

ASX RELEASE

19 February 2020

4D & Interim Financial Report

Over the Wire Holdings Limited (ASX:OTW) attaches its Appendix 4D & Interim Financial report for the half year ended 31 December 2019.

This release was authorised for release to the market by the Board.

Further queries can be directed to:

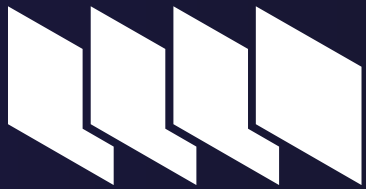
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Yours faithfully



Mike Stabb
Company Secretary



Over the Wire

Interim Report

APPENDIX 4D
HALF YEAR REPORT
31 DECEMBER 2019

Over the Wire Holdings Limited
ACN 151 872 730



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GENERAL INFORMATION

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

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

Over the Wire Holdings Limited is a listed public company limited by shares, incorporated and domiciled in Australia.

Registered Office & Principal Place of Business:

Level 24
100 Creek Street
Brisbane Qld 4000

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

The interim financial report was authorised for issue, in accordance with a resolution of directors on 19 February 2020. The directors have the power to amend and/or reissue the interim financial report.

APPENDIX 4D

INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2019

(PREVIOUS CORRESPONDING PERIOD: HALF YEAR ENDED 31 DECEMBER 2018)

RESULTS FOR ANNOUNCEMENT TO THE MARKET:

Key Information:

Movements in ordinary share capital	Consolidated			
	Dec 2019	Dec 2018 (restated)	Change	Change
	\$,000	\$,000	\$,000	%
Revenue from Ordinary Activities	42,900	34,339	8,561	25
Profit / (Loss) after Tax from Ordinary Activities Attributable to Members	2,316	3,176	(860)	(27)
Profit / (Loss) Attributable to Members	2,316	3,176	(860)	(27)

Dividends Paid	Amount per Security	Franked Amount per Security
	cents	cents
Ordinary Shares		
2019 Final - Paid 10 October 2019	2.0	2.0

The fully franked final dividend relates to the financial reporting period ending 30 June 2019.

December 2018 results were restated as a result of the Company adopting AASB 16: Leases. Profit after tax for the period ended 31 December 2018 before restatement was \$3,159k. For details on the prior period impact of adopting AASB 16, please refer to Note 2 in the accompanying interim financial statements. The adoption of AASB 16 did not have any impact on revenue.

SUBSEQUENT EVENT - DIVIDEND DECLARED

On 19 February 2020, The Company declared a fully franked interim dividend of 1.5 cents per share, for the six months ended 31 December 2019. The dates of the dividend are as follows:

Ex date	- 9 March 2020
Record Date	- 10 March 2020
DRP Election Close Date	- 11 March 2020
Payment Date	- 7 April 2020

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

The Company operates a dividend reinvestment plan (DRP) that is available to holders of fully paid ordinary shares who have a registered address in Australia or New Zealand. Shareholders who wish to commence participation in the DRP, or to vary their current participation election, must do so by 5:00pm (AEST) on 11 March 2020.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There have been no significant changes in the state of affairs of the consolidated group for the half year ended 31 December 2019.

EXPLANATION OF KEY INFORMATION AND DIVIDENDS

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

	Dec 2019	Jun 2019 (restated)
	Cents	Cents
Net Tangible Assets Per Security		
Net tangible asset per share	(16.85)	(25.77)

Net Tangible Assets per share has increased over the six months to December 2019 predominately due to a decrease in tangible liabilities, along with a small increase in shares issued. Restatement of balances due to the adoption of AASB 16: Leases overall resulted in a significant decrease in Net Tangible Assets due to all right of use assets recognised under AASB 16 being considered intangible in nature, while requiring the corresponding lease liabilities to be included in the net tangible asset calculation.

	Dec 2019	Dec 2018 (restated)
	Cents	Cents
Earnings Per Share		
Basic Earnings Per Share	4.488	6.819
Diluted Earnings Per Share	4.474	6.789

Earnings per share decreased due to a decrease in net profit after tax as well as a small increase in shares issued during the period.

REVIEW CONCLUSION

The consolidated group's financial report for the half year ended 31 December 2019 has been subject to review by its auditor, and an unqualified conclusion was received.

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 half-year ended 31 December 2019.

DIRECTORS

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

REVIEW OF OPERATIONS

The consolidated 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 consolidated entity offers an integrated product suite of the following services to businesses in Australia and New Zealand:

- Data Networks and Internet;
- Voice;
- Security and Managed Services; and
- Hosting

Comparative results were restated as a result of the Company adopting AASB 16: Leases. For details on the prior period impact of adopting AASB 16, please refer to Note 2 in the accompanying interim financial statements.

Revenue

Total revenue from ordinary activities for the half-year was \$42,900K (H1 FY 2018: \$34,339K), representing an increase of 25% on the corresponding half-year, predominately due to a full six months contribution from both Comlinx and Access Digital which were acquired on 1 November 2018. Results across the group include the following:

- Recurring revenue from Voice and Hosting increased when compared to the comparative period primarily due to organic growth, as did the profit margins and overall profitability from recurring revenue.
- Non-recurring revenue from one-off transactions such as hardware sales, software sales, and projects also increased when compared to the comparative period, however this was due to the extra months contributions from Comlinx and Access Digital.

Expenses

The consolidated group incurred expenses (excluding tax) of \$39,614K (H1 FY18 restated: \$29,792K), representing an increase of 33% on the corresponding half year, predominately due to a full six months contribution from both Comlinx and Access Digital which were acquired on 1 November 2018.

Net Profit after Tax

The consolidated group made a statutory Net Profit after Tax of \$2,316K (H1 FY18 restated: \$3,176K), representing a decrease of 27% on the corresponding half year. Statutory NPATA was \$3,997K (H1 FY18 restated: \$4,173K), representing a decrease of 4% on the corresponding half year. Statutory EBITDA was \$8,208K (H1 FY18 restated: \$8,146K), representing an increase of 1% on the corresponding half year.

The decrease in profitability has been due to increased investment in the sales team to drive future organic revenue growth, as well as additional investment in software developers to drive automation and reduce future costs. While profitability has decreased, the consolidated entity continues to effectively manage costs in the underlying business and is progressively recognising cost synergies in the acquired entities.

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

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

Set out below is a reconciliation of NPAT and EBITDA.

	Consolidated	
	Dec 2019	Dec 2018 (restated)
	\$,000	\$,000
Net Profit after Tax (NPAT)	2,316	3,176
Amortisation (Acquired Intangibles)	2,401	1,424
Income Tax Expense (benefit) on amortisation of acquired intangibles	(720)	(427)
Net Profit after Tax before Amortisation (NPATA)	3,997	4,173
Amortisation (Internally Generated Software & Borrowing Costs)	287	153
Income Tax Expense	1,691	1,819
Depreciation	2,036	1,706
Finance Costs	197	295
EBITDA	8,208	8,146

Earnings Per Share

The earnings per share of the Company (as set out below) decreased by 34% compared to the corresponding period last half year. Earnings per share decreased due to a decrease in net profit after tax as well as a small increase in shares issued during the period.

	Dec 2019	Dec 2018 (restated)
	Cents	Cents
Earnings Per Share		
Basic Earnings Per Share	4.488	6.819
Diluted Earnings Per Share	4.474	6.789

Cash and cash equivalents

As at 31 December 2019 the consolidated group has \$7,377K in cash or cash equivalents. This represents a decrease of \$2,948k in the six-month period, primarily due to a combination of the payment for Access Digital's earnout (\$1,427K), Dividend paid in Oct 2019 (Cash component of \$1,008K) and deposit for fitout of the group's new premises (\$651k). The group continues to show positive cash flows from operations through continued profitable trading, and strong ongoing conversion of this profit into cash, as shown in the Consolidated Statement of Cash Flows.

SUBSEQUENT EVENTS

On 19 February 2020, the company declared a fully franked final dividend of 1.50 cents per share, for the six months ended 31 December 2019. The dates of the dividend are as follows:

Ex Date	9 March 2020
Record Date	10 March 2020
DRP Election Close Date	11 March 2020
Payment Date	7 April 2020

As this interim dividend was declared subsequent to half-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.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration, required under section 307C of the Corporations Act 2001 is set out on page 9.

ROUNDING OF AMOUNTS

The consolidated entity 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 Instrument.

This report is made in accordance with a resolution of directors.



Michael Omeros
Managing Director

Brisbane
19 February 2020



John Puttick
Chair Person

Brisbane
19 February 2020

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

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2019, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

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

PKF BRISBANE AUDIT



CAMERON BRADLEY
PARTNER

19 FEBRUARY 2020
BRISBANE

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For Half Year Ended 31 December 2019

	Note	Consolidated	
		Dec 2019	Dec 2018 (restated) ¹
		\$,000	\$,000
Revenue from Contracts with Customers	3	42,900	34,339
Other Income		1	21
Expenses			
Data Centre & Colocation Expense		(1,713)	(1,710)
Calls & Communications Expense		(13,269)	(11,691)
Other Cost of Goods Sold		(7,190)	(3,261)
Employee Benefits Expense		(10,910)	(8,345)
Depreciation & Amortisation Expense		(4,724)	(3,283)
Finance Costs		(197)	(295)
Other Expenses	4	(1,611)	(1,207)
Profit Before Income Tax Expense		3,287	4,568
Income Tax Expense		(971)	(1,392)
Profit After Income Tax Expense for the Year Attributable to members		2,316	3,176
Other Comprehensive Income		-	-
Other Comprehensive Income for the Year, Net of Tax		-	-
Total Comprehensive Income for the Year Attributable to members		2,316	3,176
		Cents	Cents
Basic Earnings per Share		4.488	6.819
Diluted Earnings per Share		4.474	6.789

1. Reclassified and measured amounts due to introduction of AASB 16 - see note 2 for details.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As At 31 December 2019

		Consolidated		
	Note	Dec 2019	Jun 2019 (restated) ¹	1 Jan 2019 (restated) ¹
		\$,000	\$,000	\$,000
Assets				
Current Assets				
Cash & Cash Equivalents	5	7,377	10,325	8,428
Trade & Other Receivables		9,595	8,920	7,186
Inventories		341	217	771
Other Current Assets		3,158	2,253	2,897
Total Current Assets		20,471	21,715	19,282
Non-Current Assets				
Other Non-Current Assets		222	204	428
Property, Plant & Equipment	6	10,122	10,397	10,711
Intangibles		72,517	74,844	75,555
Total Non-Current Assets		82,861	85,445	86,694
Total Assets		103,332	107,160	105,976
Liabilities				
Current Liabilities				
Trade & Other Payables		10,617	10,732	8,115
Borrowings		3,925	3,924	3,925
Lease Liability	7	869	1,149	1,486
Current Tax Liability		(812)	1,046	527
Employee Benefits		1,657	1,872	1,548
Unearned Income		3,871	2,384	4,286
Deferred Consideration		-	1,392	5,975
Total Current Liabilities		20,127	22,499	25,862
Non-Current Liabilities				
Borrowings		3,473	5,626	7,068
Lease Liability	7	2,295	2,504	2,949
Employee Benefits		280	239	251
Unearned Income		235	256	456
Deferred Tax		10,078	11,016	10,880
Total Non-Current Liabilities		16,361	19,641	21,604
Total Liabilities		36,488	42,140	47,466
Net Assets		66,844	65,020	58,510
Equity				
Issued Capital	8	44,299	43,884	43,783
Reserves		280	155	87
Retained Profits		22,265	20,981	14,640
Total Equity		66,844	65,020	58,510

1. Reclassified and measured amounts due to introduction of AASB 16 - see note 2 for details.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For Half Year Ended 31 December 2019

		Issued Capital	Share Based Payment Reserve	Retained Profits (restated) ¹	Total Equity
Consolidated	Note	\$,000	\$,000	\$,000	\$,000
Balance at 1 July 2018		12,246	361	12,125	24,732
Profit after Income Tax for the Year		-	-	3,176	3,176
Other Comprehensive Income		-	-	-	-
Total Comprehensive Income for the Year		-	-	3,176	3,176
Transactions with Owners, in their Capacity as Owners:					
Dividends Paid		-	-	(661)	(661)
Movements as a result of existing performance rights		327	(274)	-	53
Shares Issued Net of Capital Raising Costs		31,235	-	-	31,235
Tax Effect of Capitalised Costs		(25)	-	-	(25)
Balance at 31 December 2018 (restated)¹		43,783	87	14,640	58,510

		Issued Capital	Share Based Payment Reserve	Retained Profits	Total Equity
Consolidated	Note	\$,000	\$,000	\$,000	\$,000
Balance at 1 July 2019 (restated) ¹		43,884	155	20,981	65,020
Profit after Income Tax for the Year		-	-	2,316	2,316
Other Comprehensive Income		-	-	-	-
Total Comprehensive Income for the Year		-	-	2,316	2,316
Transactions with Owners, in their Capacity as Owners:					
Dividends Paid	9	-	-	(1,032)	(1,032)
Dividend Reinvestment Plan		23	-	-	23
Movements as a result of existing performance rights		-	125	-	125
Employee Share Plan		153	-	-	153
Tax Effect of Capitalised Costs		239	-	-	239
Balance at 31 December 2019		44,299	280	22,265	66,844

1. Reclassified and measured amounts due to introduction of AASB 16 - see note 2 for details.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For Half Year Ended 31 December 2019

	Note	Consolidated	
		Dec 2019 \$,000	Dec 2018 (restated) ¹ \$,000
Cash Flows from Operating Activities			
Receipts from Customers		48,089	37,576
Payments to Suppliers & Employees		(40,143)	(29,744)
		7,946	7,832
Interest Received		10	13
Interest Paid & Other Finance Costs Paid		(197)	(295)
Income Taxes Paid		(3,529)	(2,201)
Net Cash From / (Used In) Operating Activities		4,230	5,349
Cash Flows from Investing Activities			
Payments for Business Combinations (net of cash acquired)		(1,427)	(24,296)
Payments for Property, Plant & Equipment		(1,519)	(2,713)
Payments for Intangible Assets		(351)	(252)
Proceeds from Sale of Property, Plant & Equipment		-	-
Net Cash From / (Used In) Investing Activities		(3,297)	(27,261)
Cash Flows from Financing Activities			
Proceeds from Issue of Shares (net of transaction costs)		-	25,441
Proceeds from Borrowings		-	1,353
Repayment of Borrowings		(2,152)	(2,060)
Dividends Paid		(1,008)	(661)
Repayment of Lease Liability		(721)	(746)
Net Cash From / (Used In) Financing Activities		(3,881)	23,327
Net Increase (Decrease) in Cash & Cash Equivalents		(2,948)	1,415
Cash & Cash Equivalents at the Beginning of the Year		10,325	7,013
Cash & Cash Equivalents at the End of the Year	5	7,377	8,428
Non-Cash Financing Activities			
Shares Issued as Consideration for Business Acquisitions		-	5,810
Shares Issued under Dividend Reinvestment Plan		24	-

1. Reclassified and measured amounts due to introduction of AASB 16 - see note 2 for details.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For Half Year Ended 31 December 2019

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION

These general purpose interim financial statements for Over the Wire Holdings Limited ('the Company') and its controlled entities ('the consolidated entity'), for the half-year reporting period ended 31 December 2019 have been prepared in accordance with requirements of the Corporations Act 2001 and Australian Accounting Standard AASB 134: Interim Financial Reporting. The consolidated entity is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of the consolidated entity. As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the consolidated entity. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the consolidated entity for the year ended 30 June 2019, together with any public announcements made during the following half-year.

These interim financial statements were authorised for issue on 19 February 2020.

A. ACCOUNTING POLICIES

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

B. 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 consolidated entity had to change its accounting policies as a result of adopting the following standards:

- AASB 16: *Leases*

The impact of the adoption of these standards and the respective accounting policies are disclosed in Note 2.

C. 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:

Pronouncement	Nature of the change in accounting policy	Effective date	Expected impact on the financial statements
AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a business	Amendments to AASB 3 to clarify definitions of a business to assist in determining whether a transaction is a business combination or an asset acquisition.	Annual reporting periods beginning on or after 1 Jan 2020	Nil, this is a prospectively applied standard amendment.

Pronouncement	Nature of the change in accounting policy	Effective date	Expected impact on the financial statements
AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework	Revisions to the conceptual framework including: <ul style="list-style-type: none"> • New, broader asset and liability definitions • Lowering hurdles for identifying the existence of an asset or liability, putting more emphasis on reflecting uncertainty in measurement • Clarification on use of other comprehensive income 	Annual reporting periods beginning on or after 1 Jan 2020	Minimal impact is expected
AASB 2019 -3 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform	Modifications to a number of standards specific to hedge accounting requirements to provide relief from the potential effects of the uncertainty cause by the interest rate benchmark reform.	Annual reporting periods beginning on or after 1 Jan 2020	No impact expected.

NOTE 2: CHANGES IN ACCOUNTING POLICIES

This note describes the nature and effect of the adoption of AASB 16: Leases on the consolidated entity's financial statements and also discloses the new accounting policies that have been applied from 1 July 2019, where they are different to those applied in prior periods.

AASB 16 Leases was implemented by the group on 1 July 2019 and replaced the current requirements in AASB 117 Leases. This standard was applied retrospectively by the group, restating comparative information as if the standard has always applied.

Under AASB 16, a contract is a lease or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Under AASB 117, a lease was either a finance lease (on balance sheet) or an operating lease (off balance sheet). AASB 16 removes the distinction of operating and finance leases and requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for the majority of lease contracts, with some minor exemptions available, of which the group has applied the exemption regarding leases for low value assets.

The lease liabilities are measured at the present value of the remaining lease payments, discounted using the group's incremental borrowing rate at the commencement date of each lease. The right-of-use asset comprises the initial lease liability amount, plus initial direct costs incurred when entering into the lease, plus make good costs, less any lease incentives received. The right of use asset is depreciated over the term of the lease.

Under AASB 16, the consolidated statement of comprehensive income no longer includes operating lease expenditure for contracted leases, but is impacted by the recognition of additional interest and depreciation expense.

For existing finance leases previously accounted for under AASB 117, the carrying amount of the right-of-use asset and lease liability at the date of initial application shall be the carrying amount of the lease asset and lease liability immediately before the date measured applying AASB 117.

The impact on lease arrangements on adoption impacted the consolidated statement of financial position as follows:

- Recognition of right of use assets
- Recognition of additional current and non-current lease liabilities
- Derecognition of prepayments for operating leases
- Decrease in opening retained earnings

The impact on the consolidated statement of comprehensive income was:

- Decrease of operating lease rent expense
- Increase in depreciation expense

- Increase in finance costs (interest expense)

The impact on the consolidated statement of cash flows was:

- Decrease in payments to suppliers and employees
- Increase in finance costs
- Increase in payments for lease liabilities

The group has not applied any of the practical expedients included in AASB 16 as it is not applicable.

(i) *Group Policy*

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

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

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

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

The group does not apply AASB 16 to intangible assets as allowed under the standard.

(ii) *Lease Liabilities*

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

(iii) *Right of Use Assets*

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

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

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

(iv) *Key Judgements*

Discount rate

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

Lease term

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

Make good or restoration costs

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

 (v) *Quantitative impact of initial application of AASB 16*

The tables below provide details of the impact on comparative balances upon adoption of AASB 16 due to the consolidated group applying the full retrospective approach:

Consolidated Statement of Comprehensive Income	Consolidated		
	31 Dec 2018 Original \$,000	AASB 16 Adjustment \$,000	31 Dec 2018 (restated) \$,000
Expenses			
Data Centre & Co-Location Expense	(1,938)	228	(1,710)
Depreciation & Amortisation Expense	(2,744)	(539)	(3,283)
Finance Costs	(249)	(46)	(295)
Other Expenses	(1,593)	386	(1,207)
Income Tax			
Income Tax Expense	(1,380)	(12)	(1,392)
	Cents	Cents	Cents
Basic Earnings Per Share	6.780	0.039	6.819
Diluted Earnings Per Share	6.751	0.038	6.789

Consolidated Statement of Financial Position	Consolidated		
	30 Jun 2019 Original \$,000	AASB 16 Adjustment \$,000	1 Jul 2019 (restated) \$,000
Assets			
Current Assets			
Other Current Assets	2,304	(51)	2,253
Non-Current Assets			
Property, Plant & Equipment	8,043	2,354	10,397
Current Liabilities			
Borrowings	4,252	(328)	3,924
Lease Liability	-	1,149	1,149
Non-Current Liabilities			
Borrowings	6,512	(886)	5,626
Lease Liability	-	2,504	2,504
Deferred Tax	11,041	(25)	11,016
Equity			
Retained Profits	21,092	(111)	20,981

Consolidated Statement of Cash Flows	Consolidated		
	31 Dec 2018 Original \$,000	AASB 16 Adjustment \$,000	31 Dec 2018 (restated) \$,000
Cash Flows from Operating Activities			
Payments to Suppliers & Employees	(30,358)	614	(29,744)
Interest Paid	(249)	(46)	(295)
Cash Flows from Financing Activities			
Repayment of Borrowings	(2,238)	178	(2,060)
Repayment of Lease Liability	-	(746)	(746)

NOTE 3: 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.

During the current reporting period, the consolidated entity revised its four major revenue categories to better align with the purchasing decisions made by businesses, which centre around:

- Who provides their Data Network
- Who provides their Voice
- Where they host (store) their data and applications
- Who will provide security and management going forward

Accordingly, the consolidated entity is now reporting on the following four revenue product areas:

- Data Networks
- Voice
- Hosting (combining Cloud and Data Centre Co-Location)
- Security & Managed Services

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.

Hosting

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

Infrastructure as a Service (IaaS):

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

Hosted PBX:

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

Data Centre Colocation:

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

Security & Managed Services

Managed Services:

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

Equipment:

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

Security:

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

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	
	Dec 2019 \$,000	Dec 2018 \$,000
Contract Revenue by Product Line		
Data Networks and Internet	19,079	17,659
Voice	9,233	8,107
Hosting	5,100	4,216
Security & Managed Services	9,488	4,357
Total Contract Revenue by Product Line	42,900	34,339
Contract Revenue by Geographic Area		
Australasia	42,900	34,339
Total Contract Revenue by Geographic Area	42,900	34,339

				Consolidated	
				Dec 2019	Dec 2018
				\$,000	\$,000
31 December 2019		Timing of Revenue Recognition			
Contract Revenue by Product Line	At a point in time \$,000	Over time \$,000			
Data Networks and Internet	323	18,756	19,079		
Voice	376	8,857	9,233		
Hosting	3	5,097	5,100		
Security & Managed Services	6,347	3,141	9,488		
Total Contract Revenue by Product Line	7,049	35,851	42,900		
31 December 2018					
Contract Revenue by Product Line					
Data Networks and Internet	63	17,596	17,659		
Voice	142	7,965	8,107		
Hosting	1	4,215	4,216		
Security & Managed Services	2,613	1,744	4,357		
Total Contract Revenue by Product Line	2,819	31,520	34,339		

NOTE 4: OTHER EXPENSES

			Consolidated	
			Dec 2019	Dec 2018 (restated)
			\$,000	\$,000
Other Expenses				
Legal, Accounting & Business Acquisition Costs			245	310
Premises			190	98
Licenses & Subscriptions			445	292
Travel & Marketing			308	280
Loss allowance & impairment of financial assets			146	82
General Expenses			277	145
Total Other Expenses			1,611	1,207

Other expenses for the half year predominantly increased as a result of a full six months results for Access Digital Networks and Comlinx, which were acquired on 31 Oct 2018, and as such, only had two months of results in the comparative period.

NOTE 5: CASH & CASH EQUIVALENTS

	Consolidated	
	Dec 2019 \$,000	Jun 2019 \$,000
Cash & Cash Equivalents (Current)		
Cash on Hand	1	1
Cash at Bank	7,376	10,324
Total Cash & Cash Equivalents	7,377	10,325

Reconciliation to Cash and Cash Equivalents at the End of the Financial Year

The above figures are reconciled to cash and cash equivalents at the end of the financial year as shown in the statement of cash flows as follows:

Balance as Above	7,377	10,325
Balance as per Statement of Cash Flows	7,377	10,325

Cash and cash equivalents decreased during the half-year, primarily due to a combination of the payment for Access Digital's deferred consideration (\$1,427K), dividend paid in Oct 2019 (Cash component of \$1,008K) and ongoing reduction in borrowings. The Consolidated Statement of Cash flows provides greater detail on the sources and uses of cash during the year.

NOTE 6: PLANT & EQUIPMENT

	Consolidated	
	Dec 2019 \$,000	Jun 2019 (restated) \$,000
Computer, Network & IT Plant & Equipment		
Computer, Network & IT Plant & Equipment – at cost*	20,126	18,607
Less: Accumulated Depreciation	(13,167)	(11,856)
	6,959	6,751
Furniture & Fixtures		
Furniture & Fixtures – at cost	591	591
Less: Accumulated Depreciation	(465)	(428)
	126	163
Motor Vehicles		
Motor Vehicles – at cost	95	95
Less: Accumulated Depreciation	(87)	(86)
	8	9
Right of Use		
Right of Use Assets – at cost	6,068	6,392
Less: Accumulated Depreciation	(3,039)	(2,918)
	3,029	3,474
Total Plant & Equipment at written Down Value	10,122	10,397

NOTE 7: LEASE LIABILITIES

Right of use assets and lease liabilities have arisen upon adoption of AASB 16 Leases. Refer to Note 2 for further information. The Consolidated group leases office premises, data centre premises and IT Equipment across QLD, NSW, VIC & SA.

a) Lease Liabilities

	Consolidated	
	Dec 2019	Jun 2019 (restated)
	\$,000	\$,000
Current		
Lease Liability - Premises	540	821
Lease Liability - IT Equipment	329	328
Lease Liability - Current	869	1,149
Non-Current		
Lease Liability - Premises	1,571	1,618
Lease Liability - IT Equipment	724	886
Lease Liability - Non-Current	2,295	2,504
Lease Liability - TOTAL	3,164	3,653

b) Associated Right of Use Assets

The written down value of Right of Use assets that relate to the above lease liabilities are as follows. They are also included in the line item "Property, Plant & Equipment" in the Consolidated Statement of Financial Position (Refer Note 6).

	Consolidated	
	Dec 2019	Jun 2019 (restated)
	\$,000	\$,000
Right of Use Assets		
Properties	2,039	2,355
IT Equipment	990	1,119
Total Written Down Value (Note 6)	3,029	3,474

c) Amounts recognised in the Consolidated Statement of Comprehensive Income

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

	Consolidated	
	Dec 2019 \$,000	Dec 2018 (restated) \$,000
Right of Use Assets		
Depreciation charge on properties (included in depreciation & amortisation)	557	539
Depreciation charge on IT Equipment (included in depreciation & amortisation)	130	93
Interest expense on properties (included in finance costs)	47	46
Interest expense on IT Equipment (included in finance costs)	14	19
	748	697

d) Cash outflows

Total cash outflows for leases for the 6 months ended 31 December 2019 was \$782k (6 months ended 31 Dec 2018 \$794k)

e) Other information

Expense relating to low value leased assets

The expense relating to leases of low-value assets for which no lease liability or right of use asset has been recognised was \$16k for the half year ended 31 December 2019 (\$9k for the half year ended 31 December 2018).

Leases not yet commenced to which the consolidated group is committed

As at the date of this report, the consolidated group has signed a lease agreement for office premises with total cash outflows of approximately \$7,448k over the next 10 years which assumes all available options will be taken up.

NOTE 8: ISSUED CAPITAL

	Consolidated	
	2019 \$,000	2018 \$,000
Issued Capital		
Ordinary Shares – Fully Paid	44,299	43,884
Total Issued Capital	44,299	43,884

Movements in ordinary share capital

	Date	No. of Shares ,000	Issue Price \$	Paid up Amount \$,000
Balance	1 Jul 2017	43,531		11,308
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	30 Jun 2019		-	(59)
Balance	30 June 2019	51,602		43,884
Shares issued on DRP	10 Oct 2019	5	4.61	23
Employee Share Plan	13 Dec 2019	33	4.70	153
Tax Effect of Capitalised Costs	31 Dec 2019	-	-	239
Balance	31 Dec 2019	51,640		44,299

NOTE 9: EQUITY – DIVIDENDS

	Consolidated	
	Dec 2019 \$,000	Jun 2019 \$,000
Dividends		
Interim Dividends (fully franked)	-	644
Final Dividends (fully franked)	1,032	661
Total Dividends	1,032	1,305

A final fully franked dividend of 2.0 cents per share was paid in October 2019.

Subsequent to half-year end, on 19 February 2020, the company declared a fully franked interim dividend of 1.50 cents per share, for the six months ended 31 December 2019. As this interim dividend was declared subsequent to half-year end, no provision has been made in the accounts for the dividend.

NOTE 10: CONTINGENT ASSETS & LIABILITIES

CONTINGENT ASSETS

The group had no contingent assets as at 31 December 2019 and 30 June 2019.

CONTINGENT LIABILITIES

The group had no contingent liabilities as at 31 December 2019 and 30 June 2019.

NOTE 11: SUBSIDIARIES

	Consolidated		
	Dec 2019	Jun 2019	
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 %	100 %
Comlinx Pty Ltd (Acquired 1 November 2018)	Australia	100 %	100 %

NOTE 12: SUBSEQUENT EVENTS

On 19 February 2020, the company declared a fully franked interim dividend of 1.50 cents per share, for the six months ended 31 December 2019. The dates of the dividend are as follows:

Ex date	9 March 2020
Record Date	10 March 2020
DRP Election Close Date	11 March 2020
Payment Date	7 April 2020

As this interim dividend was declared subsequent to half-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 10 to 25 are in accordance with the Corporations Act 2001, including:
 - a complying with Accounting Standard AASB 134: Interim Financial Reporting, and the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
 - b giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and
- 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.

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



Michael Omeros
Managing Director

Brisbane
19 February 2020



John Puttick
Chair Person

Brisbane
19 February 2020

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

Conclusion

We have reviewed the accompanying half-year financial report of Over the Wire Holdings Limited ("the company"), which comprises the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the half-year's end or from time to time during the financial half-year.

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019, and of its financial performance for the half-year ended on that date; and
- (b) complying with the Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. In accordance with the *Corporations Act 2001*, we have given the directors of the company a written Auditor's Independence Declaration.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and its



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

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

PKF BRISBANE AUDIT

A handwritten signature in blue ink, appearing to read 'C Bradley', is positioned below the 'PKF BRISBANE AUDIT' header.

CAMERON BRADLEY
PARTNER

19 FEBRUARY 2020
BRISBANE



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