Webcentral Group Limited

(ABN: 21 073 716 793)

FINANCIAL INFORMATION
FOR THE 12-MONTH PERIOD ENDED
31 DECEMBER 2020

Contents

Appendix 4F

1. Company Information

Name of entity	Webcentral Group Limited
ABN or equivalent company reference	21 073 716 793
Reporting period	12 month period ended 31 December 2020 (Comparative period – 31 December 2019)

2. Results for announcement to the market

	12 months ended 31 December		
	2020 $'000s	**Movement $'000s (%)**	**2019 $'000s**
Revenue from ordinary activities and continuing operations(1)	52,252	▼ (31,363) (37.5%)	83,615
Underlying earnings before interest, tax, depreciation and amortisation from continuing operations(1,2,3)	6,112	▼ (8,683) (58.7%)	14,795
Loss after tax from continuing operations(3,4)	(58,901)	▼ (12,950) (28.2%)	(45,951)
Loss after tax attributable to members of the parent(4)	(60,061)	▼ 71,242 (54.2%)	(131,303)

(1) Revenue from ordinary activities and continuing operations includes a reversal of revenue of $9,096,000 (excluding GST) associated with the settlement of a customer dispute – see page 12 for further details. This is excluded from underlying earnings before interest, tax, depreciation, and amortisation in the Directors Report, but is included in revenue from continuing operations in accordance with Australian Accounting Standards.

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

(3) Due to the presentation of the Enterprise business as a discontinued operation for the current reporting period and the prior period comparatives in accordance with *AASB 5: Non-current Assets Held for Sale and Discontinued Operations*.

(4) Loss after tax from continuing operations and loss after tax attributable to members of the parent for the 12-month period ended 31 December 2020 includes a loss on disposal of the Enterprise business of $1,565,000 presented in discontinued operations, as well as the reversal of revenue described in footnote 1.

Commentary

Small Medium Business (SMB) Core revenue was impacted by COVID-19 with Domain registration revenue increasing in early 2020 as COVID-19 first started to impact the working environment, followed by a small decline in the second half of 2020. Email services remained steady through to December 2020 and this growth is expected to continue. Hosting services were impacted by the same factors observed in domains with expected rebound in growth as we shift back to this core service, streamline suppliers and invest in customer online experience improvements. Digital marketing is a value add to our core products and will grow in-line with their success.

Other Income will continue to decline over time as transitional service agreements are completed and property sublease income reduces in line with the small property footprint of the Group.

Overall revenue has declined due to the impact of COVID-19 in 2020 and poor customer experience summarised in three main areas:

1. Support services (Voice, Chat & Email) – poor quality communication, slow responsiveness, and repeated call-backs
2. Console (Customer platform) experience – outdated processes impacting the customer experience including billing and service provisioning
3. Technical stability – Network and cloud issues have impacted customer experience which has impacted the service

The Group has undertaken a number of initiatives to address these issues. Management is confident that revenue growth will return across all four core services as these short term issues are resolved.

Non-core operations also include a reversal of previously recognised revenue associated with the settlement of a receivable balance in dispute further described below underlying EBITDA.

During the period the Group executed cost initiatives to improve underlying EBITDA and operating cashflow. These initiatives are expected to continue in 2021 as contracts are terminated, cost synergies are implemented, property leases are exited and labour costs are reduced.

The non-recurring restructuring activities that led to the loss for the period are now complete and the business has recorded an operating profit and has generated positive operating cashflows each month since the change of control by 5GN in October 2020. The specific initiatives that have been implemented by the Directors to date include:

- Focus on profitable revenue and product lines;
- Reduction in direct costs, overhead and property costs;
- Reduction in labour headcount;
- Improved collection of debtors and more frequent monitoring of operating cashflows;
- Disposal of Netalliance business; and
- Capital raising in November and December 2020.

As outlined in the Group's ASX releases on 29 January 2021 (Business Transformation Update) and 5 February 2021 (Interim Results), the Group expects the business to be generating EBITDA of $7 million to $8 million p.a. from February 2021 based on the cost synergies already implemented with further improvements expected as growth initiatives and cost synergies are implemented.

The Group's cash forecast for the period to February 2022 (i.e. 12 months after the issue of the Group's interim accounts) indicates that is generating a positive operating cashflow and that it does not require additional funding from its controlling shareholder 5GN or from external debt or equity providers.

In addition, the disposal of the Netalliance business in November 2020, the proposed surrender of the lease of the Group's Sydney offices (expected to generate a positive cashflow impact of $2m p.a. from 14 March 2021), and the capital raising in November and December 2020 has and will provide funding to the business.

3. Dividends

No interim dividend was or is proposed to be declared with respect to the current period. 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	(53.60) cents	(51.79) cents

Net tangible assets are calculated from the Group's net assets at 31 December 2020 of ($23,6998,512), and adjusted for $7,969,229 of right-of-use lease assets and $43,074,284 of intangible assets associated with the Group's previous acquisitions and capitalised software.

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

The Group sold its 50% share in Netalliance Pty Ltd ("Netalliance") on 20 November 2020. The result of the Netalliance business is not material for the period ended 31 December 2020.

The Group sold Arq Group Enterprise Pty Ltd on 2 March 2020, consisting of the assets and liabilities related to the former Enterprise business. The prior period comparative results of the former Enterprise business during the period ended 31 December 2019 have been presented as a discontinued operation and information about its performance during the period is described in the accompanying Directors Report attached to the Group's Interim Financial Report.

6. Other information

On 28 October 2020, 5G Networks Limited ("5GN") acquired 50.7% of the Company's shares, pursuant to the Bid Implementation Deed dated 17 September 2020, and as such, 5GN has control over the Company and its subsidiaries from 28 October 2020. At 31 December 2020, 5GN's ownership over the Company's shares was 44.6%. As required by the *Corporations Act 2001* s323D, the Company provided notification to the Australian Securities and Investments Commission (ASIC) on 14 December 2020 that the Company's financial year end has changed to 30 June in line with the financial year end of 5GN.

It is recommended that this Appendix 4F be read in conjunction with the financial report for the 12-month financial year ended 31 December 2019 and the prior six-months (half year) ended 30 June 2020, and considered together with any public announcements made by Webcentral Group Limited and its controlled entities during the 12 month period ended 31 December 2020 in accordance with the continuous disclosure obligations of the ASX listing rules.

Additional Appendix 4F disclosure requirements can be found in the attached Interim Financial Report. Information should be read in conjunction with Webcentral Group Limited's 2019 Annual Report and the attached Interim Financial Report.

This report is based on the Interim Financial Report which has 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

23 February 2021

Corporate Information

Directors

Mr. J. Gangi	(Appointed 16 October 2020, Chair from 27 October 2020)
Mr. J. Demase	(Appointed 16 October 2020)
Ms. N. Mactier	(Appointed 22 October 2020)
Mr. A. Reitzer	(Chair until 27 October 2020, retired 10 November 2020)
Mr. K. Siegling	(Retired 10 November 2020)
Mr. A. Macpherson	(Retired 22 October 2020)
Mr. L. Bloch	(Retired 16 August 2020)
Ms. N. Sparks, AM	(Retired 27 February 2020)
Mr. S. Martin	(Retired 27 February 2020)

Chief Executive Officer

Mr. J. Demase	(Appointed 27 October 2020)
Mr. B. Fenton	(Appointed 11 February 2020 until 27 October 2020)
Mr. T. Sternson	(Resigned 11 February 2020)

Chief Financial Officer

Mr. G. Dymond	(Appointed 13 November 2020)
Mr. B. White	(Appointed 23 March 2020 until 13 November 2020)
Mr. F. Bearsley	(Ceased employment 23 March 2020)

Company Secretaries

Mr. M. Wilton	(Appointed 13 November 2020)
Mr. G. Dymond	(Appointed 13 November 2020)
Mr. M. Licciardo	(Appointed 17 July 2020 until 19 November 2020)
Ms. A. Jordan	(Ceased employment 17 July 2020)
Mr. F. Bearsley	(Ceased employment 23 March 2020)

Registered Office

Level 23, 680 George Street
Sydney, NSW, 2000
Tel: +61 2 9215 6300

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.webcentralgroup.com.au

Directors' Report

This report has been prepared and presented with respect to the consolidated entity ("the Group"), being Webcentral Group Limited ("the Company" or "Webcentral") and the entities it controlled during the 12 months ended 31 December 2020.

The names of the Company's directors in office during the 12 months ended 31 December 2020 and until the date of this report are as below. Directors were in office for the entire period unless otherwise stated.

Directors

Mr. J. Gangi	(Appointed 16 October 2020, Chair from 27 October 2020)
Mr. J. Demase	(Appointed 16 October 2020)
Ms. N. Mactier	(Appointed 22 October 2020)
Mr. A. Reitzer	(Chair until 27 October 2020, retired 10 November 2020)
Mr. K. Siegling	(Retired 10 November 2020)
Mr. A. Macpherson	(Retired 22 October 2020)
Mr. L. Bloch	(Retired 16 August 2020)
Ms. N. Sparks, AM	(Retired 27 February 2020)
Mr. S. Martin	(Retired 27 February 2020)

Company secretaries

Mr. M. Wilton	(Appointed 13 November 2020)
Mr. G. Dymond	(Appointed 13 November 2020)
Mr. M. Licciardo	(Appointed 17 July 2020 until 19 November 2020)
Ms. A. Jordan	(Ceased employment 17 July 2020)
Mr. F. Bearsley	(Ceased employment 23 March 2020)

Principal activities

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

Continuing operations[1] – SMB

SMB provides 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.

Discontinued operations[1] – Enterprise

Enterprise provides services including cloud, mobile application development, data and analytics to Australian enterprise and government organisations. The Enterprise division is represented by the net assets of Arq Group Enterprise Pty Ltd, which was sold on 2 March 2020. The sale included the rights to the Arq brand.

[1] Continuing operations refers to the SMB segment, as a result of the classification of the Enterprise business as a discontinued operation for the period ended 31 December 2020. The prior period comparative has been presented throughout these consolidated interim financial statements and was included in the Group's audited financial statements for the financial year ended 31 December 2019.

Review and results of operations

Performance from continuing operations

The following table provides a summary of the key financial metrics related to the continuing operations of the Company, being Revenue and Underlying Earnings before Interest, Tax, Depreciation and Amortisation (Underlying EBITDA)(1)

	12 months ended	
	31-Dec-20 $'000	31-Dec-19 $'000
CONTINUING OPERATIONS		
Revenue from contracts with customers		
SMB Core	57,278	66,425
Non-Core operations	4,070	17,190
- Less reversal of revenue from settlement of customer dispute	(9,096)	-
	(5,026)	17,190
Total revenue from contracts with customers	**52,252**	**83,615**
Underlying EBITDA from SMB Core (1)	**2,813**	**6,753**
Non-Core operations	3,299	8,042
Total Underlying EBITDA	**6,112**	**14,795**

SMB Core revenue was impacted by COVID-19 with Domain registration revenue increasing in early 2020 as COVID-19 first started to impact the working environment, followed by a small decline in the second half of 2020. Email services remained steady through to December 2020 and this growth is expected to continue. Hosting services were impacted by the same factors observed in domains with expected rebound in growth as we shift the focus back to this core service, streamline suppliers and invest in customer online experience improvements.. Digital marketing is a value add to our core products and will grow inline with their success.

Other Income will continue to decline over time as transitional service agreements are completed and property sublease income reduces in line with the small property footprint of the Group.

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3. Technical stability – Network and cloud issues have impacted customer experience which has impacted the service

The Group has undertaken a number of initiatives to address these issues. Management is confident that revenue growth will return across all four core services of domains, hosting, email and digital marketing as these short term issues are resolved.

Non-core operations also include a reversal of previously recognised revenue associated with the settlement of a receivable balance in dispute further described below underlying EBITDA.

During the period the Group executed cost initiatives to improve underlying EBITDA and operating cashflow. These initiatives are expected to continue in 2021 as contracts are terminated, cost synergies are implemented, property leases are exited and labour costs are reduced.

The non-recurring restructuring activities that led to the loss for the period are now complete and the business has recorded an operating profit and has generated positive operating cashflows each month since the change of control by 5GN in October 2020. The specific initiatives that have been implemented by the Directors to date include:

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- Disposal of Netalliance business; and
- Capital raising in November and December 2020.

As outlined in the Group's ASX releases on 29 January 2021 (Business Transformation Update) and 5 February 2021 (Interim Results), the Group expects the business to be generating EBITDA of $7 million to $8 million p.a. from February 2021 based on the cost synergies already implemented with further improvements expected as growth initiatives and cost synergies are implemented.

The Group's cash forecast for the period to February 2022 (i.e. 12 months after the issue of the Group's interim accounts) indicates that is generating a positive operating cashflow and that it does not require additional funding from its controlling shareholder 5GN or from external debt or equity providers.

In addition, the disposal of the Netalliance business in November 2020, the proposed surrender of the lease of the Group's Sydney offices (expected to generate a positive cashflow impact of $2m p.a. from 14 March 2021), and the capital raising in November and December 2020 has and will provide funding to the business.

Performance from discontinued operations

The following table presents a summary of the performance of the Enterprise business that has been classified as a discontinued operation for the period until the date of its disposal on 2 March 2020:

	12 months ended	
	31-Dec-20	**31-Dec-19**
	$'000	**$'000**
Revenue from contracts with customers	12,781	86,167
Underlying EBITDA[1]	1,398	2,555

(1) The Group believes this unaudited non-IFRS information is relevant to the user's understanding of the Group's underlying performance. Refer to page 9 for a reconciliation of this information to statutory IFRS information.

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:

	12 months ended	
	31-Dec-20	**31-Dec-19**
	$'000	**$'000**
CONTINUING OPERATIONS		
(Loss) / profit before tax	**(62,023)**	**(45,713)**
Depreciation and amortisation expense	9,176	10,537
Interest income	(239)	(202)
Finance costs (excl. bank charges and merchant fees)	3,018	4,679
Gain on reassessment of contingent consideration liability	-	(98)
Gain on sale of TPP Wholesale reseller business	-	(554)
Net TPP Wholesale reseller separation income(1)	-	(68)
Net loss from changes in the group's leasing arrangements	1,763	-
Gain on sale of Netalliance business	(384)	-
Reversal of revenue from settlement of customer dispute(1)	9,096	-
Branding costs	13	486
Integration costs	141	1,567
Transaction costs	5,840	2,259
Restructuring costs	2,235	365
Property costs	584	642
Impairment of receivables	1,237	-
Impairment of goodwill	33,000	41,123
Other net non-operating expenses	2,655	(228)
Underlying EBITDA	**6,112**	**14,795**

DISCONTINUED OPERATIONS		
Loss before tax	**(936)**	**(85,042)**
Depreciation and amortisation expense	306	4,742
Finance costs (excl. bank charges and merchant fees)	50	304
Loss on revaluation of disposal group to fair value	-	81,258
Loss on sale of the Enterprise business	1,565	-
Restructuring costs(2)	413	853
Integration costs	-	440
Underlying EBITDA	**1,398**	**2,555**

(1) Refer to the discussion in the "Settlement of Customer Dispute" section of the Directors Report on page 9 for further details.

Acquisition by 5G Networks Limited

On 17 September 2020, the Company entered into a Bid Implementation Deed (“BID”) with 5G Networks Limited (“5GN”) in respect of an all scrip off-market takeover bid proposed by 5GN (“5GN Proposal”). The Company also entered a Loan Implementation Deed with 5GN (and subsequently a Debt Facility Agreement with 5GN), whereby 5GN Finance Pty Ltd (a wholly owned subsidiary of 5GN) agreed to provide a secured loan to the Company (“5GN Secured Loan”) to allow the Company to repay its existing debt providers in full. On 18 September 2020 5GN made an off-market takeover bid (“Takeover Bid”) for the Company in accordance with the BID.

On 16 October 2020, 5GN announced that it had notified the Company that the Takeover Bid had been freed of each of the defeating conditions as set out in its Bidder’s Statement. On the same day, Joseph Demase and Joe Gangi were appointed as Directors of the Company.

On 22 October 2020, 5GN announced that it had a substantial holding in the Company comprising over 46.67% of the Company’s shares and that 5GN and the Company entered an agreement to waive the condition that 5GN obtain 50.1% ownership of the Company’s shares before the Company could draw down on the 5GN Secured Loan. On the same day, Natalie Mactier (a nominee of 5GN) was appointed as a Director of the Company and Andrew Macpherson resigned as a Director of the Company.

The loan drawdown occurred on 26 October 2020 and the existing debt facilities were fully repaid.

On 27 October 2020, Joe Gangi was appointed as Chair of the Board, replacing Andrew Reitzer, and Joe Demase replaced Brett Fenton as Chief Executive Officer.

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. The takeover offer closed on 10 November 2020, with 5GN holding ownership of 56.7% of the Company’s shares. Following a capital raising completed in November and December 2020 5GN’s holding was reduced to its current level of 44.6%.

On 13 November 2020, Glen Dymond was appointed as Chief Financial Officer and Company Secretary and Michael Wilton was appointed as Company Secretary.

Sale of the Enterprise business

On 11 February 2020, the Company announced that it had entered into a binding agreement to sell Arq Group Enterprise Pty Limited to an entity owned by a consortium comprising Quadrant Private Equity and certain members of the Enterprise leadership team for $35,000,000 (less a final payment of $5,979,000 due to the vendors of InfoReady Pty Limited, which was acquired by the Company in 2016) on a cash free, debt free basis. The net assets of Arq Group Enterprise Pty Limited represents the Group’s former Enterprise business. The sale included the rights to the Arq brand. The sale completed on 2 March 2020 and the net proceeds were used to reduce the amounts drawn under the Group’s existing debt facilities. A transitional services agreement was also entered into in connection with the Enterprise sale, and the parties continue to work together to manage the smooth transition of the Enterprise business following its divestment.

On 20 July 2020, the completion accounts for the Enterprise business sale were finalised. This finalisation resulted in an aggregate amount of $1,558,000 becoming payable by the Company to the consortium. The parties agreed that, given the Company’s cash flow position, rather than the Company making an immediate payment in full, the Company would make monthly payments to the consortium of $260,000 between July 2020 and December 2020 (inclusive) in respect of that amount.

As a result of the finalisation of the completion accounts, the Group recognised a $1,565,000 net loss (inclusive of movements in working capital balances up to the date of disposal) on the disposal of the net assets of Arq Group Enterprise Pty Ltd (including the Arq brand).

Impact of the COVID-19 pandemic

On 11 March 2020, the World Health Organisation (WHO) declared the outbreak of the novel coronavirus (COVID-19) as a global pandemic.

In light of the uncertainty created by COVID-19, the Group announced the withdrawal of its FY20 guidance on 15 April 2020. As noted in that announcement, since the onset of the COVID-19 outbreak and resulting market conditions, the business initially observed a reduction in small business spend away from digital marketing and online business promotion. Late in the second half of the current reporting period, the Group has seen a slow but gradual recovery in our customers' digital marketing spend. The Group has launched campaigns and other customer-centric efforts to take advantage of the demand for online services as small businesses accelerate towards providing their goods and services online during the ongoing COVID-19 pandemic. Whilst the Group has not seen trading activity return to pre-COVID-19 levels, there has not been a further decline in our trading performance since the start of the second half of the current reporting period.

In response, the Group executed certain initiatives to maximise cash preservation, including deferrals of tax payments and negotiating with its landlords for rent deferrals. Additionally, certain subsidiaries of the Group continue to receive amounts related to the Federal Government's JobKeeper payment scheme.

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 Webcentral is exposed.

While future revenues and cash flows of Webcentral 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.

Settlement of Customer Dispute

The Group's annual report for the year ended 31 December 2019 disclosed a customer dispute pursuant to a contract for the provision of services by the Group to the customer in respect of which, as at 31 December 2019, a trade receivable balance of $10,006,000 was held ("Customer Dispute"). The Group also received notice of a cross claim from the customer.

On 20 August 2020, Webcentral Pty Ltd (a wholly owned subsidiary of the Group) entered into a release and settlement agreement ("Settlement Agreement") in relation to the Customer Dispute.

The terms of the Settlement Agreement provide for the release by both parties of any and all claims they may have in relation to the subject matter of the Customer Dispute for nil payment to the other party. Under the Settlement Agreement, the Group has agreed to provide the customer with certain services free of charge until 31 December 2020. The parties have agreed to use all reasonable endeavours to terminate those services by 31 December 2020, and that the Group's obligations in relation to those services shall in any event terminate on or before 31 March 2021.

Following both parties settling their respective claim and cross-claim at nil, the trade receivable balance held in respect of the amounts claimed by Webcentral Pty Ltd under the Customer Dispute has been reversed to nil. As at 31 December 2019, this balance was $10,006,000 (inclusive of GST). The settlement results in a change in the variable consideration of revenue previously recognised for services performed that was associated with the disputed receivables, and therefore the impact of the settlement is a reversal of the GST-exclusive portion of all historical disputed services provided that has previously been recognised in revenue to date.

Since the date of settlement, no revenues were recognised relate to the provision of services by the Group to the customer that are in scope of the Settlement Agreement.

Sale of Netalliance Pty Limited

On 20 November 2020, the Group sold its 50% interest in Netalliance Pty Limited ("Netalliance") to Trellian Pty Ltd for $500,000 in cash consideration. Netalliance's principal operations relate to the purchase and resale or auction of specific domain names that have expired but not renewed (also known in the industry as the "drop catching" of domain names). The sale comprises both the Group's interest in Netalliance, as well as Netalliance's wholly owned subsidiary, Ziphosting Pty Ltd.

During the current and prior reporting periods, Netalliance contributed to less than 1% of the Group's revenues and underlying EBITDA. Therefore, the Group is not required to separately present the results of Netalliance as a discontinued operation for the current reporting period.

Capital Structure

The Group repaid $22.1 million of its debt facilities with ANZ and NAB in March 2020 using proceeds from the sale of the Enterprise business. The remaining balance was repaid in October 2020 following drawdown of loans totalling $47.6 million from 5G Networks Finance Pty Ltd, a wholly owned subsidiary of 5GN.

In December 2020, following the return of $5.3 million from ANZ, the provider of the Group's bank guarantees issued in relation to properties leased by the Group, $5.3 million was repaid to 5GN.

In addition, in September 2020, 5GN provided a $500,000 unsecured loan to the Company to fund the break fee that was paid on termination of the Web.com Scheme. This loan was repaid in November 2020.

On 16 November 2020, the Company issued 18,319,660 shares for total consideration of $3,114,000 under a placement to sophisticated and institutional investors at $0.17 per share and on 21 December 2020 the Company issued 14,705,882 shares for total consideration of $2,500,000 to entities controlled by Mr. Joe Demase and Mr. Joe Gangi at $0.17 per share.

Dividends

During the period, no dividends were paid. No interim dividend has been declared related to the current period.

Significant changes in affairs

The Company's name was changed from Arq Group Limited to Webcentral Group Limited following approval by the Company's shareholders at the annual general meeting held on 28 May 2020.

In accordance with s323D(3) of the *Corporations Act 2001*, on 14 December 2020 the Company has changed its financial year end to 30 June to be aligned with the financial year end of 5GN.

Other than as stated above, there have been no other significant changes in the state of affairs during the 12 months ended 31 December 2020.

Significant events after reporting date

On 6 January 2021 the Company granted 1,250,000 share options exercisable for ordinary shares to service providers of the Company at an exercise price of $0.20 and an expiry date of 4 years after grant. On 1 February 2021 the Company granted 1,300,000 share options exercisable for ordinary shares to Executives under its Executive and Director Option Plan (ESOP) at an exercise price of $0.485, subject to the satisfaction of service vesting conditions and expiry date of 4 years after grant. On 16 February 2021 the Company issued 209,013 ordinary shares to employees under its Employee Share Plan for no consideration and with a value of $0.531 per share.

Other than the above, there has not been any other matter or circumstance in the interval between the end of the half-year date and the date of this report that has materially affected or may materially affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in subsequent financial periods.

Rounding

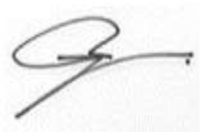
The amounts contained in this report and in the financial report have been rounded to the nearest $1,000 (where applicable) under the option available to the Company under ASIC Corporations (Rounding in Financial / Directors' Report) Instrument 2016/191 (Instrument 2016/191). The Company is an entity to which the Class Order applies.

Corporate governance

On 23 December 2020, ASIC provided consent for the resignation of Ernst & Young (EY) as the outgoing auditor and the appointment of Grant Thornton as the incoming auditor of the Company, in order to align the Company's auditor with that of its controlling shareholder (5GN). The Company will seek to ratify Grant Thornton's appointment at the Company's next Annual General Meeting.

The Company's Corporate Governance Statement is available on the Company's website www.webcentralgroup.com.au.

Signed in accordance with a resolution of the Directors.



Mr. Joe Gangi
Chair
Melbourne
23 February 2021

Financial Statements

Consolidated Statement of Comprehensive Income

For the 12-month period ended 31 December 2020

	Notes	12 months ended 31-Dec-20 $'000	31-Dec-19 $'000
CONTINUING OPERATIONS			
Revenue from contracts with customers	3	61,348	83,615
Reversal of revenue due to settlement of customer dispute	3	(9,096)	-
Net revenue from contracts with customers		**52,252**	**83,615**
Cost of sales		(23,156)	(27,672)
Gross profit		**29,096**	**55,943**
Other income	5	5,613	1,315
Loss on reassessment of contingent consideration liability		-	98
Salaries and employee benefits expenses		(26,144)	(30,576)
Depreciation expenses		(7,039)	(7,026)
Amortisation expenses		(2,137)	(3,511)
Other expenses		(16,033)	(12,953)
Finance costs		(4,004)	(5,810)
Transaction costs		(5,840)	(2,259)
Restructuring costs		(2,235)	(365)
Impairment of goodwill	10	(33,000)	(41,123)
Net impairment losses on financial assets		(684)	-
Gain on disposal of businesses	13	384	554
(Loss) / profit before tax		**(62,023)**	**(45,713)**
Income tax benefit/(expense)		3,122	(238)
(Loss) / profit after tax from continuing operations		**(58,901)**	**(45,951)**
DISCONTINUED OPERATION			
Loss from discontinued operation, net of tax	13	(1,129)	(85,272)
Loss after tax for the period		**(60,030)**	**(131,223)**
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified to the profit or loss in subsequent periods (net of tax):			
Currency translation differences		(106)	19
Changes in fair value of cash flow hedges, net of tax		392	(297)
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		-	10
Other comprehensive income for the period, net of tax		**286**	**(268)**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**(59,744)**	**(131,491)**
(Loss) / profit for the period attributable to:			
Members of the parent		(60,061)	(131,303)
Non-controlling interests		31	80
		(60,030)	**(131,223)**
Total comprehensive income attributable to:			
Members of the parent		(59,775)	(131,571)
Non-controlling interests		31	80
		(59,744)	**(131,491)**

	Notes	31-Dec-20 cents per share	31-Dec-19 cents per share
(Loss) / profit per share from continuing operations			
Basic (loss) / earnings per share	7	(47.28)	(38.01)
Diluted (loss) / earnings per share	7	(47.12)	(38.01)
Loss per share attributable to members of the parent			
Basic loss per share	7	(48.21)	(108.62)
Diluted loss per share	7	(48.05)	(108.62)

Consolidated Statement of Financial Position

As at 31 December 2020

	Notes	31-Dec-20 $'000	31-Dec-19 $'000
ASSETS			
Current Assets			
Cash and cash equivalents		3,468	8,949
Trade and other receivables	8	3,002	13,910
Prepayments of domain name registry charges		7,519	7,810
Lease receivables	9	3,115	2,064
Current tax refund		2,313	375
Other assets		1,358	2,928
		20,775	**36,036**
Assets held for sale	13	-	38,674
Total Current Assets		**20,775**	**74,710**
Non-Current Assets			
Plant and equipment		3,506	8,198
Right-of-use assets	9	7,969	16,554
Intangible assets	10	43,074	77,804
Prepayments of domain name registry charges		670	678
Lease receivables	9	1,951	1,830
Deferred Tax Assets		-	7,323
Financial assets	12	725	1,375
Other assets		1,884	560
Total Non-Current Assets		**59,779**	**114,322**
TOTAL ASSETS		**80,554**	**189,032**
LIABILITIES			
Current Liabilities			
Trade and other payables		12,275	8,692
Contract Liabilities		24,835	22,792
Provisions		1,196	1,585
Derivative financial instruments	12	-	510
Interest bearing loans and borrowings	11	42,409	61,929
Other financial liabilities	13	-	5,549
Current lease liabilities	9	6,548	6,160
		87,263	**107,217**
Liabilities directly associated with assets held for sale	13	-	15,931
Total Current Liabilities		**87,263**	**123,148**
Non-Current Liabilities			
Income received in advance		7,135	11,297
Provisions		2,970	3,187
Deferred tax liabilities		-	7,549
Lease liabilities	9	6,885	12,970
Total Non-Current Liabilities		**16,990**	**35,003**
TOTAL LIABILITIES		**104,253**	**158,151**
NET (LIABILITIES)/ASSETS		**(23,699)**	**30,881**
(DEFICIT)/EQUITY			
Contributed equity		96,485	91,179
Foreign currency translation reserve		(639)	(533)
Share based payments reserve		208	193
Other reserves		114	(278)
Retained earnings		(119,867)	(59,806)
(Deficit)/equity attributable to members of the parent		**(23,699)**	**30,755**
Non-controlling interests		-	126
TOTAL (DEFICIT)/EQUITY		**(23,699)**	**30,881**

Consolidated Statement of Changes in Equity

For the 12-month period ended 31 December 2020

	Note	FOREIGN CURRENCY RESERVE $'000	SHARE BASED PAYMENTS RESERVE $'000	OTHER RESERVES $'000	CONTRIBUTED EQUITY $'000	RETAINED EARNINGS $'000	TOTAL $'000	NON-CONTROLLING INTERESTS $'000	TOTAL $'000
As at 1 January 2020		**(533)**	**193**	**(278)**	**91,179**	**(59,806)**	**30,755**	**126**	**30,881**
(Loss) / profit for the period		-	-	-	-	(60,061)	(60,061)	31	(60,030)
Other comprehensive income		(106)	-	392	-	-	286	-	286
Total comprehensive income for the period		**(106)**	**-**	**392**	**-**	**(60,061)**	**(59,775)**	**31**	**(59,744)**
Transactions with owners in their capacity as owners:									
Issue of shares – Capital raising		-	-	-	5,689	-	5,689	-	5,689
Share issue costs		-	-	-	(383)	-	(383)	-	(383)
Disposal of subsidiaries		-	-	-	-	-	-	(157)	(157)
Writeback of share based payments reserve		-	15	-	-	-	15	-	15
As at 31 December 2020		**(639)**	**208**	**114**	**96,485**	**(119,867)**	**(23,699)**	**-**	**(23,699)**

	Note	FOREIGN CURRENCY RESERVE $'000	SHARE BASED PAYMENTS RESERVE $'000	OTHER RESERVES $'000	CONTRIBUTED EQUITY $'000	RETAINED EARNINGS $'000	TOTAL $'000	NON-CONTROLLING INTERESTS $'000	TOTAL $'000
As at 1 January 2019		**(552)**	**1,136**	**9**	**85,724**	**76,053**	**162,370**	**126**	**162,496**
Impact of change in accounting policy		-	-	-	-	911	911	-	911
As at 1 January 2019 (restated)		**(552)**	**1,136**	**9**	**85,724**	**76,964**	**163,281**	**126**	**163,407**
(Loss) / profit for the period		-	-	-	-	(131,303)	(131,303)	80	(131,233)
Other comprehensive income		19	-	(287)	-	-	(268)	-	(268)
Total comprehensive income for the period		**19**	**-**	**(287)**	**-**	**(131,303)**	**(131,571)**	**80**	**(131,491)**
Transactions with owners in their capacity as owners:									
Share based payment/(writeback)		-	(471)	-	-	-	(471)	-	(471)
Issue of shares for long term incentive plan		-	(472)	-	472	-	-	-	-
Issue of shares for Inforeadу earn out liability settlement		-	-	-	4,000	-	4,000	-	4,000
Dividend reinvestment plan		-	-	-	983	-	983	-	983
Dividend associated with InfoReady earn out		-	-	-	-	(110)	(110)	-	(110)
Equity dividends		-	-	-	-	(5,357)	(5,357)	(80)	(5,437)
As at 31 December 2019		**(533)**	**193**	**(278)**	**91,179**	**(59,806)**	**30,755**	**126**	**30,881**

Consolidated Statement of Cash Flows

For the 12-month period ended 31 December 2020

	Notes	12 months ended 31-Dec-20 $'000	31-Dec-19 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipt of service revenue and recoveries		71,673	187,353
Receipt of government grants	5	746	-
Payments to suppliers and employees		(80,282)	(168,489)
Interest received		122	202
Interest paid		(2,849)	(3,390)
Bank charges and credit card merchant fees paid		(1,152)	(1,135)
Income tax paid		623	(3,269)
Payments for transaction costs (sale of Enterprise)	13	(3,155)	-
Payments for transaction costs (sale of TPPW business)		-	(2,394)
Payments for transaction costs[1]		(5,306)	-
NET CASH FLOWS (USED IN) / FROM OPERATING ACTIVITIES		**(19,580)**	**8,878**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of plant and equipment and intangible assets		(438)	(3,423)
Lease payments received		1,363	1,869
Payment of InfoReady earn out	13	(5,979)	(4,110)
Return of capital and dividends from Tiger Pistol		115	505
Proceeds from disposal of the Enterprise business	13	35,506	-
Proceeds from disposal of the TPPW business		-	21,268
NET CASH FLOWS FROM INVESTING ACTIVITIES		**30,567**	**16,109**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings	11	50,253	7,375
Proceeds from capital raise		5,689	-
Repayment of borrowings	11, 12	(69,974)	(21,292)
Payment of dividend on ordinary shares		-	(4,378)
Payment of dividend to non-controlling interests		-	(80)
Payment of lease liabilities		(2,341)	(5,961)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		**(16,373)**	**(24,336)**
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(5,386)**	**651**
Net foreign exchange differences		(95)	19
Cash and cash equivalents at beginning of period		8,949	8,279
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**3,468**	**8,949**

(1) Transaction costs associated with the potential sale of the Company and the strategic review have been re-presented as part of operating activities in accordance with Australian Accounting Standards. The re-presentation does not change actual cash flows during the period or to the prior comparative period.

The above statement of cash flows includes cash flows from both continuing and discontinued operations. Refer to note 13 for the cash flows relating to discontinued operations.

Notes to the Condensed Consolidated Financial Statements

1. Corporate information

The interim condensed consolidated financial statements of Webcentral Group Limited ('the Company' or 'Webcentral') and its subsidiaries (collectively, 'the Group') for the 12-month period ended 31 December 2020 were authorised for issue in accordance with a resolution of the directors on 23 February 2021.

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

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

Acquisition by 5G Networks Limited

On 28 October 2020, 5G Networks Limited ("5GN") obtained control over the Company and Group. As at 31 December 2020, 5GN owns 44.6% of the Company's shares. Despite the reduction in 5GN's share ownership to below 50% since 28 October 2020, the Directors consider that 5GN maintains effective control over the Company in accordance with the requirements of Australian Accounting Standards.

The results of the Group for the 12-month period ended 31 December 2020 from the date control was obtained (less any non-controlling interest), as well as the acquisition-date fair values of the Group's assets and liabilities, are reflected in 5GN's consolidated results for the six months (half year) ended 31 December 2020.

A copy of 5GN's interim consolidated financial statements for the half year ended 31 December 2020 are available from 5GN's registered office (Level 8, 99 William Street, Melbourne VIC 3000).

2. Basis of preparation

The interim condensed consolidated financial statements for the 12-month period ended 31 December 2020 have been prepared in accordance with AASB 134 *Interim Financial Reporting*. Accordingly, the interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2019.

It is recommended that the interim financial report of Webcentral for the 12-month period ended 31 December 2020 be considered together with any public announcements made by Webcentral and its controlled entities during the 12-month period ended 31 December 2020, in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of new standards effective as of 1 January 2020.

The Group applied for the first time in 2020, amendments to AASB 16 *Leases*, which provides entities a practical expedient to not account for rent concessions occurring as a direct consequence of the COVID-19 pandemic as lease modifications, provided certain conditions are met. Although the amendments are effective for annual reporting periods beginning on or after 1 June 2020, earlier application is permitted. Therefore, the Group has elected to early apply the amendments as it has received some rental concessions during the period in the form of changes in lease payments as a direct consequence of the COVID-19 pandemic. Refer to note 9 for further information.

Several other amendments and interpretations also applied to the Group for the first time in 2020, but do not have an impact on the interim condensed consolidated financial statements of the Group.

Estimates

When preparing the Interim Financial Report, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

The judgements, estimates and assumptions applied in the Interim Financial Statements, including the key sources of estimation uncertainty, were the same as those applied in the Group's last annual financial statements for the year ended 31 December 2019.

Change of financial year end

In accordance with s323D(3) of the *Corporations Act 2001*, on 14 December 2020 the Company has changed its financial year end to 30 June to be aligned with the financial year end of 5GN.

In accordance with the requirements of ASX Listing Rules chapter 4 and AASB 134 *Interim Financial Reporting*, the Group has prepared interim financial statements representing the 12-month period prior to the change of balance date i.e. the unaudited financial performance for the 12-month reporting period ended 31 December 2020 and for the audited comparative 12-month period ended 31 December 2019. The Group has also presented its unaudited financial position as at 31 December 2020 and for the audited comparative balance date at 31 December 2019, the latter representing the immediately preceding year-end balance date in which audited financial statements were prepared.

Subject to any further acquisition of the Company's shares by 5GN, for the financial year ended 30 June 2021, the Group will lodge its Appendix 4E and present an 18-month financial year covering the period beginning 1 January 2020 to 30 June 2021, with a comparative 12-month period of 1 January 2019 to 31 December 2019. Thereafter from 1 July 2021 the Group will report on a standard 12-month financial year-end period.

Going concern

The financial report for the 12-month period ended 31 December 2020 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.

The Group recorded a loss after tax of $58,932,000 from continuing operations during the financial year (2019: $45,951,000) and had net operating cash outflows of $19,581,000 (2019 Net Inflow: $8,877,000). Cash balances decreased from $8,949,000 to $3,468,000 as at 31 December 2020. The loss from continuing operations was primarily due to the significant non-recurring transaction, restructuring and integration costs incurred from the strategic review activities undertaken, the transaction and integration costs associated with the divestment of the TPP Wholesale and Enterprise Services businesses and the impairment of intangible assets.

The Group's net current liability position at 31 December 2020 was $66,487,000 (2019: $48,438,000), primarily due to the classification of the Group's loan from 5GN of $42.4 million as a current liability and the treatment of contract liabilities of $24,835,000 (2019: $22,792,000). The classification of contract liabilities is as a result of the application of the revenue accounting standard (AASB 15) to domain, hosting and email services which requires the recognition of revenue evenly across the contracted period.

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 non-recurring restructuring activities that led to the loss for the period are now complete and the business has recorded an operating profit and has generated positive operating cashflows each month since the change of control by 5GN in October 2020. The specific initiatives that have been implemented by the Directors to date include:

- Focus on profitable revenue and product lines;
- Reduction in direct costs, overhead and property costs;
- Reduction in labour headcount;
- Improved collection of debtors and more frequent monitoring of operating cashflows;
- Disposal of Netalliance business; and
- Capital raising in November and December 2020.

As outlined in the Group's ASX releases on 29 January 2021 (Business Transformation Update) and 5 February 2021 (Interim Results), the Group expects the business to be generating EBITDA of $7 million to $8 million p.a. from February 2021 based on the cost synergies already implemented with further improvements expected as growth initiatives and cost synergies are implemented.

The Group's cash forecast for the period to February 2022 (i.e. 12 months after the issue of the Group's interim accounts) indicates that is generating a positive operating cashflow and that it does not require additional funding from its controlling shareholder 5GN or from external debt or equity providers.

In addition, the disposal of the Netalliance business in November 2020, the proposed surrender of the lease of the Group's Sydney offices (expected to generate a positive cashflow impact of $2m p.a. from 14 March 2021), and the capital raising in November and December 2020 has and will provide funding to the business.

The Group is reliant on the ongoing financial support from 5GN and has received a letter of financial support from 5GN.

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.

3. Revenue from contracts with customers

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

		12 months ended	
		31-Dec-20	31-Dec-19
	Notes	$'000	$'000
CONTINUING OPERATIONS			
Types of goods of service			
Registration revenue		23,807	30,289
Solutions, hosting & services		37,541	53,326
Reversal of revenue due to settlement of customer dispute	8	(9,096)	-
Total revenue from contracts with customers		**52,252**	**83,615**
Timing of revenue recognition			
Goods and services transferred at a point in time		262	291
Services transferred over time		51,990	83,324
Total revenue from contracts with customers		**52,252**	**83,615**

The Group's revenues are primarily generated from its Australian customers, with less than 5% of the Group's revenues generated from its customers in New Zealand.

Included in revenue from contracts with customers in the prior period are revenues of $9,450,000 attributed to the Group's former SMB Indirect Reseller business, which was sold on 31 July 2019.

During the period, the Group has reversed the entire balance of trade receivables that was subject to a customer dispute that has now been settled. The gross amount of the receivables reversed was $10,006,000, inclusive of GST. The changes in circumstances leading to the settlement, as described in note 8, results in a reassessment of the consideration for those disputed services, from fixed to variable consideration. As a result of the reassessment, the variable consideration becomes highly constrained to the point that no consideration would be receivable from the performance of those disputed services. Therefore, the impact of the settlement is a reversal of revenue of the GST-exclusive portion, being $9,096,000. No revenue was recognised in relation to those disputed services provided during the period. In accordance with Australian Accounting Standards, the reversal of revenue is required to be recognised entirely during the current reporting period as the change in circumstance, being the settlement of the Customer Dispute, only occurred during the current reporting period.

4. Segment reporting

The Chief Operating Decision Maker ("CODM"), being the CEO, considers that the business has one operating segment, being the SMB business. This is consistent with the operating segments identified in prior reporting periods and reflects the disposal of the Enterprise business. The key factors for this assessment is that the Group's operations have been consolidated into one operating business with one set of operational and management processes.

5. Other income

	12 months ended	
	31-Dec-20 $'000	31-Dec-19 $'000
CONTINUING OPERATIONS		
Dividend income	115	125
Interest income	239	202
Management fees - TPPW Reseller	1,927	587
Management fees - Enterprise	1,942	-
Government grants	746	-
Sundry income	643	401
Total other income	**5,612**	**1,315**

(a) Management fees

Management fee income is received by the Group in relation to the transitional services provided between the Group and the TPP Wholesale Reseller business (sold in the prior year) and for the Enterprise business (sold in March 2020) under the respective transitional services agreements for the sale of each of those businesses.

(b) Government grants

Government grants income includes JobKeeper payments received by the Group during the period.

6. Dividends

	12 months ended	
	31-Dec-20 $'000	31-Dec-19 $'000
Dividends declared and paid during the period		
4.5 cents per share final dividend for year ended 31 December 2018 - fully franked	-	5,357
Dividend for the Infoready earn-out	-	109
Total dividends declared and paid during the period	-	**5,466**

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

7. Earnings per share

	12 months ended	
	31-Dec-20	31-Dec-19
	cents	cents
From continuing operations		
Basic loss per share	(47.28)	(38.01)
Diluted loss per share	(47.12)	(38.01)
Attributable to members of the parent		
Basic loss per share	(48.21)	(108.62)
Diluted loss per share	(48.05)	(108.62)

	$'000	$'000
Reconciliation of earnings used in calculating earnings per share		
(Loss) / profit for the period from continuing operations	(58,901)	(45,951)
Loss for the period from discontinued operation	(1,129)	(85,272)
Less profit attributed to non-controlling interests	(31)	(80)
Loss for the period attributable to members of the parent	**(60,061)**	**(131,303)**

	Notes	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		124,572,190	120,887,297
Number for diluted earnings per share - ordinary shares		124,998,419	120,887,297

Basic earnings/(loss) per share is calculated as profit/(loss) for the year attributable to members of the parent, divided by the weighted average number of ordinary shares. Diluted earnings/(loss) per share is calculated as profit/(loss) for the year attributable to members of the parent, divided by the weighted average number of ordinary shares and the dilutive potential ordinary shares.

Options and Performance rights are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent that they are dilutive. Where an operating loss is incurred, options and performance rights are not dilutive. These options and performance rights have not been included in the determination of basic earnings per share.

There have been no transactions involving ordinary shares or potential ordinary shares that would significantly change the number of ordinary shares or potential ordinary shares outstanding between the reporting date and the date of completion of these financial statements.

8. Trade and other receivables

	31-Dec-20 $'000	31-Dec-19 $'000
Trade receivables	2,649	4,834
Allowance for expected credit losses (ECLs)	(1,592)	(1,840)
Trade receivables subject to customer dispute	-	10,006
Other receivables	1,945	910
Total trade and other receivables	**3,002**	**13,910**

Other receivables principally relate to the Group's subleasing activities, as well as activities related to transitional services agreements for certain of the Group's former businesses (refer to note 5).

Customer Dispute

The Group's annual report for the year ended 31 December 2019 disclosed a customer dispute pursuant to a contract for the provision of services by the Group to the customer in respect of which, as at 31 December 2019, a trade receivable balance of $10,006,000 was held ("Customer Dispute"). The Group also received notice of a cross claim from the customer.

On 20 August 2020, Webcentral Pty Ltd (a wholly owned subsidiary of the Group) entered into a release and settlement agreement ("Settlement Agreement") in relation to the Customer Dispute.

The terms of the Settlement Agreement provide for the release by both parties of any and all claims they may have in relation to the Customer Dispute for nil payment to the other party. Accordingly, the trade receivable balance held in respect of the amounts claimed by Webcentral Pty Ltd under the Customer Dispute has been reversed to nil.

9. Leases

(a) Sydney office leases

In January 2021 the Group signed a Heads of Agreement in relation to the surrender of the property lease with the landlord of Levels 22 & 23, 680 George Street, Sydney. The proposed surrender date is 14 March 2021. The existing property leases expire in November 2022.

The net annualised saving to WCG is expected to be $2 million following the surrender of the property lease (net of the current sublease rental income). In addition, bank guarantees issued to the landlord in relation to the property leases totalling $1.74 million will be returned to WCG.

The net Surrender Fee payable by WCG is $435,000 (including a contribution from the sub-lessor of the property to WCG of approximately $500,000). This amount will be reduced should the lease surrender date be after 1 April 2021. The agreement is subject to the execution of a binding contract with the property lessor and includes the usual make good obligations customary for a property lease of this type.

The Group has recorded a provision for impairment of the leasehold improvements in relation to the property lease and the costs payable in relation to the surrender of the property lease totalling $1.7 million.

(b) Sub-leases with Arq Group Enterprise Pty Ltd

Following the sale of the Enterprise business on 2 March 2020, the Group entered in sub-leasing arrangements with Arq Group Enterprise Pty Ltd (being the former Group subsidiary disposed of in the Enterprise sale) for part of the Group's office premise space. The term of the sub-leasing arrangements varies with each arrangement, with expiration dates ranging from 2022 to 2026.

As a result of the sub-leasing arrangements, the Group concurrently de-recognised $4,438,000 of right-of-use (ROU) lease assets and recognised $4,579,000 of lease receivables, resulting in a net gain of $141,000 recognised in profit and loss.

(c) COVID-19 lease payment concessions

During the reporting period, the Group negotiated an acceleration of lease incentives with its landlords associated with the Group's office premises due to the ongoing COVID-19 pandemic, resulting in no base rents payable for the impacted months and have the character of deferring the Group's lease payments to future periods. The amount of lease payment deferrals obtained during the period was $689,000.

The Group has applied the practical expedient in AASB 16 to not assess whether the lease payment deferrals represent a modification to the lease agreement. As such, these lease payment deferrals have resulted in a minor adjustment of $10,000 to the Group's ROU lease assets and liabilities as the overall remaining cash flows from the Group's lease arrangements has not changed, given that the amount of lease payment deferrals received during the period will be recovered by the Group's landlords over the remaining lease term.

(d) Reassessment of lease liability

During the period, the Group received notice of a market rent review from one of its landlords in relation to office premise space in Sydney, in accordance with the terms and conditions of the Group's lease agreements. The result of the market rent review changed future lease payments arising from a change in the market rental rate. In accordance with AASB 16, the Group remeasured the lease liability associated with these premises based on the revised lease payments over the remainder of the lease term and recognised a net $15,000 gain in profit and loss.

The Group also received a credit from the landlord for prior periods' rent based on the results of the market rent review conducted. The credit was recognised as a $215,000 gain in profit and loss.

(e) Lease modifications

During the period, certain tenants of the Group have formally notified the Group of their intention to exit part of the Group's office premise spaces in Melbourne. For one of the tenants, the Group received up to the amount of the bank guarantee provided to the landlord to cover any remaining debts outstanding from the tenant. For the other tenant, the Group expects to receive up to the balance of issued invoices outstanding from the tenant (up to the date of lease termination). As a result, the Group has written off the present value of its lease receivables related to these premises not covered by the bank guarantee or owed invoices. The net loss recognised in profit and loss was $409,000.

10. Impairment of goodwill

At each reporting date the Group assess whether there is any indication that an intangible asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of the asset's recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Recoverable amount is the greater of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current markets assessments of the time value of money and risks specific to the asset.

The Group performed an impairment test in December 2020 over the carrying value of goodwill because there were indicators of impairment, being the impact of COVID-19 on the business and historical declining revenues. Under the impairment testing, the carrying amount of the SMB cash generating unit (CGU) is compared to its recoverable amount. The recoverable amount of the SMB CGU was determined based on a value in use model. The key assumptions used to determine the recoverable amount are the revenue and profit forecast of the group, the discount rate used and forecast capital expenditure.

As a result of the Group's impairment test, the Group has recognised an impairment charge of $33,000,000 against the carrying value of goodwill in profit and loss for the 12 months ended 31 December 2020.

Following the disposal of the Arq Enterprise business in March 2020, the Group has one operating segment, SMB.

The goodwill allocated to each operating segment, the recoverable amount of each operating segment and the growth rate and discount rate assumptions are set out below. In 2019 goodwill was valued in accordance with the fair value less costs of disposal method and accordingly there are no growth rate and discount rate assumptions applicable.

	31 December 2020 $000	31 December 2019 $000
Goodwill allocated to operating segments		
SMB	70,923	112,047
Enterprise	-	101,727
Recoverable amount of each operating segment		
SMB	37,924	70,923
Enterprise	-	20,469
Growth rates		
SMB	(5.0%)	n/a
Enterprise	n/a	n/a
Discount rates		
SMB	9.5%	n/a
Enterprise	n/a	n/a

11. Interest bearing loans and borrowings

	Notes	31-Dec-20 $'000	31-Dec-19 $'000
Current			
Interest-bearing loan – external parties		-	61,929
Interest-bearing loan – related parties		42,409	-
Total interest-bearing loans and borrowings		**42,409**	**61,929**

The Group repaid $22.1 million of its debt facilities with ANZ and NAB in March 2020 using proceeds from the sale of the Enterprise business. The remaining balance was repaid in October 2020 following drawdown of loans totalling $47.6 million from 5G Networks Finance Pty Ltd, a wholly owned subsidiary of 5GN.

In December 2020, following the return of $5.3 million from ANZ, the provider of the Group's bank guarantees issued in relation to properties leased by the Group, $5.3 million was repaid to 5GN.

In addition, in September 2020, 5GN provided a $500,000 unsecured loan to the Company to fund the break fee that was paid on termination of the Web.com Scheme. This loan was repaid in November 2020.

During the period an interest expense of $398,870 was accrued in relation to the loans provided by 5GN to WCG.

Security arrangements

5GN holds a General Security Agreement over all of the assets of the Group.

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 2020:

				Fair value measurement using		
			TOTAL	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	Note	Date of valuation	$'000	$'000	$'000	$'000
Assets / (liabilities) measured at fair value						
Financial assets						
Investment in Tiger Pistol shares		31-Dec-20	**725**	-	-	725

As part of the retirement of the external drawn-down debt on 26 October 2020, the Group closed out its interest rate swap arrangement. The Group recognised a net loss of $215,000 on the closure of the swap, after recycling the cumulative cash flow hedge reserve movement from other comprehensive income to profit & loss.

The Group holds 603,205 shares in Tiger Pistol Pty Ltd. These shares have been accounted for as a financial asset and valued by reference to the most recent arm's length transaction of Tiger Pistol shares. An impairment loss of $684,000 has been recorded during the period.

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

13. Disposals and discontinued operations

(a) Sale of Arq Group Enterprise Pty Limited

On 11 February 2020, the Company announced that it had entered into a binding agreement to sell Arq Group Enterprise Pty Limited to an entity owned by a consortium comprising Quadrant Private Equity and certain members of the Enterprise leadership team for $35,000,000 (less a final payment of $5,979,000 that was due to the vendors of InfoReady Pty Limited, which was acquired by the Company in 2016) on a cash free, debt free basis. The net assets of Arq Group Enterprise Pty Limited represents the Group's former Enterprise business. The sale included the rights to the Arq brand. The sale completed on 2 March 2020 and the net proceeds were used to reduce the amounts drawn under the Group's existing debt facilities. A transitional services agreement was also entered into in connection with the sale, and the parties continue to work together to manage the smooth transition of the Enterprise business following its divestment.

Due to the significance of the operations, and financial contribution, of the Enterprise business to the Group, the results associated with the Enterprise business during the half year ended 30 June 2020, up until the date of disposal (2 March 2020), has been presented as a discontinued operation.

The amount of the adjusted transaction consideration after finalisation of the completion accounts and the net loss on disposal of Arq Group Enterprise Pty Ltd was $1,565,000 recognised in profit and loss and presented in the Statement of Comprehensive Income as part of discontinued operations.

The major classes of assets and liabilities of Arq Group Enterprise Pty Ltd (comprising the Enterprise business) that was disposed on 2 March 2020 are as follows:

	Notes	$'000
Assets		
Trade and other receivables		10,051
Accrued revenue		4,668
Prepayments and other current assets		621
Plant and equipment		490
Intangible assets		2,889
Goodwill on acquisition		20,469
Deferred tax asset		1,008
Total assets disposed		**40,196**
Liabilities		
Trade and other payables		(3,518)
Income received in advance		(1,033)
Provisions		(2,977)
Total liabilities directly associated with assets disposed		**(7,528)**
Net assets disposed		**32,668**

The results of the discontinued operations during the period (up until the date of disposal) and for the comparative period is presented below:

	Notes	12 months ended 31-Dec-20 $'000	31-Dec-19 $'000
Revenue from contracts with customers		12,780	86,167
Cost of sales		(7,407)	(51,822)
Gross profit		**5,373**	**34,345**
Other operating expenses		(4,388)	(33,083)
Loss on revaluation of disposal group net assets to fair value		-	(81,258)
Earnings before interest, tax, depreciation and amortisation		**985**	**(79,996)**
Depreciation and amortisation expense		(306)	(4,742)
Interest expense		(50)	(304)
Profit / (loss) before tax from discontinued operations		**629**	**(85,042)**
Tax expense		(193)	(230)
Profit / (loss) after tax of discontinued operations		**436**	**(85,272)**
Gain/(loss) on sale of the Enterprise business		(1,565)	-
Attributable tax expense		-	-
Post-tax loss on the sale of discontinued operations		**(1,565)**	**-**
Loss for the period from discontinued operations		**(1,129)**	**(85,272)**

The net cash flows generated from the sale of Arq Group Enterprise Pty Ltd are as follows:

	Notes	$'000
Proceeds from disposal of net assets (investing activities)		35,506
Less: settlement of InfoReady earn-out (financing activities)		(5,979)
Less: repayment of borrowings (financing activities)	11	(22,108)
Less: payment of transaction costs (incl. GST) (investing activities)		(3,950)
Net cash inflow		**3,469**

A further $777,000 is payable in relation to the settlement of completion accounts.

The net cash flows generated by the discontinued operations are as follows:

	Notes	12 months ended 31-Dec-20 $'000	31-Dec-19 $'000
Net cash (outflows) / inflows from operating activities		(882)	9,166
Net cash outflows from investing activities		-	(450)
Net cash flows		**(882)**	**8,716**

(b) Sale of Netalliance Pty Limited

On 20 November 2020, the Group sold its 50% interest in Netalliance Pty Limited ("Netalliance") to Trellian Pty Ltd for $500,000 in cash consideration. Netalliance's principal operations relate to the purchase and resale or auction of specific domain names that have expired but not renewed (also known in the industry as the "drop catching" of domain names). The sale comprises both the Group's interest in Netalliance, as well as Netalliance's wholly owned subsidiary, Ziphosting Pty Ltd.

During the current and prior reporting periods, Netalliance contributed to less than 1% of the Group's revenues and underlying EBITDA. Therefore, the Group is not required to separately present the results of Netalliance as a discontinued operation for the current reporting period.

The Group recognised a gain of $384,000 on disposal of its interest in the Netalliance business.

Details of the assets and liabilities disposed during the reporting period associated with the Netalliance business are presented below:

	Notes	$'000
Assets		
Cash and cash equivalents		64
Trade and other receivables		63
Prepayments and other current assets		79
Intangible assets		33
Deferred tax assets		3
Total assets disposed		**242**
Liabilities		
Trade and other payables		(3)
Income received in advance		(8)
Total liabilities directly associated with assets disposed		**(11)**
Net assets disposed		**231**

(c) Sale of TPP Wholesale Reseller business

In the prior comparative period the Group completed the sale of the TPP Wholesale Reseller business.

14. Events subsequent to reporting date

On 6 January 2021 the Company granted 1,250,000 share options exercisable for ordinary shares to service providers of the Company at an exercise price of $0.20 and an expiry date of 4 years after grant. On 1 February 2021 the Company granted 1,300,000 share options exercisable for ordinary shares to Executives under its Executive and Director Option Plan (ESOP) at an exercise price of $0.485, subject to the satisfaction of service vesting conditions and expiry date of 4 years after grant. On 16 February 2021 the Company issued 209,013 ordinary shares to employees under its Employee Share Plan for no consideration and with a value of $0.531 per share.

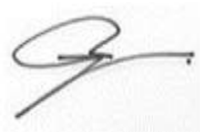
Other than the above, there has not been any other matter or circumstance in the interval between the end of the 12-month period ended 31 December 2020 and the date of this report that has materially affected or may materially affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial periods.

Directors' Declaration

The Directors' Declaration is required by the *Corporations Act 2001*. The Directors of Webcentral Group Limited have made a resolution that declared:

1. In the opinion of the Directors:
    a. The interim condensed consolidated financial report of Webcentral Group Limited for the 12-month period ended 31 December 2020 is in accordance with the *Corporations Act 2001*, including that:
        i. the financial report complies with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*;
        ii. the financial report gives a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the 12-month period ended on that date; and
    b. there are reasonable grounds to believe that Webcentral Group Limited will be able to pay its debts as and when they become due and payable.

For and on behalf of the Board



Mr. Joe Gangi

Chair

Melbourne

23 February 2021

Auditor's Independence Declaration

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Auditor's Independence Declaration

To the Directors of Webcentral Group Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of Webcentral Group Limited for the twelve-month period ended 31 December 2020, 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.

Grant Thornton Audit Pty Ltd
Chartered Accountants

M A Cunningham
Partner – Audit & Assurance

Melbourne, 23 February 2021

Independent Auditor's Review Report

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Independent Auditor's Review Report

To the Members of Webcentral Group Limited

Report on the review of the interim financial report

Conclusion

We have reviewed the accompanying twelve-month period financial report of Webcentral Group Limited (the Group), which comprises the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the twelve-month period 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 interim financial report of Webcentral Group Limited does not comply with the *Corporations Act 2001* including:

(a) giving a true and fair view of the Webcentral Group Limited's financial position as at 31 December 2020 and of its performance for the twelve-month period 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.

Directors' responsibility for the interim financial report

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

Independent Auditor's Review Report (continued)

Grant Thornton

Auditor's responsibility

Our responsibility is to express a conclusion on the twelve-month period 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 twelve month 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 2020 and its performance for the twelve-month period ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a twelve-month period 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.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

M A Cunningham
Partner – Audit & Assurance

Melbourne, 23 February 2021