Over the Wire

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2022

APPENDIX 4D

Over the Wire Holdings Limited

ACN 151 872 730

APPENDIX 4D
INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2021

PREVIOUS CORRESPONDING PERIOD: HALF YEAR ENDED 31 DECEMBER 2020

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RESULTS FOR ANNOUNCEMENT TO THE MARKET
KEY INFORMATION:

	Consolidated			
	Dec 2021	Dec 2020	Change	Change
	$,000	$,000	$,000	%
Revenue from Ordinary Activities	69,250	50,296	18,954	38
Profit after Tax from Ordinary Activities Attributable to Members	1,544	1,782	(238)	(13)
Profit Attributable to Members	1,544	1,782	(238)	(13)

Dividends Paid	Amount per Security	Franked Amount per Security
	Cents	Cents
Ordinary Shares		
2021 Final - Paid 14 October 2021	2.25	2.25

The fully franked dividend relates to the financial reporting period ending 30 June 2021.

SUBSEQUENT EVENTS

The Group continues to progress through the steps required under the Scheme Implementation Deed in which it is proposed that Aussie Broadband Limited will acquire 100% of the share capital of the Group by way of a recommended scheme of arrangement as previously announced and disclosed on the ASX.

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

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EXPLANATION OF KEY INFORMATION AND DIVIDENDS

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

	Dec 2021	Jun 2021
	$,000	$,000
Net Assets	100,802	100,315
Net Tangible Assets	(56,893)	(64,503)
Net Tangible Assets Per Security	Cents	Cents
Net tangible asset per share	(95.42)	(108.30)

Net tangible assets per share has improved over the 6 months to December 2021 as the company continues to generate underlying profits.

	Dec 2021	Dec 2020
	Cents	Cents
Earnings Per Share		
Basic Earnings Per Share	2.593	3.281
Diluted Earnings Per Share	2.588	3.264

Earnings per share decreased predominately due to recognising a full six months of amortisation on the intangible assets with a limited life, recognised through the acquisitions of Fonebox / Zintel and Digital Sense in the comparative period.

REVIEW CONCLUSION

The Group's financial report for the half year ended 31 December 2021 has been subject to review by its auditor, and an unqualified conclusion was received.

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2022
HALF YEAR REPORT

Over the Wire Holdings Limited
ACN 151 872 730

2022 HALF YEAR REPORT

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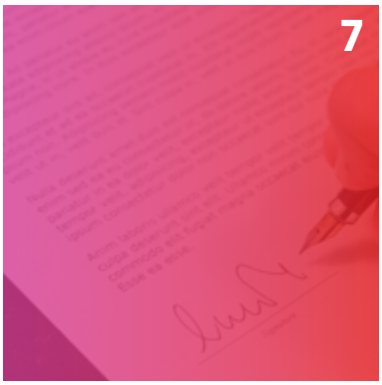

Directors' Report

Financial Statements

Notes to the Financial Statements

GENERAL INFORMATION

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

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

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

Registered Office & Principal Place of Business
Level 24, 100 Creek Street
Brisbane QLD 4000

A description of the nature of the Group's operations and its principal activities are included in the directors' report, which is not part of the financial report.
The interim financial report was authorised for issue, in accordance with a resolution of directors on 28 February 2022. The directors have the power to amend or reissue the interim financial report.

Share Register	Auditor	Solicitors	Bankers	Stock Exchange Listings
Link Market Services 10 Eagle Street Brisbane QLD 4000	**PKF Brisbane Audit** Level 6, 10 Eagle Street Brisbane QLD 4000	**McCullough Robertson Lawyers** Level 11, Central Plaza Two 66 Eagle Street Brisbane QLD 4000	**Westpac** 260 Queen Street Brisbane QLD 4000 **National Australia Bank** 259 Queen Street Brisbane QLD 4000	**Over the Wire Holdings Limited** (OTW) shares are listed on the Australian Securities Exchange (ASX)

CORPORATE DIRECTORY

DIRECTORS

Chair (appointed 1 July 2021)	**Stephe Wilks**	BSC, LLM
Managing Director & Group Chief Executive Officer	**Michael Omeros**	BE(Electronics), BInfoTech
Non-Executive Director	**Brent Paddon**	BInfoTech, GradDipBusAdmin
Non-Executive Director	**Susan Forrester AM**	BA, LLB (Hons), EMBA, FAICD
Non-Executive Director	**Cathy Aston**	BEc, MComm, GAICD, FFin

SECRETARY

Mergers & Acquisitions (appointed as Company Secretary 1 October 2021)	**Michael Stabb**	FCA, MAICD, BBUS(ACCY,BUS LAW), RTA
Group General Councel (resigned 1 October 2021)	**Simone Dejun**	LLM, Grad Dip Legal Practice, LLB, BBus(Advertising)

KEY MANAGEMENT

Chief Technology Officer / Chief Information Security Officer	**Ben Cornish**
Chief Operating Officer	**Gary Pittorino**
Chief Financial Officer	**Ben Melville**

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DIRECTORS' REPORT

Your directors present their report on the consolidated entity consisting of Over the Wire Holdings Limited ("the Company") and the entities it controlled ("the Group") for the half-year ended 31 December 2021.

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DIRECTORS' REPORT

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

DIRECTORS & SECRETARY

Chair (Appointed 1 July 2021)	**Stephe Wilks**
Managing Director Group Chief Executive Officer	**Michael Omeros**
Non-Executive Director	**Brent Paddon**
Non-Executive Director	**Susan Forrester AM**
Non-Executive Director	**Cathy Aston**
Company Secretary (appointed 1 October 2021)	**Michael Stabb**
Company Secretary (resigned 1 October 2021)	**Simone Dejun**

PRINCIPAL ACTIVITIES

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

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

REVIEW OF OPERATIONS

REVENUE

Total revenue from ordinary activities for the half-year was $69,250K (H1 FY21: $50,296K), representing an increase of 38% on the corresponding half-year, due to a combination of organic growth and a full six months contribution from both Zintel Communications Pty Ltd and Zintel Communications Limited ("Fonebox / Zintel"), acquired 31 August 2020, as well as Digital Sense Hosting Pty Ltd ("Digital Sense"), acquired 30 October 2020.

EXPENSES

The Group incurred expenses (excluding tax) of $66,758K (H1 FY21: $47,795K), representing an increase of 40%, primarily due to a full six months contribution from Fonebox/ Zintel and Digital Sense, acquired in H1 FY21.

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

EBITDA refers to earnings before interest, tax, depreciation and amortisation, and is an important metric to the Group because it shows the strong gross profit and expenditure management delivered by the Group and correlates well with operating cash flow.

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

Set out below is a reconciliation of NPATA and EBITDA.

	Consolidated	
	Dec 2021 $,000	Dec 2020 $,000
Net Profit after Tax (NPAT)	1,544	1,782
Amortisation (Acquired Intangibles)	4,996	3,784
Income Tax Expense (benefit) on amortisation of acquired intangibles	(1,499)	(1,135)
Net Profit after Tax before Amortisation (NPATA)	**5,041**	**4,431**
Amortisation (Internally Generated Software & Borrowing Costs)	445	386
Income Tax Expense	2,485	1,910
Depreciation	4,421	3,251
Finance Costs	633	553
EBITDA	**13,025**	**10,531**

The Group made a Statutory Net Profit after Tax of $1,544K (H1 FY21: 1,782K), representing a decrease of 13% on the corresponding half year. The decrease in NPAT was primarily due to a full six months amortisation recognised on the identifiable intangible assets from the acquisitions of Fonebox / Zintel and Digital Sense.

NPATA was $5,041K (H1 FY21: $4,431K), representing an increase of 14% on the corresponding half year.

EBITDA was $13,025K (H1 FY21: $10,531), representing an increase of 24% over the corresponding half year. The increase in EBITDA has been due to organic growth over the reporting period as well as a full six months contribution from both Fonebox / Zintel and Digital Sense.

FINANCIAL POSITION

The financial position of the Group remains strong with net assets increasing by $487K to $100,802K from $100,315K.

CASH AND CASH EQUIVALENTS

As at 31 December 2021 the Group has $11,133K in cash or cash equivalents. This represents a decrease of $5,563K in the six month period, primarily due to the payment of $4,786K as an earnout for the acquisition of Digital Sense.

The Group continues to show positive cash flows from operations through continued profitable trading, as shown in the Consolidated Statement of Cash Flows.

DIVIDENDS PAID

A final dividend for 30 June 2021 of 2.25 cents per share fully franked was paid in October 2021.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

EVENTS SINCE THE END OF THE FINANCIAL YEAR

The Group continues to progress through the steps required under the Scheme Implementation Deed in which it is proposed that Aussie Broadband Limited will acquire 100% of the share capital of the Group by way of a recommended scheme of arrangement as previously announced and disclosed on the ASX.

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

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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 11.

ROUNDING OF AMOUNTS

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

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

Michael Omeros **Managing Director**	Stephe Wilks **Chair**
Brisbane 28 February 2022	Brisbane 28 February 2022

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AUDITOR'S INDEPENDENCE DECLARATION

AUDITOR'S INDEPENDENCE DECLARATION

PKF Brisbane Audit

PKF

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

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2021, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(b) no contraventions of any applicable code of professional conduct in relation to the review.

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

PKF

PKF BRISBANE AUDIT

CAMERON BRADLEY
PARTNER

28 FEBRUARY 2022
BRISBANE

PKF Brisbane Audit ABN 33 873 151 348
Level 6, 10 Eagle Street, Brisbane, QLD 4000 | GPO Box 1568, Brisbane, QLD 4001 | T: +61 7 3839 9733
Brisbane | Rockhampton www.pkf.com.au

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FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR HALF YEAR ENDED 31 DECEMBER 2021

		Consolidated	
	Note	Dec 2021	Dec 2020
		$,000	$,000
Revenue from Contracts with Customers	2	69,250	50,296
Other Income		42	56
Expenses			
Data Centre & Colocation Expense		(4,931)	(2,688)
Calls & Communications Expense		(16,748)	(14,726)
Other Cost of Goods Sold		(12,911)	(6,169)
Employee Benefits Expense		(18,456)	(13,871)
Depreciation & Amortisation Expense		(9,862)	(7,421)
Finance Costs		(633)	(553)
Other Expenses	3	(3,221)	(2,367)
Profit Before Income Tax Expense		**2,530**	**2,557**
Income Tax Expense	4	(986)	(775)
Profit After Income Tax Expense for the Year Attributable to members		**1,544**	**1,782**
Other Comprehensive Income		3	4
Other Comprehensive Income for the Year, Net of Tax		**3**	**4**
Total Comprehensive Income for the Year Attributable to members		**1,547**	**1,786**
Basic Earnings per Share		2.593	3.281
Diluted Earnings per Share		2.588	3.264

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

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

		Consolidated	
	Note	Dec 2021	Jun 2021
		$,000	$,000
Assets			
Current Assets			
Cash & Cash Equivalents	5	11,133	16,696
Trade & Other Receivables		12,522	10,717
Inventories		299	128
Other Current Assets		5,194	4,562
Total Current Assets		**29,148**	**32,103**
Non-Current Assets			
Other Non-Current Assets		290	524
Property, Plant & Equipment	6	27,224	29,247
Intangibles	7	142,738	147,722
Total Non-Current Assets		**170,252**	**177,493**
Total Assets		**199,400**	**209,596**
Liabilities			
Current Liabilities			
Trade & Other Payables		16,105	14,446
Borrowings	8	6,791	9,054
Lease Liability	9	4,085	4,493
Current Tax Liability		519	1,391
Employee Benefits		3,065	3,129
Unearned Income		4,440	5,060
Deferred Consideration		4,584	4,686
Total Current Liabilities		**39,589**	**42,259**
Non-Current Liabilities			
Borrowings	8	25,373	25,373
Lease Liability	9	12,952	14,814
Employee Benefits		206	225
Unearned Income		376	717
Deferred Consideration		-	4,684
Deferred Tax		20,102	21,209
Total Non-Current Liabilities		**59,009**	**67,022**
Total Liabilities		**98,598**	**109,281**
Net Assets		**100,802**	**100,315**
Equity			
Issued Capital	10	74,995	74,710
Reserves		165	166
Retained Profits		25,642	25,439
Total Equity		**100,802**	**100,315**

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

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR HALF YEAR ENDED 31 DECEMBER 2021

		Issued Capital	Share Based Payment Reserve	Foreign Currency Translation Reserve	Retained Profits	Total Equity
Consolidated	**Note**	**$,000**	**$,000**	**$,000**	**$,000**	**$,000**
Balance at 1 July 2020		44,321	416	-	24,208	68,945
Profit after Income Tax for the Year		-	-	-	1,782	1,782
Other Comprehensive Income		-	-	4	-	4
Total Comprehensive Income for the Year		**-**	**-**	**4**	**1,782**	**1,786**
Transactions with Owners, in their Capacity as Owners:						
Dividends Paid		-	-	-	(1,162)	(1,162)
Dividend Reinvestment Plan	10	35	-	-	-	35
Movements as a result of existing Performance Rights		-	167	-	-	167
Shares Issued Net of Capital Raising Costs		29,409	-	-	-	29,409
Tax Effect of Capitalised Costs	10	355	-	-	-	355
Balance at 31 December 2020		**74,120**	**583**	**4**	**24,828**	**99,535**

		Issued Capital	Share Based Payment Reserve	Foreign Currency Translation Reserve	Retained Profits	Total Equity
Consolidated	**Note**	**$,000**	**$,000**	**$,000**	**$,000**	**$,000**
Balance at 1 July 2021		74,710	165	1	25,439	100,315
Profit after Income Tax for the Year		-	-		1,544	1,544
Other Comprehensive Income		-	-	3	-	3
Total Comprehensive Income for the Year		**-**	**-**	**3**	**1,544**	**1,547**
Transactions with Owners, in their Capacity as Owners:						
Dividends Paid		-	-	-	(1,341)	(1,341)
Dividend Reinvestment Plan	10	77	-	-	-	77
Movements as a result of existing Performance Rights		-	(4)	-	-	(4)
Employee Share Plan	10	256	-	-	-	256
Tax Effect of Capitalised Costs	10	(48)	-	-	-	(48)
Balance at 31 December 2021		**74,995**	**161**	**4**	**25,642**	**100,802**

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

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CONSOLIDATED STATEMENT OF CASH FLOWS FOR HALF YEAR ENDED 31 DECEMBER 2021

		Consolidated	
	Note	Dec 2021	Dec 2020
		$,000	$,000
Cash Flows from Operating Activities			
Receipts from Customers		73,171	59,700
Payments to Suppliers & Employees		(61,702)	(46,216)
		11,469	**13,484**
Interest Received		7	10
Interest Paid & Other Finance Costs Paid		(633)	(553)
Income Taxes Paid		(3,013)	(2,283)
Net Cash From / (Used In) Operating Activities		**7,830**	**10,658**
Cash Flows from Investing Activities			
Payments for Business Combinations (net of cash acquired)		(4,786)	(55,947)
Payments for Property, Plant & Equipment		(2,369)	(3,286)
Payments for Intangible Assets		(441)	(469)
Net Cash From / (Used In) Investing Activities		**(7,596)**	**(59,702)**
Cash Flows from Financing Activities			
Proceeds from Issue of Shares (net of transaction costs)		-	24,009
Proceeds from Borrowings		-	37,019
Repayment of Borrowings		(2,264)	(2,571)
Repayment of Lease Liabilities		(2,270)	(1,127)
Dividends Paid		(1,264)	(1,105)
Net Cash From / (Used In) Financing Activities		**(5,798)**	**56,225**
Net Increase (Decrease) in Cash & Cash Equivalents		(5,564)	7,181
Cash & Cash Equivalents at the Beginning of the Period		16,696	10,435
Foreign exchange movement in cash		1	4
Cash & Cash Equivalents at the End of the Period	**5**	**11,133**	**17,620**
Non-Cash Financing Activities			
Shares Issued as Consideration for Business Acquisitions		-	5,400
Shares Issued under Dividend Reinvestment plan		77	35

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

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION

These general purpose interim financial statements for Over the Wire Holdings Limited ('the Company') and its controlled entities ('the Group'), for the half-year reporting period ended 31 December 2021 have been prepared in accordance with requirements of the Corporations Act 2001 and Australian Accounting Standard AASB 134: Interim Financial Reporting. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of the Group. As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2021, together with any public announcements made during the following half-year.

These interim financial statements were authorised for issue on 28 February 2022.

A ACCOUNTING POLICIES

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements, unless otherwise stated.

B NEW ACCOUNTING STANDARDS ADOPTED IN THE CURRENT FINANCIAL PERIOD

The Group has considered the implications of new or amended Accounting Standards which have become applicable for the current financial reporting period and has determined there was no need to change its accounting policies as a result of adopting the following standards:

- Amendments to AASB 16: Covid-19-Related Rent Concessions beyond 30 June 2021.

The Group also elected to adopt the following amendments early:

- Amendments to AASB 112: Deferred Tax related to Assets and Liabilities arising from a Single Transaction.

The amendments listed above did not have any material impact on the amounts recognised in prior periods and are not expected to significantly affect current or future periods.

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NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

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C NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE PERIODS

Accounting Standards issued by the AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed below:

- AASB 17: Insurance Contracts (applicable to annual reporting periods beginning on or after January 2023)
  When effective, this Standard will replace the current accounting requirements applicable to Insurance Contracts in AASB 4: Insurance Contracts. The overall objective of AASB 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in AASB 4 which are largely based on grandfathering previous local accounting policies.
  This standard is not applicable to the Group.

- Amendments to AASB 101: Classification of Liabilities as Current or Non-current (applicable to annual reporting periods beginning on or after January 2023)

  The amendments specify the requirements for classifying liabilities as current or non-current. The amendments clarify:
  - What is meant by a right to defer settlement;
  - That a right to defer settlement must exist at the end of the reporting date;
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right; and
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The Group is still assessing the impact these amendments will have on current practice and whether existing loan agreements may require renegotiation.

D NET CURRENT ASSET DEFICIENCY

The Group recorded a net current liability position of $10,441K (June 2021: net current asset position of $10,156K) as at 31 December 2021.

Given the Group's net current liability position, the ability of the Group to continue as a going concern, including its ability to pay its debts as and when they fall due, needs to be considered.

The net current liability position is due to the acquisitions of Zintel/ Fonebox, which was predominately funded through external borrowings (refer to Note 8), and Digital Sense, where a large portion of the consideration is a deferred earnout.

The continuation of the Group as a going concern is dependent upon the continuation of generating future profits by the underlying businesses.

It is on the basis of the Group's ability to maintain future profits and cash inflows from operations, for which there is no significant uncertainty, that the Directors have prepared the financial report on a going concern basis.

NOTE 2: OPERATING SEGMENTS AND PRODUCT LINES

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

Product Lines are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the 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.

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A DESCRIPTION OF PRODUCT LINES

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

DATA NETWORKS AND INTERNET

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

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

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

HOSTING (CLOUD AND DATA CENTRE COLOCATION)

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

INFRASTRUCTURE AS A SERVICE (IAAS)

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

HOSTED PBX

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

DATA CENTRE COLOCATION

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

NOTE 2: OPERATING SEGMENTS AND PRODUCT LINES

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A DESCRIPTION OF PRODUCT LINES

MANAGED SERVICES AND SECURITY

MANAGED SERVICES

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

EQUIPMENT

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

SECURITY

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

VOICE

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

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

B PRODUCT LINE INFORMATION PROVIDED TO THE CHIEF OPERATING DECISION MAKERS

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

	Consolidated	
	Dec 2021 $,000	Dec 2020 $,000
Contract Revenue by Product Line		
Data Networks and Internet	18,496	18,239
Voice	21,078	16,043
Hosting	14,321	8,073
Security & Managed Services	15,356	7,941
Total Contract Revenue by Product Line	**69,250**	**50,296**
Contract Revenue by Geographic Area		
Australasia	69,250	50,296
Total Contract Revenue by Geographic Area	**69,250**	**50,296**

NOTE 2: OPERATING SEGMENTS AND PRODUCT LINES

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B PRODUCT LINE INFORMATION PROVIDED TO THE CHIEF OPERATING DECISION MAKERS

Revenue is derived from the transfer of goods and services over time and at a point in time in the following product lines:

			Consolidated	
			Dec 2021 $,000	Dec 2020 $,000
31 December 2021	**Timing of Revenue Recognition**			
Contract Revenue by Product Line	**At a point in time $,000**	**Over time $,000**		
Data Networks and Internet	582	17,913	18,495	
Voice	499	20,579	21,078	
Hosting	175	14,146	14,321	
Security & Managed Services	10,546	4,810	15,356	
Total Contract Revenue by Product Line			**69,250**	
31 December 2020				
Contract Revenue by Product Line				
Data Networks and Internet	319	17,920		18,239
Voice	473	15,570		16,043
Hosting	59	8,014		8,073
Security & Managed Services	4,253	3,688		7,941
Total Contract Revenue by Product Line	**5,104**	**45,192**		**50,296**

NOTE 3: OTHER EXPENSES

	Consolidated	
	Dec 2021 $,000	Dec 2020 $,000
Other Expenses		
Legal, Accounting & Business Acquisition Costs	596	625
Premises	306	324
Licenses & Subscriptions	1,094	1,032
Travel & Marketing	465	105
Loss allowance & impairment of financial assets	375	83
General Expenses	385	198
Total Other Expenses	**3,221**	**2,367**

NOTE 4: INCOME TAX

	Consolidated	
	Dec 2021 $,000	Dec 2020 $,000
Income Tax Expense	986	775
Total Income Tax Expense	**986**	**775**

During the period ended 31 December 2021, a deferred tax liability was recognised in relation to the step-down in tax bases of fixed assets from the Zintel/Fonebox and Digital Sense acquisitions as part of the allocatable cost amount calculation. This resulted in a one-off amount recorded to income tax expense of $293k. Excluding the impact that this step-down adjustment had to income tax expense, the group's effective tax rate for the period ended 31 December 2021 was 28%.

NOTE 5: CASH & CASH EQUIVALENTS

	Consolidated	
	Dec 2021 $,000	Jun 2021 $,000
Cash & Cash Equivalents (Current)		
Cash on Hand	3	3
Cash at Bank	11,130	16,693
Total Cash & Cash Equivalents	**11,133**	**16,696**
Reconciliation to Cash and Cash Equivalents at the End of the Financial Year		
The above figures are reconciled to cash and cash equivalents at the end of the financial year as shown in the statement of cash flows as follows:		
Balance as Above	**11,133**	**16,696**
Balance as per Statement of Cash Flows	**11,133**	**16,696**

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NOTE 6: PLANT & EQUIPMENT

	Consolidated	
	Dec 2021 $,000	Jun 2021 $,000
Computer, Network & IT Plant & Equipment (Non-Current)		
Computer, Network & IT Plant & Equipment – at cost	44,965	42,566
Less: Accumulated Depreciation	(32,886)	(30,624)
	12,079	**11,942**
Furniture & Fixtures (Non-Current)		
Furniture & Fixtures – at cost	662	660
Less: Accumulated Depreciation	(477)	(456)
	185	**204**
Motor Vehicles (Non-Current)		
Motor Vehicles – at cost	89	95
Less: Accumulated Depreciation	(86)	(91)
	3	**4**
Right of Use (Non-Current)		
Right of Use Assets – at cost	30,621	30,621
Less: Accumulated Depreciation	(15,664)	(13,524)
	14,957	**17,097**
Total Plant & Equipment at written Down Value	**27,224**	**29,247**

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NOTE 7: INTANGIBLES

	Consolidated	
	Dec 2021 $,000	Jun 2021 $,000
Intangibles (Non-Current)		
Goodwill – at Cost	61,890	61,890
	61,890	**61,890**
Brand Value	7,210	7,210
Less: Accumulated Amortisation	(1,177)	(1,006)
	6,033	**6,204**
Location and Right-to-Use	1,817	1,817
Less: Accumulated Amortisation	(1,080)	(1,018)
	737	**799**
Customer Lists	95,269	95,269
Less: Accumulated Amortisation	(23,134)	(18,371)
	72,135	**76,898**
Internally Generated Software	4,084	3,643
Less: Accumulated Amortisation	(2,141)	(1,712)
	1,943	**1,931**
Total Intangibles	**142,738**	**147,722**

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NOTE 8: BORROWINGS

	Consolidated	
	Dec 2021 $,000	Jun 2021 $,000
Borrowings (Current)		
Term Loan	6,791	9,054
Total Borrowings (Current)	**6,791**	**9,054**
Borrowings (Non-Current)		
Term Loan	25,373	25,373
Total Borrowings (Non-Current)	**25,373**	**25,373**
Total Borrowings	**32,164**	**34,427**

TERM LOAN

This facility is secured by an interlocking guarantee and indemnity given by all entities in the Group supported by a first registered general security agreement over all present and subsequently-acquired property over each of the entities in the Group. The facility has a maturity date of 28 August 2023.

In December 2021 a variation was made allowing a deferral of the principle portion of the December 2021 and March 2021 repayments.

LOAN COVENANTS

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

- Debt Service Coverage Ratio must at all times exceed 1.5 times
- Net Leverage Ratio must at all times be less than 2.25 times
- Debt to Capital Ratio must be no more than 50% at all times

As at and during the period ended 31 December 2021, the Group had complied with these covenants.

FACILITIES AVAILABLE

The Group has access to the following facilities, with the balance of the facilities as at 31 December 2021 being as follows:

Facility	Limit	Used
	$,000	$,000
Term Loan	32,164	32,164
Credit Card Facilities	410	3
Multi-Option Facility	1,350	869

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NOTE 9: LEASE LIABILITIES

The Group leases office premises, data centre premises and IT Equipment across QLD, NSW, VIC & SA.

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A LEASE LIABILITIES

	Consolidated	
	Dec 2021 $,000	Jun 2021 $,000
Current		
Lease Liability - Premises	2,000	1,989
Lease Liability - IT Equipment	2,085	2,504
Lease Liability - Current	**4,085**	**4,493**
Non-Current		
Lease Liability - Premises	10,641	11,645
Lease Liability - IT Equipment	2,311	3,169
Lease Liability - Non-Current	**12,952**	**14,814**
Total Lease Liability	**17,037**	**19,307**

B ASSOCIATED RIGHT OF USE ASSETS

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

	Consolidated	
	Dec 2021 $,000	Jun 2021 $,000
Right of Use Assets		
Properties/ Premises	10,741	11,896
IT Equipment	4,216	5,201
Total Written Down Value (Note 6)	**14,957**	**17,097**

NOTE 9: LEASE LIABILITIES

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AMOUNTS RECOGNISED IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

	Consolidated	
	Dec 2021 $,000	Jun 2021 $,000
Right of Use Assets		
Depreciation charge on properties/ premises (included in depreciation and amortisation)	1,154	2,031
Depreciation charge on IT equipment (included in depreciation and amortisation)	985	1,621
Interest expense on properties/ premises (included in finance costs)	178	347
Interest expense on IT Equipment (included in finance costs)	87	172
	2,404	**4,171**

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CASH OUTFLOWS

Total cash outflows for leases for the six months ended 31 December 2021 was $2,535K (six months ended 31 Dec 2020 $1,326K)

E

OTHER INFORMATION

EXPENSE RELATING TO LOW VALUE LEASED ASSETS

The expense relating to leases of low-value assets for which no lease liability or right of use asset has been recognised was $3K for the half year ended 31 December 2021 ($12K for the half year ended 31 December 2020).

LEASES NOT YET COMMENCED TO WHICH THE CONSOLIDATED GROUP IS COMMITTED

As at the date of this report, the Consolidated Group had committed to a new equipment finance agreement with total cash outflows of $302K over 36 months. The start date of the new lease has not yet been finalised.

EXTENSION AND TERMINATION OPTIONS

Extension and termination options are included in a number of property and equipment leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor. Most extension options in property leases have not been included in the lease liability, because the Group could replace the assets without significant cost or business disruption. No estimate of potential future cash outflows on available options outside of those recognised in the lease liability have been calculated on the basis that the majority of options, if taken up will trigger a rent review which could significantly alter the outflows for these additional periods.

NOTE 10: ISSUED CAPITAL

	Consolidated	
	Dec 2021 $,000	Jun 2021 $,000
Issued Capital		
Ordinary Shares – Fully Paid	74,995	74,710
Total Issued Capital	**74,995**	**74,710**

MOVEMENTS IN ORDINARY SHARE CAPITAL

	Date	No. of Shares ,000	Issue Price $	Paid up Amount $,000
Balance	**1 Jul 2020**	**51,651**		**44,321**
Shares issued on DRP	15 Oct 2020	9	4.14	35
Shares issued for Share Placement	29 Oct 2020	5,000	4.00	19,085
Shares issued on Share Purchase Plan	30 Oct 2020	1,250	4.00	4,924
Shares issued on Acquisitions	30 Oct 2020	1,483	3.64	5,400
Employee Share Plan	1 Mar 2021	58	4.41	256
ESOP Shares Vested from Performance Rights	2 Mar 2021	100	2.89	288
Shares issued on DRP	7 Apr 2021	11	4.15	46
Tax Effect of Capitalised Costs	30 Jun 2021	-	-	355
Balance	**30 Jun 2021**	**59,562**		**74,710**
Shares issued on DRP	14 Oct 2021	17	4.67	77
Employee Share Plan	22 Dec 2021	47	5.41	256
Tax Effect of Capitalised Costs	31 Dec 2021	-	-	(48)
Balance	**31 Dec 2021**	**59,626**		**74,995**

NOTE 11: CONTINGENT ASSETS AND LIABILITIES

Contingent Assets The Group had no contingent assets as at 31 December 2021 or 30 June 2021.

Contingent Liabilities The Group had no contingent liabilities as at 31 December 2021 or 30 June 2021.

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NOTE 12: SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policies described in Note 1:

		Consolidated	
		Dec 2021	Jun 2021
Name of Entity	**Country of Incorporation**	**Equity Holding**	**Equity Holding**
Over the Wire Pty Ltd	Australia	100 %	100 %
Netsip Pty Ltd	Australia	100 %	100 %
Faktortel Pty Ltd (Acquired 28 July 2015)	Australia	100 %	100 %
Faktortel Holdings Pty Ltd (Acquired 28 July 2015)	Australia	100 %	100 %
Sanity Holdings Pty Ltd (Acquired 30 November 2015)	Australia	100 %	100 %
OTW Corp Pty Ltd (Registered 25 September 2015)	Australia	100 %	100 %
Telarus Pty Ltd (Acquired 16 January 2017)	Australia	100 %	100 %
VPN Solutions Pty Ltd (Acquired 1 November 2017)	Australia	100 %	100 %
Access Digital Networks Pty Ltd (Acquired 1 November 2018)	Australia	100 %	100 %
Comlinx Pty Ltd (Acquired 1 November 2018)	Australia	100 %	100 %
Zintel Communications Pty Ltd (Acquired 31 August 2020) (formerly J2 Australia Cloud Connect Pty Ltd)	Australia	100 %	100 %
Zintel Communications Limited (Acquired 31 August 2020)	New Zealand	100 %	100 %
Digital Sense Hosting Pty Ltd (Acquired 30 October 2020)	Australia	100 %	100 %

NOTE 13: SUBSEQUENT EVENTS

The Group continues to progress through the steps required under the Scheme Implementation Deed in which it is proposed that Aussie Broadband Limited will acquire 100% of the share capital of the Group by way of a recommended scheme of arrangement as previously announced and disclosed on the ASX.

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

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DIRECTORS' DECLARATION

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DIRECTORS' DECLARATION

In the directors' opinion:

i The financial statements and notes set out on pages 13 to 31 are in accordance with the *Corporations Act 2001*, including:

a) complying with Accounting Standard AASB 134: Interim Financial Reporting, and the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

b) giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and

ii There are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

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

Michael Omeros
Managing Director

Brisbane
28 February 2022

Stephe Wilks
Chair

Brisbane
28 February 2022

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INDEPENDENT AUDITOR'S REVIEW REPORT

PKF Brisbane Audit

PKF

INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE MEMBERS OF OVER THE WIRE HOLDINGS LIMITED

Conclusion

We have reviewed the accompanying half-year financial report of Over the Wire Holdings Limited ("the company"), which comprises the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the half-year's end or from time to time during the financial half-year.

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

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2021, and of its financial performance for the half-year ended on that date; and

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

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the consolidated entity in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Independence

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

Responsibility of the Directors for the Financial Report

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

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Auditor's Responsibilities for the Review of the Financial Report

Our responsibility is to express a conclusion on the half year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 31 December 2021 and its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

PKF

PKF BRISBANE AUDIT

CAMERON BRADLEY
PARTNER

28 FEBRUARY 2022
BRISBANE

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