that the warranty provided by Faktortel Holdings Pty Ltd provides that the Group will be free of all debt at completion.

Over the Wire Holdings Limited has paid out the full consideration of the acquisition and as such there is no more exposure to the consolidated entity in terms of amounts to be paid out.

The outstanding amount is held in trust by the consolidated entity's solicitor and as such control of those funds lies with them as trustee of their trust account. As a portion of the outstanding amount is in dispute, if the outcome is favourable to Over the Wire Holdings Limited, then that portion of the outstanding amount will be returned by the solicitors.

NOTE 11: SUBSIDIARIES

		CONSOLIDATED	
		31 Dec 2015	30 Jun 2015
The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policies described in Note1:			
Name of Entity	Country of Incorporation	Equity Holding	Equity Holding
Over the Wire Pty Ltd	Australia	100 %	100 %
Netsip Pty Ltd	Australia	100 %	100 %
Celentia Pty Ltd (Deregistered 07 October 2015)	Australia	0 %	100 %
EcoHost Pty Ltd (Deregistered 07 October 2015)	Australia	0 %	100 %
Spartan IT Pty Ltd (Deregistered 07 October 2015)	Australia	0 %	100 %
Faktortel Pty Ltd (Acquired 28 July 2015)	Australia	100%	0 %
Faktortel Holdings Pty Ltd (Acquired 28 July 2015)	Australia	100%	0 %
Aero Telecom Pty Ltd (Acquired 28 July 2015)	Australia	100%	0 %
Sanity Holdings Pty Ltd (Acquired 30 November 2015)	Australia	100%	0 %
OTW Corp Pty Ltd (Registered 25 September 2015)	Australia	100%	0 %

During the current half-year Celentia Pty Ltd, EcoHost Pty Ltd and Spartan IT Pty Ltd were deregistered. The dates that the companies ceased to be part of the consolidated entity are noted in the table above. Due to these companies having remained dormant for an extended period of time, the profit/loss from these discontinued operations are immaterial to the consolidated entity, and have not been shown separately in the consolidated statement of comprehensive income.

NOTE 12: SUBSEQUENT EVENTS

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

DIRECTORS' DECLARATION

In the directors' opinion:

- 1) The financial statements and notes set out on pages 11 to 25 are in accordance with the Corporations Act 2001, including:
 - a) complying with Accounting Standard AASB 134: Interim Financial Reporting, and the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
 - b) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date and
- 2) 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.

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



Michael Omeros
Managing Director

Brisbane

23 February 2016



John Puttick
Chairman

Brisbane

23 February 2016