



Webcentral Limited and its controlled entities

ABN: 21 073 716 793

APPENDIX 4D CONSOLIDATED INTERIM FINANCIAL REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

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Appendix 4D and Interim Financial Report – 31 December 2021

1. Company Information

| | |
|-------------------------|---|
| Name of Entity | Webcentral Limited |
| ABN | 21 073 716 793 |
| Reporting Period | 6 months ended 31 December 2021 (Comparative period – 6 months ended 31 December 2020) |

2. Results for announcement to the market

| | 31-Dec-21 6 months \$'000 | Movement \$'000 | Movement % | 31-Dec-20 6 months \$'000 |
|--|--|----------------------------|-----------------------|--|
| Revenue from ordinary activities and continuing operations | 48,008 | 8,410 | 21.2% | 39,598 |
| Underlying earnings before interest, tax, depreciation and amortisation from continuing operations (1) | 7,070 | 910 | 14.8% | 6,160 |
| Loss after tax from continuing operations | (10,851) | (8,593) | 380.6% | (2,258) |
| Loss after tax attributable to members of the parent | (10,996) | (8,865) | 416.0% | (2,131) |

(1) The Group believes this unaudited non-IFRS information is relevant to the user's understanding of the Group's underlying performance. Refer below for a reconciliation of this information to statutory IFRS information.

Commentary

The key strategic growth highlights for the half-year ended 31 December 2021 were as follows:

- Organic growth initiatives including .au domain products ahead of March 2022 launch and other new product releases
- Improved customer retention from focus on customer service, systems and billing processes
- Customer value increase with ARPU growth achieved compared to the prior comparative period
- Strong 5GN customer growth with \$2 million new customer growth and \$12 million contract renewals achieved
- Significant improvement to customer satisfaction and net promoter scores
- Continued fibre network rollout with more than 100 kilometres rolled out and more than 50 data centres connected as at 31 December 2021
- Completion of integration and merger with 5G Networks Limited in November 2021
- Strategic acquisition of 18.5% of Cirrus Networks Holdings

The key financial highlights for the half-year ended 31 December 2021 included:

- Underlying EBITDA of \$7.07 million was 14.8% higher than the prior comparative period, after adjusting for non-operating items including share-based payments expense of \$8.18 million, restructuring costs of \$1.07 million in relation to the merger between the Group and 5GN, and acquisition costs of \$0.73 million
- Revenue of \$48.0 million, representing growth of 21.2% compared to the prior comparative period
- Growth in average revenue per customer
- Strong capital position with \$5.0 million cash and \$2.3 million of available debt at 31 December 2021, plus \$10.5 million standby debt facility for Cirrus acquisition if required

Appendix 4D and Interim Financial Report – 31 December 2021

Underlying EBITDA

A reconciliation of Underlying EBITDA to statutory IFRS performance measures (profit before tax) is shown below:

| | 31-Dec-21 6 months \$'000 | 31-Dec-20 6 months \$'000 |
|--|---------------------------------|---------------------------------|
| CONTINUING OPERATIONS | | |
| (Loss) / profit before tax | (11,204) | (2,299) |
| Gain on equity investment | - | (1,300) |
| Depreciation and amortisation expense | 7,006 | 4,530 |
| Share based expenses | 8,183 | 1,088 |
| Finance costs (excl. bank charges and merchant fees) | 1,286 | 1,041 |
| Acquisition costs | 729 | 2,559 |
| Restructuring costs | 1,070 | 541 |
| Underlying EBITDA | 7,070 | 6,160 |

3. Dividends

No interim dividend was paid and no dividends were paid in respect of the prior corresponding period.

4. Net tangible asset backing

| | Current period | Previous period |
|--|----------------|-----------------|
| Net tangible asset backing per ordinary security | (21.79) cents | (20.60) cents |

Net tangible assets are calculated firstly from the Group's net assets at 31 December 2021 of \$43.57 million and adjusted for \$13.20 million of right-of-use lease assets and \$84.92 million of intangible assets associated with the Group's previous acquisitions and capitalised software.

5. Earnings per Share

| | 30-Dec-21 6 months cents | 31-Dec-20 6 months cents |
|-----------------------------------|--------------------------------|--------------------------------|
| From continuing operations | | |
| Basic loss per share | (4.34) | (0.85) |
| Diluted loss per share | (4.34) | (0.85) |

Attributable to members of the parent

| | | |
|------------------------|--------|--------|
| Basic loss per share | (4.34) | (0.90) |
| Diluted loss per share | (4.34) | (0.90) |

| | \$'000 | \$'000 |
|--|----------|---------|
| Reconciliation of earnings used in calculating earnings per share | | |
| (Loss) / profit for the period from continuing operations | (10,851) | (2,258) |
| Less loss / (profit) attributed to non-controlling interests | 145 | (127) |
| Loss for the period attributable to members of the parent | (10,996) | (2,131) |

| | No. of Shares | No. of Shares |
|---|---------------|--------------------------|
| Weighted average number of shares used in calculating earnings per share | | |
| Number for basic earnings per share - ordinary shares | 250,308,473 | 250,308,473 ¹ |
| Number for diluted earnings per share - ordinary shares | 250,308,473 | 250,308,473 ¹ |

¹ Due to the number of ordinary shares increasing subsequent to the Merger of the Company with 5GN, the calculation of basic and diluted earnings per share have been adjusted as if the Merger took place at the beginning of the comparative period.

Basic EPS amounts are calculated by dividing net loss for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period. Diluted EPS amounts are calculated by dividing net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. There were no dilutive potential ordinary shares in existence during the period (2020: Nil) as the share options and performance rights of the Company were antidilutive.

Appendix 4D and Interim Financial Report – 31 December 2021

6. Details of entities over which control has been gained or lost

The Group acquired 100% of the ordinary shares in 5G Networks Limited pursuant to the merger between the Group and 5GN.

7. Other Information

Merger of Webcentral and 5G Networks Limited

On 16 July 2021, the Company announced that it had entered into a Merger Implementation Agreement (**MIA**) with 5G Networks Limited (**5GN**) under which it was proposed that the two companies merge by way of a scheme of arrangement (**Scheme**), subject to 5GN shareholder approval and court approval in accordance with Part 5.1 of the *Corporations Act 2001*.

On 12 November 2021, the merger (**Merger**) between 5GN and the Company was effected by way of scheme of arrangement between 5GN and its shareholders, with each 5GN shareholder receiving two new Webcentral shares for each 5GN share held. The record date was 16 November 2021, the new Webcentral shares were allotted on 23 November 2021 and all 5GN shares were transferred to Webcentral on the same day. From this date 5GN has been a wholly-owned subsidiary of the Company. 5GN was suspended from trading on ASX on 12 November 2021 and subsequently delisted from ASX on 25 November 2021.

The shares in the Company held by 5GN were subsequently cancelled via a selective reduction of capital in January 2022 following shareholder approval at the Company's 2021 Annual General Meeting held on 21 December 2021.

Prior to the Merger, 5GN controlled the Group for the purposes of AASB 10: *Consolidated Financial Statements* and accounted for the acquisition of Webcentral under AASB 3: *Business Combinations*, conducting acquisition accounting for the period ended 30 June 2021.

Following the Merger, 5GN shareholders hold approximately 73% of the Company's ordinary shares and therefore continue to control the Group. In the Company's judgement, the continuation of existing accounting values is consistent with the accounting which would have occurred if the assets and liabilities had already been in structure suitable to the Merger, and most appropriately reflects the substance of the internal restructure.

Accordingly the consolidated financial report of Webcentral Limited (the accounting acquiree, being the Company) for the period ended 31 December 2021 has been presented as a continuation of the pre-existing accounting values of assets and liabilities in the 5G Networks Limited (the accounting acquirer) consolidated financial statements and includes the financial results for the consolidated group under 5G Networks Limited for the period from 1 July 2021 to 23 November 2021 and the consolidated group under Webcentral Limited for the period from 24 November

2021 to 31 December 2021. The comparative information presented in the financial report represents the financial position of 5G Networks Limited as at 30 June 2021; and the financial performance of 5G Networks Limited for the half-year ended 31 December 2020.

The non-controlling interest recorded in 5G Networks Limited in relation to other shareholders in Webcentral prior to the Merger will be reversed against Reorganisation Reserve in equity on consolidation level.

8. Review of accounts

This report is based on the interim financial reports which have been reviewed by the Group's auditors with the Independent Auditor's Review Report included in the Interim Financial Report.



Mr. Joe Demase
Managing Director
Melbourne
21 February 2022

CORPORATE INFORMATION

Directors

Joseph Gangi (Non-Executive Chairman)
Joseph Demase (Managing Director)
Natalie Mactier (Non-Executive Director)
Jason Ashton (Non-Executive Director)

Company Secretaries

Glen Dymond
Michael Wilton

Registered Office and Principal Place of Business

Level 7, 505 Little Collins Street
Melbourne, VIC, 3000
Tel: 1300 10 11 12

Company Number

ACN 073 716 793

Country of Incorporation

Australia

ASX Code: WCG

Company Domicile and Legal Form

Webcentral Limited is the parent entity
and an Australian Company limited by shares

Legal Advisors

Cornwalls
Level 10, 114 William Street
Melbourne, VIC, 3000

Share Register

Link Market Services Limited
Tower 4, 727 Collins Street
Melbourne, VIC, 3000

Auditors

Grant Thornton Audit Pty Ltd
Tower 5, 727 Collins Street
Melbourne, VIC, 3000

Internet address <https://www.webcentral.com.au>

DIRECTORS' REPORT

The Directors present their report, together with the consolidated interim financial report, of the consolidated entity (referred to hereafter as the 'Group') consisting of Webcentral Limited (referred to hereafter as "the Company") and the entities it controlled at the end of, or during, the half-year ended 31 December 2021.

DIRECTORS DETAILS

The following persons were Directors of Webcentral Limited during the period and up to the date of this report, unless otherwise stated:

- Joseph Gangi (Non-Executive Chairman)
- Joseph Demase (Managing Director)
- Natalie Mactier (Non-Executive Director)
- Jason Ashton (Non-Executive Director) – appointed 24 November 2021

PRINCIPAL ACTIVITIES

The Group's principal activities during the period were:

- the supply of cloud-based solutions, managed services and network services
- the operation of fibre and wireless infrastructure and management of cloud computing environment
- the operation of data centre facilities
- the supply of domain name registrations and renewals, website and email hosting, website development, search engine marketing and social advertising campaigns for businesses in Australia and New Zealand

There have been no significant changes in the nature of these activities.

REVIEW OF OPERATIONS AND FINANCIAL RESULTS

A review of the operations of the Group during the period and the results of those operations found that the revenue and other income for the period was \$48.0 million, representing growth of 21.2% compared to the prior comparative period of \$39.6 million. The loss of the Group for the period after providing for income tax amounted to \$10.85 million (2020: \$2.26 million loss). The underlying EBITDA of the Group for the period of \$7.07 million was 14.8% higher than the prior comparative period of \$6.16 million, after adjusting for non-operating items including share-based payments expense of \$8.18 million, restructuring costs of \$1.07 million in relation to the merger between the Group and 5G Networks Limited (**5GN**), and acquisition costs of \$0.73 million.

The share-based payments expense was significantly higher than the prior comparative period due to the accelerated vesting of performance rights and options and the cancellation of options pursuant to the merger between the Group and 5GN during the period.

The key strategic growth highlights for the half-year ended 31 December 2021 were as follows:

- Organic growth initiatives including .au domain products ahead of March 2022 launch and other new product releases
- Improved customer retention from focus on customer service, systems and billing processes
- Customer value increase with ARPU growth achieved compared to the prior comparative period
- Strong 5GN customer growth with \$2 million new customer growth and \$12 Million contract renewals achieved
- Significant improvement to customer satisfaction and net promoter scores
- Continued fibre network rollout with more than 100 kilometres rolled out and more than 50 data centres connected as at 31 December 2021
- Completion of integration and merger with 5G Networks Limited in November 2021
- Strategic acquisition of 18.5% of Cirrus Networks Holdings

The key financial highlights for the half-year ended 31 December 2021 included:

- Underlying EBITDA of \$7.07 million was 14.8% higher than the prior comparative period, after adjusting for non-operating items including share-based payments expense of \$8.18 million, restructuring costs of \$1.07 million in relation to the merger between the Group and 5GN, and acquisition costs of \$0.73 million
- Revenue of \$48.0 million, representing growth of 21.2% compared to the prior comparative period
- Growth in average revenue per customer
- Strong capital position with \$5.0 million cash and \$2.3 million of available debt at 31 December 2021, plus \$10.5 million standby debt facility for Cirrus acquisition if required

DIRECTORS' REPORT

Management performance measures – underlying EBITDA

The Group makes use of a management performance measure, "Underlying EBITDA" (Earnings before Interest, Tax, Depreciation and Amortisation). The Group believes that Underlying EBITDA is useful for users of financial reports when assessing the Group's underlying business performance and profit generation after adjusting for non-recurring and unusual items affecting comparability between financial periods. Underlying EBITDA is also the primary financial performance indicator used by the Group and is the basis for driving internal business decision-making as well as setting remuneration and reward outcomes.

Underlying EBITDA is a non-IFRS and unaudited performance measure and therefore may not be comparable with measures sharing similar descriptions by other entities. A reconciliation of Underlying EBITDA to statutory IFRS performance measures (profit before tax) is shown below:

| | 6 months ended | |
|--|---------------------|---------------------|
| | 31-Dec-21 \$'000 | 31-Dec-20 \$'000 |
| CONTINUING OPERATIONS | | |
| (Loss) / profit before tax | (11,204) | (2,299) |
| Gain on equity investment | - | (1,300) |
| Depreciation and amortisation expense | 7,006 | 4,530 |
| Share-based payments expense | 8,183 | 1,088 |
| Finance costs (excl. bank charges and merchant fees) | 1,286 | 1,041 |
| Acquisition costs | 729 | 2,559 |
| Restructuring costs | 1,070 | 541 |
| Underlying EBITDA | 7,070 | 6,160 |

Merger with 5G Networks Limited

On 16 July 2021, the Company announced that it had entered into a Merger Implementation Agreement (**MIA**) with 5G Networks Limited (**5GN**) under which it was proposed that the two companies merge by way of a scheme of arrangement (**Scheme**), subject to 5GN shareholder approval and court approval in accordance with Part 5.1 of the *Corporations Act 2001*.

On 12 November 2021, the merger (**Merger**) between 5GN and the Company was effected by way of scheme of arrangement between 5GN and its shareholders, with each 5GN shareholder receiving two new Webcentral shares for each 5GN share held. The record date was 16 November 2021, the new Webcentral shares were allotted on 23 November 2021 and all 5GN shares were transferred to Webcentral on the same day. From this date 5GN has been a wholly-owned subsidiary of the Company. 5GN was suspended from trading on ASX on 12 November 2021 and subsequently delisted from ASX on 25 November 2021.

The shares in the Company held by 5GN were subsequently cancelled via a selective reduction of capital in January 2022 following shareholder approval at the Company's 2021 Annual General Meeting held on 21 December 2021.

Prior to the Merger, 5GN controlled the Group for the purposes of AASB 10: *Consolidated Financial Statements* and accounted for the acquisition of Webcentral under AASB 3: *Business Combinations*, conducting acquisition accounting for the period ended 30 June 2021.

Following the Merger, 5GN shareholders hold approximately 73% of the Company's ordinary shares and therefore continue to control the Group. In the company's judgement, the continuation of existing accounting values is consistent with the accounting which would have occurred if the assets and liabilities had already been in a structure suitable to the Merger, and most appropriately reflects the substance of the internal restructure.

Accordingly the consolidated financial report of Webcentral Limited (the accounting acquiree, being the Company) for the period ended 31 December 2021 has been presented as a continuation of the pre-existing accounting values of assets and liabilities in the 5G Networks Limited (the accounting acquirer) consolidated financial statements and includes the financial results for the consolidated group under 5G Networks Limited for the period from 1 July 2021 to 23 November 2021 and the consolidated group under Webcentral Limited for the period from 24 November 2021 to 31 December 2021. The comparative information presented in the financial report represents the financial position of 5G Networks Limited as at 30 June 2021; and the financial performance of 5G Networks Limited for the half-year ended 31 December 2020.

DIRECTORS' REPORT

Acquisitions and investing activities

On 30 July 2021, the Group announced that it held 8.86% of the ordinary shares in Cirrus Networks Holdings Limited (ASX: CNW) (**Cirrus**) and launched an on-market takeover bid (**Takeover Bid**) for Cirrus at an offer price of 3.2 cents per share. On the same day, the Group received credit approval for a \$10.5 million debt facility with Commonwealth Bank of Australia for the purpose of funding the Takeover Bid, and a Debt Facility Amendment Deed was subsequently executed with CBA.

The Takeover Bid closed on 16 September 2021 at which time the Group held 16.74% of the ordinary shares in Cirrus. The Group holds 18.5% of the ordinary shares in Cirrus at the date of this report.

During the period the Group also continued to invest in its fibre network build throughout several capital cities and had completed more than 100 km and connected 50 data centres as at the date of this report.

Capital structure

During the period, 241,322,246 ordinary shares were issued pursuant to the Merger with 5GN for consideration of all of the shares in 5GN and 7,325,000 ordinary shares were issued following the exercise of options and performance rights for total consideration of \$1,515,000. In January 2022, 69,524,461 ordinary shares held by 5GN were cancelled via a selective reduction of capital pursuant to the Merger.

During the period, 9,450,000 options were issued under the Executive and Director Share Option Plan (**ESOP**) at an exercise price of \$0.45, subject to the satisfaction of service vesting conditions and expiry date of five years after grant, and 15,000,000 performance rights were issued to the Managing Director at an exercise price of \$0.45, subject to the satisfaction of service vesting conditions and performance conditions and expiry date five years after grant.

In September 2021 the Group increased its debt facilities with Commonwealth Bank of Australia by \$10.5 million to \$27.0 million.

Impact of the COVID-19 pandemic

The Group proactively managed the impact of COVID-19 during the period given that the Group's domain and web hosting services, data connectivity, cloud and data centre services and managed IT services are an essential service for its customers. The Group continued to focus on supporting its customers as they transitioned to remote working arrangements through the laptops, VPN access technology and the increase of network and internet capacity. The Group continues to proactively work with our key customers to identify more efficient ways of conducting their operations, and to support their businesses' requirements during this challenging situation. The Group has significant network and data centre capacity to accommodate the increase in demand for these services and our employees already use the latest technology and infrastructure to support work from home or remote locations.

It is not possible to predict the ongoing impact of COVID-19 to the Group's financial performance, particularly if another significant outbreak occurs or trading levels of our Group's customers do not return to pre-COVID-19 levels. Furthermore, the effects of ongoing measures introduced by State and Federal governments to limit transmission of COVID-19 (including the forced closures of business, overseas and domestic travel bans and quarantine requirements) will likely have a material negative impact on Australia's overall macro-economic environment to which the Group is exposed.

While future revenues and cash flows of the Group may be negatively impacted, at this time the Group is unable to estimate the exact scope and any financial impact COVID-19 may have on its operations in the future. The Group is currently monitoring the impact of COVID-19. To date, it has executed its business continuity framework and implemented crisis management tools to mitigate the impacts of COVID-19 on its business operations to a sufficiently acceptable level. The Group has identified further cost reduction and cash preservation strategies in the event that Group revenues are materially negatively impacted.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

The Company's name was changed from Webcentral Group Limited to Webcentral Limited following approval by the Company's shareholders at its general meeting held on 3 November 2021.

On 12 November 2021, the Merger between 5GN and the Company was effected by way of scheme of arrangement between 5GN and its shareholders, with each 5GN shareholder receiving two new Webcentral shares for each 5GN share held. From this date 5GN has been a wholly-owned subsidiary of the Company.

Other than as stated above, there were no other significant changes in the state of affairs of the Group during the half-year ended 31 December 2021.

DIRECTORS' REPORT

EVENTS ARISING SINCE THE END OF THE REPORTING PERIOD

On 18 January 2021, 69,524,461 ordinary shares by 5GN were cancelled pursuant to a selective reduction in capital following shareholder approval at the Company's 2021 Annual General Meeting held on 21 December 2021.

The Group has acquired a further 3.4 million shares in Cirrus on-market since 31 December 2021 and holds 18.5% of the ordinary shares in Cirrus at the date of this report.

No other matter or circumstances have arising since the end of the 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 years.

DIVIDENDS

There were no dividends declared or paid during the half-year ended 31 December 2021 (2020: Nil).

ROUNDING OF AMOUNTS

The Group is a type of Company referred to in ASIC Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191 and therefore the amounts contained in this report and in the financial report have been rounded to the nearest \$1,000, or in certain cases, to the nearest dollar.

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 and forms part of this Directors' Report.

Signed in accordance with a resolution of the Board of Directors:



Joe Gangi
Chairman
Melbourne

21 February 2022

AUDITORS' INDEPENDENCE DECLARATION



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W www.grantthornton.com.au

Auditor's Independence Declaration

To the Directors of Webcentral Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of Webcentral Limited for the half-year ended 31 December 2021, I declare that, to the best of my knowledge and belief, 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.

A handwritten signature in black ink that reads "Grant Thornton".

Grant Thornton Audit Pty Ltd
Chartered Accountants

A handwritten signature in black ink that reads "M A Cunningham".

M A Cunningham
Partner – Audit & Assurance

Melbourne, 21 February 2022

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Webcentral Limited and its controlled entities

ABN: 21 073 716 793

CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE HALF-YEAR ENDED

31 DECEMBER 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the half-year ended 31 December 2021

| | Notes | 31-Dec-21 6 months \$'000 | 31-Dec-20 6 months \$'000 |
|---|-------|---------------------------------|---------------------------------|
| CONTINUING OPERATIONS | | | |
| Revenue from contracts with customers | 5 | 46,183 | 37,259 |
| Other Income | | 1,825 | 2,339 |
| Revenue and other income | | 48,008 | 39,598 |
| Network and data centre costs | | (11,967) | (14,260) |
| Domain registrations costs | | (3,724) | (1,436) |
| Cloud and hosting costs | | (886) | (676) |
| Software and licencing costs | | (2,418) | (916) |
| Direct labour costs | | (6) | (281) |
| External labour cost | | (395) | (63) |
| Other direct costs | | (229) | (216) |
| Rent and office expenses | | (278) | (410) |
| Marketing and travel expenses | | (770) | (403) |
| Employee benefits expenses | | (17,408) | (13,067) |
| Other expenses | | (2,857) | (951) |
| Share-based payment expenses | | (8,183) | (1,088) |
| Acquisition costs | | (729) | (2,559) |
| Restructuring costs | | (1,070) | - |
| Depreciation expenses | | (5,259) | (4,324) |
| Amortisation expenses | | (1,747) | (206) |
| Finance costs | | (1,286) | (1,041) |
| Total expenses | | (59,212) | (41,897) |
| Loss before tax | | (11,204) | (2,299) |
| Income tax (expense)/benefit | | 353 | 41 |
| Loss after tax from continuing operations | | (10,851) | (2,258) |
| OTHER COMPREHENSIVE INCOME | | | |
| Items that will not be reclassified to profit or loss in subsequent periods (net of tax): | | | |
| Net gains on equity instruments designated at fair value through other comprehensive income | | (599) | - |
| Other comprehensive loss for the period, net of tax | | (599) | - |
| TOTAL COMPREHENSIVE LOSS FOR THE PERIOD | | (11,450) | (2,258) |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the half-year ended 31 December 2021

| | Notes | 31-Dec-21 6 months \$'000 | 31-Dec-20 6 months \$'000 |
|--|-------|---------------------------------|---------------------------------|
| (Loss) / profit for the period attributable to: | | | |
| Members of the parent | | (10,996) | (2,131) |
| Non-controlling interests | | 145 | (127) |
| | | (10,851) | (2,258) |
| Total comprehensive loss attributable to: | | | |
| Members of the parent | | (11,595) | (2,131) |
| Non-controlling interests | | 145 | (127) |
| | | (11,450) | (2,258) |
| Earnings/(Loss) per share (cents per share): | | | |
| Basic earnings per share | 6 | (4.34) | (0.85) |
| Diluted earnings per share | 6 | (4.34) | (0.85) |
| Earnings/(Loss) per share attributable to the owners of Webcentral Limited (cents per share): | | | |
| Basic earnings per share | 6 | (4.34) | (0.90) |
| Diluted earnings per share | 6 | (4.34) | (0.90) |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

| | Notes | 31-Dec-21 \$'000 | 30-Jun-21 \$'000 |
|---|-------|---------------------|---------------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | | 4,981 | 19,170 |
| Trade and other receivables | | 6,299 | 5,963 |
| Lease receivables | 8 | 1,055 | 1,892 |
| Contract assets | | 522 | 620 |
| Prepayments of domain name registry charges | | 5,110 | 5,398 |
| Other assets | | 2,391 | 1,056 |
| Total Current Assets | | 20,358 | 34,099 |
| Non-Current Assets | | | |
| Plant and equipment | 7 | 16,148 | 15,873 |
| Right-of-use assets | 8 | 13,195 | 15,478 |
| Prepayments of domain name registry charges | | 2,292 | 2,429 |
| Lease receivables | 8 | 945 | 1,101 |
| Deferred tax assets | | 9,030 | 9,978 |
| Goodwill | 9 | 61,706 | 61,706 |
| Intangible assets | 10 | 23,216 | 24,228 |
| Other financial assets | 11 | 5,446 | 725 |
| Other assets | | 70 | 1,494 |
| Total Non-Current Assets | | 132,048 | 133,012 |
| TOTAL ASSETS | | 152,406 | 167,111 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Trade and other payables | | 17,998 | 19,293 |
| Borrowings | 11 | 432 | 428 |
| Lease liability | 8 | 4,469 | 5,885 |
| Employee benefits | | 3,851 | 4,712 |
| Provision for income tax | | 163 | 146 |
| Contract liabilities | | 22,355 | 23,748 |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021 (Continued)

| | Notes | 31-Dec-21 \$'000 | 30-Jun-21 \$'000 |
|---|-------|---------------------|---------------------|
| Other financial liabilities | 11 | 500 | 1,100 |
| Other liabilities | | 1,994 | 3,766 |
| Total Current Liabilities | | 51,762 | 59,078 |
| Non-Current Liabilities | | | |
| Borrowings | 11 | 22,536 | 20,579 |
| Lease liability | 8 | 14,869 | 16,394 |
| Employee benefits | | 496 | 547 |
| Contract liabilities | | 8,416 | 8,551 |
| Deferred tax liabilities | | 10,758 | 12,106 |
| Total Non-Current Liabilities | | 57,075 | 58,177 |
| TOTAL LIABILITIES | | 108,837 | 117,255 |
| NET ASSETS | | | |
| EQUITY | | | |
| Share capital | 14 | 213,516 | 80,061 |
| Treasury Shares | 14 | (11,196) | - |
| Reserves | 15 | (134,931) | 12,300 |
| Accumulated Losses | | (23,820) | (12,824) |
| Equity attributable to members of the parent | | 43,569 | 79,537 |
| Non-controlling interests | | - | (29,681) |
| TOTAL EQUITY | | 43,569 | 49,856 |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half-year ended 31 December 2021

| Note | Share Capital \$'000 | Treasury Shares \$'000 | Share Based Payments Reserve \$'000 | Profit Reserve \$'000 | Reorgani- sation Reserve \$'000 | Accu- mulated Losses \$'000 | Total equity attributable to owners of the Company \$'000 | Non- Controlling Interests \$'000 | Total \$'000 | |
|--|-------------------------|---------------------------|--|--------------------------|------------------------------------|--------------------------------|--|--------------------------------------|---------------|---|
| As at 1 July 2021 | 80,061 | - | 6,649 | 5,651 | - | (12,824) | 79,537 | (29,681) | 49,856 | |
| (Loss)/ profit for the period | - | - | - | - | - | (10,996) | (10,996) | 145 | (10,851) | |
| Other comprehensive income | - | - | - | (599) | - | - | (599) | - | (599) | |
| Total comprehensive income for the period | 80,061 | - | 6,649 | 5,052 | - | (23,820) | 67,942 | (29,536) | 38,406 | |
| Transactions with owners in their capacity as owners: | | | | | | | | | | |
| Acquisitions of subsidiaries through internal reorganisation | 15 | 132,340 | (11,196) | - | - | (150,680) | - | (29,536) | 29,536 | - |
| Shares issued on exercise of options | 14 | 1,115 | - | - | - | - | 1,115 | - | 1,115 | |
| Share issue costs | - | - | - | - | (124) | - | (124) | - | (124) | |
| Share based compensation | - | - | 4,172 | - | - | - | 4,172 | - | 4,172 | |
| As at 31 December 2021 | 213,516 | (11,196) | 10,821 | 5,052 | (150,804) | (23,820) | 43,569 | - | 43,569 | |

| Note | Share Capital \$'000 | Share Based Payments Reserve \$'000 | Other Reserves \$'000 | Reorgani- sation Reserve \$'000 | Accu- mulated Losses \$'000 | Total equity attributable to owners of the Company \$'000 | Non- Controlling Interests \$'000 | Total \$'000 |
|--|-------------------------|--|--------------------------|------------------------------------|--------------------------------|--|--------------------------------------|--------------|
| As at 1 July 2020 | 38,644 | 3,775 | 1,350 | - | (8,114) | 35,655 | - | 35,655 |
| (Loss)/ profit for the period | - | - | - | - | (2,131) | (2,131) | (127) | (2,258) |
| Transactions with owners in their capacity as owners: | | | | | | | | |
| Non-controlling interests arising on acquisition of a subsidiary | - | - | - | - | - | - | (33,398) | (33,398) |
| Shares issued on exercise of Options | 1,752 | - | - | - | - | 1,752 | - | 1,752 |
| Shares issued pursuant to Dividend Reinvestment Plan | 91 | - | - | - | - | 91 | - | 91 |
| Shares issued to directors | 2,500 | - | - | - | - | 2,500 | - | 2,500 |
| Share issued to vendors to acquire business | 8,946 | - | - | - | - | 8,946 | - | 8,946 |
| Capital raising | 34,182 | - | - | - | - | 34,182 | - | 34,182 |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half-year ended 31 December 2021

| Note | Share Capital \$'000 | Share Based Payments Reserve \$'000 | Other Reserves \$'000 | Reorgani- sation Reserve \$'000 | Accu- mulated Losses \$'000 | Total equity attributable to owners of the Company \$'000 | Non-Controlling Interests \$'000 | Total \$'000 |
|--|-------------------------|--|--------------------------|---------------------------------------|-----------------------------------|--|-------------------------------------|-----------------|
| Share issue costs | (1,688) | - | - | - | - | (1,688) | - | (1,688) |
| Dividend recognised and paid | - | - | (1,067) | - | - | (1,067) | - | (1,067) |
| Share based compensation | - | 1,088 | - | - | - | 1,088 | - | 1,088 |
| Exchange differences on translating foreign operation | - | - | (31) | - | - | (31) | - | (31) |
| Disposal of a subsidiary | - | - | - | - | - | - | (385) | (385) |
| Deemed disposal of partial interests in a subsidiary arising from issuance of shares | - | - | 442 | - | - | 442 | (453) | (11) |
| As at 31 December 2020 | 84,427 | 4,863 | 694 | - | (10,245) | 79,739 | (34,363) | 45,376 |

CONSOLIDATED STATEMENT OF CASH FLOWS

For the half-year ended 31 December 2021

| | Notes | 31-Dec-21 6 months \$'000 | 31-Dec-20 6 months \$'000 |
|---|-------|---------------------------------|---------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipt from customers | | 54,107 | 41,200 |
| Receipt from government grants | | - | 259 |
| Payments to suppliers and employees | | (50,702) | (36,283) |
| Interest received | | 60 | 3 |
| Interest paid | | (1,286) | (928) |
| Income tax paid | | (21) | (26) |
| Payments for restructuring and acquisition costs | | (2,088) | (1,283) |
| NET CASH FLOWS FROM OPERATING ACTIVITIES | | 70 | 2,942 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Payment for acquisition of ColoAU | | - | (2,435) |
| Consideration paid in relation to deferred capital payments of North Sydney Data Centre | | (333) | (500) |
| Payment for acquisition of Intergrid | | (602) | - |
| Investment in Webcentral Limited | | - | (1,480) |
| Cash acquired from Webcentral Limited | | - | 2,687 |
| Investment in Cirrus Networks Holdings Limited | | (5,320) | - |
| Purchases of plant and equipment and intangible assets | | (3,780) | (3,524) |
| Loans to other entities | | - | (1,420) |
| Lease payments received | | 993 | 822 |
| NET CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES | | (9,042) | (5,850) |

CONSOLIDATED STATEMENT OF CASH FLOWS

For the half-year ended 31 December 2021

| | Notes | 31-Dec-21 6 months \$'000 | 31-Dec-20 6 months \$'000 |
|---|-------|---------------------------------|---------------------------------|
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from issue of shares | | - | 37,065 |
| Proceeds from issue of shares on exercise of options | | 1,025 | 1,752 |
| Proceeds from borrowings | | 2,198 | 6,000 |
| Payments of borrowing costs | | (200) | - |
| Payment to/Release of unrestricted cash | | (376) | 1,397 |
| Repayment of borrowings | | (604) | (52,102) |
| Payment of share issue costs | | (170) | (2,071) |
| Payment of dividend on ordinary shares | | - | (977) |
| Payments in relation to performance rights and options | | (4,013) | - |
| Payment of lease liabilities | | (3,116) | (1,978) |
| NET CASH FLOWS FROM FINANCING ACTIVITIES | | (5,256) | (10,914) |
| NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS | | | |
| | | (14,228) | (13,822) |
| Net foreign exchange differences | | 39 | (33) |
| Cash and cash equivalents at beginning of period | | 19,170 | 22,118 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | | 4,981 | 8,263 |

NOTES TO THE FINANCIAL STATEMENTS

1. Corporate Information

The consolidated financial statements of Webcentral Limited ('the Company' or 'Webcentral') and its subsidiaries (collectively, 'the Group') for the half-year ended 31 December 2021 were authorised for issue in accordance with a resolution of the directors on 21 February 2022.

Webcentral Limited is a limited company, incorporated and domiciled in Australia, whose shares are publicly traded on the Australian Securities Exchange (ASX).

The Company's name was changed from Webcentral Group Limited to Webcentral Limited following approval by the Company's shareholders at its general meeting held on 3 November 2021.

The Company is a for-profit entity. The nature of the operations and principal activities of the Group are described in the Directors' Report.

Operations and Principal Activities

The principal activities of the Group during the period are described as follows:

- the supply of cloud-based solutions, managed services and network services
- the operation of fibre and wireless infrastructure and management of cloud computing environment
- the operation of data centre facilities
- the supply of domain name registrations and renewals, website and email hosting, website development, search engine marketing and social advertising campaigns for businesses in Australia and New Zealand

Registered Office and Principal Place of Business

The registered office and principal place of business of the Company is Level 7, 505 Little Collins Street, Melbourne VIC 3000.

2. Basis of Preparation

The Interim Financial Statements are for the half-year ended 31 December 2021 and are prepared in accordance with the *Corporations Act 2001*, applicable Accounting Standards, including AASB 134: *Interim Financial Reporting* and other mandatory professional reporting requirements. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 134: *Interim Financial Reporting*.

The Interim Financial Statements do not include all of the information required in annual financial statements in accordance with IFRS, and should be read in conjunction with the consolidated financial statements for the 18 months ended 30 June 2021, and the consolidated financial statements for the year ended 30 June 2021 of 5G Networks Limited together with any public announcements made by the Company during the half-year ended 31 December 2021 in accordance with continuous disclosure requirements under the Australian Securities Exchange Listing Rules and the *Corporations Act 2001*.

The Interim Financial Statements were authorised for issue, in accordance with a resolution of the Directors on 21 February 2022.

Merger of Webcentral and 5G Networks Limited

On 16 July 2021, the Company announced that it had entered into a Merger Implementation Agreement (**MIA**) with 5G Networks Limited (**5GN**) under which it was proposed that the two companies merge by way of a scheme of arrangement (**Scheme**), subject to 5GN shareholder approval and court approval in accordance with Part 5.1 of the *Corporations Act 2001*.

On 12 November 2021, the merger (**Merger**) between 5GN and the Company was effected by way of scheme of arrangement between 5GN and its shareholders, with each 5GN shareholder receiving two new Webcentral shares for each 5GN share held. The record date was 16 November 2021, the new Webcentral shares were allotted on 23 November 2021 and all 5GN shares were transferred to Webcentral on the same day. From this date 5GN has been a wholly-owned subsidiary of the Company. 5GN was suspended from trading on ASX on 12 November 2021 and subsequently delisted from ASX on 25 November 2021.

The shares in the Company held by 5GN were subsequently cancelled via a selective reduction of capital in January 2022 following shareholder approval at the Company's 2021 Annual General Meeting held on 21 December 2021.

Prior to the Merger, 5GN controlled the Group for the purposes of AASB 10: *Consolidated Financial Statements* and accounted for the acquisition of Webcentral under AASB 3: *Business Combinations*, conducting acquisition accounting for the period ended 30 June 2021.

Following the Merger, 5GN shareholders hold approximately 73% of the Company's ordinary shares and therefore continue to control the Group. In the Company's judgement, the continuation of existing accounting values is consistent with the accounting which would have occurred if the assets and liabilities had already been in structure suitable to the Merger, and most appropriately reflects the substance of the internal restructure. In the Company's judgement, the Merger between Webcentral and 5GN is considered to be an internal restructure and therefore a continuation of the existing 5GN consolidated business immediately prior to the Merger.

NOTES TO THE FINANCIAL STATEMENTS

Accordingly the consolidated financial report of Webcentral Limited (the accounting acquiree, being the Company) for the period ended 31 December 2021 has been presented as a continuation of the pre-existing accounting values of assets and liabilities in the 5G Networks Limited (the accounting acquirer) consolidated financial statements and includes the financial results for the consolidated group under 5G Networks Limited for the period from 1 July 2021 to 23 November 2021 and the consolidated group under Webcentral Limited for the period from 24 November 2021 to 31 December 2021. The comparative information presented in the financial report represents the financial position of 5G Networks Limited as at 30 June 2021; and the financial performance of 5G Networks Limited for the half-year ended 31 December 2020.

The non-controlling interest recorded in 5G Networks Limited in relation to other shareholders in Webcentral prior to the Merger will be reversed against Reorganisation Reserve in equity on consolidation level.

The costs incurred in relation to the issue of new Webcentral shares to 5GN shareholders will be allocated to the reorganisation reserve account. These costs consist of ASX listing fees and ASX CHESS settlement charges of \$123,844.

Going concern

The financial report for the half-year ended 31 December 2021 has been prepared on a going concern basis that assumes the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

For the half-year ended 31 December 2021 the Group recorded a loss after tax of \$10.85 million (2020: Loss of \$2.26 million), operating cash inflow of \$0.1 million (2020: inflow of \$2.94 million), financing cash outflow of \$5.26 million (2020: outflow of \$10.91 million), and a deficit of current assets to current liabilities of \$31.40 million (2020: deficit of \$31.13 million). At period end the Group had \$4.98 million of cash on hand and available debt facilities of \$2.3 million.

The acquisition and transaction costs incurred by the Group in relation to the Merger and other acquisitions totalling \$1.80 million and non-cash share based payments expense of \$8.18 million.

The Directors regularly monitor the Group's cash position and cash forecast and on an ongoing basis consider a number of strategic and operational plans and initiatives to ensure that adequate funding continues to be available for the Group to meet its business objectives.

The period included non-recurring restructuring activities relating to the Merger with 5GN and higher non-cash share-based payments expenses due to the accelerated exercise and cancellation of performance rights and options pursuant to the merger between the Group and 5GN.

The Group's cash forecast for the period to February 2023 (i.e. 12 months after the issue of the Group's financial report) indicates that is generating a positive operating cashflow and that it does not require additional funding from external debt or equity providers.

The Directors have taken the factors above into consideration and determined that there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable and the Directors consider the going concern basis of preparation to be appropriate for this interim financial report.

NOTES TO THE FINANCIAL STATEMENTS

3. Significant Accounting Policies

The Interim Financial Statements have been prepared in accordance with the accounting policies adopted in the Group's most recent audited financial statements for the 18 months ended 30 June 2021.

New Accounting Standards adopted in the current financial period – new IFRIC interpretation regarding cloud computing arrangement

In April 2021, the International Financial Reporting Standards Interpretations Committee (IFRIC) issued a final agenda decision, *Configuration or Customisation costs in a cloud computing arrangement*. The decision discusses whether configuration or customisation expenditure relating to cloud computing arrangements are able to be recognised as an intangible asset and if not, over what time period the expenditure is expensed.

The group's accounting policy has historically been to capitalise labour and other directly attributable costs related to cloud computing arrangements as intangible assets in the Statement of Financial Position.

The Group has applied the IFRIC Agenda Decision to assess all relevant capitalised software for the relevant look-back period up to seven years.

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 judgement, estimates and assumptions applied in the interim financial statements are the same as those applied in the Group's last Annual Financial Report for the 18 months ended 30 June 2021. 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.

Merger with 5G Networks Limited

In the Company's judgement, the Merger between Webcentral and 5GN is considered to be an internal restructure and therefore a continuation of the existing 5GN consolidated business immediately prior to the Merger. Accordingly, the continuation of existing accounting values is consistent with the accounting which would have occurred if the assets and liabilities had already been in structure suitable to the Merger, and most appropriately reflects the substance of the internal restructure.

NOTES TO THE FINANCIAL STATEMENTS

4. Operating Segments and Product Lines

Management currently identifies the operating segments monitored by the Group's Chief Operating Decision Maker ("CODM") as being Data Centres, Network and Cloud Services and Managed Services, and Webcentral. Segment information for the reporting period is as follows:

| | 6 months to 31 December 2021 | | | | | |
|-----------------------------|--|---------------------|---------------|---------------|--------------|---------------|
| | Data Centres, Networks and Cloud | Managed Services | Webcentral | Total | Eliminations | Consolidated |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Segment Revenue | 12,559 | 9,995 | 24,410 | 46,964 | (781) | 46,183 |
| Cost of goods sold | (7,791) | (4,183) | (7,659) | (19,633) | 8 | (19,625) |
| Segment gross margin | 4,768 | 5,812 | 16,751 | 27,331 | (773) | 26,558 |
| Segment assets | 23,804 | 2,350 | 3,722 | 29,876 | - | 29,876 |

| | 6 months to 31 December 2020 | | | | | |
|-----------------------------|--------------------------------------|---------------------|--------------|---------------|--------------|---------------|
| | Data Centres, Networks & Cloud | Managed Services | Webcentral | Total | Eliminations | Consolidated |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Segment Revenue | 14,999 | 13,442 | 9,294 | 37,735 | (476) | 37,259 |
| Cost of goods sold | (8,074) | (6,180) | (3,594) | (17,848) | - | (17,848) |
| Segment gross margin | 6,925 | 7,262 | 5,700 | 19,887 | (476) | 19,411 |
| Segment assets | 66,905 | 44,185 | 32,718 | 143,808 | - | 143,808 |

NOTES TO THE FINANCIAL STATEMENTS

5. Revenue

Set out below is the disaggregation of the Group's revenue from contracts with customers:

| | 31-Dec-21 6 months \$'000 | 31-Dec-20 6 months \$'000 |
|--|---------------------------------|---------------------------------|
| CONTINUING OPERATIONS | | |
| Types of goods or service | | |
| Cloud | 14,287 | 9,616 |
| Domains | 10,847 | 3,774 |
| Network and Voice | 5,287 | 4,469 |
| Data Centres | 3,945 | 4,666 |
| Managed Services | 5,986 | 6,553 |
| Digital Marketing | 2,530 | 1,768 |
| Hardware & Software | 3,301 | 6,413 |
| Total revenue from contracts with customers | 46,183 | 37,259 |
| Timing of revenue recognition | | |
| Goods and services transferred at a point in time | 3,301 | 6,553 |
| Services transferred over time | 42,882 | 30,706 |
| Total revenue from contracts with customers | 46,183 | 37,259 |

6. Earnings/(loss) per share

Basic EPS amounts are calculated by dividing net loss for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period. Diluted EPS amounts are calculated by dividing net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. There were no dilutive potential ordinary shares in existence during the period (2020: Nil) as the share options and performance rights of the Company were antidilutive. The following represents the share data used in the EPS computations:

| | 31-Dec-21 Number | 31-Dec-20 Number |
|--|---------------------|--------------------------|
| Weighted average number of ordinary shares used in the calculation of basic earnings per share | 250,308,473 | 250,308,473 ¹ |
| Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share | 250,308,473 | 250,308,473 ¹ |

¹ Due to the number of ordinary shares increasing subsequent to the Merger of the Company with 5GN, the calculation of basic and diluted earnings per share have been adjusted as if the Merger took place at the beginning of the comparative period.

NOTES TO THE FINANCIAL STATEMENTS

7. Property, Plant and Equipment

The following tables show the movements in property, plant and equipment:

| | Consolidated 31-Dec-21 \$'000 | 30-Jun-21 \$'000 |
|--|-------------------------------------|---------------------|
| Leasehold improvements | 4,432 | 4,432 |
| Less: Accumulated depreciation | (2,788) | (1,943) |
| | 1,644 | 2,489 |
| Plant and equipment | 24,917 | 21,861 |
| Less: Accumulated depreciation | (10,413) | (8,477) |
| | 14,504 | 13,384 |
| Total Property, Plant and Equipment | 16,148 | 15,873 |

The following table shows the movements in property, plant and equipment:

| | Leasehold improvements \$'000 | Plant and equipment \$'000 | Total \$'000 |
|--|-------------------------------------|----------------------------------|-----------------|
| At cost | | | |
| At 1 July 2021 | 4,432 | 21,861 | 26,293 |
| Additions | - | 3,131 | 3,131 |
| Transfers | - | - | - |
| Disposals | - | (75) | (75) |
| At 31 December 2021 | 4,432 | 24,917 | 29,349 |
| Accumulated depreciation and impairment | | | |
| At 1 July 2021 | (1,943) | (8,477) | (10,420) |
| Additions | (845) | (1,972) | (2,817) |
| Transfers | - | - | - |
| Disposals | - | 36 | 36 |
| At 31 December 2021 | (2,788) | (10,413) | (13,201) |
| Carrying amount at 31 December 2021 | 1,644 | 14,504 | 16,148 |

NOTES TO THE FINANCIAL STATEMENTS

8. Lease Assets and Liabilities

The Group has leases for data centres and related facilities, and offices premises. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability. Variable lease payments which do not depend on an index or a rate (such as lease payments based on a percentage of Group sales) are excluded from the initial measurement of the lease liability and asset.

Right-of-use asset

| | Consolidated | |
|---------------------------------|---------------------|---------------------|
| | 31-Dec-21 \$'000 | 30-Jun-21 \$'000 |
| Building | 22,863 | 22,941 |
| Less: Accumulated depreciation | (10,284) | (8,011) |
| | 12,579 | 14,930 |
| IT Equipment | 807 | 675 |
| Less: Accumulated depreciation | (191) | (127) |
| | 616 | 548 |
| Total right of use asset | 13,195 | 15,478 |

The following table shows the movements in right-of-use asset:

| | Building \$'000 | IT Equipment \$'000 | Total \$'000 |
|--|--------------------|------------------------|-----------------|
| Gross carrying amount | | | |
| Balance at 1 July 2021 | 22,941 | 675 | 23,616 |
| Additions | 43 | 132 | 175 |
| Disposals | (121) | - | (121) |
| Closing value at 31 December 2021 | 22,863 | 807 | 23,670 |
| Depreciation and impairment | | | |
| Balance at 1 July 2021 | (8,011) | (127) | (8,138) |
| Depreciation | (2,360) | (64) | (2,424) |
| Disposals | 87 | - | 87 |
| Closing value at 31 December 2021 | (10,284) | (191) | (10,475) |
| Carrying amount at 31 December 2021 | 12,579 | 616 | 13,195 |

NOTES TO THE FINANCIAL STATEMENTS

Lease liabilities

Lease liabilities are presented in the statement of financial position as follows:

| | 31 Dec-21 \$'000 | 30 Jun-21 \$'000 |
|---------------------------------|---------------------|---------------------|
| Lease liabilities (current) | 4,469 | 5,885 |
| Lease liabilities (non-current) | 14,869 | 16,394 |

The lease liabilities are secured by the related underlying assets. Future minimum lease payments at 31 December 2021 were as follows:

| | Minimum lease payments due | | | | | | Total |
|---------------------------|----------------------------|--------------|--------------|--------------|--------------|---------------|---------------|
| | Within 1 year | 1-2 year | 2-3 year | 3-4 years | 4-5 years | After 5 years | |
| 31 December 2021 | | | | | | | |
| Lease payments | 5,524 | 5,611 | 3,430 | 3,357 | 1,750 | 3,247 | 22,919 |
| Finance charges | (1,055) | (825) | (629) | (436) | (289) | (347) | (3,581) |
| Net present values | 4,469 | 4,786 | 2,801 | 2,921 | 1,461 | 2,900 | 19,338 |
| 30 June 2021 | | | | | | | |
| Lease payments | 7,098 | 5,966 | 3,523 | 3,341 | 2,503 | 4,063 | 26,495 |
| Finance charges | (1,213) | (919) | (724) | (528) | (354) | (478) | (4,216) |
| Net present values | 5,885 | 5,047 | 2,799 | 2,813 | 2,149 | 3,586 | 22,279 |

9. Goodwill

| | Consolidated | |
|------------------|---------------------|---------------------|
| | 31-Dec-21 \$'000 | 30-Jun-21 \$'000 |
| Goodwill | 61,706 | 61,706 |
| Less: Impairment | - | - |
| | 61,706 | 61,706 |

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

| Consolidated | Goodwill \$'000 | Total \$'000 |
|---|--------------------|-----------------|
| Balance at 1 July 2021 | 61,706 | 61,706 |
| Additions through business combinations | - | - |
| Impairment | - | - |
| Balance at 31 December 2021 | 61,706 | 61,706 |

NOTES TO THE FINANCIAL STATEMENTS

10. Other Intangible Assets

| | Consolidated | |
|---|---------------------|---------------------|
| | 31-Dec-21 \$'000 | 30-Jun-21 \$'000 |
| Customer contract | 18,932 | 18,932 |
| Less: Accumulated amortisation | (2,212) | (1,377) |
| | 16,720 | 17,555 |
| Brand name | 4,017 | 4,017 |
| Less: Accumulated amortisation | (1,102) | (577) |
| | 2,915 | 3,440 |
| Capitalised software | 4,376 | 3,775 |
| Less: Accumulated amortisation | (913) | (542) |
| | 3,463 | 3,233 |
| Marketing Related Intangibles - Website | 118 | - |
| Less: Accumulated amortisation | - | - |
| | 118 | - |
| Total intangible assets | 23,216 | 24,228 |

Reconciliations:

Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

| CONSOLIDATED | Customer contract \$'000 | Brand name \$'000 | Capitalised software \$'000 | Marketing Related Intangibles - Website \$'000 | Total \$'000 |
|------------------------------------|-----------------------------|----------------------|--------------------------------|---|-----------------|
| Balance at 1 July 2021 | 17,555 | 3,440 | 3,233 | - | 24,228 |
| Additions | - | - | 601 | 118 | 719 |
| Amortisation | (835) | (525) | (371) | - | (1,731) |
| Balance at 31 December 2021 | 16,720 | 2,915 | 3,463 | 118 | 23,216 |

NOTES TO THE FINANCIAL STATEMENTS

11. Financial Assets and Financial Liabilities

The carrying amounts of financial assets and financial liabilities in each category are as follows:

| 31 December 2021 | Amortised cost \$'000 | FVTOCI \$'000 | Total \$'000 |
|-------------------------------|--------------------------|------------------|-----------------|
| Financial assets | | | |
| Cash and cash equivalents | 4,981 | - | 4,981 |
| Trade and other receivables | 6,299 | - | 6,299 |
| Unsecured loans | 496 | - | 496 |
| Other investments | - | 5,446 | 5,446 |
| Total financial assets | 11,776 | 5,446 | 17,222 |

| 31 December 2021 | Amortised cost \$'000 | FVTPL \$'000 | Total \$'000 |
|------------------------------------|--------------------------|-----------------|-----------------|
| Financial liabilities | | | |
| Non-current borrowings | 22,536 | - | 22,536 |
| Non-current lease liabilities | 14,869 | - | 14,869 |
| Current borrowings | 432 | - | 432 |
| Trade and other payables | 17,998 | - | 17,998 |
| Other financial liabilities | - | 500 | 500 |
| Lease liabilities | 4,469 | - | 4,469 |
| Total financial liabilities | 60,304 | 500 | 60,804 |

| 30 June 2021 | Amortised cost \$'000 | FVTOCI \$'000 | Total \$'000 |
|-------------------------------|--------------------------|------------------|-----------------|
| Financial assets | | | |
| Cash and cash equivalents | 19,170 | - | 19,170 |
| Trade and other receivables | 5,963 | - | 5,963 |
| Unsecured loans | 983 | - | 983 |
| Other investments | - | 725 | 725 |
| Total financial assets | 26,116 | 725 | 26,841 |

| 30 June 2021 | Amortised cost \$'000 | FVTPL \$'000 | Total \$'000 |
|------------------------------------|--------------------------|-----------------|-----------------|
| Financial liabilities | | | |
| Non-current borrowings | 20,579 | - | 20,579 |
| Non-current lease liabilities | 16,394 | - | 16,394 |
| Current borrowings | 428 | - | 428 |
| Trade and other payables | 19,293 | - | 19,293 |
| Other financial liabilities | - | 1,100 | 1,100 |
| Lease liabilities | 5,885 | - | 5,885 |
| Total financial liabilities | 62,579 | 1,100 | 63,679 |

NOTES TO THE FINANCIAL STATEMENTS

12. Fair Value Measurement

The Group measures financial instruments such as derivatives at fair value at each reporting date. Fair value is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. The fair-value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that the market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within their fair-value hierarchy, described as follows, based on the lowest level of input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The following table provides the fair value measurement hierarchy of the Group's financial assets and liabilities as at 31 December 2021:

| | Note | Date of valuation | TOTAL \$'000 | Fair value measurement using | | |
|--|------|-------------------|--------------|--|--|--|
| | | | | Quoted prices in active markets (Level 1) \$'000 | Significant observable inputs (Level 2) \$'000 | Significant unobservable inputs (Level 3) \$'000 |
| Assets / (liabilities) measured at fair value | | | | | | |
| Financial assets | | | | | | |
| Investment in Tiger Pistol shares | | 31-Dec-21 | 725 | - | - | 725 |
| Investment in CNW | | 31-Dec-21 | 4,721 | 4,721 | - | - |
| Unsecured loans | | 31-Dec-21 | 496 | - | - | 496 |
| Financial liabilities | | | | | | |
| Contingent consideration | | 31-Dec-21 | 500 | - | - | 500 |

There have been no transfers between Level 1, 2 and 3 during the period.

13. Business Combinations

Colocation Australia ("ColoAu")

On 8 July 2020, the Company acquired the business and assets of ColoAU. The goodwill value of \$3.015 million identified in relation to the acquisition is final.

Intergrid Group Pty Ltd

On 17 March 2021, the Group completed the acquisition of 100% of Intergrid Group Pty Ltd. The goodwill value of \$2.928 million identified in relation to the acquisition is final.

NOTES TO THE FINANCIAL STATEMENTS

14. Share Capital

During the period, 241,322,246 ordinary shares were issued pursuant to the Merger with 5GN for consideration of all of the shares in 5GN and 7,325,000 ordinary shares were issued following the exercise of options and performance rights for total consideration of \$1,515,000. In January 2022, 69,524,461 ordinary shares held by 5GN were cancelled via a selective reduction of capital pursuant to the Merger. These shares were classified as treasury shares from 23 November 2021 at the time the scheme became effective.

| | 31-Dec-21 \$'000 | 30-Jun-21 \$'000 |
|-----------------------------------|---------------------|---------------------|
| Issued and paid-up capital | | |
| Ordinary shares each fully paid | 213,516 | 80,061 |

Movements in ordinary shares on issue

| | 31-Dec-21 6 months | | 30-Jun-21 12 months | |
|--|-----------------------|----------------|------------------------|---------------|
| | Number of shares | \$'000 | Number of shares | \$'000 |
| Beginning of the period | 114,261,123 | 80,061 | 86,748,245 | 38,644 |
| Reclassified to group reorganisation reserve | (183,785,584) | (91,257) | - | - |
| Reinstate WCG shares and contributed equity | 155,365,679 | 96,566 | - | - |
| Shares issued following exercise of options | 125,000 | 25 | - | - |
| Shares issued - merger scheme | 241,322,246 | 115,835 | - | - |
| Share issued as consideration for services | 200,000 | 90 | - | - |
| Shares issued following exercise of performance rights | 5,000,000 | 1,000 | - | - |
| Issue of shares pursuant to Share purchase plan | - | - | 3,398,111 | 3,874 |
| Issued on exercise of employee share option | - | - | 730,000 | 552 |
| Issue of shares to vendor | - | - | 777,569 | 980 |
| Issue of shares under a Placement | - | - | 15,279,175 | 27,503 |
| Issues of shares under Dividend Reinvestment Plan | - | - | 58,788 | 90 |
| Issue of shares as consideration for WCG off-market takeover | - | - | 4,743,253 | 8,246 |
| Issue of share pursuant to exercise of performance rights | - | - | 2,000,000 | 1,200 |
| Issue of shares as consideration of financial advisory services rendered | - | - | 114,942 | 200 |
| Shares issued and fully paid | 332,488,464 | 202,320 | 113,850,083 | 81,289 |
| Issue of shares to employees under Employee Share Plan | - | - | 111,040 | - |
| Treasury shares | 69,524,461 | 11,196 | 300,000 | - |
| Transaction costs for share issue | - | - | - | (1,228) |
| End of the period | 402,012,925 | 213,516 | 114,261,123 | 80,061 |

NOTES TO THE FINANCIAL STATEMENTS

15. Reserves

| | 31-Dec-21 \$'000 | 30-Jun-21 \$'000 |
|------------------------------|---------------------|---------------------|
| Share-based payments reserve | 10,821 | 6,649 |
| Profit reserve | 5,052 | 5,651 |
| Reorganisation reserve | (150,804) | - |
| Total | (134,931) | 12,300 |

| Share-based payment reserve | 31-Dec-21 \$'000 | 30-Jun-21 \$'000 |
|---|---------------------|---------------------|
| Balance at the beginning of the period | 6,649 | 3,775 |
| Arising on share-based payments | 4,172 | 2,874 |
| Balance at the end of the period | 10,821 | 6,649 |

| Profit reserve | 31-Dec-21 \$'000 | 30-Jun-21 \$'000 |
|--|---------------------|---------------------|
| Balance at the beginning of the period | 5,651 | 1,350 |
| Other comprehensive income | (599) | 272 |
| Dividend recognised/paid | - | (1,067) |
| Deemed disposal of partial interests in a subsidiary arising from issuance of shares | - | 5,096 |
| Balance at the end of the period | 5,052 | 5,651 |

| Reorganisation reserve | 31-Dec-21 \$'000 | 30-Jun-21 \$'000 |
|---|---------------------|---------------------|
| Balance at the beginning of the period | - | - |
| Elimination of 5GN contributed equity ¹ | 91,257 | - |
| Elimination of Non-Controlling Interest (NCI) ² | (29,536) | - |
| Issue of WCG shares to existing 5GN shareholders ³ | (115,835) | - |
| Reinstate WCG share capital ⁴ | (96,566) | - |
| Share issue costs ⁵ | (124) | - |
| Balance at the end of the period | (150,804) | - |

¹ To eliminate 5GN contributed equity balance as part of accounting for the internal reorganisation as the contributed equity of the WCG consolidated group at 31 December 2021 will need to be that of WCG not 5GN

² To eliminate the NCI previously recognised in the consolidated financial statements of 5GN in relation to WCG as part of the internal reorganisation as there is now no longer an NCI in the WCG consolidated group

³ Value of 241,322,246 new WCG shares issued to 5GN shareholders pursuant to the merger at 48 cents per share

⁴ To reinstate WCG contributed equity which had previously been eliminated as part of the acquisition accounting recognised by 5GN in the prior period when it obtained control of WCG

⁵ Share issue costs associated with the merger and issue of new WCG shares

NOTES TO THE FINANCIAL STATEMENTS

16. Dividends

No dividends were declared and not paid, nor any dividends proposed and not paid, during the current reporting period.

17. Related Party Transactions

During the current reporting period, the Group has conducted the following related party transactions:

- A total of \$54,190 (2020: \$43,342) was paid to Studio Inc, an entity related to Joe Demase, for the design of marketing materials for the Group. All transactions are carried at commercial third-party rates.

18. Events subsequent to reporting date

On 18 January 2021, 69,524,461 ordinary shares by 5GN were cancelled pursuant to a selective reduction in capital following shareholder approval at the Company's 2021 Annual General Meeting held on 21 December 2021.

The Group has acquired a further 3.4 million shares in Cirrus on-market since 31 December 2021 and holds 18.5% of the ordinary shares in Cirrus at the date of this report.

No other matter or circumstances have arising since the end of the 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 years.

DIRECTORS' DECLARATION

Directors' Declaration

1. In the Directors' opinion:
 - (a) The financial statements and notes of Webcentral Limited for the half-year ended 31 December 2021 are in accordance with the *Corporations Act 2001*, including:
 - (i) 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) complying with Australian Accounting Standards (Including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
 - (b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors made pursuant to section 303(5) of the *Corporations Act 2001*.

For and on behalf of the Board



Mr. Joe Gangi
Chairman

21 February 2022

INDEPENDENT AUDITORS REVIEW REPORT



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Independent Auditor's Review Report

To the Members of Webcentral Limited

Report on the review of the half-year financial report

Conclusion

We have reviewed the accompanying half-year financial report of Webcentral Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Webcentral Limited does not comply with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Webcentral Limited financial position as at 31 December 2021 and of its performance for the half year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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 Group 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.

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INDEPENDENT AUDITORS REVIEW REPORT



Directors' responsibility for the half-year financial report

The Directors of the Group are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

A stylized, handwritten signature in black ink that reads "Grant Thornton".

Grant Thornton Audit Pty Ltd
Chartered Accountants

A handwritten signature in black ink, appearing to be "M A Cunningham".

M A Cunningham
Partner – Audit & Assurance

Melbourne, 21 February 2022