

OVER THE WIRE HOLDINGS LIMITED

ACN 151 872 730

APPENDIX 4D

HALF YEAR REPORT

31 December 2016

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GENERAL INFORMATION

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

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

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

Registered Office & Principal Place of Business

Level 21, Riparian Plaza
71 Eagle Street
Brisbane Qld 4000

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

The interim financial report was authorised for issue, in accordance with a resolution of directors on 21 February 2017. 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 2016

(PREVIOUS CORRESPONDING PERIOD: HALF YEAR ENDED 31 DECEMBER 2015)

RESULTS FOR ANNOUNCEMENT TO THE MARKET:

KEY INFORMATION:

	CONSOLIDATED			
	Dec 2016 \$,000	Dec 2015 \$,000	Change \$,000	Change %
Revenue from Ordinary Activities	13,961	10,821	3,140	29%
Profit / (Loss) after Tax from Ordinary Activities Attributable to Members	1,566	1,418	148	10%
Profit / (Loss) Attributable to Members	1,566	1,418	148	10%
<hr/>				
Dividends Paid	Amount per Security	Franked Amount per Security		
Ordinary Shares				
2016 Final - Paid 11 November 2016	\$0.01	\$0.01		

The fully franked dividend relates to the financial reporting period ending 30 June 2016.

Subsequent Event – Dividend Declared

On 21 February 2017, The Company declared a fully franked interim dividend of 0.75 cents per share, for the six months ended 31 December 2016. The dates of the dividend are as follows:

Ex date – 11 April 2017
Record Date – 12 April 2017
Payment Date – 9 May 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.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

Whilst occurring subsequent to the 31 December 2016 reporting period, the acquisition of Telarus Pty Ltd (Telarus) on 16 of January 2017, will have an impact on the state of affairs of the Company going forward.

The Subsequent Events sections of 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 2016	30 June 2016
Net tangible assets per share	\$0.19	\$0.17

REVIEW OPINION

The consolidated entity's financial report for the half year ended 31 December 2016 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 group”), which comprises the consolidated statement of financial position as at 31 December 2016, 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 of the group comprising the company and the entities it controlled at the year’s end or from time to time during the financial year.

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 (including Australian Accounting Interpretations) 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 group’s financial position as at 31 December 2016 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, 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 is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the group's financial position as at 31 December 2016 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, 21 February 2017

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 2016.

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:

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

Revenue from ordinary activities for the half-year was \$13.961m (H1 FY16: \$10.821m), representing an increase of 29% on the corresponding half year. The result demonstrates strong demand from customers across all four product lines including:

- Data Networks revenue of \$6.027m (H1 FY16: \$4.918m), representing an increase of 23% on the corresponding half year;
- Voice revenue of \$4.834m (H1 FY16: \$3.592m), representing an increase of 35% on the corresponding half year;
- Cloud and Managed Services revenue of \$1.752m (H1 FY16: \$1.146m), representing an increase of 53% on the corresponding half year;
- Data Centre Co-location revenue of \$1.348m (H1 FY16: \$1.165m), representing an increase of 16% on the corresponding half year.

The consolidated entity made a statutory Net Profit after Tax of \$1.566m (H1 FY16: \$1.418m), representing an increase of 10% on the corresponding half year. Statutory NPATA was \$1.844m (H1 FY16: \$1.528m), representing an increase of 21% on the corresponding half year. Statutory EBITDA was \$3.051m (H1 FY16: \$2.437m), representing an increase of 25% on the corresponding half year.

The increase in profitability has been primarily achieved through increased revenue. The consolidated entity has maintained an effective management of overhead expenses in the underlying business, however in order to expedite its future growth potential it has increased its investment in the Sales and Marketing function and product development. This is expected to lead to increased sales in FY18 and beyond.

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 2016 \$,000	31 Dec 2015 \$,000
Net Profit after Tax (NPAT)	1,566	1,418
Amortisation	278	110
Net Profit after Tax before Amortisation (NPATA)	1,844	1,528
Income Tax Expense	544	506
Depreciation	632	355
Finance Costs	31	48
EBITDA	3,051	2,437

The Company maintains its strong management of overhead expenses in the underlying business, recognising cost synergies in the acquired entities and when combined with revenue growth of 29%, 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) decreased compared to the corresponding period last year, however the corresponding period last year included the IPO and capital raising on 3 December 2015. No capital raising or issue of new shares has occurred since that date.

	31 December 2016	31 December 2015
Earnings Per Share	\$0.036	\$0.042

As at 31 December 2016 the consolidated entity has \$6.257m in cash or cash equivalents. This represents a decrease of \$0.785m in the six month period, primarily due to payment of the inaugural dividend, income tax, and capital expenditure.

The company had net cash of \$5.422m, taking into consideration debt of \$0.835m which includes equipment financing, and the deferred settlement consideration that may be payable to the vendors of Sanity Technology Pty Ltd. Note however, the Company has entered into a debt facility with the NAB as part of the acquisition of Telarus, which is detailed further under Subsequent Events.

SUBSEQUENT EVENTS

Acquisition of Telarus Pty Ltd

On 16th of January 2017, Over the Wire acquired 100% of the shares in Telarus Pty Ltd (Telarus) for a consideration of \$7.615m plus or minus working capital of Telarus as at the acquisition date. Telarus delivers business grade solutions to the Australian and New Zealand SME and Enterprise markets. Employing 25 staff in Melbourne and servicing over 300 business customers, Telarus delivers managed network, managed security and private cloud solutions.

The acquisition was funded through a combination of debt and cash, with the debt sourced from a new \$10.000m debt facility provided by the NAB. The facility comes with customary lending covenants around debt-to-EBITDA and debt-service-coverage, as well as periodic financial reporting requirements.

The company acquired Telarus for:

- Geographic expansion, as the Telarus acquisition accelerates Over the Wire's expansion into the Victorian market;
- A high quality customer base that offers cross sell and interstate expansion opportunities;
- Significant synergies that are expected to be realised on integration;
- A high quality team that will integrate well with the Over the Wire culture;
- New products in the areas of Managed Security and Mobile data that will be well received by the existing Over the Wire client base; and
- Attractive EBITDA and EPS accretion to Over the Wire on a full year basis.

As the acquisition settled after the end of the reporting period, the financial information required to be disclosed for the business combination under AASB 3: Business Combinations was still being calculated and finalised at the time the interim financial statements were authorised for issue.

Interim Dividend

On 21 February 2017, The Company declared a fully franked interim dividend of 0.75 cents per share, for the six months ended 31 December 2016. The dates of the dividend are as follows:

Ex date – 11 April 2017
Record Date – 12 April 2017
Payment Date – 9 May 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.

Contingent Assets

Before completion of the acquisition of Faktortel Holdings Pty Ltd, an aggregate amount of \$236,990 (outstanding amount) was recorded by way of director loans in the accounts of the Faktortel Group. A warranty provided by the vendors provided that the Faktortel Group would be free of all debt at completion. An amount equal to the outstanding amount was withheld from the sale proceeds and held in trust by the Group's solicitor. Subsequent to the date of these accounts, the matter was resolved on 31 January 2017, with the outstanding amount released from the trust account to satisfy the director loans.

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.

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 11.

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
21 February 2017



John Puttick
Chairman
Brisbane
21 February 2017

**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 2016, 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, 21 February 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 31 DECEMBER 2016

	Note	CONSOLIDATED	
		31 Dec	31 Dec
		2016 \$,000	2015 \$,000
Revenue from Continuing Operations	2	13,961	10,821
Other Income		48	177
Expenses			
Data Centre & Co-Location Expense		(1,078)	(810)
Calls & Communications Expense		(4,366)	(3,611)
Employee Benefits Expense		(3,843)	(2,666)
Depreciation & Amortisation Expense		(910)	(465)
Finance Costs		(31)	(48)
Other Expenses	3	(1,671)	(1,474)
Profit before Income Tax Expense		2,110	1,924
Income Tax Expense		(544)	(506)
Profit after Income Tax Expense for the Half Year attributable to the owners of The consolidated entity		1,566	1,418
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		1,566	1,418
		Cents	Cents
Basic Earnings per Share		3.600	4.206
Diluted Earnings per Share		3.600	4.206

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 2016

	Note	CONSOLIDATED	
		31 Dec 2016 \$,000	30 Jun 2016 \$,000
Assets			
Current Assets			
Cash & Cash Equivalents	4	6,257	7,042
Trade & Other Receivables	5	1,948	1,836
Inventories		55	39
Other Assets		430	232
Total Current Assets		8,690	9,149
Non-Current Assets			
Property, Plant & Equipment		3,684	3,478
Intangibles	6	9,927	10,205
Total Non-Current Assets		13,611	13,683
Total Assets		22,301	22,832
Liabilities			
Current Liabilities			
Trade & Other Payables	7	2,126	2,440
Borrowings		132	144
Current Tax Liability		436	1,437
Employee Benefits		448	412
Deferred Consideration		242	176
Total Current Liabilities		3,384	4,609
Non-Current Liabilities			
Borrowings		169	194
Employee Benefits		111	81
Deferred Consideration		292	511
Deferred Tax		1,083	1,281
Total Non-Current Liabilities		1,655	2,067
Total Liabilities		5,039	6,676
Net Assets		17,262	16,156
Equity			
Issued Capital	8	11,255	11,280
Retained Profits	9	6,007	4,876
Total Equity		17,262	16,156

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 2016

CONSOLIDATED	Note	ISSUED CAPITAL \$,000	RESERVES \$,000	RETAINED PROFITS \$,000	TOTAL EQUITY \$,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		-	-	-	-
Share Issued Net of Capital Raising Costs		11,279	-	-	11,279
Other		-	-	-	-
Balance at 31 December 2015		11,280	-	3,448	14,728

CONSOLIDATED	Note	ISSUED CAPITAL \$,000	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
<i>Transactions with owners, in their capacity as owners:</i>					
Dividends Paid	10	-	-	(435)	(435)
Tax Effect on Claimable IPO Costs		(25)	-	-	(25)
Shares Issued Net of Capital Raising Costs		-	-	-	-
Other		-	-	-	-
Balance at 31 December 2016		11,255	-	6,007	17,262

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 2016

	Note	CONSOLIDATED	
		31 Dec	31 Dec
		2016 \$,000	2015 \$,000
Cash Flows from Operating Activities			
Receipts from Customers		15,395	11,696
Payments to Suppliers & Employees		(12,958)	(9,276)
		2,437	2,420
Interest Received		40	-
Other Revenue		-	-
Interest Paid & Other Finance Costs Paid		(8)	(48)
Income Taxes paid		(1,768)	(832)
Net Cash From / (Used) in Operating Activities		701	1,540
Cash Flows from Investing Activities			
Payments for Business Combinations (net of cash acquired)		(176)	(6,027)
Payments for Property, Plant & Equipment		(838)	(568)
Proceeds from Sale of Investments		-	-
Proceeds from Sale of Property, Plant & Equipment		-	-
Net Cash From / (Used) Investing Activities		(1,014)	(6,595)
Cash Flows from Financing Activities			
Proceeds from Issue of Shares		-	10,000
Proceeds from Borrowings		-	-
Share Issue Transaction Costs		-	(496)
Dividends Paid		(435)	-
Repayment of Borrowings		(37)	(118)
Net Cash From / (Used) Financing Activities		(472)	9,386
Net Increase (Decrease) in Cash & Cash Equivalents		(785)	4,331
Cash & Cash Equivalents at the Beginning of the Half Year		7,042	2,160
Cash & Cash Equivalents at the End of the Half Year	4	6,257	6,491

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

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 2016 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 2016, together with any public announcements made during the following half-year.

These interim financial statements were authorised for issue on 21 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.

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 2016 \$,000	31 Dec 2015 \$,000
Revenue by Product line		
Data Networks and Internet	6,027	4,918
Voice	4,834	3,592
Cloud and Managed Services	1,752	1,146
Data Centre Co-location	1,348	1,165
Total Revenue by Product line	13,961	10,821
Revenue by Geographic Area		
Australasia	13,961	10,821
Total Revenue by Geographic Area	13,961	10,821

NOTE 3: OTHER EXPENSES

	CONSOLIDATED	
	31 Dec 2016 \$,000	31 Dec 2015 \$,000
Reseller Commissions Paid	41	79
IPO & Share Issuance Costs	---	334
Legal, Accounting & Business Acquisition Costs	75	133
Rent	259	96
Licenses & Subscriptions	140	78
Travel & Marketing	130	80
All Other COGS	457	436
All Other Expenses	569	238
Total Other Expenses	1,671	1,474

Other expenses increased due to geographic expansion into Sydney and Melbourne, including relocating the Sydney office and opening a Melbourne office, as well as incurring acquisition costs relating to the acquisition of Telarus. A new lease was signed for head office in Brisbane in November 2016.

NOTE 4: CURRENT ASSETS – CASH & CASH EQUIVALENTS

	CONSOLIDATED	
	31 Dec 2016 \$,000	30 Jun 2016 \$,000
Cash & Cash Equivalents		
Cash on Hand	1	1
Cash at Bank	6,256	7,041
Total Cash & Cash Equivalents	6,257	7,042
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	6,257	7,042
Bank Overdrafts	-	-
Balance as per Statement of Cash Flows	6,257	7,042

Cash and cash equivalents decreased by \$0.785m versus the comparative period, primarily due to payment of the inaugural dividend, income tax, and capital expenditure.

NOTE 5: CURRENT ASSETS – TRADE & OTHER RECEIVABLES

	CONSOLIDATED	
	31 Dec 2016 \$,000	30 Jun 2016 \$,000
Trade & Other Receivables		
Trade Receivables	1,140	1,220
Less: Provision for Impairment of Receivables	(111)	(109)
	1,029	1,111
Other Receivables	919	725
Total Trade & Other Receivables	1,948	1,836

NOTE 6: NON-CURRENT ASSETS – INTANGIBLES

	CONSOLIDATED	
	31 Dec 2016 \$,000	30 Jun 2016 \$,000
Intangibles		
Goodwill – at Cost	2,344	2,344
	2,344	2,344
Brand Value	2,750	2,750
	2,750	2,750
Location and Right-to-Use	1,817	1,817
Less: Accumulated Amortisation	(295)	(212)
	1,522	1,605
Customer Lists	3,790	3,790
Less: Accumulated Amortisation	(479)	(284)
	3,311	3,506
Total Intangibles	9,927	10,205

NOTE 7: CURRENT LIABILITIES – TRADE & OTHER PAYABLES

	CONSOLIDATED	
	31 Dec 2016 \$,000	30 Jun 2016 \$,000
Trade & Other Payables		
Trade Payables	681	1,026
GST Payable	269	309
Wages Payable	165	130
Other payables	1,011	975
Total Trade & Other Payables	2,126	2,440

NOTE 8: EQUITY – ISSUED CAPITAL

	CONSOLIDATED	
	31 Dec 2016 \$,000	30 Jun 2016 \$,000
Issued Capital		
Ordinary Shares – Fully Paid	11,255	11,280
Total Issued Capital	11,255	11,280

NOTE 9: EQUITY – RETAINED PROFITS

	CONSOLIDATED	
	31 Dec 2016 \$,000	30 Jun 2016 \$,000
Retained Profits		
Retained Profits at the Beginning of the Reporting Period	4,876	2,029
Profits After Income Tax Expense for the Reporting Period	1,566	2,847
Dividends Paid (For FY 2016)	(435)	-
Retained Profits at the End of the Half Year	6,007	4,876

NOTE 10: EQUITY – DIVIDENDS

	CONSOLIDATED	
	31 Dec 2016 \$,000	30 Jun 2016 \$,000
Dividends		
Interim Dividend for the Financial Year	-	-
Final Dividend for the Financial Year ended 30 June 2016	435	-
Total Dividends for the Half Year in Cents per Ordinary Share	435	-

A final fully franked dividend of 1 cent per share, covering the period from IPO until 30 June 2016, was paid in November 2016.

Subsequent Event: On 21 February 2017, The Company declared a fully franked interim dividend of 0.75 cents per share, for the six months ended 31 December 2016. 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 11: CONTINGENT ASSETS & LIABILITIES

CONTINGENT ASSETS

Before completion of the acquisition of Faktortel Holdings Pty Ltd, an aggregate amount of \$236,990 (outstanding amount) was recorded by way of director loans in the accounts of the Faktortel Group. A warranty provided by the vendors provided that the Faktortel Group would be free of all debt at completion. An amount equal to the outstanding amount was withheld from the sale proceeds and held in trust by the Group's solicitor. Subsequent to the date of these accounts, the matter was resolved on 31 January 2017, with the outstanding amount released from the trust account to satisfy the director loans.

CONTINGENT LIABILITIES

The consolidated entity had no contingent Liabilities as at 31 December 2016 and 30 June 2016.

NOTE 12: SUBSIDIARIES

	CONSOLIDATED		
	31 Dec 2016	30 Jun 2016	
The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policies described in Note1:			
Name of Entity	Country of Incorporation	Equity Holding	Equity Holding
Over the Wire Pty Ltd	Australia	100%	100%
Netsip Pty Ltd	Australia	100%	100%
Faktortel Pty Ltd (Acquired 28 July 2015)	Australia	100%	100%
Faktortel Holdings Pty Ltd (Acquired 28 July 2015)	Australia	100%	100%
Aero Telecom Pty Ltd (Acquired 28 July 2015)	Australia	100%	100%
Sanity Holdings Pty Ltd (Acquired 30 November 2015)	Australia	100%	100%
OTW Corp Pty Ltd (Registered 25 September 2015)	Australia	100%	100%

NOTE 13: SUBSEQUENT EVENTS

Acquisition of Telarus Pty Ltd

On 16th of January 2017, Over the Wire acquired 100% of the shares in Telarus Pty Ltd (Telarus) for a consideration of \$7.615m plus or minus working capital of Telarus as at the acquisition date. Telarus delivers business grade solutions to the Australian and New Zealand SME and Enterprise markets. Employing 25 staff in Melbourne and servicing over 300 business customers, Telarus delivers managed network, managed security and private cloud solutions.

The acquisition was funded through a combination of debt and cash, with the debt sourced from a new \$10m debt facility provided by the NAB. The facility comes with customary lending covenant around debt-to-EBITDA and Debt-Service-Coverage, as well as periodic financial reporting requirements.

The company acquired Telarus for:

- Geographic expansion, as the Telarus acquisition accelerates Over the Wire's expansion into the Victorian market;
- A high quality customer base that offers cross sell and interstate expansion opportunities;
- Significant synergies that are expected to be realised on integration;
- A high quality team that will integrate well with the Over the Wire culture;
- New products in the areas of Managed Security and Mobile data that will be well received by the existing Over the Wire client base; and
- Attractive EBITDA and EPS accretion to Over the Wire on a full year basis.

As the acquisition settled after the end of the reporting period, the financial information required to be disclosed for the business combination under AASB 3: *Business Combinations* was still being calculated and finalised at the time the interim financial statements were authorised for issue.

Contingent Assets

Before completion of the acquisition of Faktortel Holdings Pty Ltd, an aggregate amount of \$236,990 (outstanding amount) was recorded by way of director loans in the accounts of the Faktortel Group. A warranty provided by the vendors provided that the Faktortel Group would be free of all debt at completion. An amount equal to the outstanding amount was withheld from the sale proceeds and held in trust by the Group's solicitor. Subsequent to the date of these accounts, the matter was resolved on 31 January 2017, with the outstanding amount released from the trust account to satisfy the director loans.

Interim Dividend

On 21 February 2017, The Company declared a fully franked interim dividend of 0.75 cents per share, for the six months ended 31 December 2016. The dates of the dividend are as follows:

Ex date – 11 April 2017
Record Date – 12 April 2017
Payment Date – 9 May 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.

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 22 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 2016 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
Managing Director

Brisbane

21 February 2017



John Puttick
Chair Person

Brisbane

21 February 2017