Webcentral

Webcentral Group Limited and its controlled entities

ABN: 21 073 716 793

APPENDIX 4E – PRELIMINARY FINAL REPORT

FOR THE 18 MONTHS ENDED 30 JUNE 2021

1. Company Information

Name of Entity	Webcentral Group Limited
ABN	21 073 716 793
Reporting Period	18 months ended 30 June 2021 (Comparative period – 12 months ended 31 December 2019)

2. Results for announcement to the market

	18 months ended 30 June 2021		
	2021 $A'000s	**Movement $A'000s (%)**	**2019 $A'000s**
Revenue from ordinary activities and continuing operations [1]	78,263	▼ 5,352 (6.4%)	83,615
Underlying earnings before interest, tax, depreciation and amortisation from continuing operations[1,2]	11,928	▼ 2,867 (19.4%)	14,795
Loss after tax from continuing operations[3]	(61,446)	▼ (15,495) (33.7%)	(45,951)
Loss after tax attributable to members of the parent[3]	(62,604)	▲ 68,699 (52.3%)	(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. This is excluded from underlying earnings before interest, tax, depreciation and amortisation, 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 below for a reconciliation of this information to statutory IFRS information.

(3) Loss after tax from continuing operations and loss after tax attributable to members of the parent for the 18 month period ended 30 June 2021 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

The Group's improved performance reflects the significant change and transformation that occurred during the period including the strategic review and associated restructuring activities, the acquisition of a controlling interest in the Company by 5G Networks Limited in October 2020, the settlement of a customer dispute and the disposal of the Enterprise and Netalliance businesses.

The Group's underlying EBITDA of $6.3 million for the 6 months ending 30 June 2021 was 391% higher than the corresponding 6 months period ended 30 June 2020 and 47% higher than the previous 6 months period ended 31 December 2020, reflecting the significant initiatives implemented since the change of control by 5GN in October 2020.

The Group's revenue has been stable since the change of control in October 2020 and the Group 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.

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;
- Customer service and support improvements including on-shoring of customer service and process improvements;
- Infrastructure and operating platform improvements including outsourcing to 5GN and improvements to system workflows and technical stability of the Console;
- Improved collection of debtors, shift from post-paid to prepaid customer billing and more frequent monitoring of operating cashflows;
- Reduction in direct costs, overhead and property costs;
- Reduction in labour headcount;
- Disposal of Netalliance business in November 2020;
- Surrender of Sydney office leases;
- Equity capital raising in November and December 2020; and
- Debt capital raising in June 2021.

Appendix 4E and Preliminary Financial Report – 30 June 2021

A comparison of the Group's financial performance and underlying EBITDA for each 6 month period is set out below:

	6 months ended		
	Jun-20 $'000	**Dec-20 $'000**	**Jun-21 $'000**
Revenue			
Domains	11,748	11,332	11,085
Email	4,830	5,038	4,805
Hosting	8,188	7,250	6,474
Digital	4,683	4,204	3,308
Other Income	5,630	4,058	2,016
Reversal of revenue	(9,096)	-	-
Total Income	**25,983**	**31,882**	**27,688**
COGS	(12,569)	(10,587)	(8,560)
Gross Margin	**13,414**	**21,295**	**19,128**
Gross Margin %	**52%**	**67%**	**69%**
Employee Benefits	(14,314)	(10,756)	(7,589)
Premises	(861)	(749)	(987)
Marketing	(1,175)	(1,005)	(446)
Cloud Software	(1,672)	(1,496)	(1,666)
Corporate & Compliance	(1,362)	(1,031)	(343)
Other Expenses	(1,835)	(1,959)	(1,759)
EBITDA before Transaction, non-recurring costs and Share based payments expense	**(7,805)**	**4,299**	**6,338**
EBITDA %	**(30%)**	**13%**	**23%**
Acquisition and other non-recurring items	(4,040)	(42,509)	(3,535)
Share based payments expense	(13)	(2)	(6)
EBITDA	**(11,858)**	**(38,212)**	**2,797**
Net Finance Costs	(2,345)	(1,659)	(1,795)
Depreciation and amortisation	(5,585)	(3,591)	(3,292)
Profit/(Loss) before tax	**(19,788)**	**(43,462)**	**(2,551)**
Income tax (expense/benefit)	666	2,456	(156)
NPAT	**(19,122)**	**(41,006)**	**(2,446)**
Non-controlling interest	9	22	-
NPAT after Non-controlling interest	**(19,113)**	**(40,984)**	**(2,446)**
Underlying EBITDA	**1,291**	**4,299**	**6,338**

Underlying EBITDA

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

	30-Jun-21 18 months $'000	**31-Dec-19 12 months $'000**
CONTINUING OPERATIONS		
(Loss) / profit before tax	**(64,412)**	**(45,713)**
Depreciation and amortisation expense	12,468	10,537
Interest income	(254)	(202)
Finance costs (excl. bank charges and merchant fees)	4,434	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	-	(68)
Net loss from changes in the group's leasing arrangements	2,946	-
Gain on sale of Netalliance business	(384)	-
Reversal of revenue from settlement of customer dispute	9,096	-
Branding costs	13	486
Integration costs	236	1,567
Transaction costs	5,930	2,259
Restructuring costs	3,134	365
Property costs	-	642
Impairment of receivables	1,014	-
Impairment of goodwill	33,000	41,123
Other net non-operating expenses	4,707	(228)
Underlying EBITDA	**11,928**	**14,795**

3. Dividends

No final dividend was or is proposed to be declared with respect to the current period. No interim dividend was paid and no dividends were paid in respect of the prior corresponding period.

4. Net tangible asset backing

	Current period	Previous period
Net tangible asset backing per ordinary security	(52.09) cents	(51.79) cents

Net tangible assets are calculated firstly from the Group's net assets at 30 June 2021 of $26,103,855 and adjusted for $3,513,000 of right-of-use lease assets and $41,596,000 of intangible assets associated with the Group's previous acquisitions and capitalised software.

5. Earnings per Share

	30-Jun-21 18 months cents	31-Dec-19 12 months cents
From continuing operations		
Basic loss per share	(45.60)	(38.01)
Diluted loss per share	(45.60)	(38.01)
Attributable to members of the parent		
Basic loss per share	(46.46)	(108.62)
Diluted loss per share	(46.46)	(108.62)

	$'000	$'000
Reconciliation of earnings used in calculating earnings per share		
(Loss) / profit for the period from continuing operations	(61,446)	(45,951)
Loss for the period from discontinued operation	(1,127)	(85,272)
Less loss / (profit) attributed to non-controlling interests	31	80
Loss for the period attributable to members of the parent	(62,604)	(131,303)

	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	134,746,724	120,887,297
Number for diluted earnings per share - ordinary shares	134,746,724	120,887,297

Basic earnings/(loss) per share is calculated as profit/(loss) for the period 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 period 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.

6. 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 30 June 2021.

The Group sold Arq Group Enterprise Pty Ltd on 2 March 2020, consisting of the assets and liabilities related to the former Enterprise business, 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 sale included the rights to the Arq brand. 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, resulting in an additional $1,558,000 payment by the Group to the consortium. 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).

The prior period comparative results of the former Enterprise business during the period ended 31 December 2019 have been presented as a discontinued operation.

Appendix 4E and Preliminary Financial Report – 30 June 2021

7. 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 30 June 2021, 5GN's ownership over the Company's shares was 44.75%. 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.

8. Audit of accounts

The Appendix 4E and Preliminary Financial Report are based on accounts which are in the process of being audited.

Mr. Joe Demase
Managing Director
Melbourne
31 August 2021

Consolidated Statement of Comprehensive Income

For the 18 months ended 30 June 2021

	Notes	30-Jun-21 18 months $'000	31-Dec-19 12 months $'000
CONTINUING OPERATIONS			
Revenue from contracts with customers	3	87,359	83,615
Reversal of revenue due to settlement of customer dispute	3	(9,096)	-
Net revenue from contracts with customers		**78,263**	**83,615**
Direct Costs			
Domain registrations		(13,236)	(12,863)
Cloud and hosting costs		(4,779)	(8,235)
Software and licencing costs		(8,167)	(914)
Direct labour costs		(2,311)	(2,948)
External labour costs		(2,033)	(2,314)
Other direct costs		(1,190)	(398)
Gross profit		**46,547**	**55,943**
Other income	9	7,291	1,315
Loss on reassessment of contingent consideration liability		-	98
Salaries and employee benefits expenses	5	(35,096)	(30,576)
Depreciation expenses	5	(9,870)	(7,026)
Amortisation expenses	5	(2,598)	(3,511)
Other expenses	5	(21,438)	(11,450)
Finance costs	5	(5,799)	(5,810)
Transaction costs		(5,930)	(2,259)
Restructuring costs		(2,721)	(365)
Impairment of goodwill	14	(33,000)	(41,123)
Net impairment losses on financial assets		(1,014)	(1,503)
Gain/(loss) on disposal of assets		(784)	554
(Loss) / profit before tax		**(64,412)**	**(45,713)**
Income tax expense/(benefit)		2,966	(238)
(Loss) / profit after tax from continuing operations		**(61,446)**	**(45,951)**
DISCONTINUED OPERATION			
Loss from discontinued operation, net of tax	24	(1,127)	(85,272)
Loss after tax for the period		**(62,573)**	**(131,223)**
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified to the profit or loss in subsequent periods (net of tax):			
Currency translation differences		197	19

The accompanying notes form part of these financial statement

Consolidated Statement of Comprehensive Income

For the 18 months ended 30 June 2021 (Continued)

	Notes	30-Jun-21 18 months $'000	31-Dec-19 12 months $'000
Changes in the 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):			
Equity instruments designated at fair value through other comprehensive income	15	(650)	10
Other comprehensive income/(loss) for the period, net of tax		**(61)**	**(268)**
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		**(62,634)**	**(131,491)**
Profit / (loss) for the period attributable to:			
Members of the parent		(62,604)	(131,303)
Non-controlling interests		31	80
		(62,573)	**(131,223)**
Total comprehensive loss attributable to:			
Members of the parent		(62,665)	(131,571)
Non-controlling interests		31	80
		(62,634)	**(131,491)**
		30-Jun-21 cents per share	**31-Dec-19 cents per share**
Loss per share from continuing operations			
Basic loss per share	8	(45.60)	(38.01)
Diluted loss per share	8	(45.60)	(38.01)
Loss per share attributable to members of the parent			
Basic loss per share	8	(46.46)	(108.62)
Diluted loss per share	8	(46.46)	(108.62)

The accompanying notes form part of these financial statement

Consolidated Statement of Financial Position

As at 30 June 2021

	Notes	30-Jun-21 $'000	31-Dec-19 $'000
ASSETS			
Current Assets			
Cash and cash equivalents		2,412	8,949
Trade and other receivables	10	1,718	13,910
Prepayments of domain name registry charges		5,398	7,810
Lease receivables	13	1,965	2,064
Current tax refund		-	375
Contract assets		476	75
Other assets	11	680	2,853
		12,649	**36,036**
Assets held for sale	24	-	38,674
Total Current Assets		**12,649**	**74,710**
Non-Current Assets			
Plant and equipment	12	2,278	8,198
Right-of-use assets	13	3,513	16,554
Intangible assets	14	41,596	77,804
Prepayments of domain name registry charges		2,428	678
Lease receivables	13	1,076	1,830
Deferred tax assets	6	4,531	7,323
Other financial assets	15	725	1,375
Other assets		1,493	560
Total Non-Current Assets		**57,640**	**114,322**
TOTAL ASSETS		**70,289**	**189,032**
LIABILITIES			
Current Liabilities			
Trade and other payables	16	11,419	8,692
Income received in advance		22,437	22,792
Provisions	17	1,270	1,585
Derivative financial instruments	22	-	510
Current tax payable		35	-
Interest bearing loans and borrowings	22	26,627	61,929
Other financial liabilities	21	-	5,549
Current lease liabilities	13	3,423	6,160
		65,211	**107,217**
Liabilities directly associated with assets held for sale	24	-	15,931
Total Current Liabilities		**65,211**	**123,148**

The accompanying notes form part of these financial statement

Consolidated Statement of Financial Position

As at 30 June 2021 (Continued)

	Notes	30-Jun-21 $'000	31-Dec-19 $'000
Non-Current Liabilities			
Income received in advance		8,551	11,297
Provisions	17	2,535	3,187
Interest bearing loans and borrowings	20	15,000	-
Deferred tax liabilities	6	2,060	7,549
Lease liabilities	13	3,051	12,970
Total Non-Current Liabilities		**31,197**	**35,003**
TOTAL LIABILITIES		**96,408**	**158,151**
NET ASSETS		**(26,119)**	**30,881**
EQUITY			
Contributed equity	18	96,566	91,179
Foreign currency translation reserve	19	(336)	(533)
Share based payments reserve	19	597	193
Other reserves	19	114	(278)
Accumulated losses		(123,060)	(59,806)
Equity attributable to members of the parent		**(26,119)**	**30,755**
Non-controlling interests		-	126
TOTAL EQUITY		**(26,119)**	**30,881**

The accompanying notes form part of these financial statement

Consolidated Statement of Changes in Equity

For the 18 months ended 30 June 2021

	Note	FOREIGN CURRENCY RESERVE	SHARE BASED PAYMENTS RESERVE	OTHER RESERVES	CONTRIBUTED EQUITY	RETAINED EARNINGS	TOTAL	NON-CONTROLLING INTERESTS	TOTAL
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
AS AT 1 JANUARY 2020		**(533)**	**193**	**(278)**	**91,179**	**(59,806)**	**30,755**	**126**	**30,881**
(Loss) / profit for the period		-	-	-	-	(62,604)	(62,604)	31	(62,573)
Other comprehensive income		197	-	392	-	(650)	(61)	-	(61)
Total comprehensive income for the period		**197**	**-**	**392**	**-**	**(63,254)**	**(62,665)**	**31**	**(62,634)**
Transactions with owners in their capacity as owners:									
Shares based compensation		-	404	-	-	-	404	-	404
Issue of shares - Capital Raising	18	-	-	-	5,614	-	5,614	-	5,614
Share issue costs		-	-	-	(227)	-	(227)	-	(227)
Disposal of subsidiary	24	-	-	-	-	-	-	(157)	(157)
As at 30 June 2021		**(336)**	**597**	**114**	**96,566**	**(123,060)**	**(26,119)**	**-**	**(26,119)**
AS AT 1 JANUARY 2019		**(552)**	**1,136**	**9**	**85,724**	**76,964**	**163,281**	**126**	**163,407**
(Loss) / profit for the period		-	-	-	-	(131,303)	(131,303)	80	(131,223)
Other comprehensive income		19	-	(287)	-	-	(268)	-	(286)
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 Infoready 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)	(5,347)
As at 31 December 2019		**(533)**	**193**	**(278)**	**91,179**	**(59,806)**	**30,755**	**126**	**30,881**

The accompanying notes form part of these financial statement

Consolidated Statement of Cash Flows

For the 18 months ended 30 June 2021

	Notes	30-Jun-21 18 months $'000	31-Dec-19 12 months $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipt of service revenue and recoveries		93,626	187,353
Receipt of government grants	9	1,393	-
Payments to suppliers and employees		(93,639)	(168,489)
Interest received		254	202
Interest paid		(3,841)	(3,390)
Bank charges and credit card merchant fees paid		(1,365)	(1,135)
Income tax paid		(297)	(3,269)
Payments for transaction costs - Enterprise sale		(3,621)	-
Payments for transaction costs - restructuring activities		(9,380)	-
Payments for transaction costs - TPP Wholesale sale		-	(2,394)
NET CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES		**(16,870)**	**8,877**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of plant and equipment and intangible assets		(31)	(3,423)
Sublease payments received		5,290	1,869
Payment of financial liability for InfoReady earn out	21	(5,979)	(4,110)
Return of capital from Tiger Pistol		116	505
Proceeds from disposal of the Enterprise business	24	35,506	-
Proceeds from sale of the TPPW business		-	21,268
NET CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES		**34,902**	**16,110**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings	20	62,628	7,375
Proceeds from capital raise	18	5,614	-
Payment of capital raising costs		(227)	-
Repayment of borrowings	20	(82,978)	(21,292)
Payment of borrowing costs		(165)	-
Payment of dividend on ordinary shares		-	(4,378)
Payment of dividend to non-controlling interests		-	(80)
Payment of lease liabilities		(9,244)	(5,961)
NET CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES		**(24,372)**	**(24,336)**
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		**(6,340)**	**651**
Net foreign exchange differences		(197)	19
Cash and cash equivalents at beginning of period		8,949	8,279
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**2,412**	**8,949**

The above statement of cash flows includes cash flows from both continuing and discontinued operations. Refer to note 24 for the cash flows relating to discontinued operations.

The accompanying notes form part of these financial statement

1. Corporate Information

The consolidated financial statements cover Webcentral Group Limited ('the Company' or 'Webcentral') and its subsidiaries (collectively, 'the Group') for the 18 month period ended 30 June 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.

Operations and Principal Activities

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

Continuing operations
Webcentral 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 – 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.

Registered Office and Principal Place of Business

Level 7, 505 Little Collins Street, Melbourne VIC 3000

Acquisition by 5G Networks Limited

On 28 October 2020, 5G Networks Limited ("5GN") obtained control over the Company and Group. As at 30 June 2021, 5GN owns 44.75% 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.

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 $2.4 million of cash on hand and available debt facilities of $1.6 million, a deficit of current assets to current liabilities of $49.7 million which includes non-cash contract liabilities of $22.4 million and loan from 5G Networks Limited of $26.6 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.

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.

For the 18 months ended 30 June 2021, the Group presents an 18 month financial period 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.

Significant accounting estimates and judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenues and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which forms the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Significant accounting estimates and judgements have not changed from those disclosed in the Group financial report for the year ended 31 December 2019.

3. Revenue from contracts with customers

(a) Disaggregation of revenue from contracts with customers

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

	Notes	30-Jun-21 18 months $'000	31-Dec-19 12 months $'000
CONTINUING OPERATIONS			
Types of goods of service			
Registration revenue		35,052	30,289
Solutions, hosting & services		52,307	53,326
Reversal of revenue due to settlement of customer dispute	10	(9,096)	-
Total revenue from contracts with customers		**78,263**	**83,615**
Timing of revenue recognition			
Goods and services transferred at a point in time		-	291
Services transferred over time		78,263	83,324
Total revenue from contracts with customers		**78,263**	**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.

As described in note 10 to the financial statements, 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 10, 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 (i.e. the settlement of the Customer Dispute) only occurred during the current reporting period.

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.

As described in note 10 to the financial statements,

Continuing operations	30-Jun-21 18 months $'000	31-Dec-19 12 months $'000
Amounts included in contract liabilities at the beginning of the year	24,749	32,853

Set out below is the amount of cost of sales recognised from:

Continuing operations	30-Jun-21 18 months $'000	31-Dec-19 12 months $'000
Amounts included in prepaid costs to fulfil contract at the beginning of the year	7,206	7,925

Prepayments of domain name registry charges are considered costs to fulfil a contract and is deferred as an asset, and income received in advance is considered a contract liability. The amounts included in contract liabilities reflect a significant portion of the aggregate amount of performance obligations not yet satisfied at the end of the reporting period. For any remaining contracts, the Group has applied the practical expedient available under AASB 15.121 whereby the performance obligations are not disclosed as they have an original expected duration of one year or less. See further details on contract assets in note 11.

4. Segment reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. Operating segments have been identified based on the information provided to the chief operating decision maker, being the CEO.

Following the sale and disposal of the Enterprise business on 2 March 2020 and its presentation as a discontinued operation during the 18 months ended 30 June 2021, the Group's continuing operations as presented in the Statement of Comprehensive Income represent only one operating segment, being the Webcentral business.

5. Expenses

(a) Salaries and employee benefits

Continuing operations	30-Jun-21 18 months $'000	31-Dec-19 12 months $'000
Included in cost of sales:		
Salaries and employee benefits expenses	2,128	2,133
Superannuation expense	183	181
Included in Salaries and employee benefits expenses:		
Salaries and employee benefits expenses	33,076	24,325
Superannuation expense	2,030	2,096
Expensing of share-based payments[1]	(10)	(438)

1. Included in this amount for the 18 months ended 30 June 2021 and the prior comparative period are writebacks associated with LTIs and short-term deferred share rewards for both key management personnel (KMP), as well as non-KMP eligible to receive short-term deferred share rewards.

(b) Depreciation of non-current assets

Continuing operations	30-Jun-21 18 months $'000	31-Dec-19 12 months $'000
Right-of-use assets	5,283	2,996
Plant and equipment	1,293	1,756
Leasehold improvements	2,535	1,748
Furniture	759	526
Total depreciation of non-current assets	**9,870**	**7,026**

(c) Amortisation of identifiable intangible assets

Continuing operations	30-Jun-21 18 months $'000	31-Dec-19 12 months $'000
Capitalised software	2,076	2,117
Customer contracts	522	1,394
Total amortisation of identifiable intangible assets	**2,598**	**3,511**

(d) Other Expenses

Continuing operations	30-Jun-21 18 months $'000	31-Dec-19 12 months $'000
Included in other expenses:		
Marketing	202	3,357
Software licences	5,476	2,275
Consulting fees	2,769	2,569
Foreign exchange gains	(168)	(298)
Foreign exchange losses	124	212

(e) Finance costs

Continuing operations	30-Jun-21 18 months $'000	31-Dec-19 12 months $'000
Interest expense on debt and borrowings	3,967	2,488
Interest expense on lease liabilities	426	492
Interest expense on Infoready financial liability	-	676
Loss on modification of debt facility	-	968
Bank charges and credit card merchant fees	1,365	1,131
Unwinding of discount on other financial liabilities	41	55
Total finance costs	**5,799**	**5,810**

6. Income tax

Income tax expense mainly represents deferred income tax arising from temporary differences related to intangible assets, rights of use assets , lease liabilities, employee benefits, and unrealised foreign exchange differences.

	30-Jun-21 $'000	31-Dec-19 $'000
Deferred tax assets relate to the following:		
Unrealised foreign exchange gains	-	134
Employee benefits	797	845
Lease liabilities	1,942	5,740
Blackhole expenditure	304	-
Accruals	690	-
Intangible assets	735	604
Other	63	-
	4,531	**7,323**

	30-Jun-21 $'000	31-Dec-19 $'000
Deferred tax liabilities relate to the following:		
Intangible assets	2,007	1,285
Lease assets (incl. make-good)	-	6,134
Unrealised foreign exchange losses	35	65
Other	18	65
	2,060	**7,549**

7. Dividends

Equity dividends on ordinary shares

(a) Dividends declared and paid during the period on ordinary shares

	30-Jun-21 18 months $'000	31-Dec-19 12 months $'000
(i) Nil paid during the 18 months ended 30 June 2021 (2019: Final franked dividend paid for the financial year ended 31 December 2018 - 4.5 cents per share)	-	5,357
(ii) Dividend paid for the Infoready earn out year ended 31 December 2019:	-	109
Total dividends paid during the period	**-**	**5,466**

(b) Dividends proposed and not recognised as a liability

No dividends were declared and not paid, nor any dividends proposed and not paid during the period ended 30 June 2021 (2019: None).

(c) Franking credit balance

The amount of franking credits available for the subsequent financial period are:	30-Jun-21	31-Dec-19
Franking account balance at the end of the period at 30% (2019: 30%)	18	3,134

8. Earnings/(loss) per share

	30-Jun-21 18 months Cents	31-Dec-19 12 months Cents
From continuing operations		
Basic loss per share	(45.60)	(38.01)
Diluted loss per share	(45.60)	(38.01)
Attributable to members of the parent		
Basic loss per share	(46.46)	(108.62)
Diluted loss per share	(46.46)	(108.62)

The following reflects the income and share data used in the calculations of basic and diluted earnings per share:

	30-Jun-21 18 months $'000	31-Dec-19 12 months $'000
Loss for the period from continuing operations	(61,446)	(45,951)
(Loss) / profit for the period from discontinued operations	(1,127)	(85,272)
Less profit attributed to non-controlling interests	(31)	(80)
Loss for the period attributable to members of the parent	**(62,604)**	**(131,303)**

	Number of shares	
	30-Jun-21 Number	31-Dec-19 Number
Weighted average number of ordinary shares used in the calculation of basic earnings per share	134,746,724	120,887,297
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	134,746,724	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.

Performance rights and options granted to employees 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, performance rights are not dilutive. These 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.

9. Other income

	30-Jun-21 18 months $'000	31-Dec-19 12 months $'000
Dividend income	115	125
Interest income	254	202
Management fees - TPPW Reseller	3,119	587
Management fees - Enterprise	2,121	-
Government grants	1,393	-
Sundry income	289	401
Total other income	**7,291**	**1,315**

Under the terms of the Transitional Services Agreement for the sale of the TPP Wholesale Reseller business, the Group is entitled to receive ongoing management fees associated with the separation of the business until the Agreement ceases.

Under the terms of the Transitional Services Agreement for the sale of the Enterprise business, the Group is entitled to receive ongoing management fees associated with the separation of the business until the Agreement ceases.

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions.

10. Trade and other receivables

(a) Disaggregation of trade and other receivables

	30-Jun-21 $'000	31-Dec-19 $'000
Trade receivables	1,788	4,834
Allowance for expected credit losses (ECLs)	(1,113)	(1,840)
Trade receivables subject to customer dispute	-	10,006
Other receivables	1,043	910
Total trade and other receivables	**1,718**	**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 9).

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.

11. Other current assets

	30-Jun-21 $'000	31-Dec-19 $'000
Prepayments	680	2,853
Total other assets (current)	**680**	**2,853**

12. Plant and equipment

	Leasehold improvements $'000	Plant and equipment $'000	Furniture and fittings $'000	Capital work in progress $'000	Total $'000
At cost					
At 1 January 2019	8,072	21,137	2,370	160	31,739
Additions	194	697	24	-	915
Transfers	151	9	-	(160)	-
Disposals	(34)	(123)	-	-	(157)
Transfers to disposal group held for sale	-	(1,180)	-	-	(1,180)
At 31 December 2019	**8,383**	**20,540**	**2,394**	**-**	**31,317**
Additions	50	135	-	-	185
Transfers	4	(21)		90	73
Disposals	(2,314)	(1,652)	(675)	-	(4,642)
Transfer from held for sale	-	1,180	-	-	1,180
Transfers to disposal group held for sale	-	(314)	(1)	-	(315)
At 30 June 2021	**6,123**	**19,868**	**1,718**	**90**	**27,799**
Accumulated depreciation and impairment					
At 1 January 2019	2,202	16,721	564	-	19,487
Depreciation charge for the year	1,752	1,752	526	-	4,030
Transfers	(7)	(10)	17	-	-
Disposals	(34)	(123)	-	-	(157)
Transfers to disposal group held for sale	3	(244)	-	-	(241)
At 31 December 2019	**3,916**	**18,096**	**1,107**	**-**	**23,119**
Depreciation charge for the year	2,581	1,639	776	-	4,996
Transfers	-	-	-	-	-
Disposals	(1,514)	(370)	(482)	-	(2,366)
Transfer from held for sale	-	-	-	-	-
Transfers to disposal group held for sale	-	(228)	-	-	(228)
At 30 June 2021	**4,983**	**19,137**	**1,401**	**-**	**25,521**
Net book value					
At 31 December 2019	**4,467**	**2,444**	**1,287**	**-**	**8,198**
At 30 June 2021	**1,140**	**731**	**317**	**90**	**2,278**

Notes to the Financial Statements

Plant and equipment are stated at cost less accumulated depreciation and any impairment in value.

Depreciation is provided on a straight-line or diminishing value basis on all plant and equipment. Major depreciation periods are:

	2021
Leasehold improvements	The lease term
Plant and equipment	2 to 4 years
Furniture and fittings	2 to 5 years

An item of plant and equipment is derecognised upon disposal, or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from the derecognition of the asset (calculated as the difference between net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income upon derecognition. The residual values, useful lives, and methods of depreciation of plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

13. Leases

	Right-of-use assets			
	Premises $'000	Other equipment $'000	Total $'000	Lease liabilities $'000
As at 31 December 2019	**16,490**	**64**	**16,554**	**19,130**
Adjustments during the year	(821)	-	(821)	(109)
Disposals during the year	(6,937)	-	(6,937)	(4,142)
Depreciation expense	(5,219)	(64)	(5,283)	-
Interest expense	-	-	-	840
Payments	-	-	-	(9,245)
As at 30 June 2021	**3,513**	**-**	**3,513**	**6,474**

Set out below are the amounts recognised in profit and loss during the period:

	Right-of-use assets			
	Premises $'000	Other equipment $'000	Total $'000	Lease liabilities $'000
As at 31 December 2018	**-**	**-**	**-**	**-**
Additions on transition	16,058	283	16,341	19,564
Additions during the year	5,500	-	5,500	5,527
Depreciation expense	(5,068)	(219)	(5,287)	-
Interest expense	-	-	-	796
Payments	-	-	-	(6,757)
As at 31 December 2019	**16,490**	**64**	**16,554**	**19,130**

Set out below are the amounts recognised in profit and loss during the period:

	30-Jun-21 18 months $'000	31-Dec-19 12 months $'000
Depreciation expense of right-of-use assets[1]	5,283	5,287
Interest expense on lease liabilities	840	796
Rent expense - short-term leases	-	48
Rent expense - leases of low-value assets[2]	-	32
Rent expense - variable lease payments[3]	1,958	1,958

1. Included in this amount is depreciation of right-of-use assets associated with discontinued operations of $2,302,000 for the 18 months ended 30 June 2021.
2. Leases of low-value assets excludes short-term leases of low value.
3. Included in this amount is rent expense related to variable lease payments associated with discontinued operations of $956,000 for the 18 months ended 30 June 2021, which has already been included in the discontinued operations result.

14. Intangible assets

	30-Jun-21 $'000	31-Dec-19 $'000
Goodwill	37,924	70,923
Market-related intangibles	22	1,494
Accumulated amortisation	-	-
	22	1,494
Customer contracts	6,536	9,224
Accumulated amortisation	(6,535)	(8,702)
	1	522
Capitalised software	17,435	16,632
Accumulated amortisation	(13,786)	(11,767)
	3,649	4,865
Total intangible assets	**41,596**	**77,804**

The Group performed an impairment test as at 31 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) was 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 were 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 recognised an impairment charge of $33,000,000 for the period ended 31 December 2020 against the carrying value of goodwill in profit and loss for the interim 12 month period ended 31 December 2020.

15. Non-current financial assets

	30-Jun-21 $'000	31-Dec-19 $'000
Investment in Tiger Pistol - ordinary shares	725	1,375
	725	**1,375**

The Group holds 603,205 shares in Tiger Pistol. 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. A loss of $650,000 has been recorded during the period.

Reconciliation of fair value measurement of non-current financial assets

	30-Jun-21 18 months $'000	31-Dec-19 12 months $'000
Opening balance	**1,375**	**1,870**
Foreign exchange gain on revaluation of the Investment in Tiger Pistol	-	10
Loss on Revaluation	(650)	-
Return of capital	-	(505)
Closing balance	**725**	**1,375**

16. Trade and other payables

	30-Jun-21 $'000	31-Dec-19 $'000
Trade creditors	3,864	1,574
Sundry creditors	5,225	4,325
Deposits received in advance	305	477
Accrued expenses	2,025	2,316
Total trade and other payables	**11,419**	**8,692**

Terms and conditions relating to trade and sundry creditors:

- Trade creditors are non-interest bearing and are normally settled within agreed trading terms.
- Sundry creditors are non-interest bearing and are normally settled within agreed trading terms.

The carrying amount of trade and other payables is a reasonable approximation of fair value.

17. Provisions

	30-Jun-21 $'000	31-Dec-19 $'000
Current		
Employee benefits	1,270	1,585
	1,270	1,585
Non-current		
Employee benefits	234	528
Other	2,301	2,659
	2,535	3,187
Total provisions	**3,805**	**4,772**

	30-Jun-21 $'000	31-Dec-19 $'000
The aggregate employee benefit liability comprises:		
Provisions (current)	1,270	1,585
Provisions (non-current)	234	528
	1,504	2,113

Employee benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave, and long service leave.

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date, are measured at their nominal amounts based on remuneration rates, which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on corporate bonds is used, which has terms to maturity approximating the terms of the related liability.

Employee benefit expenses arise in respect of the following categories:

- Wages and salaries, non-monetary benefits, annual leave, long service leave and other entitlements;
- Other types of employee entitlements are recognised against profits on a net basis in their respective categories.

Other provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event. It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Other non-current provisions include leasehold make-good provisions. Properties occupied by the Group are subject to make-good costs when vacated at the termination of the lease. A make-good provision is recognised at the present value of the provision as at 30 June 2021, with the asset capitalised as part of the right-of-use lease asset. Movements in the liability, as the time to make-good payment advances one period, are recognised as a finance expense. Any difference between the provision and the amount paid in the final settlement is recognised as a make-good expense or gain in the statement of comprehensive income.

A reconciliation of other provisions is shown below:

	30-Jun-21 18 months $'000	31-Dec-19 12 months $'000
Opening balance at 1 January	**2,659**	**2,323**
Reversal of surplus lease provision on adoption of AASB 16	-	(124)
Additions to make-good provision	37	407
Additions to surplus lease provision	(395)	-
Unwinding of the discount	-	53
Closing balance at 30 June	**2,301**	**2,659**

Notes to the Financial Statements

18. Contributed equity

Ordinary shares

	30-Jun-21 $'000	31-Dec-19 $'000
Issued and paid-up capital		
Ordinary shares each fully paid	96,566	91,179

Movements in ordinary shares on issue

	30-Jun-21 18 months Number of shares	30-Jun-21 18 months $'000	31-Dec-19 12 months Number of shares	31-Dec-19 12 months $'000
Beginning of the financial period	122,131,124	91,179	118,876,222	85,724
Issued during the period:				
- Capital raising	33,025,542	5,614	271,100	472
- Employee Share Plan	209,013	-	-	-
- Performance rights vested	-	-	544,778	983
- Dividend reinvestment plan	-	-	2,439,024	4,000
- Transaction costs for capital raising and share repurchase, net of tax	-	(227)	-	-
End of the financial period	**155,365,679**	**96,566**	**122,131,124**	**91,179**

19. Reserves

	30-Jun-21 $'000	31-Dec-19 $'000
Share-based payments reserve	597	193
Foreign currency translation reserve	(336)	(533)
Fair value reserve - financial assets at FVOCI	114	79
Hedging reserve	-	(357)
	375	**(618)**

Share-based payments reserve

The share-based payments reserve is used to recognise the value of equity-settled share-based payment transactions provided to employees, including KMP, as part of their remuneration.

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

Other reserves

Other reserves represent the hedging reserve and fair value reserve (for equity investments at fair value through equity). The hedging reserve contains the effective portion of the hedge relationships incurred as at the reporting date. The fair value reserve of financial assets at FVOCI is used to record changes to the fair value of non-current financial asset as disclosed in note 18 to the financial statements.

20. Interest bearing loans and borrowings

Interest bearing loans and borrowings

	18 month period ended	
	30-Jun-21 $'000	31-Dec-19 $'000
Current		
Interest-bearing loan - external parties	-	61,929
Interest-bearing loan - related parties	26,627	-
	26,627	61,929
Non-current		
Interest-bearing loan - external parties	15,000	-
	15,000	-

Fees paid on the establishment of loan facilities are included as part of the carrying amount of the loans and borrowings. Borrowings are classified as current liabilities, unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Borrowing costs are recognised as an expense when incurred in the Statement of Comprehensive Income. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Interest rate is based on the relevant period BBSY rate.

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 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 unsuccessful Scheme of Arrangement with Web.com. This loan was repaid in November 2020.

In December 2020, following the return of $5.3 million from ANZ, the issuer of the Group's property lease bank guarantees issued on behalf of Webcentral, $5.3 million was repaid to 5GN.

On 30 June 2021, the Group executed debt facility agreements with Commonwealth Bank of Australia ("**CBA"**) in relation to a $16.6 million debt facility, comprising a $15 million Market Rate Loan Facility, a $1.5 million Bank Guarantee Facility and a $0.1 million Credit Card Facility.

On 30 June 2021 the Company made a $15 million drawdown under the Market Rate Loan Facility and repaid $15 million to 5GN.

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

Security arrangements

CBA holds a first ranking General Security Agreement (**GSA**) over all of the assets of the Group and 5G Networks Finance Pty Ltd, a wholly owned subsidiary of 5GN holds a second ranking General Security Agreement (**GSA**) over all of the assets of the Group. Under an Intercreditor deed between CBA and 5G Networks Finance Pty Ltd, a wholly owned subsidiary of 5GN, the loan from 5G Networks Finance Pty Ltd is subordinated to the loan from CBA.

Financing facilities available

At reporting date, the following financing facilities had been negotiated and were available:

	Total facilities		Facilities used at reporting date	
	2021 $'000	2019 $'000	2021 $'000	2019 $'000
Market rate loan facility - CBA	15,000	-	15,000	-
Bank guarantee facility - CBA	1,500	-	-	-
Credit card facility - CBA	100	-	-	-
Secured loan facility - 5GN	48,348	-	26,627	-
Business lending - cash advance facility (committed)	-	61,200	-	61,075
Business lending - cash advance facility (uncommitted)	-	7,500	-	-
Business lending - bank guarantees	-	4,485	-	4,369
Standby letters of credit	-	1,130	-	1,130
Commercial cards	-	2,000	-	64
Performance guarantees	-	385	-	-
	64,948	76,700	41,627	66,636

21. Other financial liabilities

	30-Jun-21 $'000	31-Dec-19 $'000
Current		
Contingent consideration liability	-	5,549
	-	**5,549**

Reconciliation of fair value measurement of other financial liabilities

	30-Jun-21 18 months $'000	31-Dec-19 12 months $'000
Opening balance	**5,549**	**12,971**
Payment of consideration liability for InfoReady - cash	-	(4,000)
Payment of consideration liability for InfoReady - equity issue	-	(4,000)
(Gain) / Loss on reassessment of consideration liability recognised in profit and loss	-	(98)
Interest on consideration liability for Infoready	430	676
Settlement of consideration liability for InfoReady	(5,979)	-
Closing balance	**-**	**5,549**

22. Derivative financial liabilities and assets

(a) Disaggregation of derivative financial liabilities

	30-Jun-21 $'000	31-Dec-19 $'000
Interest rate swap	-	(510)
	-	**(510)**

Interest rate swap

At 30 June 2021, the Group held no interest rate swap contracts designated as cash flow hedges designed to hedge the variable interest rate exposure relating to the interest-bearing bank loan (2019: one).

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 included in other comprehensive income on the closure of the swap (2019: $297,000 loss).

23. Controlled entities

Investments in controlled entities are initially recognised at cost, being the fair value of the consideration given. Following initial recognition, investments are measured at cost less any accumulated impairment losses.

The consolidated financial statements include the financial statements of Webcentral Group Limited and the subsidiaries in the following table:

Name		Country of incorporation	Equity interest % 2021	Equity interest % 2019
ACN 063 963 039 Pty Ltd	(a)	Australia	100	100
Webcentral Pty Ltd	(a)	Australia	100	100
Netregistry Group Pty Ltd	(a),(c)	Australia	100	100
Netregistry Pty Ltd	(a)	Australia	100	100
TPP Wholesale Pty Ltd	(a)	Australia	100	100
Planet Domain Pty Ltd	(a)	Australia	100	100
TPP Domains Pty Ltd	(a)	Australia	100	100
NetAlliance Pty Ltd	(a)	Australia	-	50
Ziphosting Pty Ltd	(a)	Australia	-	100
Uber Global Pty Ltd	(a)	Australia	100	100
Uber Australia E1 Pty Ltd	(a)	Australia	100	100
Uber Business Pty Ltd	(a)	Australia	100	100
Uber Enterprise Pty Ltd	(a)	Australia	100	100
ubergeek.com.au Pty Ltd	(a)	Australia	100	100
Uber Reseller Network Pty Ltd	(a)	Australia	100	100
Uber Wholesale Pty Ltd	(a)	Australia	100	100
Outware Systems Pty Ltd	(a)	Australia	100	100
InfoReady Pty Ltd	(a)	Australia	100	100
Web Marketing Experts Pty Ltd	(a)	Australia	100	100
Nothing But Web Pty Ltd	(a)	Australia	100	100
Arq Group Enterprise Pty Ltd	(a)	Australia	-	100
Arq Group Operations Pty Ltd	(a)	Australia	100	100
Arq Group Services Pty Ltd	(a)	Australia	100	100
Results First Limited	(b)	New Zealand	100	100
Domainz Ltd	(b)	New Zealand	100	100
Internet Names Worldwide (US), Inc	(b)	USA	100	100
Melbourne IT GP Holdings Pty Ltd	(a)	Australia	100	100
Names By Request Pty Ltd	(a)	Australia	100	100
Advantate Pty Ltd	(a)	Australia	100	100

(a) Investments in controlled entities are initial capital investments and are eliminated in the consolidated financial statements.
(b) Investments in foreign entities are revalued to the year-end foreign exchange spot rates.
(c) Netregistry Pty Ltd held a 50% interest in Netalliance Pty Ltd until disposal.

24. Disposal groups held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value, less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale. Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

(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 which has now been substantially completed.

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 18 month period ended 30 June 2021, 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:

	$'000
Assets	
Trade and other receivables	10,052
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	**40,197**
Liabilities	
Trade and other payables	(3,519)
Income received in advance	(1,033)
Provisions	(2,977)
Total liabilities directly associated with assets disposed	(7,529)
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:

	30-Jun-21 18 months $'000	31-Dec-19 12 months $'000
Revenue from contracts with customers	12,781	86,167
Cost of sales	(7,406)	(51,822)
Gross profit	**5,375**	**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	**987**	**(79,996)**
Depreciation and amortisation expense	(306)	(4,742)
Interest expense	(50)	(304)
Profit / (loss) before tax from discontinued operations	**631**	**(85,042)**
Tax expense	(193)	(230)
Profit / (loss) after tax of discontinued operations	**438**	**(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	**(1,127)**	**(85,272)**

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

	$'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)	(22,108)
Less: payment of transaction costs (incl. GST)(investing activities)	(3,950)
Net cash inflow	**3,469**

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

	30-Jun-21 18 months $'000	31-Dec-19 12 months $'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:

	$'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.

25. Related party disclosures

Controlled entities

Details relating to controlled entities are included in note 23.

Ultimate parent

The ultimate parent entity is 5G Networks Limited, an Australian entity listed on the Australian Securities Exchange (ASX: 5GN). 5G Networks Limited has an ownership interest of 44.75% at 30 June 2021 (2019: nil).

The ultimate Australian parent entity in the wholly owned Group is Webcentral Group Limited. During the year various intercompany transactions were undertaken between companies in the wholly owned Group. These transactions were undertaken on a net-margin basis. The effects of these transactions are fully eliminated on consolidation. All intercompany balances, payable and receivable, are on an arm's length basis with standard terms and conditions.

Other related party transactions

During the year the group has conducted the following related party transactions:

- Mr Tristan Sternson, the Group's Interim CEO (until 11 February 2020), was one of the previous owners of Infoready Pty Ltd (Infoready) before its acquisition by the Group. As part of the Share Purchase Agreement (SPA) with the previous owners of Infoready, three earn-out payments have been agreed. For further details, please refer to section 3(d) in the Remuneration Report and note C5 in the financial statements. The Enterprise business was sold on 2 March 2020 to a consortium of buyers, of which Mr Tristan Sternson has a direct interest in.
- A total of $1,686,745 (2019: nil) was paid to 5G Networks Limited for management fees, managed IT services and network services during the period. All transactions are carried at commercial third-party rates.
- A total of $51,351 (2019: nil) 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.

Key management personnel compensation

	30-Jun-21 18 months $'000	31-Dec-19 12 months $'000
Compensation of key management personnel		
Short-term benefits	1,692	2,353
Post-employment benefits	101	177
Termination payments	154	1,099
Long-term benefits	-	86
Share-based payments	386	(495)
	2,333	**3,220**

There were no other transactions with related parties during the periods ended 30 June 2021 or 31 December 2019, other than detailed within the annual report.

26. Contingent assets and liabilities

The Group is not aware of the existence of any contingent assets at balance date.

The Group is subject to claims from time to time in the ordinary course of business. There are currently no claims of individual significance against the Group.

27. Events subsequent to reporting date

On 15 July 2021 the Company issued 4,950,000 options to Executives under the Company's Executive and Share Option Plan and 1,000,000 Options to a services provider as consideration for consulting services.

On 16 July 2021, the Group entered into a Merger Implementation Agreement with 5G Networks 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 30 July 2021, the Group announced that it held 8.86% of the ordinary shares in Cirrus Networks Holdings Limited (ASX: CNW) and launched an on-market takeover bid ("**Takeover Bid**") for Cirrus Networks Holdings Limited (ASX: CNW) at an offer price of 3.2 cents per share. On the same day, the Group received credit approval for a $10.5 million debt facility with Commonwealth Bank of Australia for the purpose of funding the Takeover Bid, and a Debt Facility Amendment Deed was subsequently executed with CBA.

Other than the above, there has not been any other matter or circumstance in the interval between the end of the year 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.

Webcentral

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