



Overthe**Wire**

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# ANNUAL REPORT 2016

Over the Wire Holdings Limited  
ACN 151 872 730

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ACN 151 872 730

Over the Wire Holdings Limited

Share Register

Auditor

Solicitors



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# CHAIRMAN'S LETTER

On behalf of the Board of  
Over the Wire Holdings Limited,  
it is with great pleasure that we  
present to you the annual report  
for the 2016 financial year.

## Highlights of the year

- Revenue increased by 46% to \$23.6m
- EBITDA increased by 54% to \$5.4m
- NPAT increased by 45% to \$2.8m
- Achieved customer retention of 97.1%
- Successfully acquired and integrated Faktortel, Sanity Technology and Spiderbox
- Successfully completed Initial Public Offering (IPO) in December 2015

The year's success is attributed to strong contributions across all four product divisions – Data Networks, Voice, Cloud & Managed Services and Data Centre colocation. Particularly pleasing was the overall organic growth of 25%, with each division significantly contributing.

The overall strong performance, which exceeded our Prospectus forecasts, has also allowed the Board to declare a maiden dividend of 1.0 cents per share fully franked, for the period from listing to 30 June 2016.

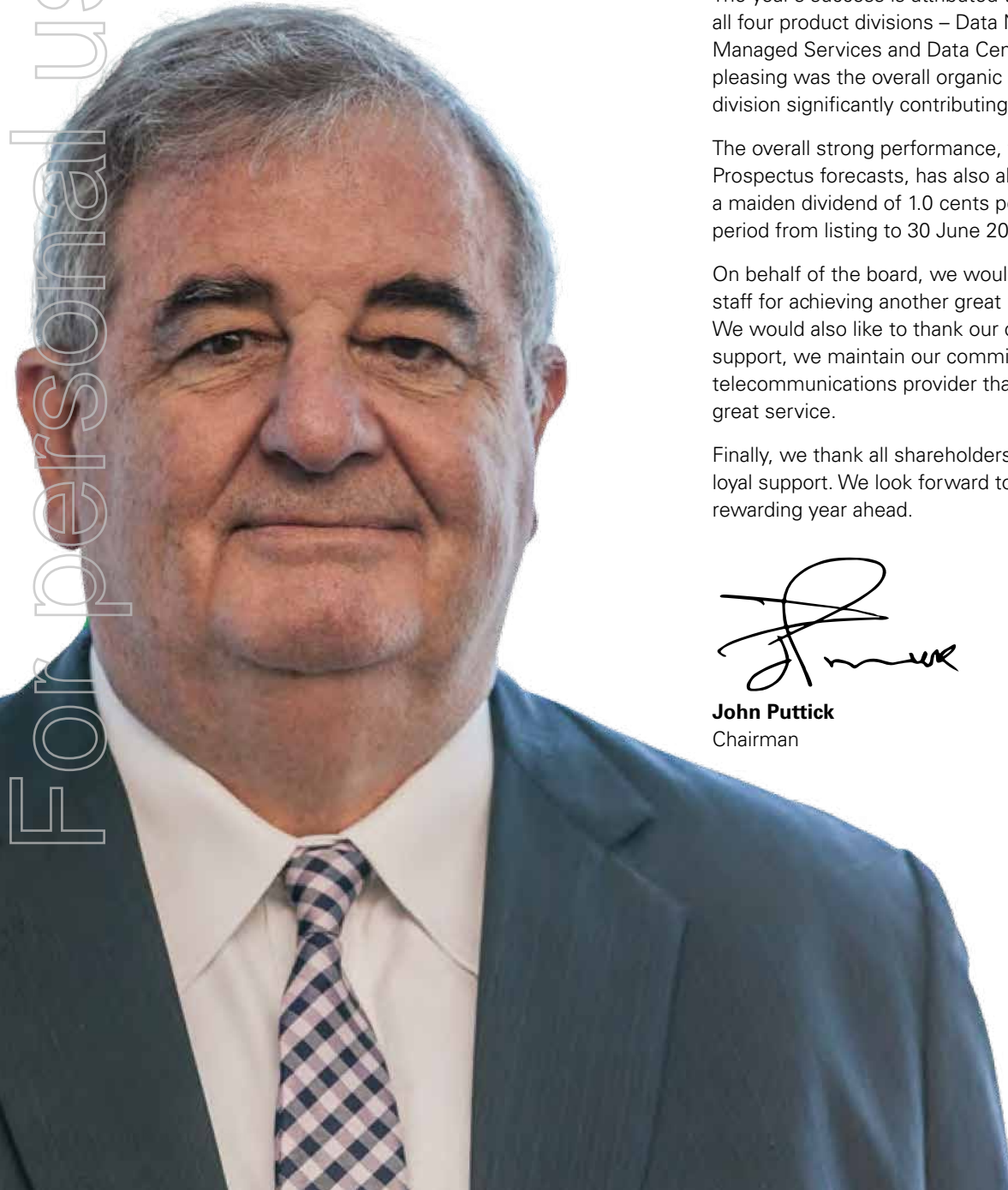
On behalf of the board, we would like to thank all of our staff for achieving another great result for our company. We would also like to thank our clients for their continued support, we maintain our commitment to you of being the telecommunications provider that does focus on providing great service.

Finally, we thank all shareholders for your continued and loyal support. We look forward to another successful and rewarding year ahead.



**John Puttick**  
Chairman

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# BUSINESS OVERVIEW

Our objective is to be the telecommunications, cloud and IT Services provider of choice to businesses in Australia.

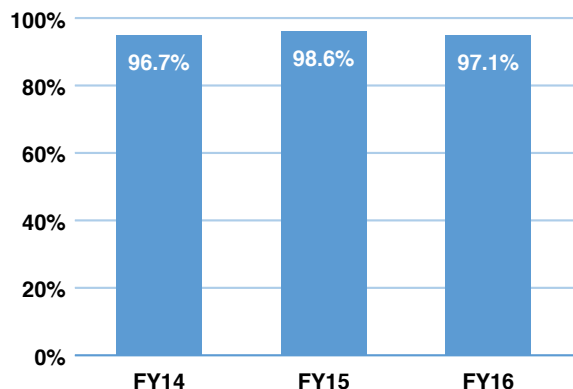
**We aim to do this through:**

- Our products - reliable, flexible and good value
- Our people – knowledgeable, passionate and helpful
- Our performance - superior service and highly recommended


Providing a broad and integrated offering of products and services provides our customers with a complete solution from one supplier dedicated to customer service. Our suite of services to businesses include:

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

**Over the Wire Customer Retention**  
Revenue Year-on-Year



Our dedication to customer service is uncompromising and we have developed a culture which consistently delivers high levels of customer service and retention. This is verified by our high levels of customer retention, shown in this graph as year on year customer revenue retained.



"We will continue our business development and marketing initiatives, and leverage our investment in the four product lines to grow organically, targeting greater than 20% year on year organic growth."

## SIGNIFICANT ORGANIC GROWTH AND STRONG FINANCIAL PERFORMANCE

Total revenue from ordinary activities for the year was \$23.611m, up from \$16.141m in FY15, representing an increase of 46% on the corresponding year. 25% of the growth was achieved organically (i.e. removing the impact of acquisitions).

The result demonstrates strong demand from customers across all four product lines including:

- Data Networks revenue of \$10.456m, up from \$8.200m in FY15, representing an increase of 28% on the corresponding year and delivered through strong organic growth;
- Voice revenue of \$7.895m, up from \$4.202m in FY15, representing an increase of 88% on the corresponding year and delivered through strong organic growth and the successful acquisition of Faktortel Holdings Pty Ltd on 28 July 2015;
- Cloud and Managed Services revenue of \$2.698m, up from \$1.837m in FY15, representing an increase of 47% on the corresponding year and delivered through strong organic growth and the successful acquisition of Sanity Technology on 30 November 2015;
- Data Centre co-location revenue of \$2.562m, up from \$1.901m in FY15, representing an increase of 35% on the corresponding year and delivered through organic growth and the successful acquisition of Sanity Technology on 30 November 2015.

The group made a profit after tax expense of \$2.847m, up from \$1.967m in FY15, representing an increase of 45% on the corresponding year. Statutory EBITDA profit was \$5.423m, up from \$3.530m in FY15, representing an increase of 54% on the corresponding year. The significant increase in profitability has been achieved through effective management of operating expenses, strong revenue growth, and strong gross profit margin expansion. This reflects management's ongoing commitment to generating a strong return for Shareholders.

## SUCCESSFUL ACQUISITIONS

### FAKTORTEL HOLDINGS PTY LTD (TRADING AS FAKTORTEL)

On 28 July 2015 the Company acquired Faktortel. Faktortel provides VoIP services to business and residential customers. The Company acquired Faktortel for:

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

### SANITY HOLDINGS PTY LTD (TRADING AS SANITY TECHNOLOGY)

On 30 November 2015 the Company acquired Sanity Technology. Sanity Technology provides data centre colocation and cloud based services to business customers. The Company acquired Sanity Technology for:

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

### SPIDERBOX

On 1 April 2016, the company acquired business assets from Access Wireless and Cable Pty Ltd (Spiderbox); a privately held telecommunications company with products such as data, voice and cloud services. The Company acquired the business assets of Spiderbox for:

- Increased revenue for the data, voice and cloud / managed services divisions
- EBITDA accretion
- New staff members with complimentary skill sets
- Fibre asset at Brisbane Technology Park (BTP).

## CONTINUED GROWTH

We will continue our business development and marketing initiatives, and leverage our investment in the four product lines to grow organically, targeting greater than 20% year on year organic growth. This will be achieved through the acquisition of new customers and selling more products and services to existing customers. Continued geographic expansion into New South Wales and Victoria remains a focus.

We 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.

## GEOGRAPHIC EXPANSION AND INNOVATION

We will continue to invest in infrastructure that enables us to service our growing geographic expansion plans. This includes an additional point of presence in New Zealand, as well as expanding our Private Cloud platform into NSW.

Our internal tools and systems are continuously being enhanced to ensure that we are driving scalability and can provide the best possible experience to our clients. Customer tools including our Client Portal are also being enhanced to provide our clients with a positive user experience with levels of control over their services.

## PROMISING OUTLOOK

Our commitment to being able to provide a complete telecommunications, cloud and IT services offering to businesses, that is supported by an Australian based network operations centre dedicated to a positive customer experience, gives us confidence that the growth in revenue will continue in FY17.

In addition to our core focus on growing operations organically, we will continue reviewing any potential for strategic acquisitions, which accelerate achievement of our vision.



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# GENERAL INFORMATION

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

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

**Registered Office & Principal Place of Business**

Level 1  
24 Little Edward Street  
Brisbane Qld 4000

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report.

The annual report was authorised for issue, in accordance with a resolution of directors on 15 September 2016. The directors have the power to amend and/or reissue the financial report.



# CORPORATE DIRECTORY

## DIRECTORS

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

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

**BRENT PADDON** MAICD, BINFOTECH, GRADDIPBUSADMIN  
Executive Director

**SUSAN FORRESTER** 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 Operating Officer

### Registered Office and Principal Place of Business

Level 1, 24 Little Edward Street  
Brisbane QLD 4000

### Share Register

Link Market Services  
Level 15, 324 Queen Street  
Brisbane QLD 4000

### Auditor

PKF Hacketts 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

Australia and New Zealand Banking Group  
324 Queen Street  
Brisbane QLD 4000

National Australia Bank  
308-322 Queen Street  
Brisbane QLD 4000

Suncorp Bank  
293 Queen Street  
Brisbane QLD 4000

Westpac Banking Corporation  
Tenancy 1, 118 Bundall Road  
Bundall QLD 4217

### Stock Exchange Listings

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

### Website Address

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

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# 1.0

## DIRECTORS' REPORT

## DIRECTORS' REPORT

Your directors present their report on the consolidated entity consisting of Over the Wire Holdings Limited ("The Company") and the entities it controlled ("The consolidated entity") for the year ended 30 June 2016.

## 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

Non-Executive Director  
(appointed 1 December 2015)

### MIKE STABB

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

## PRINCIPAL ACTIVITIES

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

During the year the principal continuing activities of the consolidated entity consisted of offering an integrated product suite of the following services:

- 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.

## REVIEW OF OPERATIONS

The Company completed an Initial Public Offering of \$10.0m and gained admission to the ASX on 03 December 2015.

Total revenue from ordinary activities for the year was \$23.611m (FY15: \$16.141m), representing an increase of 46% on the corresponding year. The result demonstrates strong demand from customers across all four product lines including:

- Data Networks revenue of \$10.456m (FY15: \$8.200m), representing an increase of 28% on the corresponding year and delivered through strong organic growth;
- Voice revenue of \$7.895m (FY15: \$4.202m), representing an increase of 88% on the corresponding year and delivered through strong organic growth and the successful acquisition of Faktortel Holdings Pty Ltd on 28 July 2015;
- Cloud and Managed Services revenue of \$2.698m (FY15: \$1.837m), representing an increase of 47% on the corresponding year and delivered through strong organic growth and the successful acquisition of Sanity Technology on 30 November 2015;
- Data Centre co-location revenue of \$2.562m (FY15: \$1.901m), representing an increase of 35% on the corresponding year and delivered through organic growth and the successful acquisition of Sanity Technology on 30 November 2015.

The consolidated entity made a Profit before Income Tax Expense of \$4.095m (FY15: \$2.750m), representing an increase of 49% on the corresponding year. Statutory EBITDA profit was \$5.423m (FY15: \$3.530m), representing an increase of 54% on the corresponding year. The significant increase in profitability has been achieved through effective management of operating expenses, strong revenue growth, and strong gross profit margin expansion.



## NET ASSETS AND NET TANGIBLE ASSETS PER SHARE

	Consolidated	
	2016	2015
	\$ ,000	\$ ,000
<b>Net Assets</b>	<b>16,156</b>	<b>2,030</b>
<b>Net Tangible Assets Per Share</b>		
Net Amount	7,232	1,632
	Cents	Cents
Per Share (Cents)	0.17	0.05

For comparative purposes, Net Tangible assets per security at 30 June 2015 has been recalculated using the number of shares on issue at 30 June 2015, adjusted for the effect of the share split performed just prior to admission to the ASX on 3 December 2015.

## 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 consolidated entity because it shows the strong gross profit and expenditure management delivered by the consolidated entity and it also correlates well with the increase in cash and cash equivalents. Set out below is a reconciliation of Profit before Income Tax Expense and EBITDA.

	Consolidated	
	2016	2015
	\$ ,000	\$ ,000
<b>Profit before Income Tax Expense</b>	<b>4,095</b>	<b>2,750</b>
Depreciation & Amortisation	1,242	720
Finance Costs	86	60
<b>EBITDA</b>	<b>5,423</b>	<b>3,530</b>

As at 30 June 2016 the consolidated entity has \$7.042m in cash or cash equivalents. This represents an increase of \$4.882m in the period, primarily as a result of the \$10.0m capital raising upon IPO in December 2015, the company's continued sound management of overhead expenses in the underlying business, recognising cost synergies in the acquired entities ahead of schedule, and when combined with revenue growth of 46%, has generated the growth in EBITDA and positive Cash from Operating Activities outlined in the Consolidated Statement of Cash flows.

## DIVIDENDS PAID AND PROPOSED

No dividends have been declared during the 12 months ended 30 June 2016.

It is the Board's intention to pay a final dividend of 1 cent per share fully franked, covering the period from Listing until 30 June 2016, in October 2016. The total expected cash payment by the company for this dividend will be \$435,000.

## BUSINESS STRATEGIES AND PROSPECTS FOR FUTURE FINANCIAL YEARS

The Consolidated entity 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 Company 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 more products and services to existing customers. Growing into New South Wales and Victoria remains a focus.

The Company will 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

### NEW AND DEREGISTERED ENTITIES

On 25 September 2015, the company registered a new subsidiary, OTW Corp Pty Ltd. The company acts as a central provider of corporate services to the group, including employing all staff, providing office and administration services, etc, for which it charges a fee to the members of the group. The Net Profit After Tax contribution by this company to the Group was \$9,048.

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

- Celentia Pty Ltd (Deregistered 07 October 2015)
- EcoHost Pty Ltd (Deregistered 07 October 2015)
- Spartan IT Pty Ltd (Deregistered 07 October 2015)

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

There has been no significant change in the principal activities of the group during the year.

## POST ACQUISITION UPDATE

### Faktortel Holdings Pty Ltd (Trading as Faktortel)

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

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

Completed on 28 July 2015, the Faktortel acquisition contributed \$0.322m of Net Profits After Tax from ordinary activities and has further strengthened the consolidated entity as a major provider of Voice over IP services in Australia. Focus has been directed on integration activities and as a result some of the forecast cost synergies have been delivered ahead of schedule. The increase in voice volume also positions the consolidated entity well for negotiating better wholesale pricing in the near future.

### Sanity Holdings Pty Ltd (Trading as Sanity Technology)

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

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

Completed on 30 November 2015, the Sanity Technology contributed \$0.186m of Net Profits After Tax from ordinary activities to the profits of the consolidated entity.

### Access Wireless and Cable Pty Ltd (Trading as Spiderbox)

On 1 April 2016, the company acquired the business assets of Access Wireless and Cable Pty Ltd (Spiderbox); a privately held telecommunications company which employs 9 staff and services approximately 100 business customers with products such as data, voice and cloud services. The company has acquired Spiderbox for the following reasons:

- Increased revenue for the data, voice and cloud / managed services divisions
- EBITDA accretion
- New staff members with complimentary skill sets
- Fibre asset at Brisbane Technology Park (BTP).

As the business assets of Spiderbox were incorporated into the operations of Over the Wire Pty Ltd, it is impracticable for the group to provide details regarding the contribution to net profit after tax.

## EVENTS SINCE THE END OF THE FINANCIAL YEAR

It is the Board's intention to pay a final dividend of 1 cent per share fully franked, covering the period from listing until 30 June 2016, in October 2016. The total expected cash payment by the company for this dividend will be \$435,000.

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

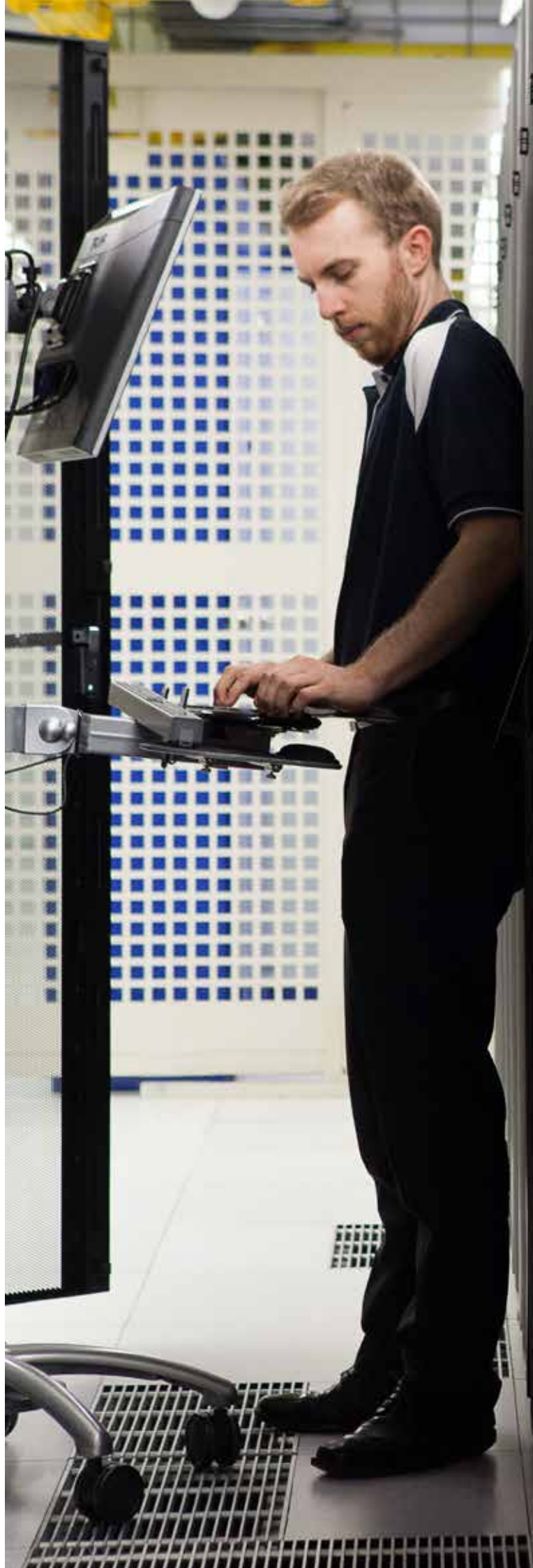
## LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The Consolidated entity will continue its focus on growing organically through geographic expansion, cross-selling of complementary products and new or enhanced product and service initiatives within the product lines it operates in.

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

## ENVIRONMENTAL REGULATION

The consolidated entity's operations are not currently subject to significant environmental regulation under the law of the Commonwealth and State.





OUR OBJECTIVE  
IS TO BE THE  
TELECOMMUNICATIONS,  
CLOUD AND IT SERVICES  
PROVIDER OF CHOICE  
TO BUSINESSES IN  
AUSTRALIA.

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## 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

GBST Holdings Limited (ASX: GBT)

#### Special Responsibilities

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

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

Ordinary Shares

Over the Wire Holdings **20,000**



### 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 **15,107,115**



## BRENT PADDON

MAICD, 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 nominations and remuneration committee

### Direct and indirect interest in shares and options

Ordinary Shares

Over the Wire Holdings: **15,107,115**



## SUSAN FORRESTER

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 for National Veterinary Care, non-executive director for G8 Education Limited (ASX: GEM), Xenith IP Ltd (ASX: XIP), South Bank Corporation and Uniting Care Qld. She also serves on the Audit Committee of Transport and Main Roads Qld.

### Former Directorships in last 3 years

Propell National Valuers Pty Ltd, Shine Corporate Ltd (ASX: SHJ), Children's Health Foundation of Queensland, Trustee Gold Coast Parklands, Ergon Energy Corporation, Brisbane Festival Limited and Queensland Professional Credit Union Limited.

### Special Responsibilities

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

### Direct and indirect interest in shares and options

Ordinary Shares

Over the Wire Holdings: **155,413**



## 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: **131,000**



## 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 2016, and the numbers attended by each director were:

	Full Meetings of directors		Meetings of committees			
	Attended	Held	Audit		Nominations & Remuneration	
			Attended	Held	Attended	Held
John Puttick	8	9	1	1	1	1
Michael Omeros	9	9	1	1	**	**
Brent Paddon	8	9	**	**	1	1
Susan Forrester	9	9	1	1	1	1

\* Not a non-executive director

\*\* Not a member of the relevant committee

Attended: Number of Meetings attended

Held: Number of Meetings Held during the time the director held office or was a member of the committee during the year.

## INSURANCE OF OFFICERS AND INDEMNITIES

During the financial year, Over the Wire Holdings Limited paid a premium of \$26,127 to insure the directors and secretaries of the company and its Australian-based controlled entities, and the 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 Hacketts 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 undermine 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	
	2016	2015
	\$ ,000	\$ ,000
<b>Other Assurance Services</b>		
IPO Related Services	51	-
<b>Total Remuneration for Other Assurance Services</b>	<b>51</b>	<b>-</b>
<b>Taxation Services</b>		
Tax Compliance Services	22	10
<b>Total Remuneration for Taxation Services</b>	<b>22</b>	<b>10</b>
<b>Total Remuneration for Non-Audit Services</b>	<b>73</b>	<b>10</b>

## 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 24.

## ROUNDING OF AMOUNTS

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

## REMUNERATION REPORT

The directors present the Over the Wire Holdings Limited 2016 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:

- (a) Key management personnel (KMP) covered in this report
- (b) Remuneration policy and link to performance
- (c) Elements of remuneration
- (d) Remuneration expenses for executive KMP
- (e) Non-executive director arrangements
- (f) Other statutory information
- (g) Options

### (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 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.

#### **Maintaining Sustainable Performance – Future Approach**

In April 2016, the remuneration committee engaged Crichton + Associates Pty Ltd to review its existing remuneration policies and to provide recommendations on a suitable remuneration plan. The Crichton Associates report was received on 25th August 2016. The Board is considering the implementation of the recommendations with a view to having a positive impact on FY 2017 performance.

### (C) ELEMENTS OF REMUNERATION

#### **Fixed Annual Remuneration (FR)**

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

During FY 2016 there were fixed remuneration increases given to executive KMP as follows:

#### **Mike Stabb:**

Fixed Remuneration increased from \$175,000 to \$200,000

#### **Ben Cornish:**

Fixed Remuneration increased from \$180,000 to \$200,000

#### **Short-term Incentives – Operational Bonuses**

Elements of KMP remuneration were dependent on the satisfaction of operational performance conditions as follows:

A cash bonus of \$20,000 For Mike Stabb linked to the achievement of operational KPIs.

A cash bonus of \$20,000 for Ben Cornish linked to the achievement of operational KPIs.

#### **Long-term Incentives**

Not applicable to Over the Wire Holdings Limited for the period ended 30 June 2016.

### (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.



## Executive 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***		
		\$,000	\$,000	\$,000	\$,000	\$,000	\$,000	\$,000	\$,000	%
<b>Executive Directors</b>										
Michael Omeros	2016	221	44	17	4	24	-	-	310	-
	2015	221	33	17	4	19	-	-	294	-
Brent Paddon	2016	254	-	19	4	19	-	-	296	-
	2015	250	-	19	4	19	-	-	292	-
<b>Other Management Personnel</b>										
Mike Stabb	2016	189	-	13	3	20	20	6	251	7.9
	2015	172	-	13	3	11	-	-	199	-
Ben Cornish	2016	196	-	14	3	20	20	1	254	7.8
	2015	202	-	14	3	19	20	-	258	7.7
<b>Total Executive Directors &amp; Other KMPs</b>	<b>2016</b>	<b>860</b>	<b>44</b>	<b>63</b>	<b>14</b>	<b>83</b>	<b>40</b>	<b>7</b>	<b>1,111</b>	<b>3.6</b>
	2015	845	33	63	14	68	20	-	1,043	-
<b>Total NED Remuneration (see section (e) below)</b>	<b>2016</b>	<b>83</b>	-	-	-	-	-	-	<b>83</b>	-
	2015	-	-	-	-	-	-	-	-	-
<b>Total KMP remuneration Expensed</b>	<b>2016</b>	<b>943</b>	<b>44</b>	<b>63</b>	<b>14</b>	<b>83</b>	<b>40</b>	<b>7</b>	<b>1,194</b>	<b>3.3</b>
	2015	845	33	63	14	68	20	-	1,043	-

\* 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%, measured in accordance with AASB 119 Employee Benefits. 23,2

\*\*\*\* Shares issued under an employee share scheme established by the group on 30 November 2016.

## (E) NON-EXECUTIVE DIRECTOR ARRANGEMENTS

Board fees are \$65K and \$40K for John Puttick and Susan Forrester respectively. They each then get \$10K for chairing their respective committees. There are no performance-based payments or retirement allowances.

The table below represent the pro-rata amounts for the period that the services were provided from 01 November 2015 to 30 June 2016.

	Consolidated	
	2016 \$,000	2015 \$,000
<b>Base fees</b>		
Chair	50	-
Other Non-executive Directors	33	-
<b>Total</b>	<b>83</b>	<b>-</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 01/07/15*	Received as compensation	Employee Share Scheme	Bought on Market	Balance at 30/06/16
<b>Directors</b>					
Michael Omeros	15,107,115	-	-	-	15,107,115
Brent Paddon	15,107,115	-	-	-	15,107,115
John Puttick	-	-	-	20,000	20,000
Susan Forrester	-	-	-	155,413	155,413
<b>Total Directors</b>	<b>30,214,230</b>	<b>-</b>	<b>-</b>	<b>175,413</b>	<b>30,389,643</b>
<b>Other Management Personnel (OMP)</b>					
Mike Stabb	-	-	6,000	125,000	131,000
Ben Cornish	-	-	1,000	20,000	21,000
<b>Total OMP</b>	<b>-</b>	<b>-</b>	<b>7,000</b>	<b>145,000</b>	<b>152,000</b>
<b>Group Total</b>	<b>30,214,230</b>	<b>-</b>	<b>7,000</b>	<b>320,413</b>	<b>30,541,643</b>

\* While the number of shares was 100,000 at 1 July 2015 they were later adjusted for the effect of the share split performed just prior to admission to the ASX on 3 December 2015.

### (ii) Reliance on external remuneration consultants

In April 2016, the remuneration committee engaged Crichton + Associates Pty Ltd (CA) to review its existing remuneration policies and to provide recommendations on executive short-term and long-term incentive plan design. An amount of \$10,500 was accrued for at 30 June 2016 for these services.

## (G) OPTIONS

At the date of this report, there were no unissued shares of Over the Wire Holdings Limited under option. (FY 2015: Nil)

### End of Remuneration Report

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



**Michael Omeros**  
Managing Director

Brisbane  
15 September 2016



**John Puttick**  
Chairman

Brisbane  
15 September 2016

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A man with short brown hair and a beard, wearing a dark blue polo shirt, is shown in profile from the chest up. He is reaching into a server rack with his right hand, appearing to be working on the hardware. The server racks are black with perforated doors. The background shows a long aisle of server racks in a data center, with overhead fluorescent lighting creating a bright, slightly blurred background.

# 2.0

## AUDITOR'S INDEPENDENCE DECLARATION

**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 2016, 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 HACKETTS AUDIT**



**Liam Murphy**  
**Partner**

Brisbane, 15 September 2016

PKF Hacketts Audit  
ABN33 873 151 348

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# 3.0 CORPORATE GOVERNANCE STATEMENT

# CORPORATE GOVERNANCE STATEMENT

## Compliance with ASX Corporate Governance Principles and Recommendations

Over the Wire Holdings Limited and the board are committed to achieving and demonstrating the highest standards of corporate governance. Over the Wire Holdings Limited has reviewed its corporate governance practices against the Corporate Governance Principles and Recommendations (3rd edition) published by the ASX Corporate Governance Council.

The 2016 corporate governance statement is dated as at 30 June 2016 and reflects the corporate governance practices in place throughout the 2016 financial year. The 2016 corporate governance statement was approved by the board on 15 September 2016.

A description of the group's current corporate governance practices is set out in the group's corporate governance statement which can be viewed at [www.overthewire.com.au/investors/corporate-governance](http://www.overthewire.com.au/investors/corporate-governance).

Over the Wire's corporate governance charter has been drafted in light of these Guidelines and the table below summarises the Company's compliance, in accordance with ASX Listing Rule 4.10.3.

Principles and Recommendations	Compliance	Comply
<b>Principle 1 – Lay solid foundations for management and oversight</b>		
<b>1.1</b> Establish the functions expressly reserved to the Board and those delegated to management, and disclose those functions.	The Board is responsible for the overall corporate governance of the Company. The Board has adopted a Board charter that formalises its roles and responsibilities and defines the matters that are reserved for the Board and specific matters that are delegated to management.	Complies
<b>1.2</b> Undertake appropriate checks before appointing a person as a director, and provide shareholders with all material information relevant to a decision on whether or not to elect or re-elect a director.	The Company will conduct police checks, solvency and banned director searches in relation to all appointed and future nominated directors. The Company will publish Director profiles on the Company's website outlining biographical details, other directorships held, commencement date of office and level of independence.	Complies
<b>1.3</b> Have a written agreement with each director and senior executive setting out the terms of their appointment.	The Company has written agreements with each director and senior executive. On appointment of directors and senior executives the Company will issue necessary written agreements outlining the terms of their appointment.	Complies
<b>1.4</b> The company secretary should be accountable directly to the Board on all matters to do with the proper functioning of the Board.	This is consistent with the Charter and corporate structure of the Company. The company secretary has a direct relationship with the Board in relation to these matters.	Complies
<b>1.5</b> Establish a diversity policy and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them, for reporting against in each reporting period.	The Board has adopted a diversity policy that outlines objectives to ensure that the Company has as diverse a workforce as practicable. The Board determined that given the Company's size and structure, it is not appropriate or possible to mandate a fixed number of women at any given level within the organisation, so no measurable objectives are included. As a measurement of gender diversity, the proportion of women working within Over the Wire as at 30 June 2016 is as follows: <ul style="list-style-type: none"> <li>• Women on the Board – 25%</li> <li>• Women in Senior Executive positions – 0%</li> <li>• Women in the organisation – 20%</li> </ul>	Partially Complies.

<p><b>1.6</b> Have a process for periodically evaluating the performance of the Board, its committees and individual directors, and disclose that process and, at the end of each reporting period, whether such performance evaluation was undertaken in that period.</p>	<p>The Company conducts the process for evaluating the performance of the Board, its committee and individual directors as outlined in the Board Charter.</p>	<p>Complies</p>
<p><b>1.7</b> Have a process for periodically evaluating the performance of the company's senior executives, and disclose that process and, at the end of each reporting period, whether such performance evaluation was undertaken in that period.</p>	<p>A summary of the processes for performance evaluation of key executives, directors and the Board is available on the Company's website. The Chief Executive Officer (CEO) reviews the performance of the senior executives. The Board reviews the CEO's performance. These reviews will occur annually.</p>	<p>Complies</p>
<p>Principles and Recommendations Compliance Comply</p>		
<p><b>Principle 2 – Structure the Board to add value</b></p>		
<p><b>2.1</b> The Company should have a nomination committee, which has at least three members, a majority of independent directors and is chaired by an independent director. The functions and operations of the nomination committee should be disclosed.</p>	<p>A combined Nominations and Remuneration Committee has been established with its own charter and consists of:</p> <ul style="list-style-type: none"> <li>• John Puttick (committee chair);</li> <li>• Susan Forrester; and</li> <li>• Brent Paddon.</li> </ul>	<p>Complies</p>
<p><b>2.2</b> Have and disclose a board skills matrix, setting out what the board is looking to achieve in its membership.</p>	<p>The Company has established charter rules for the Nominations and Remuneration Committee as a guide for Board deliberations. Together, the Directors have a broad range of experience, expertise, skills, qualifications and contacts relevant to the Company and its business.</p>	<p>Does not presently comply, however the Board intends to formalise a skills matrix.</p>
<p><b>2.3</b> Disclose the names of the directors that the Board considers to be independent directors, and an explanation of why the Board is of that opinion if a factor that impacts on independence applies to a director, and disclose the length of service of each director.</p>	<p>The Board considers John Puttick (appointed in December 2015) to be an independent director. The Board also considers Susan Forrester (appointed in December 2015) to be an independent director.</p> <p>The Board notes the following directors are deemed not independent for the purposes of the Guidelines:</p> <ul style="list-style-type: none"> <li>• Michael Omeros (appointed in July 2011) – Michael is a founding shareholder of Over the Wire and is an executive director of the Company.</li> <li>• Brent Paddon (appointed in July 2011) – Brent is also a founding shareholder of Over the Wire and is an executive director of the Company.</li> </ul>	<p>Complies</p>
<p><b>2.4</b> A majority of the Board should be independent directors.</p>	<p>The Board currently comprises four Directors, of which two are independent non-executive Directors.</p>	<p>Partially Complies. The Board is equally weighted between independent and executive Directors. The size of the Company does not justify the cost of appointing additional independent Directors at this stage.</p>
<p><b>2.5</b> The chair of the Board should be an independent director and should not be the CEO.</p>	<p>The chairman, John Puttick, is a non-executive and independent director.</p>	<p>Complies</p>

<b>2.6</b> There should be a program for inducting new directors and providing appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as a director effectively.	This is consistent with the Board Charter.	Complies
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Principles and Recommendations	Compliance	Comply
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**Principle 3 – Act ethically and responsibly**

<b>3.1</b> Have a code of conduct for the Board, senior executives and employees, and disclose that code or a summary of that code.	The Company has adopted a code of conduct, which sets out a framework to enable Directors to achieve the highest possible standards in the discharge of their duties and to give a clear understanding of best practise in Corporate Governance.	Complies
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Principles and Recommendations	Compliance	Comply
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**Principle 4 – Safeguard integrity in corporate reporting**

<b>4.1</b> The Company should have an audit committee, which consists of only non-executive directors, a majority of independent directors, is chaired by an independent chairman who is not chairman of the Board, and has at least three members. The functions and operations of the audit committee should be disclosed.	<p>The Board has established an Audit and Risk Committee which operates under an audit and risk committee charter.</p> <p>The Audit and Risk Committee members are:</p> <ul style="list-style-type: none"> <li>• John Puttick;</li> <li>• Susan Forrester; and</li> <li>• Michael Omeros.</li> </ul> <p>The committee includes two independent directors and is chaired by an independent director.</p>	Partially Complies.
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<b>4.2</b> The Board should, before approving financial statements for a financial period, receive a declaration from the CEO and CFO that, in their opinion, the financial records have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Company, formed on the basis of a sound system of risk management and internal controls, operating effectively.	This is consistent with the approach to be adopted by the Audit and Risk Committee and the Board.	Complies
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<b>4.3</b> The Company's auditor should attend the AGM and be available to answer questions from security holders relevant to the audit.	Over the Wire's auditors will be requested to attend the AGM and shareholders will be entitled to ask questions in accordance with the Corporations Act and these guidelines.	Complies
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Principles and Recommendations	Compliance	Comply
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**Principle 5 – Make timely and balanced disclosures**

<b>5.1</b> Have a written policy for complying with continuous disclosure obligations under the Listing Rules, and disclose that policy or a summary of it.	The Company has a written continuous disclosure policy which is designed to ensure that all material matters are appropriately disclosed in a balanced and timely manner and in accordance with the requirements of the ASX Listing Rules.	Complies
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Principles and Recommendations	Compliance	Comply
<b>Principle 6 – Respect the rights of security holders</b>		
<b>6.1</b> Provide information about the Company and its governance to investors via its website.	The Board Charter and other applicable policies are available on the Company's website.	Complies
<b>6.2</b> Design and implement an investor relations program to facilitate effective two-way communication with investors.	The Company has adopted a shareholder communications policy. The Company will use its website, half year and annual reports, market announcements and media disclosures to communicate with its shareholders, as well as encourage participation at general meetings.	Complies
<b>6.2</b> Disclose the policies and processes in place to facilitate and encourage participation at meetings of security holders.	The Company intends to facilitate effective participation in the AGM, as well as the ability to submit written questions ahead of the AGM. The Company intends to adopt appropriate technologies to facilitate the effective communication and conduct of general meetings.	The Company has not disclosed a formal policy or process, but it has engaged a recognised and reputable share registry service provider to further these objectives.
<b>6.3</b> Give security holders the option to receive communications from, and send communications to, the Company and its share registry electronically.	The company has instructed its share registry to facilitate this option for shareholders.	Complies

Principles and Recommendations	Compliance	Comply
<b>Principle 7 – Recognise and manage risk</b>		
<b>7.1</b> The Board should have a risk committee which is structured so that it consists of a majority of independent directors, is chaired by an independent director, and has at least three members. The functions and operations of the risk committee should be disclosed.	The Company has a combined Audit and Risk Committee. See 4.1 above.	Partially Complies.
<b>7.2</b> The Board or a committee of the Board should review the entity's risk management framework with management at least annually to satisfy itself that it continues to be sound, and disclose, in relation to each reporting period, whether such a review has taken place.	The charter establishes the role of the committee. The committee will establish the risk management framework.	Does not comply to the extent that the committee is newly formed and has not yet conducted an annual review.
<b>7.3</b> Disclose if the Company has an internal audit function, how the function is structured and what role it performs, or if it does not have an internal audit function, that fact and the processes the Company employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.	Due to the Company's limited number of employees and relative nature and scale of its operations, the costs of an independent internal audit function would be disproportionate. The Company has an external auditor and the Audit and Risk Committee will monitor and evaluate material or systemic issues.	Does not comply due to the nature and scale of operations, however the Board believes it and the Audit and Risk Committee have adequate oversight of the existing operations.
<b>7.4</b> Disclose whether the Company has any material exposure to economic, environmental and social sustainability risks and, if so, how it manages those risks.	The Board does not believe that the Company has any such material risks.	Complies

**Principle 8 – Remunerate fairly and responsibly**

<p><b>8.1</b> The Board should have a remuneration committee which is structured so that it consists of a majority of independent directors, is chaired by an independent director, and has at least three members. The functions and operations of the remuneration committee should be disclosed.</p>	<p>The Company has a combined Nominations and Remuneration Committee. See 2.1 above.</p>	<p>Partially Complies.</p>
<p><b>8.2</b> The policies and practices regarding the remuneration of non-executive directors, and the remuneration of executive directors and other senior executives, should be separately disclosed.</p>	<p>The Nominations and Remuneration Committee charter is available on the Company's website.</p>	<p>Complies.</p>
<p><b>8.3</b> If the Company has an equity-based remuneration scheme, it should have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme, and disclose that policy or a summary of it.</p>	<p>The Company operates an exempt share plan and has approved a performance rights plan for the potential issue of rights in the future. In accordance with the Company's Securities Trading Policy participants are not permitted to enter into transactions which limit economic risk without written clearance.</p>	<p>Complies.</p>

**RESPONSIBILITY OF THE BOARD**

The Board is responsible for the Company's proper corporate governance. To carry out this obligation, the Board must act:

- Honestly, conscientiously and fairly;
- In accordance with the law;
- In the interests of the Shareholders (with a view to building sustainable value for them); and
- In the interests of employees and other stakeholders.

The Board's broad function is to:

- Represent, serve and protect the interests of shareholders;
- Develop, implement, oversee, and review the strategies and performance of the Company;
- Optimise Company performance and build sustainable shareholder value within an effective corporate governance framework of internal controls and risk management;
- Ensure shareholders and stakeholders are regularly and effectively informed of developments affecting the Company, as well as the ongoing performance of the Company; and
- Ensure that no decision or action is taken that has the effect of prioritising their personal interests over the Company's interests.

Power and authority in certain areas is specifically reserved to the Board – consistent with its function described above. These areas include:

- Providing leadership and setting the strategic objectives of the Company;
- Composition of the Board itself including the appointment and removal of the Chairman or deputy chairman (if applicable);
- Oversight of the Company including its control and accountability system;
- Appointment and removal of senior management (including the CEO or equivalent) and the Company Secretary;
- Reviewing, ratifying and monitoring the risk management framework and setting the risk appetite within which the Board expects management to operate;
- Approving and formulating company strategy and policy;
- Approving and monitoring operating budgets and major capital expenditure;
- Overseeing the integrity of the Company's accounting and corporate reporting systems, including the external audit;
- Overseeing corporate strategy and performance objectives developed by management;
- Overseeing the Company's compliance with its continuous disclosure obligations;
- Approving the Company's remuneration framework;
- Monitoring the overall corporate governance of the Company (including its strategic direction and goals for management, and the achievement of these goals); and
- Oversight of the Board's various committees.

## COMPOSITION OF BOARD

The Board is comprised of four directors. Half of the Board are non-executive directors independent from management. The Chairman of the Board is an independent non-executive director.

## BOARD CHARTER AND POLICY

The Board has adopted a charter which formally recognises its responsibilities, functions, power and authority and composition. This charter sets out other things which are important for effective corporate governance including:

- A detailed definition of 'independence';
- A framework for the identification of candidates for appointment to the Board and their selection (including undertaking appropriate background checks);
- A framework for individual performance review and evaluation;
- Proper training to be made available to Directors both at the time of their appointment and on an on-going basis;
- Basic procedures for meetings of the Board and its committees including frequency, agenda, minutes and private discussion of management issues among nonexecutive Directors;
- Ethical standards and values (in a detailed code of ethics and values);
- Dealings in securities (in a detailed code for securities transactions designed to ensure fair and transparent trading by Directors and senior management and their associates); and
- Communications with Shareholders and the market.

The purpose of the charter is to 'institutionalise' good corporate governance and to build a culture of best practice both in Over the Wire's internal practices and its dealings with others.

This information is available on the Company's website at [www.overthewire.com.au/investors/corporate-governance](http://www.overthewire.com.au/investors/corporate-governance).

## AUDIT AND RISK COMMITTEE

The purpose of this committee is to advise on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the Company. Its current members are:

- Susan Forrester (committee chair);
- John Puttick; and
- Michael Omeros.

The committee performs functions relevant to risk management and internal and external reporting and reports to the Board following each meeting. The committee's responsibilities include:

- Setting Board and committee structures to facilitate a proper review function by the Board;
- Internal control framework including management information systems;
- Corporate risk assessment (including economic, environmental and social sustainability risks) and compliance with internal controls;
- Management processes supporting external reporting practices;
- Review of financial statements and other financial information distributed externally;
- Review of the effectiveness of the audit function;
- Review of management corporate reporting processes supporting external reporting, including the appropriateness of the accounting judgements;
- Review of the performance and independence of the external auditors;
- Review of the external audit function to ensure prompt remedial action by management, where appropriate, in relation to any deficiency in or breakdown of controls; and
- Reviewing any proposal for the external auditor to provide non-audit services and whether it might compromise the independence of the external auditor.

Meetings will be held at least four times each financial year, however, the committee was only formed part way through the 2016 financial year. A broad agenda is laid down for each regular meeting according to an annual cycle. The committee invites the external auditors to attend each of its meetings.

The Audit and Risk Committee information is available on the Company's website at [www.overthewire.com.au/investors/corporate-governance](http://www.overthewire.com.au/investors/corporate-governance).

## NOMINATIONS AND REMUNERATION COMMITTEE

The purpose of this committee is to assist the Board and report to it on remuneration and related policies and practices (including remuneration of senior management and non-executive Directors). Its current members are:

- John Puttick (committee chair);
- Susan Forrester; and
- Brent Paddon.

The committee's functions include:

- Recommendations to the Board about the Company's remuneration policies and procedures;
- Oversight of the performance of senior management and non-executive Directors;
- Recommendations to the Board about remuneration of senior management and non-executive Directors; and
- Reviewing the Company's reporting and disclosure practices in relation to the remuneration of Directors and senior executives.

Meetings will be held at least four times each financial year and more often as required, however, the committee was only formed part way through the 2016 financial year.

The Nominations and Remuneration Committee information is available on the Company's website at [www.overthewire.com.au/investors/corporate-governance](http://www.overthewire.com.au/investors/corporate-governance).

## POLICIES

### Securities Trading Policy

A securities trading policy (Trading Policy) has been adopted by the Board to provide guidance to Directors, identified employees including senior management, and other employees of Over the Wire, where they are contemplating dealing in the Company's securities or the securities of entities with whom Over the Wire may have dealings. The Trading Policy is designed to ensure that any trading in the Company's securities is in accordance with the law and minimises the possibility of misperceptions arising in relation to Directors' and employees' dealings in the Company's securities or securities of other entities.

The Trading Policy is directed at dealing in the Company's securities by the Directors and employees, dealings through entities or trusts controlled by a relevant person, or in which they have an interest, and encouraging family or friends to so deal. It also extends to addressing dealings in the securities of other entities that may be transacting with or be counterparties of Over the Wire.

Any non-compliance with the Trading Policy will be regarded as an act of serious misconduct. The Trading Policy is available on the Company's website at [www.overthewire.com.au/investors/corporate-governance](http://www.overthewire.com.au/investors/corporate-governance).

### Diversity Policy

Over the Wire is committed to complying with the diversity recommendations published by ASX and promoting diversity among employees, Directors and senior management, and has adopted a policy in relation to diversity (Diversity Policy).

Over the Wire defines diversity to include, but not be limited to, gender, age, disability, ethnicity, marital or family status, religious or cultural background, sexual orientation and gender identity.

The Diversity Policy adopted by the Board outlines Over the Wire's commitment to fostering a corporate culture that embraces diversity and provides a process for the Board to determine measurable objectives and procedures to implement and report against to achieve its diversity goals.

The Company's Nominations and Remuneration Committee is responsible for implementing the Diversity Policy, setting the Company's measurable objectives and benchmarks for achieving diversity and reporting to the Board on compliance with the Diversity Policy.

As part of its role, the Company's Nominations and Remuneration Committee is responsible for formulating and implementing a Company remuneration policy. Under the Diversity Policy, a facet of this role will include reporting to the Board annually on the proportion of men and women in Over the Wire's workforce and their relative levels of remuneration.

The Board will assess and report annually to Shareholders on progress towards achieving its diversity goals. The Diversity Policy is available on the Company's website at [www.overthewire.com.au/investors/corporate-governance](http://www.overthewire.com.au/investors/corporate-governance).



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A close-up portrait of a middle-aged man with glasses, wearing a dark suit jacket, a white shirt, and a yellow and blue striped tie. He is looking slightly to the right of the camera with a neutral expression. The background is bright and out of focus.

# 4.0 FINANCIAL STATEMENTS

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For Year Ended 30 June 2016

	Note	Consolidated	
		2016 \$ ,000	2015 \$ ,000
<b>Revenue from Continuing Operations</b>	3	23,611	16,141
Other Income	4	282	12
<b>Expenses</b>			
Data Centre & Co-Location Expense	5	(1,867)	(1,397)
Calls & Communications Expense	5	(7,587)	(5,850)
Other Cost of Goods Sold	5	(1,125)	(665)
Employee Benefits Expense	5	(6,076)	(3,929)
Depreciation & Amortisation Expense	5	(1,242)	(720)
Finance Costs	5	(86)	(60)
Other Expenses	5	(1,815)	(782)
<b>Profit Before Income Tax Expense</b>		<b>4,095</b>	<b>2,750</b>
Income Tax Expense	6	(1,248)	(783)
<b>Profit After Income Tax Expense for the Year Attributable to members</b>		<b>2,847</b>	<b>1,967</b>
<b>Other Comprehensive Income</b>		-	-
Other Comprehensive Income for the Year, Net of Tax		-	-
<b>Total Comprehensive Income for the Year Attributable to members</b>		<b>2,847</b>	<b>1,967</b>
		<b>Cents</b>	<b>Cents</b>
Basic Earnings per Share	7	7.375	6.202
Diluted Earnings per Share	7	7.375	6.202

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 2016

	Note	Consolidated	
		2016 \$ ,000	2015 \$ ,000
<b>Assets</b>			
<b>Current Assets</b>			
Cash & Cash Equivalents	8	7,042	2,160
Trade & Other Receivables	9	1,836	959
Inventories	10	39	51
Other Assets	11	232	103
<b>Total Current Assets</b>		<b>9,149</b>	<b>3,273</b>
<b>Non-Current Assets</b>			
Property, Plant & Equipment	12	3,478	2,056
Intangibles	13	10,205	234
Deferred Tax	14	-	164
<b>Total Non-Current Assets</b>		<b>13,683</b>	<b>2,454</b>
<b>Total Assets</b>		<b>22,832</b>	<b>5,727</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade & Other Payables	15	2,440	1,194
Borrowings	16	144	237
Current Tax Liability	17	1,437	646
Employee Benefits	18	412	251
Deferred Consideration	19(d)	176	-
<b>Total Current Liabilities</b>		<b>4,609</b>	<b>2,328</b>
<b>Non-Current Liabilities</b>			
Borrowings	20	194	1,344
Employee Benefits	21	81	25
Deferred Consideration	19(d)	511	-
Deferred Tax	14	1,281	-
<b>Total Non-Current Liabilities</b>		<b>2,067</b>	<b>1,369</b>
<b>Total Liabilities</b>		<b>6,676</b>	<b>3,697</b>
<b>Net Assets</b>		<b>16,156</b>	<b>2,030</b>
<b>Equity</b>			
Issued Capital	22	11,280	1
Retained Profits	23	4,876	2,029
<b>Total Equity</b>		<b>16,156</b>	<b>2,030</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 2016

		Issued Capital	Reserves	Retained Profits	Total Equity
Consolidated	Note	\$ ,000	\$ ,000	\$ ,000	\$ ,000
Balance at 1 July 2014		1	-	1,562	1,563
Profit after Income Tax for the Year		-	-	1,967	1,967
Other Comprehensive Income		-	-	-	-
Total Comprehensive Income for the Year		-	-	1,967	1,967
Transactions with Owners, in their Capacity as Owners:					
Dividends Paid	24	-	-	(1,500)	(1,500)
Share Issued Net of Capital Raising Costs		-	-	-	-
Other		-	-	-	-
<b>Balance at 30 June 2015</b>		<b>1</b>	<b>-</b>	<b>2,029</b>	<b>2,030</b>

		Issued Capital	Reserves	Retained Profits	Total Equity
Consolidated	Note	\$ ,000	\$ ,000	\$ ,000	\$ ,000
Balance at 1 July 2015		1	-	2,029	2,030
Profit after Income Tax for the Year		-	-	2,847	2,847
Other Comprehensive Income		-	-	-	-
Total Comprehensive Income for the Year		-	-	2,847	2,847
Transactions with Owners, in their Capacity as Owners:					
Dividends Paid		-	-	-	-
Shares Issued Net of Capital Raising Costs	22	11,279	-	-	11,279
Other		-	-	-	-
<b>Balance at 30 June 2016</b>		<b>11,280</b>	<b>-</b>	<b>4,876</b>	<b>16,156</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 2016

		Consolidated	
	Note	2016 \$ ,000	2015 \$ ,000
<b>Cash Flows from Operating Activities</b>			
Receipts from Customers		25,912	17,653
Payments to Suppliers & Employees		(20,073)	(14,497)
		5,866	3,156
Interest Received		30	12
Interest Paid & Other Finance Costs Paid		(86)	(60)
Income Taxes Paid		(781)	(226)
<b>Net Cash From / (Used) in Operating Activities</b>	<b>29</b>	<b>5,002</b>	<b>2,882</b>
<b>Cash Flows from Investing Activities</b>			
Payments for Business Combinations (net of cash acquired)		(6,726)	-
Payments for Property, Plant & Equipment		(1,796)	(793)
Proceeds from Sale of Investments		-	51
Proceeds from Sale of Property, Plant & Equipment		92	-
<b>Net Cash From / (Used) Investing Activities</b>		<b>(8,430)</b>	<b>(742)</b>
<b>Cash Flows from Financing Activities</b>			
Proceeds from Issue of Shares		9,552	-
Proceeds from Borrowings		258	921
Repayment of Borrowings		(1,500)	-
Dividends Paid		-	(1,500)
<b>Net Cash From / (Used) Financing Activities</b>		<b>8,310</b>	<b>(579)</b>
Net Increase (Decrease) in Cash & Cash Equivalents		4,882	1,561
Cash & Cash Equivalents at the Beginning of the Year		2,160	599
<b>Cash &amp; Cash Equivalents at the End of the Year</b>	<b>8</b>	<b>7,042</b>	<b>2,160</b>
<b>Non-Cash Financing Activities</b>			
Shares Issued as Consideration for Business Acquisitions		1,727	-

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

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**5.0**

**NOTES TO THE  
FINANCIAL  
STATEMENTS**

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For Year Ended 30 June 2016

These consolidated financial statements and notes represent those of Over the Wire Holdings Limited (the "Company") and controlled entities (the "consolidated group" or "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 30 September 2016 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 accruals basis and are based on historical costs, modified, where applicable, by the revaluation of available for sale financial assets, financial assets and liabilities at fair value through profit & loss, investment properties, certain classes of property, plant & equipment, and derivative financial instruments.

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

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

### 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 9: Financial Instruments and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 January 2018).

The Standard will be applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

The directors do not anticipate that the adoption of AASB 9 will have a material impact on the Group's financial instruments.

AASB 15: Revenue from Contracts with Customers (applicable to annual reporting periods beginning on or after 1 January 2018, as deferred by AASB 2015-8: Amendments to Australian Accounting Standards – Effective Date of AASB 15).

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- Identify the contract(s) with a customer;
- Identify the performance obligations in the contract(s);
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract(s); and
- Recognise revenue when (or as) the performance obligations are satisfied.

The transitional provisions of this Standard permit an entity to either:

Restate the contracts that existed in each prior period presented per AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors (subject to certain practical expedients in AASB 15); or recognise the cumulative effect of retrospective application to incomplete contracts on the date of initial application. There are also enhanced disclosure requirements regarding revenue.

Although the directors anticipate that the adoption of AASB 15 may have an impact on the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

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.

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.

Although the directors anticipate that the adoption of AASB 16 will impact the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

### C. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the consolidated entity ('Company' or 'Parent Entity') as at 30 June 2016 and the results of all subsidiaries for the year then ended. The consolidated entity and its subsidiaries together are referred to in these financial statements as 'the consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity 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 consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity 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 consolidated entity.

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 consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity 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 acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

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

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

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. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

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 acquirer.

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 consolidated entity'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 consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

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

Sale of goods revenue is 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. Amounts disclosed as revenue are net of sales returns and discounts.

##### **Rendering of Services**

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.

#### **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 unrecognised 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 unrecognised 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.

#### 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 provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated Entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

#### 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. INVESTMENTS AND OTHER FINANCIAL ASSETS

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted. The fair values of quoted investments are based on current bid prices.

For unlisted investments, the consolidated entity establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership.

#### L. LOANS AND RECEIVABLES

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired.

#### 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 a straight-line basis to write off the net cost of each item of property, plant and equipment over their expected useful lives, however assets acquired prior to 1 July 2011 may have been depreciated on either the straight line or diminishing value method:

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 - 20%	20 – 40%
Motor Vehicles	15%	22.5%

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 derecognised upon disposal or when there is no future economic benefit to the consolidated entity. 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 fulfilment 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 consolidated entity will obtain ownership at the end of the lease term.

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, and the 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. Instead, they are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Brands are carried at cost less accumulated impairment losses.

### 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 between 3 and 5 years. Customer contracts are carried at cost less any accumulated amortisation and impairment losses.

## 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 consolidated entity 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 (ie trade date accounting is adopted). Financial instruments 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.

**Classification and Subsequent Measurement**

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

**• Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period. (All other loans and receivables are classified as non-current assets.)

**• Financial liabilities**

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

**De-recognition**

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity is no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised 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 consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity 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.

**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 using the projected unit credit method.



Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

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 2016) with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

#### 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. DIVIDENDS

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

#### Y. EARNINGS PER SHARE

##### Basic Earnings Per Share

Basic earnings per share is calculated by dividing the profit attributable to the owners of the consolidated entity, 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.

#### Z. 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.

#### AA. ROUNDING OF AMOUNTS

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

#### AB. 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.

#### PROVISION FOR IMPAIRMENT OF RECEIVABLES

The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtor's financial position.

#### PROVISION FOR IMPAIRMENT OF INVENTORY

The provision for impairment of inventory assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of inventory, and other factors that affect inventory obsolescence.

### ESTIMATION OF USEFUL LIVES OF ASSETS

The consolidated entity 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 lives, or 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 consolidated entity 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 consolidated entity 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 consolidated entity 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 consolidated entity 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 consolidated entity recognises liabilities based on the consolidated entity'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 consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

### UNEARNED REVENUE

Customers of Netsip are invoiced for telephone calls monthly in arrears on the anniversary date of the establishment of their account.

Unearned Revenue is recorded for telephone calls made between the invoice date which occurs mid-month, and the last day of the month in order to match the period of revenue recognition with the period in which the service (telephone calls) was provided.

### 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.

### LEASE MAKE GOOD PROVISION

A provision has been made for the present value of anticipated costs for future restoration of leased premises. The provision includes future cost estimates associated with closure of the premises. The calculation of this provision requires assumptions such as application of closure dates and cost estimates. The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for sites are recognised in the statement of financial position by adjusting the asset and the provision. Reductions in the provision that exceed the carrying amount of the asset will be recognised in profit or loss.

### 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 consolidated entity 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: OPERATING SEGMENTS & PRODUCT LINES

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

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

### A. DESCRIPTION OF PRODUCT LINES

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

The consolidated entity utilises more than 20 wholesale infrastructure providers to deliver services into these POPs for delivery of a complete data and voice solution to meet each customer's specific requirements. The Chief Operating Decision Makers ('CODM') consider the business from both a product and a geographic perspective and have identified four reportable Product Lines.

#### **Data Networks and Internet**

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

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

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

#### **Voice**

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

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

#### **Cloud and Managed Services**

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

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

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

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

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

#### **Data Centre Co-location**

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

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

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

	Consolidated	
	2016	2015
	\$ ,000	\$ ,000
<b>Revenue by Product Line</b>		
Data Networks and Internet	10,456	8,200
Voice	7,895	4,203
Cloud and Managed Services	2,698	1,837
Data Centre Co-location	2,562	1,901
<b>Total Revenue by Product Line</b>	<b>23,611</b>	<b>16,141</b>
<b>Revenue by Geographic Area</b>		
Australasia	23,611	16,141
<b>Total Revenue by Geographic Area</b>	<b>23,611</b>	<b>16,141</b>

**NOTE 4: OTHER INCOME**

	Consolidated	
	2016	2015
	\$ ,000	\$ ,000
<b>Other Income</b>		
Interest Income	30	12
Other Sundry Income	252	-
<b>Total Other Income</b>	<b>282</b>	<b>12</b>



## NOTE 5: EXPENSES

	Consolidated	
	2016	2015
	\$ ,000	\$ ,000
Profit before income tax includes the following expenses:		
<b>Cost of Sales &amp; Services</b>		
Data Centre & Co-Location Expense	1,867	1,397
Calls & Communications Expense	7,587	5,850
Other cost of goods sold	1,125	665
<b>Total Cost of Sales &amp; Services</b>	<b>10,579</b>	<b>7,912</b>
<b>Employee Benefits</b>		
Salaries and Wages	4,724	3,267
Superannuation	441	294
Annual and Long Service Leave	204	31
Other Employee Expenses	707	337
<b>Total Employee Benefits</b>	<b>6,076</b>	<b>3,929</b>
<b>Depreciation</b>		
Computer, Network & IT Plant & Equipment	819	563
Furniture & Fittings	24	20
Motor Vehicles	18	18
<b>Total Depreciation</b>	<b>861</b>	<b>601</b>
<b>Amortisation</b>		
Amortisation of Intangibles	381	119
<b>Total Amortisation</b>	<b>381</b>	<b>119</b>
<b>Total Depreciation &amp; Amortisation</b>	<b>1,242</b>	<b>720</b>
<b>Finance Costs</b>		
Interest and Finance Charges Paid/Payable	86	60
<b>Total Finance Costs</b>	<b>86</b>	<b>60</b>
<b>Other Expenses</b>		
Reseller Commissions Paid	94	154
IPO & Share Issuance Costs	334	-
Legal, Accounting & Business Acquisition Costs	313	52
Rent	238	145
Licenses & Subscriptions	162	57
Travel & Marketing	169	62
General Expenses	505	312
<b>Total Other Expenses</b>	<b>1,815</b>	<b>782</b>
<b>Total Expenses</b>	<b>19,798</b>	<b>13,403</b>

Expenses increased largely due to additional service contracts and other agreements as a result of the acquisitions of Faktortel Holdings Pty Ltd, Sanity Technology and the assets of Spiderbox as well as IPO and share issuance costs.

**NOTE 6: INCOME TAX EXPENSE**

	Consolidated	
	<b>2016</b>	<b>2015</b>
	\$ ,000	\$ ,000
<b>Income Tax Expense</b>		
Current Tax	1,478	853
Deferred Tax – origination and reversal of temporary differences	(158)	20
Deferred Tax – adjustment recognised for prior periods	-	(84)
Adjustment recognised for prior periods	(72)	(6)
<b>Aggregate Income Tax Expense</b>	<b>1,248</b>	<b>783</b>
Deferred tax included in income tax expense comprises:		
(Increase) / Decrease in Deferred Tax Assets	(210)	(39)
Increase / (Decrease) in Deferred Tax Liabilities	52	59
Deferred Tax – origination and reversal of temporary differences	(158)	20
<b>Numerical Reconciliation of Income Tax Expense and Tax at Statutory Rate</b>		
Profit before income tax expense	4,094	2,750
Tax at the statutory rate of 30%	1,228	825
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Entertainment	7	3
Amortisation of Intangibles	96	36
Accounting & Legal	112	-
IPO Costs	(149)	-
Other Sundry Items	26	9
	92	873
Adjustment recognised for prior periods	(72)	(90)
<b>Income Tax Expense</b>	<b>1,248</b>	<b>783</b>
The applicable weighted average effective tax rates are as follows:	30%	28%

**Tax consolidation legislation**

Over the Wire Holdings Limited and its wholly owned Australian controlled entities have implemented tax consolidation legislation as of 1 November 2016.

Each entity in the Group recognises its own current and deferred tax assets and liabilities.

**NOTE 7: EARNINGS PER SHARE**

	Consolidated	
	2016	2015
	\$ ,000	\$ ,000
<b>Reconciliation of Earnings to Profit or Loss</b>		
Earnings Used to Calculate Basic Earnings Per Share	2,847	1,967
Earnings Used to Calculate Diluted Earnings Per Share	2,847	1,967
<b>Weighted Average Number of Ordinary Shares</b>		
	,000	,000
Weighted Average Number of Ordinary Shares Outstanding During the Year Used in Calculating Basic Earnings Per Share	38,596	31,725
Weighted Average Number of Ordinary Shares Outstanding During the Year Used in Calculating Dilutive Earnings Per Share	38,596	31,725
	Cents	Cents
Basic Earnings Per Share (Cents Per Share)	7.375	6.202
Diluted Earnings Per Share (Cents Per Share)	7.375	6.202
<b>Net Tangible Assets Per Share</b>		
	\$,000	\$,000
Net Amount	7,233	1,631
	Cents	Cents
Per Share (Cents)	0.17	0.05

**NOTE 8: CURRENT ASSETS – CASH & CASH EQUIVALENTS**

	Consolidated	
	2016	2015
	\$ ,000	\$ ,000
<b>Cash &amp; Cash Equivalents</b>		
Cash on Hand	1	1
Cash at Bank	7,041	2,159
<b>Total Cash &amp; Cash Equivalents</b>	<b>7,042</b>	<b>2,160</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:		
Balance as Above	7,042	2,160
<b>Balance as per Statement of Cash Flows</b>	<b>7,042</b>	<b>2,160</b>

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

## NOTE 9: CURRENT ASSETS – 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 counterparty 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	
	2016 \$ ,000	2015 \$ ,000
<b>Trade &amp; Other Receivables</b>		
Trade Receivables	1,220	758
Less: Provision for Impairment of Receivables	(109)	(21)
	1,111	737
Other Receivables	725	222
<b>Total Trade &amp; Other Receivables</b>	<b>1,836</b>	<b>959</b>
<b>Impairment of Receivables</b>		
The consolidated entity has recognised a loss of \$ 109,000 (2015 \$ 21,000) in profit and loss in respect of impairment of receivables for the year ended 30 June 2016.		
The aging of the impaired receivables provided for above are as follows:		
0 – 3 months overdue	95	3
4 – 6 months overdue	13	-
More than 6 months overdue	1	18
<b>Total Provision for Impairment of Receivables</b>	<b>109</b>	<b>21</b>
<b>Movements in the Provision for Impairment of Receivables are as Follows:</b>		
Opening Balance	21	2
Additional Provision Recognised	164	135
Receivables Written off During the Year as Uncollectable	(76)	(116)
Unused amounts reversed	-	-
<b>Closing Balance</b>	<b>109</b>	<b>21</b>
<b>Past Due But Not Impaired:</b>		
Customers with balances past due but without provision for impairment of receivables amount to \$294,000 as at 30 June 2016 (\$118,000 as at 30 June 2015). The consolidated entity did not consider a credit risk on the aggregate balances after reviewing credit terms of customers based on collection practices.		
The aging of the past due but not impaired receivables are as follows:		
0 – 3 months overdue	220	118
4 – 6 months overdue	74	-
More than 6 months overdue	-	118
<b>Total Receivables past due but not impaired</b>	<b>294</b>	<b>118</b>

Trade and Other Receivables increased largely due to the inclusion of the Debtors and Receivables of the acquired companies Faktortel Holdings Pty Ltd and Sanity Technology as well as the new business customers delivered by Spiderbox.



**NOTE 10: CURRENT ASSETS – INVENTORIES**

	Consolidated	
	2016	2015
	\$ ,000	\$ ,000
<b>Inventories</b>		
Finished Goods – at Net Realisable Value	39	51
<b>Total Inventories</b>	<b>39</b>	<b>51</b>

**NOTE 11: OTHER ASSETS**

	Consolidated	
	2016	2015
	\$ ,000	\$ ,000
<b>Other Assets</b>		
Prepayments	232	103
<b>Total Other Assets</b>	<b>232</b>	<b>103</b>

**NOTE 12: NON-CURRENT ASSETS – PLANT & EQUIPMENT**

	Consolidated	
	2016	2015
	\$ ,000	\$ ,000
<b>Computer, Network &amp; IT Plant &amp; Equipment</b>		
Computer, Network & IT Plant & Equipment – at cost	5,958	3,671
Less: Accumulated Depreciation	(2,723)	(1,832)
	<b>3,235</b>	<b>1,839</b>
<b>Furniture &amp; Fixtures</b>		
Furniture & Fixtures – at cost	257	219
Less: Accumulated Depreciation	(115)	(121)
	<b>142</b>	<b>98</b>
<b>Motor Vehicles</b>		
Motor Vehicles – at cost	143	143
Less: Accumulated Depreciation	(42)	(24)
	<b>101</b>	<b>119</b>
<b>Total Plant &amp; Equipment at written Down Value</b>	<b>3,478</b>	<b>2,056</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 2014	1,687	90	137	<b>1,914</b>
Additions	755	28	-	<b>783</b>
Disposals	(40)	-	-	<b>(40)</b>
Depreciation Expense	(563)	(20)	(18)	<b>(601)</b>
<b>Balance at 30 June 2015</b>	<b>1,839</b>	<b>98</b>	<b>119</b>	<b>2,056</b>
Additions Through Business Combinations	564	15	-	<b>579</b>
Additions	1,690	106	-	<b>1,796</b>
Disposals	(39)	(53)	-	<b>(92)</b>
Depreciation Expense	(819)	(24)	(18)	<b>(861)</b>
<b>Balance at 30 June 2016</b>	<b>3,235</b>	<b>142</b>	<b>101</b>	<b>3,478</b>

## NOTE 13: NON-CURRENT ASSETS – INTANGIBLES

	Consolidated	
	2016	2015
	\$,000	\$,000
<b>Intangibles</b>		
Goodwill – at Cost	2,344	-
<b>Total Goodwill</b>	<b>2,344</b>	<b>-</b>
Brand Value	2,750	-
<b>Total Brand Value</b>	<b>2,750</b>	<b>-</b>
Location and Right-to-Use	1,817	486
Less: Accumulated Amortisation	(212)	(252)
<b>Total Location and Right-to-Use</b>	<b>1,605</b>	<b>234</b>
Customer Lists*	3,790	-
Less: Accumulated Amortisation*	(284)	-
<b>Total Customer List</b>	<b>3,506</b>	<b>-</b>
<b>Total Intangibles</b>	<b>10,205</b>	<b>234</b>

\* The economic value of the customer lists recognised on acquisition of the assets of Spiderbox is Provisional in nature as at the date of these interim financial statements and is included above. Refer to Note 11 for further details.

**Reconciliations**

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

	Goodwill	Brand Value	Location & Right to Use	Customer List	Total
	\$,000	\$,000	\$,000	\$,000	\$,000
Balance at 1 July 2014	-	-	486	-	486
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Amortisation Expense	-	-	(252)	-	(252)
<b>Balance at 30 June 2015</b>	<b>-</b>	<b>-</b>	<b>234</b>	<b>-</b>	<b>234</b>
Additions Through Business Combinations	2,344	2,750	1,475	3,783	8,775
Disposals	-	-	-	-	-
Amortisation Expense	-	-	(104)	(277)	(381)
<b>Balance at 30 June 2016</b>	<b>2,344</b>	<b>2,750</b>	<b>1,605</b>	<b>3,506</b>	<b>10,205</b>

**Finite Life Intangible Assets**

Outlined below are the carrying amounts and remaining amortisation periods of the individual intangible assets that are material to the consolidated entity's financial statements at 30 June 2016.

	Remaining Amortisation Period	Carrying Amount
	Years	\$,000
Location & Right to Use – Sanity	11	1,414
Right to Use – WebCentral	4	191
<b>Location &amp; Right to Use</b>		<b>1,605</b>
Customer List – Faktortel	9	1,837
Customer List – Sanity	9	1,411
Customer List – SpiderBox	9	258
<b>Customer List</b>		<b>3,506</b>

**Impairment Disclosures**

Both goodwill and brand value are allocated to cash generating units which are based on the Group's reporting segments. As per Note 3, the Group has one reportable segment, being IT and Telecommunications.

Brand Value has been recorded in relation to the acquisitions of Sanity and Faktortel during the current financial year. Brand Value 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. Instead, they are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

As all goodwill and other indefinite life intangible assets were acquired within the last financial year, with no impairment indicators noted, formal impairment testing was not required to be conducted in accordance with AASB 136: Impairment of Assets.

**NOTE 14: NON-CURRENT ASSETS – DEFERRED TAX**

	Consolidated	
	<b>2016</b>	<b>2015</b>
	\$,000	\$,000
<b>Deferred Tax Consist Of:</b>		
Deferred Tax Assets (a)	439	226
Deferred Tax Liabilities (b)	(1,720)	(62)
<b>Net Deferred Tax Asset / (Liability)</b>	<b>(1,281)</b>	<b>164</b>

**a) Deferred Tax Assets:**

The Balance Comprises Temporary Differences Attributable to:

Accrued Expenses	51	137
Provision for Doubtful Debts	33	6
Employee Benefits	147	83
Claimable IPO Costs	199	-
Other	9	-
<b>Deferred Tax Asset</b>	<b>439</b>	<b>226</b>

**Movement in Deferred Tax Assets**

	Accrued Expenses	Prov. for Doubtful Debts	Employee Benefits	Claimable IPO Costs	Other	Total
	\$,000	\$,000	\$,000	\$,000	\$,000	\$,000
Balance at 1 July 2014	113	1	73	-	-	187
(Charged) / Credited to Profit or Loss	24	5	10	-	-	39
Additions Through Business Combinations	-	-	-	-	-	-
(Over) / Under Provision of Prior Year	-	-	-	-	-	-
<b>Balance at 30 June 2015</b>	<b>137</b>	<b>6</b>	<b>83</b>	<b>-</b>	<b>-</b>	<b>226</b>
(Charged) / Credited to Profit or Loss	(86)	27	61	199	9	210
Additions Through Business Combinations	-	-	3	-	-	3
(Over) / Under Provision of Prior Year	-	-	-	-	-	-
<b>Balance at 30 June 2016</b>	<b>51</b>	<b>33</b>	<b>147</b>	<b>199</b>	<b>9</b>	<b>439</b>



	Consolidated	
	2016	2015
	\$ ,000	\$ ,000
<b>b) Deferred Tax Liabilities:</b>		
The Balance Comprises Temporary Differences Attributable to:		
Accrued Revenue	(117)	(54)
Provision for Change in Contingent Liability	(22)	-
Provision for Doubtful Creditors	(4)	(8)
Intangibles on Acquisitions – Right to Use	(443)	-
Intangibles on Acquisitions – Customer List	(1,134)	-
<b>Deferred Tax Liability</b>	<b>(1,720)</b>	<b>(62)</b>

<b>Movement in Deferred Tax Liability</b>					
	Accrued Revenue	Prov. for Change in Contingent Liability	Prov. For Doubtful Creditors	Intangibles on Acquisitions	Total
	\$,000	\$,000	\$,000	\$,000	\$,000
Balance at 1 July 2014	(3)	-	-	-	(3)
(Charged) / Credited to Profit or Loss	(51)	-	(8)	-	(59)
Additions Through Business Combinations	-	-	-	-	-
(Over) / Under Provision of Prior Year	-	-	-	-	-
<b>Balance at 30 June 2015</b>	<b>(54)</b>	<b>-</b>	<b>(8)</b>	<b>-</b>	<b>(62)</b>
(Charged) / Credited to Profit or Loss	(34)	(22)	4	-	(52)
Additions Through Business Combinations	(29)	-	-	(1,577)	(1,606)
(Over) / Under Provision of Prior Year	-	-	-	-	-
<b>Balance at 30 June 2016</b>	<b>(117)</b>	<b>(22)</b>	<b>(4)</b>	<b>(1,577)</b>	<b>(1,720)</b>

## NOTE 15: CURRENT LIABILITIES – TRADE & OTHER PAYABLES

	Consolidated	
	2016	2015
	\$ ,000	\$ ,000
<b>Trade &amp; Other Payables</b>		
Trade Payables	1,026	421
GST Payable	309	184
Wages Payable	130	70
Other payables	975	519
<b>Total Trade &amp; Other Payables</b>	<b>2,440</b>	<b>1,194</b>

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

**NOTE 16: CURRENT LIABILITIES – BORROWINGS**

	Note	Consolidated	
		2016 \$ ,000	2015 \$ ,000
<b>Borrowings (Current)</b>			
Chattel Mortgage (Motor Vehicles)	28	80	22
Cisco Finance Lease	28	64	-
ANZ Commercial Bill		-	215
<b>Total Current Borrowings</b>		<b>144</b>	<b>237</b>

Borrowings decreased largely due to Over the Wire Pty Ltd paying off its commercial bill with ANZ during the reporting period.

**NOTE 17: CURRENT LIABILITIES – CURRENT TAX LIABILITY**

	Consolidated	
	2016 \$ ,000	2015 \$ ,000
<b>Current Tax Liability</b>		
Provision For Income Tax Payable	1,437	646
<b>Total Current Tax Liability</b>	<b>1,437</b>	<b>646</b>

**NOTE 18: CURRENT LIABILITIES – EMPLOYEE BENEFITS**

	Consolidated	
	2016 \$ ,000	2015 \$ ,000
<b>Employee Benefits</b>		
Provision for Long Service Leave	60	41
Provision for Annual Leave	352	210
Other employee benefits payable	-	-
<b>Total Employee Benefits Payable</b>	<b>412</b>	<b>251</b>

	Consolidated	
	2016	2015
	\$ ,000	\$ ,000
<b>Movement in Provisions</b>		
Provision for Long Service Leave		
Balance at 1 July	41	59
Additional Provisions	19	(4)
Amounts Used	-	(14)
<b>Balance at 30 June</b>	<b>60</b>	<b>41</b>
<b>Provision for Annual Leave</b>		
Balance at 1 July	210	161
Additional Provisions	358	187
Amounts Used	(216)	(138)
<b>Balance at 30 June</b>	<b>352</b>	<b>210</b>
<b>Analysis of Total Employee Provisions</b>		
Current	412	251
Non-Current (Note 20)	81	25
<b>Total Provisions</b>	<b>493</b>	<b>276</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 consolidated entity 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: BUSINESS COMBINATIONS

**(a) Acquisition of Faktortel Holdings Pty Ltd (Trading as Faktortel)**

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

Revenue of Faktortel Holdings Pty Ltd included in the consolidated revenue of the group since acquisition amounted to \$3,113K.

Profit before tax of Faktortel Holdings Pty Ltd included in consolidated profit before tax of the group since acquisition amounted to \$487K.

Had the results of Faktortel Holdings Pty Ltd been consolidated from 1 July 2015, revenue of the consolidated group would have been \$23,841K and consolidated profit before tax would have been \$4,108K for the year ended 30 June 2016.

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

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

Revenue of Sanity Holdings Pty Ltd included in the consolidated revenue of the group since acquisition amounted to \$791k. Profit before tax of Faktortel Holdings Pty Ltd included in consolidated profit before tax of the group since acquisition amounted to \$226K.

Had the results of Sanity Holdings Pty Ltd been consolidated from 1 July 2015, revenue of the consolidated group would have been \$24,139K and consolidated profit before tax would have been \$4,161K for the year ended 30 June 2016.

**(c) Acquisition of business assets from Access Wireless and Cable Pty Ltd (Trading as Spiderbox)**

On 01 April 2016, the company acquired the assets of Access Wireless and Cable Pty Ltd (Spiderbox), a privately held telecommunications company that owns a fibre footprint in Brisbane Technology Park, and employs 9 staff and services approximately 100 business customers with products such as data, voice and cloud services.

As the above acquisition was for business assets only, it is impracticable to disclose information regarding contribution to the Group's revenue and profit before tax.

**(d) Details on acquisitions**

Company	Primary Business Division	Acquisition	Purchase Price	Intangibles Acquired	Shares Issued to Settle	Cash to Settle	Deferred Consideration
			\$,000	\$,000	Units	\$,000	\$,000
Faktortel Group (finalised)	Voice	100% of shares	5,348	5,191	1,374,081	3,681	-
Sanity Technology (finalised)	Data Centre Co-location	100% of shares	3,397	3,287	352,946	2,294	*750
Spiderbox (provisional)	Voice, Data, Co-location	100% of assets	700	256	-	550	150
<b>Total</b>			<b>9,445</b>	<b>8,734</b>	<b>1,727,027</b>	<b>6,525</b>	<b>900</b>

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

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

- a** The maximum amount of each of the respective payments will not exceed 5% of the purchase price for the 2016 financial year, and 10% of the purchase price for the 2017 and 2018 financial years; and
- b** No deferred consideration will be payable in circumstances where Sanity Technology fails to achieve a minimum revenue amount of \$1.0 million in each applicable year.

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

\* Deferred consideration as at 30 June 2016 has been written down to \$687,000 in the statement of financial position, recognising a provision against the expected amount payable in relation to the 2017 financial year.

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

	Faktortel Holdings Pty Ltd	Sanity Holdings Pty Ltd
	28 Jul 2015	30 Nov 2015
	\$,000	\$,000
<b>Assets</b>		
<b>Current Assets</b>		
Cash & Cash Equivalents	205	35
Trade & Other Receivables	353	36
Inventories	8	-
Other Assets	98	25
<b>Total Current Assets</b>	<b>664</b>	<b>96</b>
<b>Non-Current Assets</b>		
Property, Plant & Equipment	8	127
Intangibles	35	-
Total Non-Current Assets	43	127
<b>Total Assets</b>	<b>707</b>	<b>223</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Trade & Other Payables	365	94
Income Tax	147	19
Short-term Provisions	12	-
<b>Total Current Liabilities</b>	<b>524</b>	<b>113</b>
<b>Non-Current Liabilities</b>		
Deferred Tax Liabilities	26	-
Total Non-Current Assets	26	-
<b>Total Liabilities</b>	<b>550</b>	<b>113</b>
<b>Net Assets</b>	<b>157</b>	<b>110</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/ Retention Rate		
	\$,000	\$,000	\$,000	\$,000	\$,000	\$,000

**Sanity**

Purchase Price: 3,397

 Less: Identifiable Net  
Assets (110)

 Add: Deferred tax  
liability recognised on  
limited life intangibles 888

 Intangible Assets upon  
Acquisition **4,175**
**Allocation of  
Intangibles:**

 250 1,475 1,485 965 **4,175**

 Estimate Useful Life of  
Limited Life Assets:

12 10

 Annual Forecast  
Amortisation

 123 149 **272**
**Faktortel**

Purchase Price: 5,348

 Less: Identifiable Net  
Assets (157)

 Add: Deferred tax  
liability recognised on  
limited life intangibles 689

 Intangible Assets upon  
Acquisition **5,880**

 Allocation of  
Intangibles:

 2,500 2,000 1,380 **5,880**

 Estimate Useful Life of  
Limited Life Assets:

10

 Annual Forecast  
Amortisation

 200 **200**

	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/Retention Rate		
	\$,000	\$,000	\$,000	\$,000	\$,000	\$,000
<b>Access Wireless and Cable (SpiderBox)</b>						
Purchase Price:	700					
Less: Identifiable Net Assets	(444)					
Intangible Assets upon Acquisition	<b>256</b>					
<b>Allocation of Intangibles:</b>		-	-	<b>256</b>	-	<b>256</b>
Estimate Useful Life of Limited Life Assets:			-	10		
Annual Forecast Amortisation			-	26		<b>26</b>
<b>TOTAL - Intangibles</b>		<b>2,750</b>	<b>1,475</b>	<b>3,741</b>	<b>2,345</b>	<b>10,311</b>

## NOTE 20: NON-CURRENT LIABILITIES – BORROWINGS

	Note	Consolidated	
		2016 \$ ,000	2015 \$ ,000
<b>Borrowings</b>			
Chattel Mortgage (Motor Vehicles)	28	-	80
Cisco Finance Lease	28	194	-
ANZ Commercial Bill		-	1,264
<b>Total Borrowings</b>		<b>194</b>	<b>1,344</b>

Borrowings decreased largely due to Over the Wire Pty Ltd paying off its commercial bill with ANZ during the reporting period.

**NOTE 21: NON-CURRENT LIABILITIES – EMPLOYEE BENEFITS**

	Consolidated	
	2016	2015
	\$ ,000	\$ ,000
<b>Employee Benefits</b>		
Provision for Long Service Leave	81	25
<b>Total Employee Benefits Payable</b>	<b>81</b>	<b>25</b>

**NOTE 22: EQUITY – ISSUED CAPITAL**

	Consolidated	
	2016	2015
	\$ ,000	\$ ,000
<b>Issued Capital</b>		
Ordinary Shares – Fully Paid	11,280	1
<b>Total Issued Capital</b>	<b>11,280</b>	<b>1</b>

<b>Movements in ordinary share capital</b>				
	Date	No. of Shares	Issue Price	Paid up Amount
			\$	\$,000
Balance	01 Jul 14	100,000	0.01	1
Share Split Incremental Shares	-	-	-	-
Issue of Shares	-	-	-	-
Employee Share Plan	-	-	-	-
<b>Balance</b>	<b>30 Jun 15</b>	<b>100,000</b>		<b>1</b>

	Date	No. of Shares	Issue Price	Paid up Amount
			\$	\$,000
Balance	01 Jul 15	100,000	0.01	1
Share Split Incremental Shares <sup>1</sup>	02 Nov 15	31,624,973	0.00	0
Issue of Shares <sup>2</sup>	30 Nov 15	10,000,000	1.00	10,000
Employee Share Plan <sup>3</sup>	30 Nov 15	48,000	1.00	48
Shares Issued on Acquisitions <sup>4</sup>	30 Nov 15	1,727,027	1.00	1,727
Capitalised Costs of Share Capital Issue <sup>2</sup>	30 Nov 15	-	-	(496)
<b>Balance</b>	<b>30 Jun 16</b>	<b>43,500,000</b>		<b>11,280</b>

<sup>1</sup> Share split at a rate of 31725 shares for each ordinary share.

<sup>2</sup> Issue of shares upon listing on the Australian Stock Exchange

<sup>3</sup> Shares issued under the Group's employee share plan. Refer below for further details

<sup>4</sup> Shares issued as consideration for acquisition of subsidiaries during the year. Refer to Note 18 for details.

**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 30 November 2015, 48,000 ordinary shares were issued to employees under an Employee Share Plan with an issue price of \$1 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.

**CAPITAL RISK MANAGEMENT**

The consolidated entity'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.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The consolidated entity 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 23: EQUITY – RETAINED PROFITS**

	Consolidated	
	2016	2015
	\$ ,000	\$ ,000
Retained Profits		
Retained Profits at the Beginning of the Financial Year	2,029	1,562
Profits After Income Tax Expense for the Financial Year	2,847	1,967
Dividends Paid	-	(1,500)
<b>Retained Profits at the End of the Financial Year</b>	<b>4,876</b>	<b>2,029</b>

**NOTE 24: EQUITY – DIVIDENDS**

	Consolidated	
	2016	2015
	\$,000	\$,000
<b>Dividends</b>		
Interim Dividend for the Financial Year	-	-
Final Dividend for the Financial Year	-	1,500
<b>Total Dividends for the Financial Year in Cents per Ordinary Share</b>	<b>-</b>	<b>1,500</b>

It is the Board's intention to pay a final dividend of 1 cent per share fully franked, covering the period from Listing until 30 June 2016, in October 2016. The total expected cash payment by the company for this dividend will be \$435,000.

	Consolidated	
	2016 \$,000	2015 \$,000
<b>Franking Credits</b>		
Franking Credits Available at the Reporting Date Based on a Tax Rate of 30%	1,373	483
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%	1,437	749
<b>Franking Credits Available for Subsequent Financial Years Based on a Tax Rate of 30%</b>	<b>2,810</b>	<b>1,232</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 2016 or 30 June 2015.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows.

	Consolidated	
	2016 \$,000	2015 \$,000
<b>Financial Assets</b>		
Cash & Cash Equivalents (Note 8)	7,042	2,160
Trade & Other Receivables (Note 9)	1,836	959
<b>Total Financial Assets</b>	<b>8,878</b>	<b>3,119</b>
<b>Financial Liabilities</b>		
Trade & Other Payables (Note 15)	2,440	1,194
Borrowings (Note 16,20)	338	1,581
<b>Total Financial Liabilities</b>	<b>2,778</b>	<b>2,775</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 2015	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	2,160	-	-	-	2,160	2,160
Trade and Other Receivables	959	-	-	-	959	959
<b>Total</b>	<b>3,119</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,119</b>	<b>3,119</b>

Contracted maturities at 30 June 2016	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	7,042	-	-	-	7,042	7,042
Trade and Other Receivables	1,836	-	-	-	1,836	1,836
<b>Total</b>	<b>8,878</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,878</b>	<b>8,878</b>

The consolidated entity has recognised a loss of \$109,000 (2015 \$21,000) in profit and loss in respect of impairment of receivables for the year ended 30 June 2016. The movements in the provision for impairment of receivables were outlined in Note 9.

The table below sets out the maturity periods of the financial liabilities of the consolidated group as at 30 June 2016 and 30 June 2015. All carrying amounts of equipment finance are discounted contractual cash flows.

Contracted maturities at 30 June 2015	< 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	1,194	-	-	-	-	1,194	1,194
Borrowings	168	121	299	1,130	-	1,718	1,581
<b>Total</b>	<b>1,362</b>	<b>121</b>	<b>299</b>	<b>1,130</b>	<b>-</b>	<b>2,912</b>	<b>2,775</b>

Contracted maturities at 30 June 2016	< 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	2,440	-	-	-	-	2,440	2,440
Borrowings	46	102	64	159	-	371	338
<b>Total</b>	<b>2,486</b>	<b>102</b>	<b>64</b>	<b>159</b>	<b>-</b>	<b>2,811</b>	<b>2,778</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 2016 or 30 June 2015.

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.

Credit risk related to balances with banks and other financial institutions is managed in accordance with approved Board policy. Such policy requires that surplus funds are only invested with counterparties with a Standard and Poor's rating of at least AA-. The following table provides information regarding the credit risk relating to cash and money market securities based on S&P counterparty credit ratings.

	Consolidated	
	2016 \$ ,000	2015 \$ ,000
<b>Cash &amp; Cash Equivalents</b>		
AA- Rated	7,038	2,152
A+ Rated	4	-
BBB+ Rated	-	8
<b>Total Cash &amp; Cash Equivalents</b>	<b>7,042</b>	<b>2,160</b>

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 the Group no longer has any term debt. 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, and the Group no longer has any term debt, 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 period.

### 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 ensure that the Company has sufficient funds available, in the form of cash and liquid assets to meet its liquidity requirements, the Company maintains a sufficient surplus of cash in excess of six months of debt maturities to mitigate refinancing risk.

## NOTE 26: REMUNERATION OF AUDITORS

	Consolidated	
	2016 \$ ,000	2015 \$ ,000
During the financial year the following fees were paid or payable for services provided by PKF Hacketts Audit, the auditor of the consolidated entity		
<b>PKF Hacketts Audit</b>		
Audit Services	58	25
Other services – IPO related	51	-
<b>PKF Hacketts Pty Ltd</b>		
Other Services – Preparation of tax returns	22	10
<b>Total</b>	<b>131</b>	<b>35</b>

## NOTE 27: CONTINGENT ASSETS & LIABILITIES

### CONTINGENT ASSETS

Before completion of the acquisition of Faktortel Holdings Pty Ltd, an aggregate amount of \$236,990 (outstanding amount) was recorded by way of director loans in the accounts of the Faktortel Group. The outstanding amount remains unpaid. A warranty provided by the vendors provided that the Faktortel Group would be free of all debt at completion.

Over the Wire Holdings Limited has paid out the full consideration of the acquisition and as such there is no more exposure to the Group in terms of amounts to be paid out. An amount equal to the outstanding amount is held in trust by the Group's solicitor and as such control of those funds lies with them as trustee of their trust account. As a portion of the outstanding amount is in dispute, if the outcome is favourable to the Group, then that portion of the outstanding amount will be returned by the solicitors.

### CONTINGENT LIABILITIES

The consolidated entity had no contingent Liabilities as at 30 June 2016 and 30 June 2015.

## NOTE 28: CAPITAL & LEASING COMMITMENTS

	Consolidated	
	2016	2015
	\$ ,000	\$ ,000
<b>Lease commitments - Operating</b>		
Committed at the reporting date but not recognised as liabilities payable:		
Within one year	706	463
One to five years	1,198	985
More than five years	47	-
<b>Total Lease commitments - Operating</b>	<b>1,951</b>	<b>1,448</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	
	2016	2015
	\$ ,000	\$ ,000
<b>Commitments in relation to non-cancellable finance leases are as follows:</b>		
Not Later Than 1 Year	371	113
Later Than 1 Year But Not Later Than 5 Years	-	-
Minimum Lease Payments	371	113
Less Future Finance Charges	(33)	(11)
	<b>338</b>	<b>102</b>
Representing Finance Lease Commitments		
Current (Note 16)	144	22
Non-Current (Note 20)	194	80
<b>Total Lease Commitments - Financing</b>	<b>338</b>	<b>102</b>

**NOTE 29: CASH FLOW INFORMATION**

	Consolidated	
	<b>2016</b>	<b>2015</b>
	\$,000	\$,000
<b>Reconciliation of Cash Flows from Operations with Profit After Income Tax</b>		
<b>Profit After Income Tax</b>	<b>2,847</b>	<b>1,967</b>
<b>Non cash flows in profit/(loss):</b>		
Depreciation	861	720
Amortisation	381	-
Provision for Doubtful Debts	88	-
Write-down of Earn-out Payments	(195)	-
Other Non Cash Movements	34	-
<b>Changes in Assets and Liabilities</b>		
(Increase) / Decrease in Trade and Other Receivables	(488)	(225)
(Increase) / Decrease in Inventories	20	-
(Increase) / Decrease in Other Assets	(5)	-
(Increase) / Decrease in Deferred Tax Assets	(158)	-
(Decrease) / Increase in Payables	787	(163)
(Decrease) / Increase in Provisions	205	50
(Decrease) / Increase in Current Tax Liabilities	625	533
<b>Net Cash Flows from Operating Activities</b>	<b>5,002</b>	<b>2,882</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 2016

	2016 \$ ,000	2015 \$ ,000
Assets		
Current Assets	3,783	1,766
Non-Current Assets	8,944	807
<b>Total Assets</b>	<b>12,727</b>	<b>2,573</b>
Liabilities		
Current Liabilities	734	1,987
Non-Current Liabilities	511	25
<b>Total Liabilities</b>	<b>1,245</b>	<b>2,011</b>
<b>Net Assets</b>	<b>11,481</b>	<b>562</b>
Equity		
Issued Capital	11,280	1
Retained Profits	201	561
<b>Total Equity</b>	<b>11,481</b>	<b>562</b>

### PARENT ENTITY STATEMENT OF COMPREHENSIVE INCOME

For Year Ended 30 June 2016

	2016 \$ ,000	2015 \$ ,000
<b>Total Profit</b>	<b>(360)</b>	<b>1,963</b>
<b>Total Comprehensive Income</b>	<b>-</b>	<b>-</b>

### GUARANTEES AND CONTRACTUAL COMMITMENTS

During the reporting period, Over the Wire Holdings Limited did not have guarantees or contractual commitments with or in relation to its subsidiaries.

### CONTINGENT LIABILITIES

The parent entity did not have any contingent liabilities as at 30 June 2016 (2015: nil).



## 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 Over the Wire Holdings Limited 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 until 31 December 2015.
- 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 from 1 January 2016.
- Management fees charged by Over the Wire Holdings Limited to cover the costs of being listed on the Australian Stock Exchange.
- 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 FY16: \$3.145m (FY15: \$4.606m)
  - Fees charged by OTW Corp to the members of the group for FY16: \$3.533m (FY15: nil)

### KEY MANAGEMENT PERSONNEL (KMP) COMPENSATION

	Consolidated	
	2016 \$ ,000	2015 \$ ,000
Short –Term Employee Benefits	1,090	961
Long-Term Employee Benefits	14	14
Post-Employment Benefits	83	68
Termination Payments	-	-
Share based Payments	7	-
<b>Key Management Personnel</b>	<b>1,194</b>	<b>1,043</b>

Detailed remuneration disclosures are provided in the remuneration report on pages 20 to 22.

## NOTE 32: SUBSIDIARIES

	Consolidated		
	2016	2015	
The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policies described in Note 1:			
Name of Entity	Country of Incorporation	Equity Holding	Equity Holding
Over the Wire Pty Ltd	Australia	100 %	100 %
Netsip Pty Ltd	Australia	100 %	100 %
Celentia Pty Ltd (Deregistered 07 October 2015)	Australia	0%	100 %
EcoHost Pty Ltd (Deregistered 07 October 2015)	Australia	0%	100 %
Spartan IT Pty Ltd (Deregistered 07 October 2015)	Australia	0%	100 %
Faktortel Pty Ltd (Acquired 28 July 2015)	Australia	100%	0%
Faktortel Holdings Pty Ltd (Acquired 28 July 2015)	Australia	100%	0%
Aero Telecom Pty Ltd (Acquired 28 July 2015)	Australia	100%	0%
Sanity Holdings Pty Ltd ( Acquired 30 November 2015)	Australia	100%	0%
OTW Corp Pty Ltd ( Registered 25 September 2015)	Australia	100%	0%

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

## NOTE 33: SUBSEQUENT EVENTS

It is the Board's intention to pay a final dividend of 1 cent per share fully franked, covering the period from Listing until 30 June 2016, in October 2016. The total expected cash payment by the company for this dividend will be \$435,000.

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 company, the results of those operations, or the state of affairs of the company in future financial periods.

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**6.0**

**DIRECTORS'  
DECLARATION**

# DIRECTORS' DECLARATION

## IN THE DIRECTORS' OPINION:

The financial statements and notes set out on pages 33 to 73 are in accordance with the Corporations Act 2001, including:

- 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
- giving a true and fair view of the financial position as at 30 June 2016 and of the performance for the year ended on that date of the company and consolidated group;

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 September 2016



**John Puttick**  
Chair Person

Brisbane  
15 September 2016

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OUR DEDICATION TO  
CUSTOMER SERVICE IS  
UNCOMPROMISING AND WE  
HAVE DEVELOPED A CULTURE  
WHICH CONSISTENTLY  
DELIVERS HIGH LEVELS OF  
CUSTOMER SERVICE AND  
RETENTION.



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**7.0**  
**INDEPENDENT**  
**AUDITOR'S**  
**REPORT**

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

**Report on the financial report**

We have audited the accompanying financial report of Over the Wire Holdings Limited ("the company") and its Controlled Entities ("the group") which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other 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 group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

*Directors' responsibility for the 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 is free from material misstatement, whether due to fraud or error. In Note 1, the Directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements that the financial statements comply with International Financial Reporting Standards.

*Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We have 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 whether the financial report is free from material misstatement.

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 the 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 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. 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 in the financial report.

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

*Independence*

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

PKF Hacketts Audit  
ABN 33 873 151 348

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*Opinion*

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

- (a) the financial report of Over the Wire Holdings Limited and its Controlled Entities is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the group's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

**Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 20 to 22 of the Directors' Report for the year ended 30 June 2016. 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 and its Controlled Entities for the year ended 30 June 2016, complies with section 300A of the *Corporations Act 2001*.

*PKF HACKETTS*

**PKF Hacketts Audit**



**Liam Murphy**  
**Partner**

Brisbane, 15 September 2016

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# CONTACT DETAILS

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