OVER THE WIRE HOLDINGS LIMITED

ACN 151 872 730

APPENDIX 4D

HALF YEAR REPORT

31 December 2017

TABLE OF CONTENTS

GENERAL INFORMATION

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

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

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

Registered Office & Principal Place of Business

Level 21, Riparian Plaza
71 Eagle Street
Brisbane Qld 4000

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

The interim financial report was authorised for issue, in accordance with a resolution of directors on 19 February 2018. The directors have the power to amend and/or reissue the interim financial report.

APPENDIX 4D – INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2017

(PREVIOUS CORRESPONDING PERIOD: HALF YEAR ENDED 31 DECEMBER 2016)

RESULTS FOR ANNOUNCEMENT TO THE MARKET:

KEY INFORMATION:

	CONSOLIDATED			
	Dec 2017	Dec 2016	Change	Change
	$,000	$,000	$,000	%
Revenue from Ordinary Activities	24,053	13,961	10,092	72%
Profit / (Loss) after Tax from Ordinary Activities Attributable to Members	2,176	1,566	610	39%
Profit / (Loss) Attributable to Members	2,176	1,566	610	39%

Dividends Paid	**Amount per Security**	**Franked Amount per Security**
	Cents	Cents
Ordinary Shares		
2017 Final - Paid 10 October 2017	1.25	1.25

The fully franked final dividend relates to the financial reporting period ending 30 June 2017.

Subsequent Event – Dividend Declared

On 16 February 2018, the Company declared a fully franked interim dividend of 1.00 cent per share, for the six months ended 31 December 2017. The relevant dates of the dividend are as follows:

Ex date – 26 March 2018
Record Date – 27 March 2018
Payment Date – 24 April 2018

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

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

On 1 November 2017, the Company acquired VPN Solutions Pty Ltd (VPN), and this acquisition will have an impact on the state of affairs of the Company going forward.

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

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 2017 $**	**30 June 2017 $**
Net tangible assets per share	(0.25)	8.58

Net Tangible Assets per share decreased because the acquisition of VPN was primarily funded by debt (tangible in nature), however the assets acquired were mostly intangible by nature (Customer List, Brand, and Goodwill).

Earnings Per Share	**31 December 2017 Cents**	**31 December 2016 Cents**
Basic Earnings Per Share	4.984	3.600
Diluted Earnings Per Share	4.962	3.600

Earnings per share increased by 38%, compared to an increase in Net Profit after Tax of 39%, due to a slight dilutive impact of the shares issued to the vendor of VPN at settlement (see note 9).

REVIEW OPINION

The consolidated entity's financial report for the half year ended 31 December 2017 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

Conclusion

We have reviewed the accompanying half-year financial report of Over the Wire Holdings Limited (the company), which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes, and the directors' declaration of the company and the consolidated entity, comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

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

(a) giving a true and fair view of the consolidated entity's the financial position as at 31 December 2017, and of its financial performance for the half-year ended on that date; and

(b) Complying with the Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

Independence

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

Directors' Responsibility for the Half-Year Financial Report

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

PKF Hacketts Audit
ABN 33 873 151 348

Level 6, 10 Eagle Street, Brisbane QLD 4000
GPO Box 1568, Brisbane QLD 4001
p +61 7 3839 9733
f +61 7 3832 1407

8 East Street, PO Box 862
Rockhampton QLD 4700
p +61 7 4927 2744
f +61 7 4927 4317

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 2017 and its performance for the half year ended on that date, and complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Over the Wire Holdings Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

PKF HACKETTS

PKF HACKETTS

LIAM MURPHY
PARTNER

19 FEBRUARY 2018
BRISBANE

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 2017.

DIRECTORS

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

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

REVIEW OF OPERATIONS

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

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

Revenue from ordinary activities for the half-year was $24.053m (H1 2017: $13.961m), representing an increase of 72% on the corresponding half year. The result demonstrates demand from customers across all four product lines including:

- Data Networks revenue of $12.600m (H1 2017: $6.027m), representing an increase of 109% on the corresponding half year;
- Voice revenue of $6.694m (H1 2017: $4.834m), representing an increase of 38% on the corresponding half year;
- Cloud and Managed Services revenue of $3.328m (H1 2017: $1.752m), representing an increase of 90% on the corresponding half year;
- Data Centre Co-location revenue of $1.431m (H1 2017: $1.348m), representing an increase of 6% on the corresponding half year.

The consolidated entity made a statutory Net Profit after Tax of $2.176m (H1 2017: $1.566m), representing an increase of 39% on the corresponding half year. Statutory NPATA was $2.947m (H1 2017: $1.844m), representing an increase of 60% on the corresponding half year. Statutory EBITDA was $4.935m (H1 2017: $3.051m), representing an increase of 62% on the corresponding half year.

The increase in profitability has been primarily achieved through increased revenue, which has been achieved both through acquisition and organically. The consolidated entity has maintained an effective management of overhead expenses in the underlying business and is progressively recognising cost synergies in the acquired entities.

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

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

Set out below is a reconciliation of NPAT and EBITDA.

	CONSOLIDATED	
	31 Dec 2017	**31 Dec 2016**
	$,000	$,000
Net Profit after Tax (NPAT)	**2,176**	**1,566**
Amortisation	771	278
Net Profit after Tax before Amortisation (NPATA)	**2,947**	**1,844**
Income Tax Expense	850	544
Depreciation	953	632
Finance Costs	185	31
EBITDA	**4,935**	**3,051**

The Company maintains its strong management of overhead expenses in the underlying business. When combined with revenue growth of 72% through acquisition and organically, it continues to deliver strong growth in EBITDA and positive cash from operating activities outlined in the Consolidated Statement of Cashflows.

The earnings per share of the Company (as set out below) increased by 38% compared to the corresponding period last year. This demonstrates the strong growth in the underlying business, as well as the Company delivering quality acquisitions that are EBITDA and EPS accretive. Earnings per share increased by 38%, compared to an increase in Net Profit after Tax of 39%, due to a slight dilutive impact of the shares issued to the vendor of VPN at settlement (see note 9).

	31 December 2017	**31 December 2016**
	Cents	**Cents**
Basic Earnings Per Share	4.984	3.600
Diluted Earnings Per Share	4.962	3.600

As at 31 December 2017 the consolidated entity has $4.762m in cash or cash equivalents. This represents a decrease of $0.722m in the six-month period, primarily due to the acquisition of VPN Solutions Pty Ltd (financed with a mixture of cash, debt and equity), payment of dividends, income tax, and capital expenditure.

Acquisition of VPN Solutions Pty Ltd

On 1st of November 2017, The Company acquired 100% of the shares in VPN Solutions Pty Ltd (VPN) for a total upfront consideration of $15,615,000. The upfront consideration comprised $14,834,250 in cash, 382,721 OTW shares ($780,750 in OTW shares at an issue price of $2.04, being the volume weighted average price for the 20 trading days to 19 October 2017), plus or minus a net tangible assets adjustment to reflect the profits retained in the business by the vendor for the period of negotiations (July to October) until settlement. A warranty provided by the vendor provided that VPN would be free of all debt at completion. Before completion of the acquisition of VPN, an aggregate amount of $758,529 (outstanding amount) was recorded by way of director loans in the accounts of VPN. An amount equal to the outstanding amount will either be repaid by the vendor, or withheld from the deferred consideration payable as an adjustment to the purchase price.

The vendor is also entitled to receive further deferred consideration of up to $1,735,000 in cash, payable in November 2018, based on a number of performance measures being achieved.

The cash component of the acquisition was funded through a newly established $18m debt facility with Westpac. The facility was used to fund the cash component of this acquisition, as well as refinance the remaining balance of the debt facility with NAB which was established for the acquisition of Telarus in January. The facility comes with customary lending covenants around Debt-to-EBITDA (<2.25 times) and Debt-Service-Coverage (>1.75 times), as well as periodic financial reporting requirements.

The acquisition of VPN has delivered approximately 150 business customers to Over the Wire and accelerates Over the Wire's geographic expansion in New South Wales and South Australia. With revenue of $11.9m and EBITDA of $3.1m for the 12 month period to 30 September 2017, VPN is expected to make a significant contribution to Over the Wire's future results.

The strategic rationale for acquiring VPN was:

- The acquisition accelerates Over the Wire's expansion into the New South Wales and South Australian markets;
- Data Networks represents over 90% of VPN's revenue and offers cross-selling opportunities;
- VPN has a quality team that will integrate well with Over the Wire;
- The acquisition is expected to offer attractive EBITDA and EPS accretion to Over the Wire immediately; and
- Synergies are expected to be achieved in this financial year with further cost savings to be delivered in the next financial year.

SUBSEQUENT EVENTS

Interim Dividend

Subsequent Event – Dividend Declared

On 16 February 2018, The Company declared a fully franked interim dividend of 1.00 cent per share, for the six months ended 31 December 2017. The dates of the dividend are as follows:

Ex date – 26 March 2018
Record Date – 27 March 2018
Payment Date – 24 April 2018

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

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

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration, required under section 307C of the Corporations Act 2001 is set out on page 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	John Puttick Chairman
Brisbane 19 February 2018	Brisbane 19 February 2018

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

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2017, there have been no contraventions of:

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

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

PKF HACKETTS

PKF HACKETTS AUDIT

LIAM MURPHY
PARTNER

BRISBANE
DATE: 19 FEBRUARY 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 31 DECEMBER 2017

		CONSOLIDATED	
	Note	31 Dec 2017 $,000	31 Dec 2016 $,000
Revenue from Continuing Operations	2	24,053	13,961
Other Income		20	48
Expenses			
Data Centre & Co-Location Expense		(1,687)	(1,078)
Calls & Communications Expense		(8,993)	(4,429)
Other Cost of Goods Sold		(1,070)	(711)
Employee Benefits Expense		(6,152)	(3,847)
Depreciation & Amortisation Expense		(1,724)	(919)
Finance Costs		(185)	(31)
Other Expenses	3	(1,236)	(884)
Profit before Income Tax Expense		**3,026**	**2,110**
Income Tax Expense		(850)	(544)
Profit after Income Tax Expense for the Half Year attributable to the owners of The consolidated entity		**2,176**	**1,566**
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		**2,176**	**1,566**
		Cents	**Cents**
Basic Earnings per Share		4.984	3.600
Diluted Earnings per Share		4.962	3.600

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 2017

	Note	CONSOLIDATED 31 Dec 2017 $,000	30 Jun 2017 $,000
Assets			
Current Assets			
Cash & Cash Equivalents	4	4,762	5,484
Trade & Other Receivables	5	3,919	3,242
Inventories		233	189
Other Assets		761	643
Total Current Assets		9,675	9,558
Non-Current Assets			
Property, Plant & Equipment		4,997	4,815
Intangibles	6	37,317	17,737
Other Non-Current Assets		48	15
Total Non-Current Assets		42,362	22,567
Total Assets		**52,037**	**32,125**
Liabilities			
Current Liabilities			
Trade & Other Payables	7	7,138	4,867
Borrowings	8	4,094	2,240
Current Tax Liability		46	437
Employee Benefits		1,143	772
Deferred Consideration		2,169	353
Total Current Liabilities		14,590	8,669
Non-Current Liabilities			
Borrowings	8	10,950	1,662
Employee Benefits		142	89
Deferred Consideration		-	234
Deferred Tax		4,719	2,448
Total Non-Current Liabilities		15,811	4,433
Total Liabilities		**30,401**	**13,102**
Net Assets		**21,636**	**19,023**
Equity			
Issued Capital	9	12,064	11,308
Reserves		227	2
Retained Profits	10	9,345	7,713
Total Equity		**21,636**	**19,023**

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 2017

CONSOLIDATED	Note	ISSUED CAPITAL $,000	SHARE BASED PAYMENT RESERVES $,000	RETAINED PROFITS $,000	TOTAL EQUITY $,000
Balance at 1 July 2016		11,280	-	4,876	16,156
Profit after Income Tax for the Half Year		-	-	1,566	1,566
Other Comprehensive Income		-	-	-	-
Total Comprehensive Income for the Half Year		-	-	1,566	1,566
Transactions with owners, in their capacity as owners:					
Dividends Paid		-	-	(435)	(435)
Tax Effect on Claimable IPO Costs		(25)	-	-	(25)
Share Issued Net of Capital Raising Costs		-	-	-	-
Other		-	-	-	-
Balance at 31 December 2016		**11,255**	**-**	**6,007**	**17,262**

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

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 2017

	Note	CONSOLIDATED 31 Dec 2017 $,000	31 Dec 2016 $,000
Cash Flows from Operating Activities			
Receipts from Customers		26,440	15,395
Payments to Suppliers & Employees		(21,358)	(12,958)
		5,082	2,437
Interest Received		20	40
Other Revenue		-	-
Interest Paid & Other Finance Costs Paid		(185)	(8)
Income Taxes paid		(1,413)	(1,768)
Net Cash From / (Used) in Operating Activities		3,504	701
Cash Flows from Investing Activities			
Payments for Business Combinations (net of cash acquired)		(14,532)	(176)
Payments for Property, Plant & Equipment		(996)	(838)
Payments for Intangibles (Internally Generated Software)		(120)	-
Proceeds from Sale of Property, Plant & Equipment		-	-
Net Cash From / (Used) Investing Activities		(15,648)	(1,014)
Cash Flows from Financing Activities			
Proceeds from Issue of Shares		-	-
Proceeds from Borrowings		18,545	-
Share Issue Transaction Costs		-	-
Dividends Paid		(544)	(435)
Repayment of Borrowings		(6,579)	(37)
Net Cash From / (Used) Financing Activities		11,422	(472)
Net Increase (Decrease) in Cash & Cash Equivalents		(722)	(785)
Cash & Cash Equivalents at the Beginning of the Half Year		5,484	7,042
Cash & Cash Equivalents at the End of the Half Year	**4**	**4,762**	**6,257**
Non-Cash Financing Activities			
- Shares Issued as Consideration for Business Acquisitions		**781**	**-**

The above Consolidated Statement Of cash flows should be read in conjunction with the accompanying notes

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

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 2017 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 2017, together with any public announcements made during the following half-year.

These interim financial statements were authorised for issue on 19 February 2017.

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.

Net current asset deficiency

The consolidated entity recorded a net current asset deficiency of $4.92m (June 2017: net current asset position of $0.89m) as at 31 December 2017. The net current asset deficiency position is due to the acquisition of VPN, which was predominately funded through external borrowings in November 2017 (Refer to notes 8 and 12). Upon acquisition, the full value of the external borrowings have been recorded in the accounts, including $3.9m in principal repayments owing in the first 12 months which have been shown as a current liability, despite at this stage only two months of contributions to earnings and cashflow being generated by the business since acquisition.

The consolidated entity also used excess cash reserves (current asset) to make an additional $3m principal reduction in those external borrowings in December 2017, the effect of which for accounting purposes represented a reduction in the non-current portion of the borrowings.

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

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

NOTE 2: 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.

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

Cloud and Managed Services

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

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

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

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

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

Data Centre Co-location

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

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

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

	CONSOLIDATED	
	31 Dec 2017	**31 Dec 2016**
	$,000	$,000
Revenue by Product line		
Data Networks and Internet	12,600	6,027
Voice	6,694	4,834
Cloud and Managed Services	3,328	1,752
Data Centre Co-location	1,431	1,348
Total Revenue by Product line	**24,053**	**13,961**
Revenue by Geographic Area		
Australasia	24,053	13,961
Total Revenue by Geographic Area	**24,053**	**13,961**

NOTE 3: OTHER EXPENSES

	CONSOLIDATED	
	31 Dec 2017	**31 Dec 2016**
	$,000	$,000
Legal, Accounting & Business Acquisition Costs	166	194
Rent	435	283
Licenses, Subscriptions & Other Fees and Charges	198	131
Travel & Marketing	209	130
All Other Expenses	228	146
Total Other Expenses	**1,236**	**884**

Other expenses for the half year predominantly increased as a result of the growth in the company, both organic and through the acquisition of VPN Solutions (Nov 2017) and Telarus (Jan 2017). Rent also increased due to the full-period impact in this half of our geographic expansion into Sydney and Melbourne, as well as signing a new lease for the head office in Brisbane, all of which occurred during the comparative period.

NOTE 4: CURRENT ASSETS – CASH & CASH EQUIVALENTS

	CONSOLIDATED	
	31 Dec 2017 $,000	**30 Jun 2017** $,000
Cash & Cash Equivalents		
Cash on Hand	1	1
Cash at Bank	4,761	5,583
Total Cash & Cash Equivalents	**4,762**	**5,484**
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	4,762	5,484
Bank Overdrafts	-	-
Balance as per Statement of Cash Flows	**4,762**	**5,484**

Cash and cash equivalents decreased by $0.722m in the six-month period, primarily due to the acquisition of VPN Solutions Pty Ltd (financed with a mixture of cash, debt and equity), payment of dividends, income tax, and capital expenditure.

NOTE 5: CURRENT ASSETS – TRADE & OTHER RECEIVABLES

	CONSOLIDATED	
	31 Dec 2017 $,000	**30 Jun 2017** $,000
Trade & Other Receivables		
Trade Receivables	2,754	2,325
Less: Provision for Impairment of Receivables	(147)	(80)
	2,607	2,245
Other Receivables	1,312	997
Total Trade & Other Receivables	**3,919**	**3,242**

NOTE 6: NON-CURRENT ASSETS – INTANGIBLES

	CONSOLIDATED	
	31 Dec 2017	**30 Jun 2017**
	$,000	$,000
Intangibles		
Goodwill – at Cost *	16,300	5,331
	16,300	**5,331**
Brand Value *	3,460	3,210
Less: Accumulated Amortisation	(118)	(65)
	3,342	**3,145**
Location and Right-to-Use	1,817	1,817
Less: Accumulated Amortisation	(461)	(378)
	1,356	**1,439**
Customer Lists *	17,250	8,290
Less: Accumulated Amortisation	(1,389)	(867)
	15,861	**7,423**
Internally Generated Software	417	850
Less: Accumulated Amortisation	(79)	(451)
	338	**399**
Internally Generated Software – Work in Progress	**120**	**-**
Total Intangibles	**37,317**	**17,737**

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

* The economic value of the intangible assets recognised upon the acquisition of VPN is provisional in nature as at the date of these interim financial statements and is included above. Refer to Note 12 for further details.

NOTE 7: CURRENT LIABILITIES – TRADE & OTHER PAYABLES

	CONSOLIDATED	
	31 Dec 2017	**30 Jun 2017**
	$,000	$,000
Trade & Other Payables		
Trade Payables	1,672	1,938
GST Payable	687	316
Accrued Expenses	3,000	1,472
Prepaid Revenue	1,094	943
Other payables	685	198
Total Trade & Other Payables	**7,138**	**4,867**

NOTE 8: BORROWINGS

	CONSOLIDATED	
	31 Dec 2017	**30 Jun 2017**
	$,000	$,000
Current		
NAB Loan	-	2,000
Westpac Loan	3,925	-
Asset Finance	169	240
Borrowings - Current	**4,094**	**2,240**
Non-Current		
NAB Loan	-	1,485
Westpac Loan	10,842	-
Asset Finance	108	177
Borrowings - Non-Current	**10,950**	**1,662**
Borrowings - TOTAL	**15,044**	**3,902**

Westpac has approved the following facilities, with the balance of the facilities as at 31 December 2017 being as follows:

	Limit $,000	Used $,000
Bank Bill Business Loan	18,000	14,767

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 of each of the entities in the consolidated group.

Loan Covenants

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

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

As at 31 December 2017, these covenants had not come into effect.

NOTE 9: EQUITY – ISSUED CAPITAL

	CONSOLIDATED	
	31 Dec 2017 $,000	**30 Jun 2017** $,000
Issued Capital		
Ordinary Shares – Fully Paid	12,064	11,308
Total Issued Capital	**12,064**	**11,308**

Movements in ordinary share capital:

	Date	No. of Shares ,000	Issue Price $	Paid up Amount $,000
Balance	1 July 2016	43,500		**11,280**
Issue of Shares	-	-	-	**-**
Employee Share Plan	28 April 2017	31	2.50	**77**
Shares Issued on Acquisitions	-	-	-	**-**
Tax Effect of Capitalised Costs of IPO	30 June 2017	-	-	**(49)**
Balance	**30 June 2017**	**43,531**		**11,308**

Movements in ordinary share capital: *(continued)*

	Date	No. of Shares	Issue Price	Paid up Amount
		,000	$	$,000
Balance	1 July 2017	43,531		**11,308**
Shares Issued on Acquisitions	1 November 2017	383	2.04	**781**
Tax Effect of Capitalised Costs of IPO	31 December 2017	-	-	**(25)**
Balance	**31 December 2017**	**43,914**		**12,064**

NOTE 10: EQUITY – RETAINED PROFITS

	CONSOLIDATED	
	31 Dec 2017	**30 Jun 2017**
	$,000	$,000
Retained Profits		
Retained Profits at the Beginning of the Reporting Period	7,713	6,007
Profits After Income Tax Expense for the Reporting Period	2,176	2,032
Dividends Paid	(544)	(326)
Retained Profits at the End of the Half Year	**9,345**	**7,713**

NOTE 11: EQUITY – DIVIDENDS

	CONSOLIDATED	
	31 Dec 2017	**30 Jun 2017**
	$,000	$,000
Dividends		
Interim Dividend for the Financial Year	-	326
Final Dividend for the Financial Year	544	-
Total Dividends for the Half Year	**544**	**326**

A final fully franked dividend of 1.25 cent per share was paid in November 2017.

Subsequent Event: On 16 February 2018, The Company declared a fully franked interim dividend of 1.00 cent per share, for the six months ended 31 December 2017. As this interim dividend was declared subsequent to the half-year end, no provision has been made in the accounts for the interim dividend.

NOTE 12: BUSINESS COMBINATIONS

(a) Acquisition of VPN Solutions Pty Ltd

On 1 November 2017, The Company acquired VPN Solutions Pty Ltd ("VPN").

The acquisition of VPN has delivered approximately 150 business customers to Over the Wire and accelerates Over the Wire's geographic expansion in New South Wales and South Australia. With revenue of $11.9m and EBITDA of $3.1m for the 12 month period to 30 September 2017, VPN is expected to make a significant contribution to Over the Wire's future results.

The purchase price was $17.350m, comprising upfront consideration comprised $14.830m in cash, plus 382,721 OTW shares ($780,750 in OTW shares at an issue price of $2.04, being the volume weighted average price for the 20 trading days to 19 October 2017), plus or minus a net tangible assets adjustment to reflect the profits retained in the business by the vendor for the period of negotiations (July to October) until settlement. Upon completion of the settlement accounts, the net tangible assets adjustment is $0.647m payable by the vendor. Accordingly, the provisional adjusted purchase price is $16.703m.

(b) Details on acquisitions – *Provisional*

PRIMARY BUSINESS DIVISION	ACQUISITION	TOTAL PURCHASE PRICE	INTAN-GIBLES ACQUIRED	SHARES ISSUED TO SETTLE	SHARES ISSUED TO SETTLE	CASH TO SETTLE	DEFERRED CONSID-ERATION
		$,000	$,000		$,000	$,000	$,000
Data Networks	100% of shares	16,703	20,219	382,721	781	14,187	1,735
TOTAL		**16,703**	**20,219**	**382,721**	**781**	**14,187**	**1,735**

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

The overall purchase consideration is a combination of cash, shares and deferred consideration (due in November 2018, upon a number of performance measures being achieved as set out below).

(a) 75% of the Deferred Consideration is payable in respect of the retention of identified key clients; and

(b) 25% of the Deferred Consideration is payable in respect of the retention of identified key staff.

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

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

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

VPN Solutions Pty Ltd

	Nov 2017 $,000
Assets	
Current Assets	
Cash & Cash Equivalents	302
Trade & Other receivables	748
Other Assets	218
Total Current Assets	1,268
Non-Current Assets	
Property, Plant & Equipment	183
Company Formation Costs	1
Deferred Tax	128
Total Non-Current Assets	312
Total Assets	**1,580**
Liabilities	
Current Liabilities	
Trade & Other Payables	406
Borrowings – Related Party	759
Income Tax	(204)
Unearned Income	932
Employee Provisions	350
Total Current Liabilities	2,243
Non-Current Liabilities	
Employee Provisions	78
Total Non-Current Assets	78
Total Liabilities	**2,321**
Net Assets	**(741)**

Acquired Intangibles

		Description	Brand Value	Customer List / Relationships	Goodwill	TOTAL
		Class:	Limited Life	Limited Life	Indefinite Life	
		Treatment:	Amortised and Impaired	Amortised and Impaired	Impaired	
		Basis:	Estimated life of Brand	Churn/ Retention Rate		
		Estimated Useful Life:	5 Years	10 Years		
	$,000		**$,000**	**$,000**	**$,000**	**$,000**
VPN						
Original Purchase Price:	17,350					
Less: Net Tangible Assets Adjustment	(647)					
Add: Identifiable Net Liabilities	741					
Add: Deferred Tax Liability	2,775					
Intangible Assets upon Acquisition	**20,219**					
Allocation of Intangibles:	**-**		250	9,000	10,969	**20,219**
Annual Forecast Amortisation			50	900	-	**950**

NOTE 13: CONTINGENT ASSETS & LIABILITIES

CONTINGENT LIABILITIES

The consolidated entity had no contingent Liabilities as at 31 December 2017 and 30 June 2017.

NOTE 14: SUBSIDIARIES

		CONSOLIDATED	
		31 Dec 2017	**30 Jun 2017**

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policies described in Note1:

Name of Entity	Country of Incorporation	Equity Holding	Equity Holding
Over the Wire Pty Ltd	Australia	100%	100%
Netsip Pty Ltd	Australia	100%	100%
Faktortel Pty Ltd	Australia	100%	100%
Faktortel Holdings Pty Ltd	Australia	100%	100%
Aero Telecom Pty Ltd	Australia	100%	100%
Sanity Holdings Pty Ltd	Australia	100%	100%
OTW Corp Pty Ltd	Australia	100%	100%
Telarus Pty Ltd (Acquired 16 January 2017)	Australia	100%	100%
VPN Solutions Pty Ltd (Acquired 1 November 2017)	Australia	100%	

NOTE 15: SUBSEQUENT EVENTS

Interim Dividend

Subsequent Event – Dividend Declared

On 16 February 2018, The Company declared a fully franked interim dividend of 1.00 cent per share, for the six months ended 31 December 2017. The dates of the dividend are as follows:

Ex date – 26 March 2018
Record Date – 27 March 2018
Payment Date – 24 April 2018

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

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

DIRECTORS' DECLARATION

In the directors' opinion:

1) The financial statements and notes set out on pages 12 to 27 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 2017 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 Board of Directors.

Michael Omeros	John Puttick
Managing Director	Chair Person
Brisbane	Brisbane
19 February 2018	19 February 2018