

## **OVER THE WIRE HOLDINGS LIMITED**

ACN 151 872 730

### **APPENDIX 4E**

**30 June 2019**

## APPENDIX 4E – PRELIMINARY FINAL REPORT

### UNDER ASX LISTING RULE 4.3A FOR THE YEAR ENDED 30 JUNE 2019

Current Period	1 July 2018 to 30 June 2019
Prior corresponding period	1 July 2017 to 30 June 2018

#### RESULTS FOR ANNOUNCEMENT TO THE MARKET:

	CONSOLIDATED			
	2019	2018	Change	Change
	\$ ,000	\$ ,000	\$ ,000	%
<b>KEY INFORMATION:</b>				
Revenue from Ordinary Activities	79,589	53,561	26,028	49%
Profit / (Loss) after Tax from Ordinary Activities Attributable to Members	10,137	5,531	4,606	83%
Profit / (Loss) Attributable to Members	10,137	5,531	4,606	83%
<b>Earnings Per Share</b>	Cents	Cents	Cents	%
Basic Earnings per Share	20.661	12.625	8.036	64%
Diluted Earnings per Share	20.596	12.625	8.030	64%

Dividends Paid and Proposed	Amount per Security	Franked Amount per Security
Ordinary Shares	Cents	Cents
2018 Final – Paid 9 October 2018	1.50	1.50
2019 Interim – Paid 9 April 2019	1.25	1.25

#### Subsequent Events

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

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

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

## COMMENTARY ON RESULTS FOR THE PERIOD

### SIGNIFICANT FEATURES OF OPERATING PERFORMANCE:

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

## SIGNIFICANT CHANGES IN STATE OF AFFAIRS

### ACQUISITION OF ACCESS DIGITAL

On 1st of November 2018, the Company acquired 100% of the shares in Access Digital for a total upfront consideration of \$13,050,000. The upfront consideration comprised \$10,440,000 in cash, 567,393 OTW shares (\$2,610,000 in OTW shares at an issue price of \$4.60, being the volume weighted average price for the 10 trading days prior to the announcement of the acquisition), plus or minus a net assets adjustment to reflect the profits retained in the business by the vendor on settlement. The vendors provided a warranty that Access Digital would be free of all debt at completion with the exception of finance leases acquired.

The vendors are also entitled to receive further deferred consideration of up to \$1,450,000 in cash, payable in November 2019, based on a number of performance measures being achieved. As at 30 June 2019, the vendors are on-track to achieve the majority of the deferred consideration payable, and this is reflected in the financial statements.

The acquisitions of Access Digital & Comlinx (below) were settled concurrently, and were funded through a combination of cash on hand, as well as funds raised through a share placement of \$21,500,000 and share purchase plan of \$5,000,000.

The acquisition of Access Digital has delivered approximately 250 business customers to Over the Wire and accelerates Over the Wire's geographic expansion in South Australia. With revenue of \$8,500,000 and EBITDA of \$2,900,000 for the 12 month period to 30 June 2018, Access Digital is expected to make a significant contribution to Over the Wire's future results.

The strategic rationale for acquiring Access Digital was:

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

### ACQUISITION OF COMLINX

On 1st of November 2018, The Company acquired 100% of the shares in Comlinx for a total upfront consideration of \$16,000,000. The upfront consideration comprised \$12,800,000 in cash, 695,655 OTW shares (\$3,200,000 in OTW shares at an issue price of \$4.60, being the volume weighted average price for the 10 trading days prior to the announcement of the acquisition), plus or minus a working capital adjustment to reflect the profits retained in the business by the vendor against a target amount at settlement. The vendors provided a warranty that Comlinx would be free of all debt at completion.

The vendors are also entitled to receive further deferred consideration of up to \$4,000,000 in cash, payable in September 2019, based on a number of performance measures being achieved. As at 30 June 2019, the vendors appear unlikely to have achieved the measures needed for the deferred consideration to be payable, and this is reflected in the financial statements.

The acquisitions of Access Digital (above) & Comlinx were settled concurrently, and were funded through a combination of cash on hand, as well as funds raised through a share placement of \$21,500,000 and share purchase plan of \$5,000,000.

The acquisition of Comlinx has delivered approximately 100 business customers to the consolidated entity and accelerates the consolidated entity's move into the provision of Software Defined WAN (SD-WAN) solutions, further enhancing the consolidated entity's data network capability. With revenue of \$16,100,000 and EBITDA of \$3,200,000 for the 12 month period to 30 June 2018, Comlinx is expected to make a significant contribution to the consolidated entity's future results.

The strategic rationale for acquiring Comlinx was:

- The acquisition accelerates the consolidated entity's move into the provision of Software Defined WAN (SD-WAN) solutions;
- Provides Over the Wire customers with a broader product offering, and creates opportunities for the combined group to cross-sell to existing Comlinx customers;
- Comlinx has a quality team that will integrate well with the consolidated entity;
- The acquisition is expected to offer attractive EBITDA and EPS accretion to the consolidated entity immediately; and
- Synergies are expected to be achieved in this financial year with further cost savings to be delivered in the next financial year.

## NET TANGIBLE ASSETS

### Net assets and net tangible assets per share

	CONSOLIDATED	
	2019 \$ ,000	2018 \$ ,000
Net Assets	65,131	24,867
<b>Net Tangible Assets</b>	<b>(9,714)</b>	<b>(11,782)</b>
	Cents	Cents
Net Tangible Assets Per Share (Cents)	(18.82)	(26.78)

Net Tangible Assets per share increased predominately through the issue of 7,600,000 ordinary shares through a capital raise, share placement, shares issued on acquisition and shares issued to employees through the consolidated entity's employee share option plan and vesting of performance rights. This was partially offset by the assets acquired through the purchase of Access Digital and Comlinx which were predominantly intangible assets, and therefore excluded from the calculation of Net Tangible Assets.

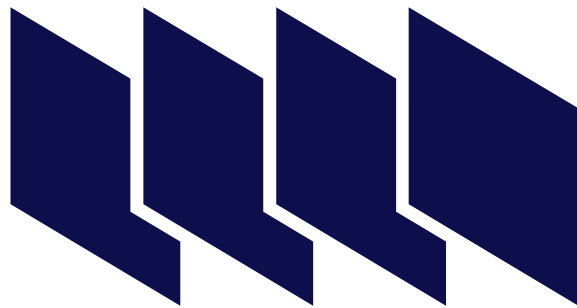
## STATUS OF AUDIT

The 30 June 2019 financial statements and accompanying notes for Over the Wire Holdings Limited and its controlled entities have been audited and the attached consolidated financial report contains the independent auditor's report.

Mike Stabb

Company Secretary

15 August 2019



# Over the Wire

## FINANCIAL REPORT

# 2019

**Over the Wire Holdings Limited**

ACN 151 872 730

Share Register



Auditor



Solicitors



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# CORPORATE DIRECTORY

## DIRECTORS

**JOHN PUTTICK** DUNIV QUT, FACS, ACA  
Chair

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

**BRENT PADDON** BINFOTECH, GRADDIPBUSADMIN  
Executive Director

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

## SECRETARY

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

## KEY MANAGEMENT

**BEN CORNISH**  
Chief Technology Officer

**GARY PITTORINO**  
Chief Operating Officer

### Registered Office and Principal Place of Business

Level 21, 71 Eagle Street  
Brisbane QLD 4000

### Share Register

Link Market Services  
10 Eagle St  
Brisbane QLD 4000

### Auditor

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

### Solicitors

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

### Bankers

Westpac  
260 Queen Street  
Brisbane QLD 4000

National Australia Bank  
259 Queen Street  
Brisbane QLD 4000

### Stock Exchange Listing

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

### Website Address

[www.overthewire.com.au](http://www.overthewire.com.au)

# DIRECTORS' REPORT

Your directors present their report on the consolidated entity consisting of Over the Wire Holdings Limited ("the company") and the entities it controlled ("the group") for the year ended 30 June 2019.

## DIRECTORS AND COMPANY SECRETARY

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

### JOHN PUTTICK

Non-Executive Chairman  
(appointed 1 December 2015)

### MICHAEL OMEROS

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

### BRENT PADDON

Executive Director  
(appointed 1 July 2011)

### SUSAN FORRESTER AM

Non-Executive Director  
(appointed 1 December 2015)

### MIKE STABB

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

## PRINCIPAL ACTIVITIES

The group is a profitable, high-growth provider of telecommunications, cloud and IT solutions. It has a national network presence with Points of Presence (POPs) in all major Australian capital cities and Auckland, New Zealand.

During the year the principal continuing activities of the group consisted of offering an integrated product suite of the following services to businesses in Australia and New Zealand:

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

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

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

## REVIEW OF OPERATIONS

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

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

The group continued to build upon its geographic expansion strategy.

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

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



## FINANCIAL POSITION

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

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

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

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

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

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

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

## DIVIDENDS PAID AND PROPOSED

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

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

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

<b>Ex Date</b>	9 September 2019
<b>Record Date</b>	10 September 2019
<b>Payment Date</b>	10 October 2019

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

## BUSINESS STRATEGIES AND PROSPECTS FOR FUTURE FINANCIAL YEARS

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

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

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

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

## SIGNIFICANT CHANGES IN STATE OF AFFAIRS

### ACQUISITION OF ACCESS DIGITAL ACCESS DIGITAL NETWORKS PTY LTD

On 1st of November 2018, the company acquired 100% of the shares in Access Digital for a total upfront consideration of \$13,050K. The upfront consideration comprised \$10,440K in cash, 567,393 OTW shares (\$2,610K in OTW shares at an issue price of \$4.60, being the volume weighted average price for the 10 trading days prior to the announcement of the acquisition), plus or minus a net assets adjustment to reflect the profits retained in the business by the vendor on settlement. The vendor provided a warranty that Access Digital would be free of all debt at completion with the exception of finance leases acquired.

The vendor is also entitled to receive further deferred consideration of up to \$1,450K in cash, payable in November 2019, based on a number of performance measures being achieved. As at 30 June 2019, it is estimated that \$1,392K is likely to become payable.

The acquisitions of Access Digital & Comlinx (below) were settled concurrently, and were funded through a combination of cash on hand, as well as funds raised through a share placement of \$21,500K and share purchase plan of \$5,000K.

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

The strategic rationale:

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

### ACQUISITION OF COMLINX COMLINX PTY LTD

On 1st of November 2018, the company acquired 100% of the shares in Comlinx for a total upfront consideration of \$16,000K. The upfront consideration comprised \$12,800K in cash, 695,655 OTW shares (\$3,200K in OTW shares at an issue price of \$4.60, being the volume weighted average price for the 10 trading days prior to the announcement of the acquisition), plus or minus a working capital adjustment to reflect the profits retained in the business by the vendors against a target amount at settlement. A warranty provided by the vendors provided that Comlinx would be free of all debt at completion.

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

The acquisitions of Access Digital (above) & Comlinx were settled concurrently, and were funded through a combination of cash on hand, as well as funds raised through a share placement of \$21,500K and share purchase plan of \$5,000K.

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

The strategic rationale:

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

## EVENTS SINCE THE END OF THE FINANCIAL YEAR

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

<b>Ex Date</b>	9 September 2019
<b>Record Date</b>	10 September 2019
<b>Payment Date</b>	10 October 2019

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

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

### LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

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

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

### ENVIRONMENTAL REGULATION

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

## INFORMATION ON DIRECTORS & COMPANY SECRETARY

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



### JOHN PUTTICK

DUNIV QUT, FACS, ACA

#### Non-Executive Chairman

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

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

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

#### Other Current Directorships

None

#### Former Directorships in last 3 years

None

#### Special Responsibilities

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

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

Ordinary Shares

Over the Wire Holdings **78,778**



### MICHAEL OMEROS

MAICD, BE(ELECTRONICS)(HONS), BINFOTECH

#### Managing Director Chief Executive Officer

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

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

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

#### Other Current Directorships

None

#### Former Directorships in last 3 years

None

#### Special Responsibilities

- Member of audit and risk committee

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

Ordinary Shares

Over the Wire Holdings **13,623,245**



## BRENT PADDON

BINFOTECH, GRADDIPBUSADMIN

### Executive Director

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

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

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

### Other Current Directorships

None

### Former Directorships in last 3 years

None

### Special Responsibilities

- Member of remuneration and nominations committee

### Direct and indirect interest in shares and options

Ordinary Shares

Over the Wire Holdings: **12,150,000**



## SUSAN FORRESTER AM

BA, LLB (HONS), EMBA, FAICD

### Non-Executive Director

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

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

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

### Other Current Directorships

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

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

Non-Executive Director of Xenith IP Group Limited (ASX:XIP) (appointed October 2015)

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

### Former Directorships in last 3 years

None

### Special Responsibilities

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

### Direct and indirect interest in shares and options

Ordinary Shares

Over the Wire Holdings: **161,738**



## MIKE STABB

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

### Chief Financial Officer & Company Secretary

Mike was appointed CFO and Company Secretary in July 2012.

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

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

### Other Current Directorships

None

### Former Directorships in last 3 years

None

### Special Responsibilities

- Chief Financial Officer / Company Secretary

### Direct and indirect interest in shares and options

Ordinary Shares

Over the Wire Holdings: **333,134**

## MEETINGS OF DIRECTORS

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

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

## INSURANCE OF OFFICERS AND INDEMNITIES

During the financial year, Over the Wire Holdings Limited paid a premium of \$62,253 to insure the directors and secretaries of the company and its Australian-based controlled entities, and the executives and general managers of each of the divisions of the group.

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

## PROCEEDINGS ON BEHALF OF THE COMPANY

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

## NON-AUDIT SERVICES

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

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

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

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



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

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

## AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 15.

## ROUNDING OF AMOUNTS

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

# REMUNERATION REPORT

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

The Report is structured as follows:

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

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

### John Puttick

Non-Executive Chairman  
(appointed 1 December 2015)

### Michael Omeros

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

### Brent Paddon

Executive Director  
(appointed 1 July 2011)

### Susan Forrester

Non-Executive Director  
(appointed 1 December 2015)

### Other key management personnel:

#### Mike Stabb

Chief Financial Officer and Company Secretary

#### Ben Cornish

Chief Technology Officer

#### Gary Pittorino

Chief Operating Officer

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

## (B) REMUNERATION POLICY AND LINK TO PERFORMANCE

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

### Executive KMP Remuneration Policy Statement

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

**Specific objectives of this policy will include the following:**

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

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

**(C) ELEMENTS OF REMUNERATION**

**Fixed Annual Remuneration**

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

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

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

- **Gary Pittorino:**  
Total fixed remuneration \$240,900

**Short-term Incentives – Operational Bonuses**

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

Short term incentive cash bonuses paid in relation to 2018:

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

**Long-term Incentives**

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

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

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

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

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



**(D) REMUNERATION EXPENSES FOR EXECUTIVE KMP**

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

**Key Management Personnel Remuneration**

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

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

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

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

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

**OPTIONS AND RIGHTS GRANTED AS REMUNERATION - LONG TERM INCENTIVE PLAN**

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

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

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

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

**(E) NON-EXECUTIVE DIRECTOR ARRANGEMENTS**

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

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

	Consolidated	
	2019 \$	2018 \$
<b>Base fees</b>		
Chair	85,000	85,000
Other Non-executive Directors	60,000	60,000
<b>Total</b>	<b>145,000</b>	<b>145,000</b>

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

**(F) OTHER STATUTORY INFORMATION****(i) Shareholdings**

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

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

**End of Remuneration Report****OPTIONS & PERFORMANCE RIGHTS****(i) Options**

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

**(ii) Performance Rights**

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

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



**Michael Omeros**  
Managing Director

Brisbane  
15 August 2019



**John Puttick**  
Chair Person

Brisbane  
15 August 2019

PKF Brisbane Audit



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

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2019, there have been no contraventions of:

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

PKF BRISBANE AUDIT

LIAM MURPHY  
PARTNER

15 AUGUST 2019  
BRISBANE

PKF Brisbane Audit  
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## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For Year Ended 30 June 2019

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

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

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As At 30 June 2019

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

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For Year Ended 30 June 2019

		Issued Capital	Share Based Payment Reserve	Retained Profits	Total Equity
Consolidated	Note	\$ ,000	\$ ,000	\$ ,000	\$ ,000
Balance at 1 July 2017		11,308	2	7,713	19,023
Profit after Income Tax for the Year		-	-	5,531	5,531
Other Comprehensive Income		-	-	-	-
Total Comprehensive Income for the Year		-	-	5,531	5,531
Transactions with Owners, in their Capacity as Owners:					
Dividends Paid	23	-	-	(984)	(984)
Performance Rights Issued		-	29	-	29
Movements as a result of existing performance rights		109	260	-	369
Employee Share Plan	21	97	70	-	167
Shares Issued Net of Capital Raising Costs	21	781	-	-	781
Tax Effect of Capitalised Costs of IPO		(49)	-	-	(49)
<b>Balance at 30 June 2018</b>		<b>12,246</b>	<b>361</b>	<b>12,260</b>	<b>24,867</b>

		Issued Capital	Share Based Payment Reserve	Retained Profits	Total Equity
Consolidated	Note	\$ ,000	\$ ,000	\$ ,000	\$ ,000
Balance at 1 July 2018		12,246	361	12,260	24,867
Profit after Income Tax for the Year		-	-	10,137	10,137
Other Comprehensive Income		-	-	-	-
Total Comprehensive Income for the Year		-	-	10,137	10,137
Transactions with Owners, in their Capacity as Owners:					
Dividends Paid	23	-	-	(1,305)	(1,305)
Performance Rights Issued		-	11	-	11
Movements as a result of existing performance rights		327	(147)	-	180
Employee Share Plan	21	135	(70)	-	65
Shares Issued Net of Capital Raising Costs	21	31,235	-	-	31,235
Tax Effect of Capitalised Costs of IPO		(59)	-	-	(59)
<b>Balance at 30 June 2019</b>		<b>43,884</b>	<b>155</b>	<b>21,092</b>	<b>65,131</b>

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

## CONSOLIDATED STATEMENT OF CASH FLOWS

For Year Ended 30 June 2019

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

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For Year Ended 30 June 2019

These consolidated financial statements and notes represent those of Over the Wire Holdings Limited (the “company”) and its controlled entities (the “group”).

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

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

## NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

### BASIS OF PREPARATION

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

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

### A. NEW ACCOUNTING STANDARDS ADOPTED IN THE CURRENT FINANCIAL PERIOD

The group has considered the implications of new or amended Accounting Standards which have become applicable for the current financial reporting period and the group had to change its accounting policies as a result of adopting the following standards:

- AASB 9: *Financial Instruments*; and
- AASB 15: *Revenue from Contracts with Customers*.

The impact of the adoption of these standards and the respective accounting policies are disclosed in Note 3.

### B. NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE PERIODS

Accounting Standards issued by the AASB that are not

yet mandatorily applicable to the group, together with an assessment of the potential impact of such pronouncements on the group when adopted in future periods, are discussed below:

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

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

#### The main changes introduced by the new Standard include:

- Recognition of a right-to-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
- Depreciation of right-to-use assets in line with AASB 116: *Property, Plant and Equipment* in profit or loss and unwinding of the liability in principal and interest components;
- Variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability using the index or rate at the commencement date;
- By applying a practical expedient, a lessee is permitted to elect not to separate non-lease components and instead account for all components as a lease; and
- Additional disclosure requirements.

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

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

### C. PRINCIPLES OF CONSOLIDATION

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

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

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

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

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

#### **D. BUSINESS COMBINATIONS**

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

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

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

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

The difference between the acquisition-date fair value

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

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

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

#### **E. FOREIGN CURRENCY TRANSLATION**

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

##### **Foreign Currency Transactions**

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

#### **F. REVENUE RECOGNITION**

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

##### **Sale of Goods**

Customers obtain control of products when the goods are delivered to their premises, unless otherwise stated in the contract. Revenue is recognised at this point in time. Any deposits taken as part of a contract with a customer are recorded as a contract liability and are only recognised as revenue once the relevant performance obligation is met, in this case being the delivery of goods. Invoices are usually payable within 14 to 30 days.

For contracts that permit the customer to return an item, revenue is recognised to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognised will not occur. Therefore, the amount of revenue recognised is adjusted for expected returns, which are estimated based on the historical data for specific types of goods. No provision for returns is provided for by the group given the historical low levels of returns.

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

### Rendering of Services

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

Recurring services:

Recurring services (monthly services for data networks, data centre, co-location and cloud and managed services) are recognised as revenue on a monthly basis as services are provided over the term of the contract. Set up fees in relation to signing up a customer on a contract are capitalised and recognised as revenue over the period of the contract, normally between 12 and 36 months.

Non-recurring services:

For non-recurring services, where no breakdown of individual service performance obligations are outlined in a contract, services are taken to be provided to the customer at the conclusion of the contract, at which point revenue for these services will be recognised, otherwise revenue is recognised as each performance obligation is met based on either:

- The price allocated to each performance obligation under the contract; or
- Where no price has been allocated to individual performance obligations, the total revenue per the contract, allocated based on the weighted sales price for each performance obligation had they been sold individually.

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

- A contract liability is recognised where a payment milestone is invoiced prior to the satisfaction of performance obligations.
- A contract asset is recognised where a performance obligation is met, however under the relevant contract the amount is not yet able to be invoiced.

### Interest

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

### Other Revenue

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

## G. INCOME TAX

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

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

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

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

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

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

### Tax Consolidation

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

The members of the tax-consolidated group are identified in Note 33. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the "separate taxpayer within

group" approach by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under tax consolidation.

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

#### H. CASH AND CASH EQUIVALENTS

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

#### I. TRADE AND OTHER RECEIVABLES

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

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

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

#### J. INVENTORIES

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

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

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

#### K. CONTRACT ASSETS AND COSTS

Accrued revenue (contract assets) relate to contracts where the group has recognised an asset for work performed and which the group has a right to payment when performance

obligations are completed. A contract asset is recognised for work previously performed. When invoicing takes place, any amount that has previously been classified as a contract asset will be reclassified to trade receivables. Contract assets are generally converted to sales invoices / trade receivable within 1-3 months of being recognised.

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

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

#### L. CONTRACT LIABILITIES

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

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

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

#### M. PROPERTY, PLANT AND EQUIPMENT

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

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

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

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



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

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

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

## N. LEASES

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

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

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

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

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

## O. INTANGIBLE ASSETS

### Brand Value

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

### Right-to-Use Assets

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

### Goodwill

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

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

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

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

### Customer Contracts

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

### Internally Generated Computer Software

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

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

- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset, and
- Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

#### **P. IMPAIRMENT OF NON-FINANCIAL ASSETS**

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

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

#### **Q. TRADE AND OTHER PAYABLES**

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

#### **R. BORROWINGS**

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

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

#### **S. FINANCE COSTS**

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

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

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

##### **Initial Recognition and Measurement**

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

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

##### **Classification and Subsequent Measurement**

###### **• Financial Liabilities**

Financial liabilities are subsequently measured at amortised cost or fair value through profit or loss. All financial liabilities are subsequently measured at amortised cost using the effective interest method except for:

- contingent consideration of an acquirer in a business combination to which AASB 3: *Business Combinations* applies
- held for trading financial liabilities; or
- financial liabilities initially designated as at fair value through profit or loss.

Financial liabilities cannot be reclassified.

###### **• Financial Assets**

Financial assets are subsequently measured at amortised cost, fair value through profit or loss or fair value through other comprehensive income. Measurement is on the basis of contractual cash flow characteristics of the financial asset and the business model for managing the financial assets.

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- The financial asset is managed solely to collect contractual cash flows; and
- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income:

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

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

**De-recognition**

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

**U. PROVISIONS**

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

**V. EMPLOYEE BENEFITS****Wages and Salaries and Annual Leave**

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

**Long Service Leave**

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

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

**Equity-settled compensation**

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

**W. ISSUED CAPITAL**

Ordinary shares are classified as equity.

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

**X. SHARE BASED PAYMENT RESERVE**

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

**Y. DIVIDENDS**

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

**Z. EARNINGS PER SHARE****Basic Earnings Per Share**

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

**Diluted Earnings Per Share**

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

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

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

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

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

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

#### **AB. ROUNDING OF AMOUNTS**

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

#### **AC. COMPARATIVE FIGURES**

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

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

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

#### **IMPAIRMENT OF RECEIVABLES**

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

#### **TIMING OF SATISFACTION OF PERFORMANCE OBLIGATIONS**

For performance obligations that are satisfied over time, the output method is used to determine the satisfaction of

performance obligations, and therefore revenue recognised. This method is used due to the fact that services are provided evenly over the relevant contract period.

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

#### **TRANSACTION PRICE AND AMOUNTS ALLOCATED TO PERFORMANCE OBLIGATIONS**

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

#### **ESTIMATION OF USEFUL LIVES OF ASSETS**

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

#### **GOODWILL AND OTHER INDEFINITE LIFE INTANGIBLE ASSETS**

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

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

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



**INCOME TAX**

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

**RECOVERY OF DEFERRED TAX ASSETS**

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

**VALUATION OF DEFERRED CONSIDERATION PAYABLE**

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

**LONG SERVICE LEAVE PROVISION**

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

**CREDIT RISK OF TRADE RECEIVABLES**

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

**BUSINESS COMBINATIONS**

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

## NOTE 3: CHANGES IN ACCOUNTING POLICIES

This note describes the nature and effect of the adoption of AASB 9: *Financial Instruments* and AASB 15: *Revenue from Contracts with Customers* on the group's financial statements and also discloses the new accounting policies that have been applied from 1 July 2018, where they are different to those applied in prior periods.

As the resulting changes in the group's accounting policies had an insignificant impact on the reported balances of the group, comparative balances were not restated. The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below.

### (a) AASB 9: Financial Instruments

AASB 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces AASB 139 *Financial Instruments: Recognition and Measurement*.

#### (i) Classification and Measurement of Financial Assets and Financial Liabilities

AASB 9 largely retains the existing requirements in AASB 139 for the classification and measurement of financial liabilities. However, it eliminates the previous AASB 139 categories for financial assets of: held to maturity, loans and receivables and available for sale.

The adoption of AASB 9 has not had a significant effect on the group's accounting policies related to financial liabilities. The impact of AASB 9 on the classification and measurement of financial assets is set out below.

Under AASB 9, on initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income ("FVOCI") – debt investment; FVOCI – equity investment; or fair value through profit and loss ("FVTPL"). The classification of financial assets under AASB 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income ("OCI"). This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost, or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition. The following accounting policies apply to the subsequent measurement of financial assets.

Financial Asset Type	Accounting Policy
Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses (see (ii) below). Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on de-recognition is recognised in profit or loss.

Financial Asset Type	Accounting Policy
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On de-recognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

The effect of adopting AASB 9 on the carrying amounts of financial assets and liabilities at 1 July 2018 relates solely to the new impairment requirements, as described further below. The following table below outlines the original measurement categories under AASB 139 and the new measurement categories under AASB 9 for each class of the group's financial assets and liabilities as at 1 July 2018.

Financial Assets & Liabilities	Original classification under AASB 139	New classification under AASB 9	Original carrying amount under AASB 139 \$ ,000	New carrying amount under AASB 9 \$ ,000
Trade and other receivables	Loans and receivables (amortised cost)	Financial assets at amortised cost	4,357	4,354
Cash and cash equivalents	Loans and receivables (amortised cost)	Financial assets at amortised cost	7,013	7,013
<b>Total Financial Assets</b>			<b>11,370</b>	<b>11,367</b>
Trade and other payables	Loans and payables (amortised cost)	Financial liabilities at amortised cost	6,283	6,283
Borrowings	Loans and payables (amortised cost)	Financial liabilities at amortised cost	13,232	13,232
<b>Total Financial Liabilities</b>			<b>19,515</b>	<b>19,515</b>

As the initial adoption of AASB 9 had an insignificant impact on the carrying value of financial assets or liabilities, the group did not adjust opening balances to account for the change in accounting policies.

(ii) *Impairment of financial assets*

AASB 9 replaces the 'incurred loss' model in AASB 139 with an 'expected credit loss' ("ECL") model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under AASB 9, credit losses are recognised earlier than under AASB 139.

The financial assets at amortised cost consist of trade receivables, cash and cash equivalents, and contract assets. Under AASB 9, loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The group measures loss allowances at an amount equal to lifetime ECLs, except for bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition, which are measured as 12-month ECLs.

The group has elected to use the simplified approach to measure loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the group's historical experience and informed credit assessment and including forward-looking information.

The group considers a financial asset to be in default when the customer is unlikely to pay its credit obligations to the group in full, without recourse by the group to actions such as realising security (if any is held).

The maximum period considered when estimating ECLs is the maximum contractual period over which the group is exposed to credit risk.

#### *Measurement of ECLs*

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

In measuring the expected credit loss, a provision matrix for trade receivables was used, based on actual credit loss experience over the past five years, adjusted for any specific trade receivables which were identified as a higher risk of being non-recoverable. For companies which have been part of the group for less than five years, the credit loss experience for the time they have been controlled has been used. The group performed the calculation of the ECL rates separately for each company within the group, as this was considered an appropriate basis for segmentation. Assumptions underpinning the company's expected credit loss model are outlined in Note 25.

#### *Credit-impaired financial assets*

At each reporting date, the group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

#### *Presentation of Impairment*

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Impairment losses related to trade and other receivables, including contract assets, are recognised in the consolidated statement of comprehensive income.

#### *Impact of the new impairment model*

For assets in the scope of the AASB 9 impairment model, initial application of the new impairment requirements had an insignificant impact on the loss allowance on adoption. As such, the group did not adjust opening balances to account for the change in impairment. Below is a summary outlining the impact to the group's loss allowance balance on 1 July 2018:

	\$,000
<b>Loss allowance at 30 June 2018 under AASB 139</b>	303
Adjustment to impairment at 1 July 2018 on:	
Trade and other receivable as at 30 June 2018	(1)
Contract assets recognised on adoption of AASB 15	-
Cash and cash equivalents	-
<b>Loss allowance at 1 July 2018 under AASB 9</b>	302

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

#### (iii) Transition

While application of AASB 9 was required to be applied retrospectively, as the adoption of AASB 9 had an insignificant impact on financial information of the group, changes in accounting policies were applied prospectively with no adjustments made to opening balances as at 1 July 2018.

#### **(b) AASB 15: Revenue from Contracts with Customers**

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced AASB 118 *Revenue* and related interpretations. The group has adopted AASB 15 using the cumulative effect method, with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 July 2018). Accordingly, the information presented for comparative periods has not been restated.

Under AASB 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

(i) Financial impact on adoption

Initial application of the new revenue standard had an insignificant impact on the opening balance of the group in the current reporting period. As such, no adjustment was made to opening balances to account for the change in accounting policy. Below is a summary outlining the impact to each financial statement line item that would have been adjusted on 1 July 2018:

	\$,000
<b>Net asset at 30 June 2018 under AASB 118</b>	<b>24,867</b>
<b>Current Liabilities</b>	
Unearned income (setup fees)	(27)
<b>Net assets at 1 July 2018 under AASB 15</b>	<b>24,840</b>

(ii) Changes in revenue recognition policy

The table below summarises the nature of change in accounting policy for each type of product / service:

Product/ Service	Nature, timing of satisfaction of performance obligations, significant payment terms	Nature of change in accounting policy
Sale of goods (hardware & software)	<p>Customers obtain control of products when the goods are delivered to and have been accepted at their premises, unless otherwise stated in the contract. Revenue is recognised at this point in time. Any deposits taken as part of a contract with a customer are recorded as a contract liability and are only recognised as revenue once the relevant performance obligation is met, in this case being the delivery of goods. Invoices are usually payable within 14 to 30 days.</p> <p>For contracts that permit the customer to return an item, under AASB 15 revenue is recognised to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognised will not occur. Therefore, the amount of revenue recognised is adjusted for expected returns, which are estimated based on the historical data for specific types of goods.</p>	<p>Under AASB 118, sale of goods revenue was recognised at the point of sale, which is where the customer has taken delivery of the goods, the risks and rewards are transferred to the customer, and where there is a valid sales contract.</p> <p>As the group had previously recorded deposits received as a liability, the adoption of AASB 15 did not result in any significant impact on the group's accounting policy.</p>

Product/ Service	Nature, timing of satisfaction of performance obligations, significant payment terms	Nature of change in accounting policy
<p>Rendering of services</p>	<p>Services to be provided to customers are described in each contract and revenue is recognised on the following basis:</p> <p>Recurring services:</p> <p>Recurring services (monthly services for data networks, data centre, co-location and cloud and managed services) are recognised as revenue on a monthly basis as services are provided over the term of the contract. Administrative setup fees in relation to signing up a customer on a contract are capitalised and recognised as revenue over the period of the contract, normally between 12 and 36 months.</p> <p>With the exception of maintenance contracts within Comlinx, recurring services are invoiced to customers monthly and will give rise to a contract asset for services provided which will not be invoiced until the subsequent month (such as call &amp; data usage), or a contract liability for services which in some instances are invoiced monthly in advance (such as access or fixed plan charges).</p> <p>Maintenance contracts within Comlinx are generally invoiced up front with a contract liability recognised at the date of invoicing. A contract asset is also recognised in relation to the vendor cost paid upfront for each maintenance contract. The revenue and expense in relation to each maintenance contract is recognised over the period of service, typically between 12 to 36 months.</p> <p>Non-recurring services:</p> <p>For non-recurring services, where no breakdown of individual service performance obligations are outlined in a contract, services are taken to be provided to the customer at the conclusion of the contract, at which point revenue for these services will be recognised, otherwise revenue is recognised as each performance obligation is met based on either:</p> <ul style="list-style-type: none"> <li>• The price allocated to each performance obligation under the contract; or</li> <li>• Where no price has been allocated to individual performance obligations, the total revenue per the contract, allocated based on the weighted sales price for each performance obligation had they been sold individually.</li> </ul> <p>Where there is a difference in timing between payment milestones and completion of performance obligations the following will be recognised:</p> <ul style="list-style-type: none"> <li>• A contract liability is recognised where a payment milestone is invoiced prior to the satisfaction of performance obligations.</li> <li>• A contract asset is recognised where a performance obligation is met, however under the relevant contract the amount is not yet able to be invoiced.</li> </ul>	<p>Under AASB 118, rendering of services revenue is recognised by reference to when the service has been provided. In the case of voice revenue, this is the timing of the phone calls made, whilst for the Data Networks, Data Centre Co-Location and Cloud Services divisions, it is generally the monthly provision of, or access to, the service.</p> <p>Under AASB 15, administrative setup fees will now be capitalised and recognised as revenue over the period of the relevant contract.</p> <p>There will also be larger fluctuations in both accrued income and unearned income (contract assets and liabilities) with movement dependent on the specific terms of individual contracts in place at each reporting period end. This is predominately due to the acquisition of Comlinx which has larger project based contracts and larger maintenance contracts which are paid up front compared with the other companies within the group, which predominately bill on a monthly basis as services are provided.</p>

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

(iii) Contract assets, liabilities and costs

Contract assets

The group recognises a contract asset (excluding any amounts presented as a receivable) where it has satisfied a performance obligation under a contract before the customer pays consideration or before payment is due. Contract assets are assessed for impairment in accordance with the accounting policy described in Note 3(a)(ii). Contract assets are reclassified to receivables when the group has an unconditional right to consideration.

*Contract liabilities*

The group recognises a contract liability where it has received or is unconditionally entitled to receive consideration before there is a transfer of goods or services to a customer. A contract liability represents the group's obligation to transfer goods or services to a customer for which it has received consideration.

*Contract costs*

The group capitalises costs incurred to fulfil a contract provided the costs relate directly to a contract, can be specifically identified, the costs will generate or enhance resources of the group that will be used in satisfying performance obligations in the future and the costs are expected to be recovered. The most common contract cost of the group is direct labour costs incurred in providing services. Contract costs are amortised over the expected life of the contract, and is assessed for impairment to the extent that the carrying amount of the asset exceeds the remaining amount of consideration expected to be received to which the asset relates, less costs that relate directly to providing goods or services and that have not been recognised as expenses.

## (iv) Transition

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

**NOTE 4: OPERATING SEGMENTS & PRODUCT LINES**

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

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

**A. DESCRIPTION OF PRODUCT LINES**

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

**Data Networks and Internet**

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

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

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

**Voice**

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

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



### Cloud and Managed Services

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

#### Infrastructure as a Service (IaaS):

Forming the base of a fully outsourced infrastructure solution. The group offers its customers a range of IaaS platforms with cloud-based server, storage and network services.

#### Hosted PBX:

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

#### Managed Services:

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

#### Equipment:

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

### Data Centre Co-location

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

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

The breakdown of revenue has been shown below geographically and by Product Line, split between revenue derived from the transfer of goods and services over time and at a point in time.

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



**NOTE 5: OTHER INCOME**

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

**NOTE 6: EXPENSES**

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

**NOTE 6: EXPENSES (CONTINUED)**

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

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

**NOTE 7: INCOME TAX EXPENSE**

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

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

**NOTE 8: EARNINGS PER SHARE**

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

**NOTE 9: CASH & CASH EQUIVALENTS**

	Consolidated	
	2019	2018
	\$,000	\$,000
<b>Cash &amp; Cash Equivalents (Current)</b>		
Cash on Hand	1	1
Cash at Bank	10,324	7,012
<b>Total Cash &amp; Cash Equivalents</b>	<b>10,325</b>	<b>7,013</b>
<b>Reconciliation to Cash and Cash Equivalents at the End of the Financial Year</b>		
The above figures are reconciled to cash and cash equivalents at the end of the financial year as shown in the statement of cash flows as follows:		
<b>Balance as Above</b>	<b>10,325</b>	<b>7,013</b>
<b>Balance as per Statement of Cash Flows</b>	<b>10,325</b>	<b>7,013</b>

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

## NOTE 10: TRADE & OTHER RECEIVABLES

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

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

### Impairment of Receivables

The group has applied the lifetime expected loss model for calculating the loss allowance on trade receivables. The accounting policies in relation to the calculation of expected credit losses is outlined in Note 3. Assumptions underpinning the expected credit loss model and other information on credit risk is outlined in Note 25.

### Loss allowance at 30 June

The aging of the impaired receivables provided for above are as follows:

Gross Trade Receivables	6,030	3,053
Less expected credit loss for specific balances	(127)	(232)
	5,903	2,821
Expected credit loss - Based on weighted expected loss rate on remaining balances at 1.09% for 30 June 2019 (2018: 2.50%)	(64)	(70)
<b>Total Loss Allowance</b>	<b>(191)</b>	<b>*(302)</b>

\* Prior year loss allowance of \$303K was not adjusted based on calculation of loss allowance of \$302K on adoption of AASB 9.

Movements in Loss Allowance of Receivables is as Follows:

Opening Balance	303	80
Amounts restated through opening retained earnings	-	-
Opening loss allowance calculated under AASB 9	303	80
Additional Provision Recognised	156	249
Receivables Written off During the Year as Uncollectable	(268)	(26)
Unused amount reversed	-	-
<b>Closing Balance</b>	<b>191</b>	<b>303</b>

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

**NOTE 11: INVENTORIES**

	Consolidated	
	2019	2018
	\$ ,000	\$ ,000
<b>Inventories (Current)</b>		
Finished Goods – at Net Realisable Value	217	263
<b>Total Inventories</b>	<b>217</b>	<b>263</b>

**NOTE 12: OTHER ASSETS**

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

Other assets increased due to the inclusion of prepaid maintenance contracts following the acquisition of Comlinx. This should be read in conjunction with the corresponding Unearned Income - Maintenance Contracts, at Note 19.

**NOTE 13: PLANT & EQUIPMENT**

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

**Reconciliations**

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

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

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

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

**NOTE 14: INTANGIBLES**

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

**Reconciliations**

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

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

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



**Finite Life Intangible Assets**

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

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

**Impairment Disclosures**

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

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

**Impairment Testing of Goodwill**

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

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

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

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

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

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

**Impairment Charge for Goodwill**

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

**Impact of possible changes in key assumptions**

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

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

**NOTE 15: TRADE & OTHER PAYABLES**

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

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

**NOTE 16: BORROWINGS**

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

**Equipment Financing**

Lease liabilities are secured by the underlying leased assets.

**Westpac Term Loan**

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

**Loan Covenants**

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

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

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

**Facilities Available**

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

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

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

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

**NOTE 17: CURRENT TAX LIABILITY**

	Consolidated	
	2019	2018
	\$ ,000	\$ ,000
<b>Current Tax Liability</b>		
Provision For Income Tax Payable	1,046	977
<b>Total Current Tax Liability</b>	<b>1,046</b>	<b>977</b>

**NOTE 18: EMPLOYEE BENEFITS**

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

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

**Amounts Not Expected to be Settled Within the Next 12 Months:**

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

**NOTE 19: UNEARNED INCOME**

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

Unearned income increased due to the inclusion of Unearned Income - Maintenance Contracts, following the acquisition of Comlinx. This should be read in conjunction with the corresponding prepaid maintenance contracts, at Note 12.

**NOTE 20: DEFERRED TAX**

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

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

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

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

## NOTE 21: ISSUED CAPITAL

	Consolidated	
	2019	2018
	\$,000	\$,000
<b>Issued Capital</b>		
Ordinary Shares – Fully Paid	43,884	12,246
<b>Total Issued Capital</b>	<b>43,884</b>	<b>12,246</b>

<b>Movements in ordinary share capital</b>				
	<b>Date</b>	<b>No. of Shares</b>	<b>Issue Price</b>	<b>Paid up Amount</b>
		,000	\$	\$,000
Balance	1 Jul 2017	43,531		11,308
Shares Issued on Acquisitions	1 Nov 2017	382	2.04	781
ESOP Shares Vested from Performance Rights	26 Feb 2018	50	-	109
Employee Share Plan	18 Apr 2018	35	2.77	97
Tax Effect of Capitalised Costs of IPO	30 Jun 2018	-	-	(49)
<b>Balance</b>	<b>30 June 2018</b>	<b>43,998</b>		<b>12,246</b>
ESOP Shares vested from Performance Rights	23 Aug 2018	50	-	109
Shares issued on Capital Raise	25 Oct 2018	5,000	4.30	20,627
Shares issued on Acquisitions	1 Nov 2018	1,263	4.60	5,794
Share placement	19 Nov 2018	1,163	4.30	4,814
ESOP Shares Vested from Performance Rights	10 Dec 2018	100	-	218
Employee Share Plan	21 May 2019	28	4.88	135
Tax Effect of Capitalised Costs of IPO	30 Jun 2019	-	-	(59)
<b>Balance</b>	<b>30 June 2019</b>	<b>51,602</b>		<b>43,884</b>

**ORDINARY SHARES**

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

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

**SHARE BASED PAYMENTS - EMPLOYEE SHARES**

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

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

**SHARE BASED PAYMENTS – PERFORMANCE RIGHTS**

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

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

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

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

**CAPITAL RISK MANAGEMENT**

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

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

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

**NOTE 22: RETAINED PROFITS**

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



**NOTE 23: EQUITY – DIVIDENDS**

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

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

<b>Ex date</b>	9 September 2019
<b>Record Date</b>	10 September 2019
<b>Payment Date</b>	10 October 2019

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

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

**NOTE 24: BUSINESS COMBINATIONS****(a) Acquisition of Access Digital Networks Pty Ltd (Trading as Access Digital)**

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

The original contracted price was \$14,500K, comprising upfront consideration comprised \$10,440K in cash, plus 567,393 OTW shares (\$2,610K in OTW shares at an issue price of \$4.60, being the volume weighted average price for the 10 trading days prior to the announcement of the acquisition), plus or minus a net assets adjustment to reflect the profits retained in the business by the vendor at settlement. Upon completion of the settlement accounts, the net tangible assets adjustment is \$249K payable to the vendor. Accordingly, the provisional adjusted purchase price is \$14,749K.

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

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

**(b) Details on acquisitions**

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

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

Under the agreement, the vendor and its affiliates are restrained for five years from engaging in business similar to or in competition with the business of Access Digital in Australia, including being restrained from inducing an employee of Access Digital to terminate their employment or soliciting any clients of Access Digital. The vendor has provided customary warranties including those relating to the share capital of Access Digital, that there are no liabilities or encumbrances, information relating to the accounts and records of Access Digital and tax related matters.

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

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

Access Digital Networks	
	<b>Nov 2018</b>
	\$,000
<b>Assets</b>	
<b>Current Assets</b>	
Cash & Cash Equivalents	164
Trade & Other Receivables	287
Other Assets	120
<b>Total Current Assets</b>	<b>571</b>
<b>Non-Current Assets</b>	
Property, Plant & Equipment	346
Intangible Assets	5,506
Other Non-Current Assets	45
<b>Total Non-Current Assets</b>	<b>5,897</b>
<b>Total Assets</b>	<b>6,468</b>
<b>Liabilities</b>	
<b>Current Liabilities</b>	
Trade & Other Payables	292
Borrowings (Related Party)	4,848
Income Tax	108
Borrowings	7
Employee Benefits	46
<b>Total Current Liabilities</b>	<b>5,301</b>
<b>Non-Current Liabilities</b>	
Deferred Tax Liabilities	887
Borrowings	25
Employee Benefits	6
<b>Total Non-Current Assets</b>	<b>918</b>
<b>Total Liabilities</b>	<b>6,219</b>
<b>Net Assets</b>	<b>249</b>

**Acquired Intangibles**

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

**(c) Acquisition of Comlinx Pty Ltd (Trading as Comlinx)**

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

The original contracted price was \$20,000K, comprising upfront consideration comprised \$12,800K in cash, plus 695,655 OTW shares (\$3,200K in OTW shares at an issue price of \$4.60, being the volume weighted average price for the 10 trading days prior to the announcement of the acquisition), plus or minus a working capital adjustment to reflect the profits retained in the business by the vendors at settlement. Upon completion of the settlement accounts, the working capital adjustment is \$276K payable to the vendors. Accordingly, the provisional adjusted purchase price is \$20,276K.

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

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

**(d) Details on acquisitions**

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

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

Under the agreement, the vendors and their affiliates are restrained for five years from engaging in business similar to or in competition with the business of Comlinx in Australia, including being restrained from inducing an employee of Comlinx to terminate their employment or soliciting any clients of Comlinx. The vendors have provided customary warranties including those relating to the share capital of Comlinx, that there are no liabilities or encumbrances, information relating to the accounts and records of Comlinx and tax related matters.

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

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

Comlinx	
	Nov 2018 \$,000
<b>Assets</b>	
<b>Current Assets</b>	
Cash & Cash Equivalents	748
Trade & Other Receivables	1,748
Inventory	209
Income Tax	61
Other Assets	1,976
<b>Total Current Assets</b>	<b>4,742</b>
<b>Non-Current Assets</b>	
Property, Plant & Equipment	768
Deferred Tax	25
Other Non-Current Assets	438
<b>Total Non-Current Assets</b>	<b>1,231</b>
<b>Total Assets</b>	<b>5,973</b>
<b>Liabilities</b>	
<b>Current Liabilities</b>	
Trade & Other Payables	1,393
Unearned Income	2,742
Employee Benefits	213
<b>Total Current Liabilities</b>	<b>4,348</b>
<b>Non-Current Liabilities</b>	
Unearned Income	539
Employee Benefits	23
<b>Total Non-Current Assets</b>	<b>562</b>
<b>Total Liabilities</b>	<b>4,910</b>
<b>Net Assets</b>	<b>1,063</b>

**Acquired Intangibles**

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

## NOTE 25: FINANCIAL RISK MANAGEMENT

### FINANCIAL RISK MANAGEMENT OBJECTIVES

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

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

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

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

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

### TREASURY RISK MANAGEMENT

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

### FINANCIAL RISK EXPOSURES AND MANAGEMENT

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

### FOREIGN CURRENCY RISK

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

### LIQUIDITY RISK

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

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

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



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

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

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

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

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

## CREDIT RISK

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

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

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

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

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

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

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

	Consolidated	
	2019 \$ ,000	2018 \$ ,000
<b>Cash &amp; Cash Equivalents</b>		
Aa3 Rated	10,131	7,008
A1 Rated	193	4
Unallocated	1	1
<b>Total Cash &amp; Cash Equivalents</b>	<b>10,325</b>	<b>7,013</b>

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

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

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

### INTEREST RATE AND MARKET RISK

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

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

### SENSITIVITY ANALYSIS

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

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

	Consolidated	
	2020 \$ ,000	2021 \$ ,000
2% Decrease in Interest Rates	154	81
1% Decrease in Interest Rates	77	42

1% Increase in Interest Rates	(78)	(44)
2% Increase in Interest Rates	(157)	(90)
3% Increase in Interest Rates	(237)	(138)

### DEBT MATURITY AND REFINANCING RISK

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

## NOTE 26: REMUNERATION OF AUDITORS

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

## NOTE 27: CONTINGENT ASSETS & LIABILITIES

### CONTINGENT ASSETS

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

### CONTINGENT LIABILITIES

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

## NOTE 28: CAPITAL & LEASING COMMITMENTS

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

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

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

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

## NOTE 29: CASH FLOW INFORMATION

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

**(b) Reconciliation of Cash Flows from Financing Activities**

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

**NOTE 30: PARENT INFORMATION**

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

**PARENT ENTITY STATEMENT OF FINANCIAL POSITION**

As At 30 June 2019

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

## PARENT ENTITY STATEMENT OF COMPREHENSIVE INCOME

For Year Ended 30 June 2019

	2019 \$,000	2018 \$,000
<b>Total Profit</b>	<b>5,509</b>	<b>1,170</b>
<b>Total Comprehensive Income</b>	<b>5,509</b>	<b>1,170</b>

## GUARANTEES AND CONTRACTUAL COMMITMENTS

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

## CONTINGENT LIABILITIES

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

## NOTE 31: RELATED PARTY TRANSACTIONS

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

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

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

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

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

## KEY MANAGEMENT PERSONNEL (KMP) COMPENSATION

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

Detailed remuneration disclosures are provided in the remuneration report on pages 20 to 24.

## NOTE 32: SHARE-BASED PAYMENTS - PERFORMANCE RIGHTS

### EMPLOYEE SHARE PLAN

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

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

### PERFORMANCE RIGHTS

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

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

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



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

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

#### Fair Value of Performance Rights Issued

30 June 2018	Opening Balance	Granted	Vested	Closing Balance	Weighted Average Fair Value
	Qty	Qty	Qty	Qty	\$
Mike Stabb	100,000	29,920	(25,000)	104,920	249,882
Ben Cornish	100,000	29,920	(25,000)	104,920	249,882
Dennis Muscat	-	19,946	-	19,946	57,572
Daniel Roates	-	19,946	-	19,946	57,572
<b>TOTAL</b>	<b>200,000</b>	<b>99,732</b>	<b>(50,000)</b>	<b>249,732</b>	<b>614,908</b>
30 June 2019	Opening Balance	Granted	Vested	Closing Balance	Weighted Average Fair Value
	Qty	Qty	Qty	Qty	\$
Mike Stabb	104,920	13,333	(75,000)	43,253	45,422
Ben Cornish	104,920	13,333	(75,000)	43,253	45,422
Gary Pittorino	-	10,400	-	10,400	1,785
Dennis Muscat	19,946	8,889	-	28,835	30,281
Daniel Roates	19,946	8,889	-	28,835	30,281
Rebecca Tuma	-	8,889	-	8,889	1,526
<b>TOTAL</b>	<b>249,732</b>	<b>63,733</b>	<b>(150,000)</b>	<b>163,465</b>	<b>154,717</b>

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

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

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

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

## NOTE 33: SUBSIDIARIES

	Consolidated		
	2019	2018	
The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policies described in Note1:			
Name of Entity	Country of Incorporation	Equity Holding	Equity Holding
Over the Wire Pty Ltd	Australia	100 %	100 %
Netsip Pty Ltd	Australia	100 %	100 %
Faktortel Pty Ltd (Acquired 28 July 2015)	Australia	100 %	100 %
Faktortel Holdings Pty Ltd (Acquired 28 July 2015)	Australia	100 %	100 %
Aero Telecom Pty Ltd (Acquired 28 July 2015)	Australia	100 %	100 %
Sanity Holdings Pty Ltd ( Acquired 30 November 2015)	Australia	100 %	100 %
OTW Corp Pty Ltd ( Registered 25 September 2015)	Australia	100 %	100 %
Telarus Pty Ltd ( Acquired 16 January 2017)	Australia	100 %	100 %
VPN Solutions Pty Ltd (Acquired 1 November 2017)	Australia	100 %	100 %
Access Digital Networks Pty Ltd (Acquired 1 November 2018)	Australia	100 %	0 %
Comlinx Pty Ltd (Acquired 1 November 2018)	Australia	100 %	0 %

## NOTE 34: SUBSEQUENT EVENTS

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

<b>Ex date</b>	9 September 2019
<b>Record Date</b>	10 September 2019
<b>Payment Date</b>	10 October 2019

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

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

# DIRECTORS' DECLARATION

In the directors' opinion:

- i The financial statements and notes set out on pages 16 to 68 are in accordance with the *Corporations Act 2001*, including:
  - a complying with Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS) and the *Corporations Regulations 2001*; and
  - b giving a true and fair view of the financial position as at 30 June 2019 and of the performance for the year ended on that date of the company and consolidated group;
- ii There are reasonable grounds to believe that the consolidated group will be able to pay its debts as and when they become due and payable.

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

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



**Michael Omeros**  
Managing Director

Brisbane  
15 August 2019



**John Puttick**  
Chair Person

Brisbane  
15 August 2019

PKF Brisbane Audit



## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF OVER THE WIRE HOLDINGS LIMITED

#### Report on the Financial Report

##### Opinion

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

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

- a) Giving a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of its performance for the year ended on that date; and
- b) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

##### Basis for Opinion

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

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

##### Independence

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

##### Key Audit Matters

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

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## 1. Impairment testing of intangible assets

### Why significant

As at 30 June 2019 the carrying value of intangible assets was \$74.8m (2018: \$36.6m), as disclosed in Note 14. This represents 71% of total assets.

The Group's accounting policy in respect of intangible assets is outlined in Note 1.

An annual impairment test for goodwill and other indefinite life intangible assets is required under Australian Accounting Standard (AASB) 136 Impairment of Assets.

The evaluation of the recoverable amount requires the Group to exercise significant judgement in determining the key assumptions, which include:

- 5 year cash flow forecast
- Terminal growth factor
- Discount rate
- The determination that the Group has one CGU, being the whole Group

The outcome of the impairment assessment could vary if different assumptions were applied. As a result, the evaluation of the recoverable amount of intangible assets including goodwill is an area of significant estimation and judgement.

### How our audit addressed the key audit matter

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

- assessing and challenging:
  - the FY20 budget by comparing the budget to FY19 and FY 18 actuals
  - the assumptions used for the growth rate by comparing normalised average growth rate from FY18 to FY19 to the growth rate adopted in the impairment model
  - the key assumptions for long term growth in the forecast cash flows by comparing them to historical results and industry forecasts; and
  - the discount rate applied by comparing the WACC to industry benchmarks
- testing, on a sample basis, the mathematical accuracy of the cash flow models;
- agreeing inputs in the cash flow models to relevant data including approved budgets and latest forecasts
- performing sensitivity analysis in relation to key assumptions including discount rate, growth rate and terminal value

Additionally, as part of our procedures:-

- we assessed the Group's determination of Cash Generating Units (CGUs); and
- we assessed the appropriateness of the disclosures including those relating to sensitivities in the assumptions used, included in Note 14.



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

### Why significant

During the year, the Group acquired the shares of Access Digital Networks Pty Ltd and Comlinx Pty Ltd. As disclosed in Note 24, as part of the transaction, goodwill of \$12.732m, brand value of \$2.05m, and customer list / relationships of \$26.7m were recognised.

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

### How our audit addressed the key audit matter

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

- Obtaining a detailed understanding of the acquired business
- Assessing the competency and objectivity of the independent expert and the scope of their work
- Analysing the independent expert's report to understand the valuation methodology and key judgements made in determining the fair values such as:
  - EBIT multiples
  - Growth rates
  - Customer retention rates
  - Estimated useful lives
  - Internal rate of return
- Assessing the appropriateness of the valuation methodology of the intangible assets employed by the external expert and evaluating the key assumptions used in determining the fair values

In addition, we assessed the appropriateness of the disclosures in relation to both the business combination and intangible assets acquired included in note 24.



### 3. Recognition of Revenue

#### Why significant

The recognition of revenue, totalling \$79.6m and associated unearned revenue liabilities of \$2.6m is considered a key audit matter due to the number of different revenue streams and the complexity in the nature and timing of revenue generated by the Group through each stream.

Note 4 to the financial statements details the revenue streams of the Group and associated accounting policies. Revenue amounts are disclosed in the Consolidated Statement of Comprehensive Income, and associated unearned revenue liabilities are disclosed in Note 19 and the Consolidated Statement of Financial Position.

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

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

We performed procedures on the significant revenue streams as noted below and as disclosed in Note 4 to the financial statements:

- Data networks and internet
- Voice
- Cloud and managed services
- Data centre co-location

For a sample of contracts across each of the revenue streams, we evaluated the individual contract and agreed revenue amounts to the financial statements and other records such as bank statements. As part of these procedures we assessed the values recorded and the timing of recognition over the service period.

We considered the adequacy of the Group's revenue recognition accounting policies and assessed compliance with the policies in terms of applicable Australian Accounting Standards.

#### Other Information

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

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

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

#### Directors' Responsibilities for the Financial Report

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



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

### Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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

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

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

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

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

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





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

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

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

### Report on the Remuneration Report

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

### Opinion

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

A stylized signature in blue ink, appearing to read 'PKF'.

PKF BRISBANE AUDIT

A handwritten signature in blue ink, appearing to read 'Liam Murphy'.

LIAM MURPHY  
PARTNER

15 AUGUST 2019  
BRISBANE