

5G Networks Ltd Appendix 4E and Preliminary Final Report

31 AUGUST 2021

2021 FINANCIAL RESULTS

ABN: 30 163 312 025

Appendix 4E and Preliminary Final Report

5G Networks Ltd achieves Record Revenue and EBITDA

- 5G Networks Ltd (5GN) achieves FY21 Revenue and other income of \$91.7M and EBITDA of \$15.5M before acquisition and non-recurring costs.

Commenting on the results, 5G Networks Managing Director Joe Demase stated;

“The completion of the Webcentral takeover provides the Group with significant organic growth opportunities leveraging Webcentral’s 330,000 customers through their online sales channel, offering 5GN’s suite of cloud, network and managed services.”

5G Networks (5GN) is a licenced telecommunications carrier operating across Australia. Our mission is to be Australia’s partner of choice for unifying a seamless digital experience for our customers across data connectivity, cloud and data centre services, underpinned by expert managed services in the business to business market.

5GN currently owns and operates its own Nationwide highspeed Data Network with points of presence in all major Australian capital cities. In addition, the Company offers managed cloud solutions through its Cloud and Data Centre capabilities as well as managed services to optimise customers’ IT and network environments. Supporting this is the Company’s combined rack capacity of over 1,000 racks through its owned and operated Data Centres across Melbourne, Sydney, Brisbane and Adelaide.

As an organisation, we are dedicated and passionate about delivering unique value to our 2500+ customers which include several top 50 ASX listed and Government organisations. This commitment is strengthened by a core focus on digital leadership, innovation and an exceptional customer experience.

Appendix 4E and Preliminary Final Report

1. COMPANY DETAILS

NAME OF ENTITY	ABN	REPORTING PERIOD	PREVIOUS REPORTING PERIOD
5G Networks Limited	30 163 312 025	Year ended 30 June 2021	Year ended 30 June 2020

2. RESULTS FOR ANNOUNCEMENT TO THE MARKET

				FY 30-Jun-21 (\$000)	FY 30-Jun-20 (\$000)
Revenue from ordinary activities	Up	77%	to	87,089	49,325
Underlying EBITDA ¹	Up	144%	to	15,466	6,330
Profit before Interest, Tax, Depreciation and Amortisation (EBITDA)	Up	83%	to	7,772	4,241
Net loss for the period attributable to members	Up	223%	to	(4,997)	(1,545)

COMMENTARY

5G Networks Limited (5GN) presents its 2021 Financial Report and Commentary.

The key strategic growth highlights for 2021 are as follows:

- Transformational acquisition of Webcentral, materially changing the scale and earnings profile of the business providing access to a highly complementary customer base
- Achievement of significant operational synergies within the Webcentral business
- Integration of Webcentral and 5GN businesses including migration of services to 5GN infrastructure
- Strategic acquisition of ColoAu and Intergrid Group and the successful launch of the 5GN Wholesale portal and wholesale strategy
- Continued fibre network rollout connecting 20 data centres

5GN financial highlights for the year included:

- EBITDA of \$15.5 million achieved for the year, representing 144% growth compared to prior corresponding period (before acquisition costs and share option costs)
- Revenue of \$87.1 million, representing 77% growth compared to the prior corresponding period
- 44% Growth in Operating cash flow to \$10.8 million compared to the prior corresponding period (before acquisition, transaction and non-recurring costs)
- Strong capital position with \$19.2 million cash and \$3.6 million available debt at 30 June 2021

1. The Group makes use of a management performance measure, 'Underlying EBITDA' (earnings before Interest, Tax, Depreciation and Authorisation). The Group believes that Underlying EBITDA is useful for users of Financial Reports when assessing the Group's underlying business performance and profit generators 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 decision-making as well as setting remuneration and reward outcomes.

Appendix 4E and Preliminary Final Report

3. DIVIDENDS

	Amount per security (Cents) 2021	Amount per security (Cents) 2020
Final dividend for the year ended 30 June 2020	Nil	1.0

During the year a 100% franked dividend of \$0.01 (1 cent) per ordinary share was paid in respect of the financial year ended 30 June 2020. (2020: 1 cent). No dividends were declared or paid in respect of the year ended 30 June 2021.

4. NET TANGIBLE ASSETS

	Year ended 30 June 2021 (Cents)	Year ended 30 June 2020 (Cents)
Net tangible assets per ordinary security	(0.31)	5.42

5. EARNING PER SHARE

	Amount per security (Cents) 2021	Amount per security (Cents) 2020
Basic earnings per ordinary security	(4.64)	(2.29)
Diluted earnings per ordinary security	(4.64)	(2.29)

6. CONTROL GAINED OVER ENTITIES

On 9 July 2020, the Group acquired ColoAu, a leading wholesale provider of data centre services and hyper-speed data networks. The acquisition allows 5GN to fast track its wholesale business utilising the established Co Lo Au automated systems and on-demand provisioning platform. The total purchase price was \$2.9 million.

On 28 October 2020, the Group acquired a controlling interest in Webcentral Group Limited pursuant to an off-market takeover. The transformational acquisition of Webcentral materially changed the scale and earnings profile of the business with a highly complementary customer base and significant operational synergies. The acquisition purchase price was \$11m.

On 17 March 2021, the Group acquired Intergrid Group, a leading dedicated cloud provider (Bare Metal). The purchase price was \$3.2 million.

7. LOSS OF CONTROL OVER ENTITIES

Not applicable.

8. DETAILS OF ASSOCIATES AND JOINT VENTURE ENTITIES

Not applicable.

9. AUDIT OF ACCOUNTS

The 2021 Financial Report is in the process of being audited.

Signed



Joseph Demase
Managing Director
31 August 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	12 months ended	
		30 June 2021 \$000	30 June 2020 \$000
Revenue	5	87,089	49,325
Other Income	6	4,603	439
Revenue and other income		91,692	49,764
Network and data centre costs		(25,317)	(20,098)
Domain registrations costs		(5,432)	-
Cloud and hosting costs		(1,456)	-
Software and licencing costs		(3,030)	-
Direct labour costs		(515)	-
External labour costs		(1,715)	-
Rent and office expenses		(989)	(313)
Marketing and travel expenses		(1,122)	(322)
Employee benefits expenses		(32,203)	(19,997)
Other expenses		(4,971)	(2,455)
Impairment of financial asset		524	(275)
Share-based payment expenses		(2,874)	(1,424)
Acquisition costs		(2,207)	(441)
Restructuring costs		(2,613)	(197)
Depreciation expenses		(9,769)	(4,890)
Amortisation expenses		(2,419)	(78)
Finance costs		(2,027)	(1,425)
Total expenses		(98,135)	(51,915)
Profit/(loss) before income tax		(6,443)	(2,151)
Income tax (expense)/benefit from continuing operations		(36)	606
Loss after tax		(6,479)	(1,545)
Other comprehensive income for the period, net of income tax			
Currency translation differences		272	-
Total comprehensive income for the year		(6,207)	(1,545)
Profit / (loss) for the period attributable to:			
Members of the parent		(4,997)	(1,545)
Non-controlling interests		(1,482)	-
		(6,479)	(1,545)
Total comprehensive income / (loss) attributable to:			
Members of the parent		(4,725)	(1,545)
Non-controlling interests		(1,482)	-
		(6,207)	(1,545)
Earnings per share attributable to the owners of 5G Networks Limited (cents per share)			
Basic earnings per share	7	(4.64)	(2.29)
Diluted earnings per share	7	(4.64)	(2.29)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2021 \$000	30 June 2020 \$000
ASSETS			
Current assets			
Cash and cash equivalents	9	19,170	22,118
Restricted cash	9	-	1,397
Trade and other receivables	10	5,963	2,808
Lease receivable - current		1,892	-
Contract assets	11	620	700
Prepayments of domain name registry charges		5,398	-
Other current assets	16	1,056	727
Total current assets		34,099	27,750
Non-current assets			
Property, plant and equipment	12	15,873	8,417
Right to use asset	13	15,478	13,014
Lease receivable (NCL)		1,101	-
Deferred tax asset	8	9,871	1,725
Goodwill	14	61,304	16,567
Other intangible assets	15	24,228	294
Prepayments of domain name registry charges (NCL)		2,429	-
Other investments		725	-
Other current assets (NCL)	16	1,494	-
Total non-current assets		132,503	40,017
TOTAL ASSETS		166,602	67,767
LIABILITIES			
Current liabilities			
Trade and other payables	17	19,293	6,709
Borrowings		428	983
Lease liability		5,885	2,370
Employee benefits	19	4,712	2,292
Provision for income tax		181	41
Contract liabilities	11	23,748	1,313
Other financial liabilities		1,100	-
Other liabilities	18	3,766	2,951
Total current liabilities		59,113	16,659
Non-current liabilities			
Trade and other payables (NCL)	17	-	1,274
Borrowings (NCL)		20,579	1,982
Lease Liability (NCL)	13	16,394	11,898
Employee benefits (NCL)	19	547	299
Contract liabilities (NCL)	11	8,551	-
Deferred tax liability	8	10,746	-
Total non-current liabilities		56,817	15,453
TOTAL LIABILITIES		115,930	32,112
NET ASSETS		50,672	35,655
EQUITY			
Contributed equity	21	85,567	38,644
Reserves		7,204	3,125
Accumulated losses		(13,111)	(6,114)
Total equity attributable to owners of the Company		79,660	35,655
Non-controlling interests		(28,988)	-
TOTAL EQUITY		50,672	35,655

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Notes	Share Capital	Share Based Payment Reserve	Profit Reserve	Accumulated Losses	Total equity attributable to owners of the Company	Non-controlling interest	Total Equity
		\$000	\$000	\$000	\$000	\$000	\$000	\$000
BALANCE AT 1 JULY 2020		38,644	3,775	1,350	(8,114)	35,655	-	35,655
Loss for the period		-	-	-	(4,997)	(4,997)	(1,482)	(6,479)
Transactions with owners in their capacity as owners:								
Non-controlling interests arising on acquisition of a subsidiary		-	-	-	-	-	(28,393)	(28,393)
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		9,227	-	-	-	9,227	-	9,227
Shares issued as consideration for financial advisory services rendered		200	-	-	-	200	-	200
Capital raising		34,319	-	-	-	34,319	-	34,319
Share issue costs		(1,166)	-	-	-	(1,166)	-	(1,166)
Dividend recognised and paid		-	-	(1,067)	-	(1,067)	-	(1,067)
Share based compensation		-	2,874	-	-	2,874	-	2,874
Exchange differences on translating foreign operation		-	-	272	-	272	-	272
Deemed disposal of partial interests in a subsidiary arising from issuance of shares		-	-	-	-	-	887	887
BALANCE AT 30 JUNE 2021		85,567	6,649	555	(13,111)	79,660	(28,988)	50,672
BALANCE AT 1 JULY 2019		18,606	2,351	1,000	(5,569)	16,388	-	16,388
Loss for the period		-	-	-	(1,545)	(1,545)	-	(1,545)
Transactions with owners in their capacity as owners:								
Shares issued on exercise of Performance Rights		1,500	-	-	-	1,500	-	1,500
Shares issued on exercise of Options		764	-	-	-	764	-	764
Shares issued pursuant to Dividend Reinvestment Plan		69	-	-	-	69	-	69
Shares issued to directors		150	-	-	-	150	-	150
Share issued to vendors to acquire business		-	-	-	-	-	-	-
Capital raising		18,236	-	-	-	18,236	-	18,236
Share issue costs		(681)	-	-	-	(681)	-	(681)
Dividend recognised and paid		-	-	(650)	-	(650)	-	(650)
Share based compensation		-	1,424	-	-	1,424	-	1,424
Transfer to Profit Reserve		-	-	1,000	(1,000)	-	-	-
BALANCE AT 30 JUNE 2020		38,644	3,775	1,350	(8,114)	35,655	-	35,655

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	12 months ended	
		30 June 2021 \$000	30 June 2020 \$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		95,247	53,591
Receipts from government grant		432	-
Payments to suppliers and employees		(83,513)	(44,791)
Interest received		231	38
Interest paid		(2,027)	(1,326)
Income tax payments made		(305)	-
Acquisition costs		(1,572)	
NET CASH FLOWS FROM OPERATING ACTIVITIES		8,493	7,512
CASH FLOWS FROM INVESTING ACTIVITIES			
Net Cash on Purchase of Australian Pacific Data Centres		-	(3,547)
Net Cash on Purchase of North Sydney Data Centre		-	(533)
Consideration paid in relation to deferred capital payments of North Sydney Data Centre		(1,083)	
Net Cash on Purchase of ColoAU		(2,400)	-
Net Cash on Purchase of Intergrid		(1,748)	-
Net cash on Purchase of Webcentral Group Limited		1,102	-
Purchase of property, plant and equipment		(7,619)	(3,308)
Increase in pledged bank deposits		-	(397)
Return of pledged bank deposits		1,397	-
Loans to employees		(920)	-
Return of capital and dividends received from Tiger Pistol		115	
Proceeds from subleases		1,136	-
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(10,020)	(7,785)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		36,819	18,386
Proceeds from exercise of options		1,752	2,264
Proceeds from applications for share purchase plan		-	763
Proceeds from borrowings		22,159	3,263
Repayment of borrowings		(52,487)	(4,690)
Payment of capital raising costs		(1,811)	(974)
Capital Lease payments		(6,854)	(1,701)
Dividends Paid		(977)	(580)
NET CASH FLOWS FROM FINANCING ACTIVITIES		(1,399)	16,731
Net increase in cash and cash equivalents		(2,926)	16,458
Net foreign exchange differences		(22)	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		22,118	5,660
CASH AND CASH EQUIVALENTS AT END OF PERIOD	9	19,170	22,118

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The financial statements as at and for the year ended 30 June 2021 cover 5G Networks Limited as a group of 5G Networks Limited (the ‘company’ or ‘parent entity’) and its subsidiaries (referred to in these financial statements as the ‘Group’).

5G Networks Limited is a listed public company limited by shares, incorporated and domiciled in Australia.

OPERATIONS AND PRINCIPAL ACTIVITY

The Group’s principal activities during the year 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

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

Level 8, 99 William Street, Melbourne VIC 3000

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

STATEMENT OF COMPLIANCE

The Preliminary Final Report (the Report) has been prepared in accordance with ASX Listing Rule 4.3A and has been derived from the unaudited consolidated financial statements. The consolidated financial statements have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) that are mandatory for the current reporting period and the Corporations Act 2001. The consolidated financial statements also comply with International Financial Reporting Standards (‘IFRS’) and interpretations (‘IFRICs’) adopted by the International Accounting Standards Board (‘IASB’).

The preliminary final report has been prepared on the historical cost basis except for derivative financial assets, contingent consideration payables and share-based payment transactions which are stated at their fair value.

The Report has been prepared on a going concern basis, which assumes the Group will be able to meet its obligations as and when they fall due. As at 30 June 2021, the Group has \$19.17 million of cash on hand and available debt facilities of \$3.6 million, a deficit of current assets to current liabilities of \$25.0 million which includes non-cash contract liabilities of \$23.8 million.

The consolidated financial statements are in the process of being audited. Accordingly, the Report should be read in conjunction with any public announcements made by the Company during the year in accordance with the continuous disclosure requirements arising under the Corporations Act 2001 and ASX Listing Rules.

The Group is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and investments Commission, relating to rounding off. Amounts in this Report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, unless otherwise stated.

NEW OR AMENDED ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by AASB that are mandatory for the current reporting period. This includes amendments to AASB 3 Definition of a business, AASB 101, AASB 108 Definition of material. There was no significant impact from the application of these amendments. The impact of the IFRIC Agenda decision regarding Cloud Computing Arrangements has been deemed to have an insignificant effect on current or previous financial years. The Group expects to adopt the IFRIC Agenda decision regarding Cloud Computing Arrangements in its half year financial statements ending on 31 December 2021. Intangible assets relating to cloud computing arrangements are subject to a detailed assessment. The Group’s preliminary analysis indicates that the impact on current or previous financial years is not significant.

3. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances and with the exceptions of income tax and revenue recognition, were the same as those applied in the Group’s last annual financial statements for the year ended 30 June 2020. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PREPAYMENTS OF DOMAIN NAME REGISTRY CHARGES

Prepayments of domain name registry charges are direct costs to fulfil a contract. The Group defers these costs as an asset and amortises the asset over the contract period, consistent with the satisfaction of performance obligations and the recognition of revenue. The Group re-assesses costs to fulfil contracts on a periodic basis to reflect significant changes in the expected timing of satisfying performance obligations to which the asset relates, and when there is a significant change in the carrying amount of the asset.

PROVISION FOR IMPAIRMENT OF RECEIVABLES

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

ESTIMATION OF USEFUL LIVES OF ASSETS

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

GOODWILL AND OTHER INDEFINITE LIFE INTANGIBLE ASSETS

The Group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment.

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

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

INCOME TAX

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

RECOVERY OF DEFERRED TAX ASSETS

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

LONG SERVICE LEAVE PROVISION

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

BUSINESS COMBINATIONS

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

CONTROL OVER WEBCENTRAL GROUP LIMITED ("WCG")

On 28 October 2020, 5GN held ownership of 50.69% of the Company's shares and therefore at that date 5GN obtained control of the Company. Management estimates the fair value of consideration transferred upon this business combination on 28 October 2020.

Management considers that the Group has de facto control of WCG even though it has less than 50% of the voting rights in the WCG since the completion of capital raising activities by WCG on 18 November 2020. Management has exercised its critical judgement when determining whether the Group has de facto control over WCG by considering the following key matters, amongst others:

- the Group has a sufficiently dominant voting interest to direct the relevant activities of WCG
- the Group has obtained effective control over majority of the board of WCG.

The Group has measured the consideration transferred at fair value upon business combination. If the Group had concluded that its 44.75% ownership interest was insufficient to give the Group control of WCG, WCG would instead have been classified as an associate and the Group would have accounted for it using the equity method of accounting.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. OPERATING SEGMENTS AND PRODUCT LINES

Management currently identifies the two operating segments monitored by the Group's Chief Operating Decision Maker ("CODM") as being Data Centres, Network and Cloud Services, Managed Services, and Webcentral.

Segment information for the reporting period is as follows:

12 months to 30 June 2021						
	Data Centres, Networks & Cloud	Managed Services	Webcentral	Total	Eliminations	Consolidated
	\$000	\$000	\$000	\$000	\$000	\$000
Segment Revenue	38,548	14,501	35,305	88,354	(1,265)	87,089
Cost of goods sold	(23,668)	(1,656)	(12,148)	(37,472)	7	(37,465)
Segment gross margin	14,880	12,845	23,157	50,882	(1,258)	49,624

12 months to 30 June 2020			
	Data Centres, Networks & Cloud	Managed Services	Total
	\$000	\$000	\$000
Segment Revenue	25,465	23,860	49,325
Cost of goods sold	(10,359)	(9,739)	(20,098)
Segment gross margin	15,106	14,121	29,227
Segment assets	44,027	23,740	67,767

5. REVENUE

The revenue breakdown by product and service line for the year ended 30 June 2021 is shown below:

	FY2021 \$000	FY2020 \$000
REVENUE BY PRODUCT AND SERVICE LINE		
Cloud:		
5G Networks	9,908	13,702
Webcentral (Email & Hosting)	17,855	-
Domains	15,012	-
Network & Voice	9,217	7,413
Data Centres	8,489	7,666
Managed Services	13,378	12,834
Digital Marketing	2,405	-
Hardware & Software	10,825	7,710
TOTAL REVENUE	87,089	49,325

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. OTHER INCOME

	Consolidated	
	2021 \$000	2020 \$000
Other Income		
R&D tax offset	-	312
Government Grant Income	478	89
Dividend income	116	-
Interest income	99	38
Gain on remeasuring equity interest in Webcentral Group Limited to fair value upon control obtained (note 20)	1,350	-
Sublease income	132	-
Other	2,428	-
TOTAL OTHER INCOME	4,603	439

7. EARNINGS PER SHARE (EPS)

Basic EPS amounts are calculated by dividing net loss for the year 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 year 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 year (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:

	Consolidated 2021 '000	Consolidated 2020 '000
Weighted average number of ordinary shares for basic earnings per share and diluted earnings per share	107,668	67,519

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. TAX

	Consolidated	
	2021 \$000	2020 \$000
DEFERRED TAX ASSET		
Deferred tax asset is comprised of the following temporary differences:		
Accrued expenses and provisions	9,057	4,787
Allowable section 40-880 (blackhole) deductions - WDV	320	437
R&D tax incentives not yet utilised	122	-
Tax losses not yet utilised	372	99
	9,871	5,323
DEFERRED TAX LIABILITY		
Deferred tax liability is comprised of the following temporary differences:		
Tangible and intangible assets	(10,751)	(3,378)
ACA impact on depreciating asset - WDV	(5)	(70)
R&D capitalised labour	-	(70)
Customer contract	-	(80)
	(10,746)	(3,598)
NET DTA/DTL	(875)	1,725

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

(A) RECONCILIATION OF CASH AND CASH EQUIVALENTS

For the purposes of the statement of cash flows, cash includes cash at bank and in hand net of bank overdrafts. Cash at the end of the year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	Consolidated	
	2021 \$000	2020 \$000
Cash at bank and in hand	19,170	22,118
Total cash and cash equivalents	19,170	22,118
Restricted cash	-	1,397
TOTAL CASH AND BANK BALANCES	19,170	23,515

10. TRADE AND OTHER RECEIVABLES

	Consolidated	
	2021 \$000	2020 \$000
CURRENT		
Trade receivables	4,990	3,078
Allowance for impairment of receivables	(1,189)	(340)
	3,801	2,738
Unsecured loans – at call ¹	983	70
Other receivables	1,179	-
TOTAL TRADE AND OTHER RECEIVABLES	5,963	2,808

Unsecured loans represent loans granted to key management personnel to allow them to take up shares in a capital raising being undertaken by Webcentral Group Limited. The loans are expected to be extinguished following the payment of FY21 bonuses.

The Group applies the AASB 9 simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component.

In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due and also according to the geographical location of customers.

The expected loss rates are based on the payment profile for sales over the past 48 months before 30 June 2021 and 1 July 2020 respectively as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forwarding looking macroeconomic factors affecting the customer's ability to settle the amount outstanding.

Trade receivables are written off (i.e. derecognised) when there is no reasonable expectation of recovery. Failure to make payments within 120 days from the invoice date and failure to engage with the Group on alternative payment arrangement amongst other is considered indicators of no reasonable expectation of recovery.

11. CONTRACT ASSETS AND LIABILITIES

Contract assets consist of the following:

	Consolidated	
	2021 \$000	2020 \$000
Contract assets¹		
Work in progress	620	700
	620	700

¹ The Group makes uses of a simplified approach in accounting for contract assets and records the loss allowance as lifetime expected credit losses. After the assessment of contract asset on a collective basis, the Group determined to apply zero as the loss rate.

Contract liabilities consist of the following:

	Consolidated	
	2021 \$000	2020 \$000
Deferred revenue	23,748	1,313
Contract liabilities - current	23,848	1,313
Deferred Revenue	8,551	-
Contract liabilities - non-current	8,551	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. PROPERTY, PLANT AND EQUIPMENT

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

	Leasehold Improvements \$000	Plant and Equipment \$000	Total \$000
Gross carrying amount			
Balance at 1 July 2020	2,002	11,975	13,977
Assets acquired in the business acquisition	1,920	2,887	4,807
Additions	522	7,010	7,352
Disposals	(12)	-	(12)
CLOSING VALUE AT 30 JUNE 2021	4,432	21,872	26,304
Depreciation and impairment			
Balance at 1 July 2020	684	4,876	5,560
Depreciation	1,271	3,612	4,883
Disposals	(12)	-	(12)
Closing value at 30 June 2021	1,943	8,488	10,431
CARRYING AMOUNT 30 JUNE 2021	2,489	13,384	15,873
Gross carrying amount			
Balance at 1 July 2019	735	7,696	8,431
Assets acquired in the business acquisition	1,100	78	1,178
Additions	182	4,201	4,383
Disposals	(14)	-	(14)
CLOSING VALUE AT 30 JUNE 2020	2,002	11,975	13,977
Depreciation and impairment			
Balance at 1 July 2019	(304)	(3,015)	(3,319)
Depreciation	(388)	(1,861)	(2,250)
Disposals	8	-	8
Closing value at 30 June 2020	(684)	(4,876)	(5,560)
CARRYING AMOUNT 30 JUNE 2020	1,318	7,099	8,417

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. 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 TO USE ASSETS

The following tables show the movements in right of use asset:

	Building \$000	IT Equipment \$000	Total \$000
Gross carrying amount			
Balance at 1 July 2020	16,404	645	17,049
Assets acquired in the business acquisition	8,760	31	8,791
Additions	1,749	-	1,749
Disposals	(3,972)	-	(3,972)
CLOSING VALUE AT 30 JUNE 2021	22,941	676	23,617
Depreciation and impairment			
Balance at 1 July 2020	(4,035)	-	(4,035)
Depreciation	(4,930)	(127)	(5,057)
Disposals	953	-	953
CLOSING VALUE AT 30 JUNE 2021	(8,012)	(127)	(8,139)
CARRYING AMOUNT 30 JUNE 2021	14,929	549	15,478

	Building \$000	IT Equipment \$000	Total \$000
Gross carrying amount			
Balance at 1 July 2019	15,984	-	15,984
Assets acquired in the business acquisition	2,154	-	2,154
Additions	884	645	1,529
Disposals	(2,618)	-	(2,618)
CLOSING VALUE AT 30 JUNE 2020	16,404	645	17,049
Depreciation and impairment			
Balance at 1 July 2019	(1,842)	-	(1,842)
Depreciation	(2,641)	-	(2,641)
Disposals	448	-	448
CLOSING VALUE AT 30 JUNE 2020	(4,035)	-	(4,035)
CARRYING AMOUNT 30 JUNE 2020	12,369	645	13,014

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

LEASE LIABILITIES

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

	Consolidated 2021 \$000	Consolidated 2020 \$000
CURRENT		
Obligations under property leases	5,641	2,141
Obligations under equipment leases	244	229
	5,885	2,370
NON CURRENT		
Obligations under property leases	16,288	11,548
Obligations under equipment leases	106	350
	16,394	11,898

Each lease generally imposes a restriction that, unless there is a contractual right for the Group to sublet the asset to another party, the right-of-use asset can only be used by the Group. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to purchase the underlying leased asset outright at the end of the lease, or to extend the lease for a further term. The Group is prohibited from

selling or pledging the underlying leased assets as security. For leases over data centres and office premises the Group must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the Group must insure items of property, plant and equipment and incur maintenance fees on such items in accordance with the lease contracts.

14. GOODWILL

The following table shows the movements in goodwill:

	Consolidated 2021 \$000	Consolidated 2020 \$000
Gross carrying amount		
Balance at beginning of period	16,567	6,842
Acquired through business combination	44,737	9,725
BALANCE AT END OF THE PERIOD	61,304	16,567
Accumulated impairment		
Balance at beginning of period	-	-
Impairment loss recognised	-	-
BALANCE AT END OF THE PERIOD	-	-
CARRYING AMOUNT AT END OF THE PERIOD	61,304	16,567

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. OTHER INTANGIBLE ASSETS

The following table shows the movements in other intangible assets:

	Customer contract	Brand name	Capitalised software	Total
GROSS CARRYING AMOUNT				
Balance at 1 July 2020	372	-	-	372
Acquisition through business combination	18,560	4,017	3,425	26,002
Additions	-	-	350	350
Disposal	-	-	-	-
BALANCE AT 30 JUNE 2021	18,932	4,017	3,775	26,724
AMORTISATION AND IMPAIRMENT				
Balance at 1 July 2020	(78)	-	-	(78)
Amortisation	(1,299)	(577)	(542)	(2,418)
Impairment loss recognised	-	-	-	-
BALANCE AT 30 JUNE 2021	(1,377)	(577)	(542)	(2,496)
CARRYING AMOUNT 30 JUNE 2021	17,555	3,440	3,233	24,228

	Customer contract	Total
GROSS CARRYING AMOUNT		
Balance at 1 July 2019	-	-
Acquisition through business combination	372	372
Additions	-	-
Disposal	-	-
BALANCE AT 30 JUNE 2020	372	372
AMORTISATION AND IMPAIRMENT		
Balance at 1 July 2019	-	-
Amortisation	(78)	(78)
Impairment loss recognised	-	-
BALANCE AT 30 JUNE 2020	(78)	(78)
CARRYING AMOUNT 30 JUNE 2020	294	294

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. OTHER ASSETS

Other assets consist of the following:

	Consolidated	
	2021 \$000	2020 \$000
Other prepayments	1,495	479
Inventory	172	160
Bond payments	78	80
Other	280	8
Other assets - current	2,025	727
Other prepayments	1,044	
Bond payments	450	-
Other assets - non-current	1,494	-

17. TRADE AND OTHER PAYABLES

	Consolidated	
	2021 \$000	2020 \$000
Current		
Trade payables	10,190	3,144
Accrued liabilities	3,319	243
Deferred consideration	1,941	2,491
Deposits received in advance	304	-
Other Creditors	3,539	831
	19,293	6,709
Non-current		
Deferred consideration	-	1,274
	-	1,274

All amounts are short-term. The carrying values of trade and other payables are considered to be a reasonable approximation of fair value.

18. OTHER LIABILITIES

	Consolidated	
	2021 \$000	2020 \$000
GST and PAYG due to ATO	3,352	1,982
Proceeds from applications for Share Purchase Plan	-	763
Payroll tax provision	414	206
Other liabilities - current	3,766	2,951

19. EMPLOYEE BENEFITS PROVISIONS

	Consolidated	
	2021 \$000	2020 \$000
CURRENT		
Annual leave	1,883	1,149
Long Service Leave	1,079	469
Wages Payable	201	6
Superannuation payable	516	418
Accrued bonuses and sales commission	1,033	250
	4,712	2,292
NON-CURRENT		
Long Service Leave	547	299
	547	299

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. BUSINESS ACQUISITIONS

AUSTRALIAN PACIFIC DATA CENTRES PTY LTD
On 19 September 2019, the Company completed the acquisition of Australian Pacific Data Centres Pty Ltd. The goodwill value of \$2.33 million identified in relation to the acquisition is final.

NORTH SYDNEY DATA CENTRE
On 31 March 2020, the Company completed the acquisition of the North Sydney Data Centre in St Leonards, Sydney NSW. The goodwill value of \$1.05 million identified in relation to the acquisition is final.

COLOCATION AUSTRALIA (“COLOAU”)
On 8 July 2020, the Company acquired the business and assets of ColoAU. The the purchase price was \$2.4 million in cash and \$0.5 million in the Company’s shares. An earnout payment of up to \$0.5 million payable in the Company’s shares is payable if revenue growth targets are achieved over the period 18 months from acquisition. The goodwill value of \$3.02 million identified in relation to the acquisition is final.

The acquisition will allow the Group to fast track its wholesale business utilising the established ColoAU automated systems and on-demand provisioning platform.

Details of net assets acquired and goodwill are as follows:

	\$000
Fair value of consideration transferred	
Amount settled in cash	2,400
Amount settled in shares	500
Contingent consideration	500
Total consideration	3,400
Recognised amounts of identifiable net assets	
Property, plant and equipment	395
Intangible assets	617
Total non-current assets	1,012
Contract liabilities	(9)
Trade and other payables	(618)
Total current liabilities	(627)

	\$000
Identifiable net assets	385
Goodwill on acquisition	3,015
Consideration transferred settled in cash	2,400
Net cash outflow on acquisition	2,400
Acquisition costs charged to expenses	84

Acquisition-related costs amounting to \$0.084 million are not included as part of consideration transferred and have been recognised as an expense in the consolidated statement of profit or loss, as part of acquisition expenses.

The purchase agreement included an additional consideration of \$0.50 million, payable only if the ColoAU business achieves the agreed earn out target. The first part additional consideration of \$0.25 million will be paid on 31 January 2022 and the second part additional consideration of \$0.25 million will be paid on 31 July 2022. The contingent consideration amount has not been adjusted to present value amount as the adjustment would be immaterial.

The goodwill that arose on the combination can be attributed to the synergies expected to be derived from the combination and the value of the workforce of ColoAU which cannot be recognised as an intangible asset. Goodwill has been allocated to cash-generating units at 30 June 2021 and is attributable to the Data Centres, Networks and Cloud service segment. The goodwill that arose from this business combination is not expected to be deductible for tax purposes.

From the date of the acquisition to 30 June 2021, ColoAU contributed \$4.31 million to the Group’s revenues and \$0.60 million to the Group’s loss.

WEBCENTRAL GROUP LIMITED (“WEBCENTRAL”)
On 7 September 2020, the Group acquired a 10.7% shareholding in Webcentral. On 28 October 2020, the Group held ownership of 50.69% of the Company’s shares and therefore at that date the Group obtained control of Webcentral. The off-market takeover offer closed on 10 November 2020, with the Group holding ownership of 56.7% of Webcentral’s shares. Following a capital raising by Webcentral completed in November and December 2020, the Group’s holding was reduced to 44.6%. The shareholding in Webcentral held by the Group at 30 June 2021 was 44.75%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The difference between the fair value and the Group’s carrying amount of its equity interest in Webcentral before obtaining control and the release of a related gain on derecognition of equity instruments was \$1.35 million, recognised in the Group’s consolidated income statement under other income.

On 27 October 2020, the Group provided a secured loan of \$47.5 million to Webcentral to allow it to repay its existing debt providers in full. In November 2020 Webcentral repaid \$500,000 to the Group in relation to funding provided for a transaction break fee payable by Webcentral, in December 2020 Webcentral repaid \$5.3 million to the Group and in June 2021 Webcentral repaid \$15 million to the Group. The loan balance at period end was \$26 million.

Details of net liabilities assumed and goodwill are as follows:

	\$000
Fair value of consideration transferred	
Amount settled in shares	8,247
Fair value of equity interests held before the business combination	2,830
Share acquisition after business combination	120
Total consideration	11,197
Recognised amounts of identifiable net assets	
Cash and cash equivalents	2,702
Trade and other receivables	1,831
Lease receivable	5,402
Contract assets	63
Prepayments of domain name registry charges	7,914
Other current assets	6,991
Total current assets	24,903
Property, plant and equipment	3,903
Right to use asset	8,791
Intangible assets	25,385
Financial assets	725
Prepayments of domain name registry charges	672
Deferred tax assets	3,264
Total non-current assets	42,740

	\$000
Trade and other payables	(15,911)
Borrowings	(48,202)
Lease liability	(14,269)
Employee benefits	(2,009)
Contract liabilities	(33,623)
Other liabilities	(605)
Total current liabilities	(114,619)
Lease Liability	(2,681)
Employee benefits	(331)
Deferred tax liabilities	(6,588)
Total non-current liabilities	(9,600)
Fair value adjustment for Netalliance	584
Fair value of net liabilities assumed	(55,992)
Non-controlling interest	28,393
Goodwill on acquisition	38,796
Consideration transferred settled in cash	1,600
Cash and cash equivalents acquired	(2,702)
Net cash outflow/(inflow) on acquisition	(1,102)
Acquisition costs charged to expenses	1,311

Acquisition-related costs amounting to \$1.311million are not included as part of consideration transferred and have been recognised as an expense in the consolidated statement of profit or loss, as part of acquisition expenses.

The goodwill that arose on the combination can be attributed to the synergies expected to be derived from the combination and the value of the workforce of WCG which cannot be recognised as an intangible asset. Goodwill has been provisionally allocated to cash-generating unit of Webcentral at 30 June 2021. The goodwill that arose from this business combination is not expected to be deductible for tax purposes.

From the date of the acquisition to 30 June 2021, Webcentral contributed \$34.0 million to the Group’s revenues and \$2.54 million to the Group’s loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

INTERGRID GROUP PTY LTD

On 17 March 2021, the Group completed the acquisition of 100% of Intergrid Group Pty Ltd, a leading dedicated cloud provider (Bare Metal). The purchase price was \$3.2 million; payable \$2.7 million in cash and \$0.5 million in the Company's shares.

Details of net assets acquired and goodwill are as follows:

	\$000
Fair value of consideration transferred	
Amount settled in cash	2,119
Amount settled in shares	480
Contingent consideration	600
Total consideration	3,199
Recognised amounts of identifiable net assets	
Cash and cash equivalents	372
Trade and other receivables	127
Total current assets	499
Property, plant and equipment	510
Deferred tax assets	67
Total non-current assets	577
Employee benefits	(40)
Contract liabilities	(237)
Trade and other payables	(528)
Total current liabilities	(805)
Identifiable net assets	271
Goodwill on acquisition	2,928
Consideration transferred settled in cash	2,119
Cash and cash equivalents acquired	(372)
Net cash outflow on acquisition	1,747
Acquisition costs charged to expenses	177

Acquisition-related costs amounting to \$0.18 million are not included as part of consideration transferred and have been recognised as an expense in the consolidated statement of profit or loss, as part of acquisition expenses.

The purchase agreement included an additional consideration of \$0.60 million paid on 20 July 2021, and was payable because the Intergrid business retain the target revenue and the churn rate. The \$0.60 million of contingent consideration liability has not been adjusted to present value amount as the adjustment would be immaterial. It reflects management's estimate of a 100% probability that the targets will be achieved and fully payable on 20 July 2021.

The goodwill that arose on the combination can be attributed to the synergies expected to be derived from the combination and the value of the workforce of Intergrid which cannot be recognised as an intangible asset. Goodwill has been provisionally allocated to cash-generating unit of Data Centres, Networks and Cloud service at 30 June 2021. The goodwill that arose from this business combination is not expected to be deductible for tax purposes.

From the date of the acquisition to 30 June 2021, Intergrid contributed \$1.14 million to the Group's revenues and \$0.71 million net profit to the Group's loss.

21. ISSUED CAPITAL

During the period, 15,279,175 ordinary shares were issued pursuant to a Placement for total consideration of \$27,502,515, 3,398,111 ordinary shares were issued under a Share Purchase Plan for total consideration of \$3,873,847, 4,743,253 ordinary shares were issued as consideration for the acquisition of shares in Webcentral Group Limited under an off-market takeover, 3,030,000 ordinary shares were issued following the exercise of options and performance rights for total consideration of \$1,932,000, 416,667 ordinary shares were issued to the vendor of ColoAu as part-consideration for the acquisition of the ColoAu business and assets, 58,788 ordinary shares were issued under the Dividend Reinvestment Plan, 114,942 ordinary shares were issued as consideration for financial advisory services rendered, 111,040 ordinary shares were issued under the Employee Share Plan, and 360,902 ordinary shares were issued to the vendor of Intergrid Group as part-consideration for the acquisition of Intergrid Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

During the period, 1,800,000 options were issued under the Executive and Director Share Option Plan at an exercise price of \$1.50, subject to the satisfaction of service vesting conditions and expiry date of 4 years after grant, and

5,000,000 performance rights were issued to the Managing Director at an exercise price of \$1.70, subject to the satisfaction of service vesting conditions and performance conditions and expiry date four years after grant.

Amounts in thousand shares	30 June 2021	30 June 2020
Share issued and fully paid		
Beginning of the period	85,685	65,579
Issue of ordinary shares	-	-
Issue of shares pursuant to Share Purchase Plan	3,398	-
Issued on exercise of employee share options	730	280
Issue of shares to vendor of ColoAu	778	-
Issue of shares under a Placement	15,279	14,826
Issues of shares under Dividend Reinvestment Plan	59	-
Issue of shares as consideration for WCG off-market takeover	4,743	-
Issue of shares pursuant to exercise of performance rights	2,000	5,000
Issue of shares as consideration for financial advisory services rendered	115	-
Issue of shares employees under Employee Share Plan	111	
Share issued and fully paid	112,898	85,685
Share authorised for share-based payments	163	163
Treasury shares	1,200	900
Total shares authorised at the end of the period	114,261	86,748

ORDINARY SHARES

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

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

SHARE BASED PAYMENTS - EMPLOYEE SHARES

On 16 February 2021, 111,040 ordinary shares were issued to employees under an Employee Share Plan as free shares.

Shares acquired under this plan carry all of the same rights and obligations of other shares, except for any rights attaching to shares by reference to a record date prior to the date of issue or transfer.

SHARE BASED PAYMENTS – OPTIONS

During the year the Group issued 5,400,000 options to key management personnel under the Executive and Director Share Plan as a means of rewarding and incentivising key employees.

Further details of the performance rights, including details of rights issued during the financial year, are set out in Note 22.

There were 8,000,000 performance rights and 8,200,000 unlisted options on issue at the end of the year.

22. SHARE-BASED PAYMENTS - PERFORMANCE RIGHTS AND EXECUTIVE SHARE OPTIONS

Long term incentive plan (LTIP)

The Group provides an LTIP or Executive Share Plan to key executives and senior leaders of the Group.

The key criteria for options issued under the LTIP during the year are as follows:

- Tranche 13 options require the completion of tenure periods of one and two years
- Tranche 14 performance rights require the fulfillment of an EBITDA target

The Performance Rights and options will not give the holder a legal or beneficial interest in ordinary fully paid shares in the Company until those Performance Rights and options vest. Prior to vesting, Performance Rights and options do

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

not carry a right to vote or receive dividends. When the Performance Rights and options have vested, ordinary fully paid shares will be allocated, and these shares will rank equally with existing Company shares.

Share options and weighted average exercise prices are as follows for the reporting periods presented:

	Number of shares	Weighted average exercise price \$
OUTSTANDING AT 1 JULY 2019	15,400,000	0.48
Granted	4,300,000	0.80
Forfeited	-	-
Exercised	(7,700,000)	0.35
Expired	-	-
Outstanding at 30 June 2020	12,000,000	0.67
Granted	6,800,000	1.65
Forfeited	(300,000)	0.60
Exercised	(2,300,000)	0.60
Expired	-	-
Outstanding at 30 June 2021	16,200,000	0.93
Exercisable at 30 June 2020	800,000	0.60
Exercisable at 30 June 2021	5,400,000	0.66

Fair Value of Performance Rights and Options Issued

	2018 (2018-3)	2018 (2018-4)	2018 (2018-5)	2019 (2019-1)	2019 (2019-2)	2020 (2020-1)
Grant Date	14-Sep-18	23-Nov-18	23-Nov-18	21-Feb-19	21-Aug-19	12-Feb-20
Vesting Date & Test Date	14-Sep-21	23-July-20	25-Nov-20	21-Feb-21	21-Aug-21	12-Feb-21
Expiry Date	14-Sep-23	22-Nov-23	23-Nov-23	21-Feb-23	21-Aug-23	12-Feb-23
Exercise Price	\$0.60	\$0.60	\$0.60	\$0.65	\$0.80	\$0.80
Weighted average remaining contractual life	2.21	2.4	2.4	1.64	2.11	1.62

The weighted average share price at the date of exercise was \$1.57 (2020: \$0.83).

The fair values of options granted were determined using a variation of the binomial option pricing model that takes into account factors specific to the Executive Share Plan, such as the vesting period. The following principal assumptions were used in the valuation:

	No.	\$000
Grant date	1-Aug-20	4-Dec-20
Vesting period ends	1-Aug-22	4-Dec-25
Share price at date of grant	\$2.22	\$1.37
Volatility	82%	79%
Option life	4 years	5 years
Dividend yield	1.0%	0.7%
Risk free investment rate	0.41%	0.36%
Fair value at grant date	\$1.45	\$0.77
Exercise price at date of grant	\$1.50	\$1.7
Exercisable from	1-Aug-21	4-Dec-20
Exercisable to	1-Aug-24	4-Dec-25
Weighted average remaining contractual life	3.17	4.43

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

The Performance Rights and Executive Share Options over Ordinary Shares that remain outstanding have been issued in the tranches as set out below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. DIVIDENDS

During the year a 100% franked dividend of \$0.01 (1 cent) per ordinary share was paid in respect of the financial year ended 30 June 2020 (2020: \$0.01).

No dividend has been declared or paid in relation to the year ended 30 June 2021.

24. SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policies described in Note1:

Name of Entity	Country of Incorporation	Equity Holding 2021	Equity Holding 2020
Webcentral Group Limited	Australia	44.75%	-
5G Network Operations Pty Ltd	Australia	100%	100%
Enspire Australia Pty Ltd	Australia	100%	100%
Asian Pacific Telecommunications Pty Ltd	Australia	100%	100%
Anittel Pty Ltd	Australia	100%	100%
Hostworks Pty Limited	Australia	100%	100%
Hostworks Group Pty Limited	Australia	100%	100%
Logic Communications Pty Ltd	Australia	100%	100%
Modular IT Pty. Ltd.	Australia	100%	100%
Australian Pacific Data Centres Pty Ltd	Australia	100%	100%
5G Networks Finance Pty Ltd	Australia	100%	100%
Intergrid Group Pty Ltd	Australia	100%	-

25. RELATED PARTY TRANSACTIONS

Subsidiaries

Details relating to subsidiaries are included in Note 24.

Ultimate and direct parent

5G Networks Limited is the ultimate parent entity in the wholly owned Group comprising the Company and its wholly owned controlled entities.

Entities with significant influence

The following entities were considered to have significant influence over the Group during the year:

- Joseph Demase, Managing Director, holds, directly or indirectly, 16.1% (2020: 21%) of the ordinary shares of the Company.

KEY MANAGEMENT PERSONNEL (KMP) COMPENSATION

	Consolidated	
	2021 \$	2020 \$
Short-Term Employee Benefits	1,300,612	1,069,722
Post-Employment Benefits	79,245	73,875
Share based Payments	1,675,411	903,576
TOTAL	3,055,268	2,047,173

TRANSACTIONS WITH RELATED PARTIES

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

- A total of \$112,778 (2020: \$101,234) 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.
- A total of \$12,686,745 (2020: nil) was paid by Webcentral Group Limited to the Group for management fees, managed IT services and networks services during the period. All transactions are carried at commercial third-party rates.

TERMS AND CONDITIONS OF RELATED PARTY TRADING TRANSACTIONS

Fees charged by 5G Networks Limited, 5G Network Operations Pty Ltd to the members of the Group are in respect of these companies acting as a provider of corporate services to the Group. Operational Loans for day to day working capital between the Company and its controlled entities are unsecured and advanced on an interest free basis.

Purchases from related parties are made at arm’s length at normal market prices and on normal commercial terms. The Group settles related party trade payables according to the payment conditions confirmed by the supplier of invoices and are non interest bearing and generally on 30 day terms from invoice.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

The table below provides aggregate information relating to the Company's loans to key management personnel during the year:

	2021 \$'000
Balance at the start of the year	70
Repayment from KMP	(11)
Loans to KMP	280
Balance at the end of the year	339

Under the Executive Share Plan the Company may loan its Executives some or all of the amount of the exercise price for options exercised. Such loans are non-recourse and no interest is charged in respect of the loan amounts.

During the period, the Group granted loans of \$0.28 million to key management personnel to allow them to take up shares in a capital raising being undertaken by Webcentral Group Limited. The loans are repayable within two years and are interest-free.

26. SUBSEQUENT EVENTS

On 16 July 2021, the Group entered into a Merger Implementation Agreement with Webcentral Group Limited under which it is proposed they will merge by way of a scheme of arrangement (Scheme). Under the Scheme, Webcentral will acquire 100% of the ordinary shares in 5GN and 5GN shareholders will receive 2 new Webcentral shares for each 5GN share held. The Scheme is subject to several conditions including 5GN shareholder approval, Court approval in accordance with Part 5.1 of the Corporations Act 2001, Webcentral shareholder approval of a reverse takeover resolution under ASX Listing Rule 7.1 and the acquisition of related party shares under ASX Listing Rule 10.1, and the Independent Expert concluding that the Scheme is in the best interests of 5GN shareholders. The Scheme is expected to be implemented in late October or early November 2021 if these conditions are met.

On 17 August 2021, 2,600,000 ordinary shares were issued pursuant to the exercise of options held by executives of the Group.

No other matter or circumstances have arisen since the end of the financial year 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.



5G Networks
Level 8, 99 William Street,
Melbourne VIC 3000
www.5gnetworks.com.au
+61 1300 10 11 12