

Update to Appendix 4E lodged on 22 August 2022

ASX Announcement, 26 August 2022



Webcentral provides an update to the Appendix 4E lodged on 22 August 2022.

Due to an error in compiling the report for lodgement, several line items were omitted from the Consolidated Statement of Cash Flows on page 11 of the Appendix 4E.

An amended Appendix 4E with the correct information is attached to this announcement.

Investor Enquiries

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About Webcentral

Webcentral is an Australian owned digital services company who empower more than 330,000 customers to grow and thrive in the online world. Our portfolio of digital services is extensive, with market leading offers across domain management, website development and hosting, office and productivity applications and online marketing.

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

Our customer focussed heritage has been built on expertise, innovation and personalised service; critical attributes delivered through our culture and embraced by our people. This is demonstrated through more than 25 years of online industry leadership across Australia's digital foundation brands such as Melbourne IT, Netregistry and WME.

The Webcentral mission is dedicated to leading online success for our customers. We achieve this by building trusted and valued client relationships which convert successful business outcomes at each milestone across the customers' digital journey.



Webcentral Limited and its controlled entities

ABN: 21 073 716 793

APPENDIX 4E – PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2022

1. Company Information

Name of Entity	Webcentral Limited
ABN	21 073 716 793
Reporting Period	Year ended 30 June 2022 (Comparative period – year ended 30 June 2021)

2. Results for announcement to the market

	Year ended 30 June 2022		
	2022 \$A'000s	Movement \$A'000s / (%)	2021 ⁽²⁾ \$A'000s
Revenue from ordinary activities and continuing operations	96,732	▲ 5,040 / 5.5%	91,692
Underlying earnings before interest, tax, depreciation and amortisation from continuing operations ⁽¹⁾	17,561	▲ 2,095 / 13.5%	15,466
Loss after tax from continuing operations	(24,738)	▼ (18,874)/(322%)	(5,864)
Loss after tax attributable to members of the parent	(24,883)	▼ (20,173)/ (428%)	(4,710)

(1) 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

(2) The consolidated financial report of the Group for the period ended 30 June 2022 has been presented as a continuation of the pre-existing accounting values of assets and liabilities in the 5G Networks Limited consolidated financial statements and includes the financial results for the consolidated group under 5G Networks Limited for the period from 1 July 2021 to 23 November 2021 and the consolidated group under Webcentral Limited for the period from 24 November 2021 to 30 June 2022. The comparative information presented in the financial report represents the financial position of 5G Networks Limited as at 30 June 2021; and the financial performance of 5G Networks Limited for the year ended 30 June 2021.

Commentary

The revenue and other income for the period was \$96.73 million, representing growth of 5.5% compared to the prior comparative period of \$91.69 million. The loss of the Group for the period after providing for income tax amounted to \$24.38 million (2021: \$5.86 million loss). The underlying EBITDA of the Group for the period of \$17.6 million was 13.5% higher than the prior comparative period of \$15.47 million, after adjusting for a non-cash goodwill impairment expense of \$11.49 million, non-operating items including share-based payments expense of \$8.83 million, restructuring costs of \$3.71 million in relation to the merger between the Group and 5G Networks Limited (5GN) and other non-recurring items, and acquisition costs of \$0.90 million.

The goodwill impairment charge has arisen due to the assessment of the carrying value of goodwill and intangible assets at year-end. The non-cash impairment expense recognises the uncertainty caused by the COVID-19 pandemic and the potential impacts to the Group's revenue and operating results. The non-cash impairment charge has no impact on the Group's debt facilities, covenants or liquidity.

The share-based payments expense was significantly higher than the prior comparative period as they represent costs for two listed companies for a portion of the year and due to the accelerated vesting of performance rights and options and the cancellation of options pursuant to the merger between the Group and 5GN during the period. The ongoing annual share-based payments expense is expected to be significantly lower at approximately \$1.5 million.

The key strategic and growth highlights for the year ended 30 June 2022 were as follows:

- Organic growth initiatives including the launch of the new .au domain name generating more than \$1.2 million in sales, the successful launch of hosting products in April 2022 and the continued development of other new product releases
- A multi-channel marketing initiative was implemented across online and digital, radio advertising and the strategic St Kilda Football Club sponsorship, delivering a significant increase in brand awareness and online traffic
- Ongoing automation of customer portals, the launch of the Dark Fibre product connecting over 50 Data centres in Sydney, Melbourne, Brisbane and Adelaide coupled with simplification of the customer journey
- Improved customer retention from focus on customer service improvement including the introduction of website chatbots and simplifying the customer journey, together with improved systems and billing processes
- Customer value increase with ARPU growth achieved compared to the prior comparative period
- Strong wholesale and enterprise customer growth with more than \$4.0 million sales in FY22
- Significant improvement to customer satisfaction and net promoter scores
- Continued fibre network rollout with more than 100 kilometres rolled out and more than 50 data centres connected
- Completion of integration and merger with 5G Networks Limited in November 2021
- Strategic acquisition of 18.5% of Cirrus Networks Holdings

The key financial highlights for the year ended 30 June 2022 included:

- Underlying EBITDA of \$17.6 million was 13.5% higher than the prior comparative period, after adjusting for non-operating items including a non-cash goodwill impairment expense of \$11.49 million, share-based payments expense of \$8.83 million, restructuring costs of \$3.71 million in relation to the merger between the Group and 5GN, and acquisition costs of \$0.90 million
- Cost reductions due to initiatives to reduce third party data centre, cloud and network costs, labour cost efficiencies from customer service improvements and other automation synergies, and overhead cost savings following the merger with 5GN
- Significant reduction in property lease costs from the exit of surplus office space
- Revenue of \$96.73 million, representing growth of 5.5% compared to the prior comparative period
- Growth in average revenue per customer
- Strong capital position with \$5.4 million cash and \$10.8 million of available debt at 30 June 2022

Other information

Merger with 5G Networks Limited

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

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

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

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

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

Accordingly the consolidated financial report of Webcentral Limited (the accounting acquiree, being the Company) for the year ended 30 June 2022 has been presented as a continuation of the pre-existing accounting values of assets and liabilities in the 5G Networks Limited (the accounting acquirer) consolidated financial statements and includes the financial results for the consolidated group under 5G Networks Limited for the period from 1 July 2021 to 23 November 2021 and the consolidated group under Webcentral Limited for the period from 24 November 2021 to 30 June 2022. The comparative information presented in the financial report represents the financial position of 5G Networks Limited as at 30 June 2021; and the financial performance of 5G Networks Limited for the year ended 30 June 2021.

3. Dividends

There were no dividends paid during the year (2021: \$0.01 (1 cent) per ordinary share paid in respect of the year ended 30 June 2020).

The Directors have recommended an unfranked final dividend of 0.5 cents per ordinary share be declared in respect of the financial year ended 30 June 2022.

4. Net tangible asset backing

	Current period	Previous period
Net tangible asset backing per ordinary security	(20.10) cents	(47.88) cents

Net tangible assets are calculated firstly from the Group's net assets at 30 June 2022 of \$28.93 million adjusted for \$15.18 million of right-of-use lease assets and \$72.27 million of intangible assets associated with the Group's previous acquisitions and capitalised software.

Appendix 4E and Preliminary Final Report – 30 June 2022

5. Earnings per Share

	30-Jun-22 cents	30-Jun-21 cents
From continuing operations		
Basic loss per share	(8.50)	(5.45)
Diluted loss per share	(8.50)	(5.45)
Attributable to members of the parent		
Basic loss per share	(8.56)	(4.12)
Diluted loss per share	(8.56)	(4.12)

	\$'000	\$'000
Reconciliation of earnings used in calculating earnings per share		
(Loss) / profit for the period from continuing operations	(24,738)	(5,864)
Other comprehensive income / (loss)	(979)	272
Less loss / (profit) attributed to non-controlling interests	(145)	1,154
Loss for the period attributable to members of the parent	(25,862)	(4,438)

	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	291,056,455	107,668,000 ¹
Number for diluted earnings per share - ordinary shares	291,056,455	107,668,000 ¹

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

Basic 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.

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.

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

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

7. Audit of accounts

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



Mr. Joe Demase
Managing Director
Melbourne
22 August 2022

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2022

	Notes	12 months ended	
		30-Jun-22 \$'000	30-Jun-21 \$'000
CONTINUING OPERATIONS			
Revenue	5	93,428	87,089
Other income	6	3,304	4,603
Revenue and other income		96,732	91,692
Network and data centre costs		(24,285)	(25,317)
Domain registration costs		(6,225)	(5,432)
Cloud and hosting costs		(1,461)	(1,456)
Software and licencing costs		(4,999)	(3,030)
Direct labour costs		(7)	(515)
External labour costs		(814)	(1,715)
Other direct costs		(366)	-
Rent and office expenses		(410)	(989)
Marketing and travel expenses		(1,788)	(1,122)
Employee benefits expenses		(35,960)	(32,203)
Other expenses		(2,856)	(3,597)
Impairment of financial assets		(578)	(850)
Impairment of intangible assets	14	(11,494)	-
Share-based payment expenses		(8,833)	(2,874)
Acquisition costs		(904)	(2,207)
Restructuring costs		(3,706)	(1,715)
Depreciation expenses		(10,195)	(9,769)
Amortisation expenses		(3,435)	(2,419)
Finance costs		(2,798)	(2,027)
Total expenses		(121,114)	(97,237)
Loss before income tax		(24,382)	(5,545)
Income tax (expense) / benefit	8	(356)	(319)
Loss after tax		(24,738)	(5,864)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX			
Items that will be reclassified to profit or loss in subsequent years:			
Currency translation differences		(36)	272
Items that will not be reclassified to profit or loss in subsequent years:			
Equity instruments designated at fair value through other comprehensive income		(943)	-
Other comprehensive income for the year, net of income tax		(979)	272
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(25,717)	(5,592)

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

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2022 (Continued)

	Notes	12 months ended	
		30-Jun-22 \$'000	30-Jun-21 \$'000
Loss for the period attributable to:			
Members of the parent		(24,883)	(4,710)
Non-controlling interests		145	(1,154)
		(24,738)	(5,864)
Total comprehensive income attributable to:			
Members of the parent		(25,862)	(4,438)
Non-controlling interests		145	(1,154)
		(25,717)	(5,592)
		30-Jun-22 cents per share	30-Jun-21 cents per share
Loss per share from continuing operations			
Basic loss per share	7	(8.50)	(5.45)
Diluted loss per share	7	(8.50)	(5.45)
Loss per share attributable to members of the parent			
Basic loss per share	7	(8.56)	(4.12)
Diluted loss per share	7	(8.56)	(4.12)

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

Consolidated Statement of Financial Position

As at 30 June 2022

	Notes	30-Jun-22 \$'000	30-Jun-21 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents	9	5,367	19,170
Trade and other receivables	10	3,684	5,963
Prepayments of domain name registry charges		5,585	5,398
Lease receivables	13	-	1,892
Contract assets	11	668	620
Other assets	16	3,775	1,056
Total Current Assets		19,079	34,099
Non-Current Assets			
Plant and equipment	12	15,670	15,873
Right-of-use assets	13	15,177	15,478
Intangible assets	15	22,059	24,228
Prepayments of domain name registry charges		2,387	2,429
Lease receivable	13	-	1,101
Deferred tax assets	8	8,329	9,978
Goodwill	14	50,212	61,706
Other financial assets		5,198	725
Other assets	16	835	1,494
Total Non-Current Assets		119,867	133,012
TOTAL ASSETS		138,946	167,111
LIABILITIES			
Current Liabilities			
Trade and other payables	17	15,643	19,293
Borrowings		571	428
Lease liability	13	3,456	5,885
Employee benefits	19	3,907	4,712
Provision for income tax		35	146
Contract liabilities	11	23,409	23,748
Other financial liabilities		500	1,100
Other liabilities	18	2,990	3,766
Total Current Liabilities		50,511	59,078

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

Consolidated Statement of Financial Position

As at 30 June 2022 (Continued)

	Notes	30-Jun-22 \$'000	30-Jun-21 \$'000
Non-Current Liabilities			
Borrowings		25,359	20,579
Lease liability	13	14,784	16,394
Employee benefits	19	451	547
Contract liabilities	11	8,072	8,551
Deferred tax liabilities	8	10,836	12,106
Total Non-Current Liabilities		59,502	58,177
TOTAL LIABILITIES		110,013	117,255
NET ASSETS		28,933	49,856
EQUITY			
Share capital	21	201,301	80,061
Reserves	22	(134,661)	12,300
Accumulated losses		(37,707)	(12,824)
Equity attributable to members of the parent		28,933	79,537
Non-controlling interests		-	(29,681)
TOTAL EQUITY		28,933	49,856

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

Consolidated Statement of Changes in Equity

For the year ended 30 June 2022

	Notes	Share Capital	Treasury Shares	Reserves	Accumulated Losses	Total equity attributable to owners of the Company	Non-controlling interest	Total Equity
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
BALANCE AT 1 JULY 2021		80,061	-	12,300	(12,824)	79,537	(29,681)	49,856
Loss for the period		-	-	-	(24,883)	(24,883)	145	(24,738)
Other comprehensive income		-	-	(979)	-	(979)	-	(979)
Total comprehensive income for the period		80,061	-	11,321	(37,707)	53,675	(29,536)	24,139
Transactions with owners in their capacity as owners:								
Acquisitions of subsidiaries through internal reorganisation	21	132,340	(11,196)	(150,680)	-	(29,536)	29,536	-
Cancellation of treasury shares held by 5G Networks Limited	21	(11,196)	11,196	-	-	-	-	-
Shares issued on exercise of Options		1,115	-	-	-	1,115	-	1,115
Cancellation of shares under unmarketable parcel facility		(1,005)	-	-	-	(1,005)	-	(1,005)
Share issue costs		(14)	-	(124)	-	(136)	-	(136)
Share based compensation		-	-	4,822	-	4,822	-	4,822
Balance at 30 June 2022		201,301	-	(134,661)	(37,707)	28,933	-	28,933
BALANCE AT 1 JULY 2020		38,644	-	5,125	(8,114)	35,655	-	35,655
Loss for the period		-	-	-	(4,710)	(4,710)	(1,154)	(5,864)
Other comprehensive income		-	-	272	-	272	-	272
Total comprehensive income for the period		38,644	-	5,397	(24,929)	66,453	(29,536)	36,917
Transactions with owners in their capacity as owners:								
Non-controlling interests arising on acquisition of a subsidiary		-	-	-	-	-	(28,807)	(28,807)
Shares issued on exercise of Options		1,752	-	-	-	1,752	-	1,752
Shares issued pursuant to Dividend Reinvestment Plan		90	-	-	-	90	-	90
Share issued to vendors to acquire business		9,226	-	-	-	9,226	-	9,226
Share issued as consideration for financial advisory services rendered		200	-	-	-	200	-	200
Capital raising		31,377	-	-	-	31,377	-	31,377
Share issue costs		(1,228)	-	-	-	(1,228)	-	(1,228)
Dividend recognised and paid		-	-	(1,067)	-	(1,067)	-	(1,067)
Share based compensation		-	-	2,874	-	2,874	-	2,874
Deemed disposal of partial interests in a subsidiary arising from issuance of shares		-	-	5,096	-	5,096	280	5,376
Balance at 30 June 2021		80,061	-	12,300	(12,824)	79,537	(29,681)	49,856

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

Consolidated Statement of Cash Flows

For the year ended 30 June 2022

		12 months ended	
	Notes	30-Jun-22 \$'000	30-June-21 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		106,865	95,247
Receipt from government grants		-	432
Payments to suppliers and employees		(98,087)	(83,513)
Interest received		111	231
Interest paid		(2,856)	(2,027)
Income tax paid		(57)	(305)
Payments for restructuring and acquisition costs		(2,554)	(1,572)
NET CASH FLOWS FROM OPERATING ACTIVITIES		3,422	8,493
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of plant and equipment and intangible assets		(5,856)	(7,619)
Purchase of intangible assets		(1,336)	-
Sublease payments received		1,835	1,136
Consideration paid in relation to deferred capital payments of North Sydney Data Centre		(499)	(1,083)
Net Cash on Purchase of ColoAU		(8)	(2,400)
Net Cash on Purchase of Intergrid	20	(602)	(1,748)
Net Cash on Purchase of Webcentral Limited		-	1,102
Investments in listed companies		(5,417)	-
Return of capital and dividends received from investments		136	115
Return of pledged bank deposits		-	1,397
Loans from / (to) employees		-	(920)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(11,747)	(10,020)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		-	36,819
Proceeds from issues of shares on exercise of options		1,025	1,752
Proceeds from borrowings		5,412	22,159
Payment of performance rights		(4,013)	-
Payment of security deposit		(376)	-
Repayment of borrowings		(1,095)	(52,487)
Payment of capital raising costs		(182)	(1,811)
Payment of borrowing costs		(305)	-
Payment of dividend on ordinary shares		-	(977)
Payment of lease liabilities		(5,925)	(6,854)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		(5,459)	(1,399)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		(13,784)	(2,926)
Net foreign exchange differences		(19)	(22)
Cash and cash equivalents at beginning of period		19,170	22,118
CASH AND CASH EQUIVALENTS AT END OF PERIOD	9	5,367	19,170

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

1. Corporate Information

The consolidated financial statements cover Webcentral Limited (‘the Company’ or ‘Webcentral’) and its subsidiaries (collectively, ‘the Group’) for the year ended 30 June 2022.

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

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

Operations and Principal Activities

The Group’s principal activities during the year were:

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

Registered Office and Principal Place of Business

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

2. 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 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.

Merger of Webcentral and 5G Networks Limited

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

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

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

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

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

Accordingly the consolidated financial report of Webcentral Limited (the accounting acquiree, being the Company) for the period ended 30 June 2022 has been presented as a continuation of the pre-existing accounting values of assets and liabilities in the 5G Networks Limited (the

accounting acquirer) consolidated financial statements and includes the financial results for the consolidated group under 5G Networks Limited for the period from 1 July 2021 to 23 November 2021 and the consolidated group under Webcentral Limited for the period from 24 November 2021 to 30 June 2022. The comparative information presented in the financial report represents the financial position of 5G Networks Limited as at 30 June 2021; and the financial performance of 5G Networks Limited for the year ended 30 June 2021.

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

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

Going concern

The financial report for the financial year ended 30 June 2022 has been prepared on the going concern basis that contemplates the continuity of normal business activities and the realisation of assets and extinguishment of liabilities in the ordinary course of business.

For the year ended 30 June 2022 the Group recorded a loss after tax of \$24,738,000 (2021: Loss \$5,864,000), operating cash inflows of \$3,422,000 (2021: \$8,493,000), financing cash outflows of \$5,459,000 (2021: \$1,399,000), and a deficit of current assets to current liabilities of \$31,432,000 (2021: \$24,979,000). At year end the Group had \$5.4 million of cash on hand and available debt facilities of \$10.8 million.

The significant items which contributed to the Group’s loss after tax for the year were the non-cash goodwill impairment expense of \$11.49 million, acquisition, restructuring and transaction costs of \$4.6 million in relation to the Merger and associated restructuring activities, acquisition-related activities, and non-cash share-based payments expense of \$8.83 million. The acquisition, restructuring and transaction costs are considered to be one-off and non-recurring in nature. The share-based payment expense was significantly higher than prior years as they represent two listed companies and due to the acceleration of options vesting period due to the Merger. The ongoing annual share-based payments expense is expected to be significantly lower at approximately \$1.5 million.

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

The Group’s cash forecast for the period to August 2023 (i.e. 12 months after the issue of the Group’s financial report) indicates that is generating a positive operating cashflow

and that it does not require additional funding from external debt or equity providers.

The specific growth initiatives and sales pipeline that support the operational growth forecast include:

- release of .au domain name in March 2022
- CPanel hosting product launch in April 2022
- NBN product launch in August 2022
- wholesale customer sales closed in FY22 of \$2.3 million and wholesale sales pipeline of \$3.6 million
- direct customer sales closed in FY22 of \$1.8 million and direct sales pipeline of \$5.7 million
- hardware sales closed of \$1.6 million in FY22 for delivery in FY23

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 consolidated financial report.

New or Amended Accounting Standards not yet adopted in the period

At the date of authorisation of these financial statements, several new, but not yet effective, Standards and amendments to existing Standards, and Interpretations have been published by AASB.

None of these Standards or amendments to existing Standards have been adopted early by the Group. Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and Interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Group’s financial statements.

Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

In accordance with the accounting treatment of the merger between the Company and 5G Networks Ltd, the comparative information presented in the financial report represents the financial position of 5G Networks Limited as at 30 June 2021; and the financial performance of 5G Networks Limited for the year ended 30 June 2021.

3. Critical Accounting Judgements, Estimates and Assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances and with the exceptions of income tax and revenue recognition, were the same as those applied in the Group's last annual financial statements for the year ended 30 June 2021. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Prepayments of domain name registry charges

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

Provision for impairment of receivables

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

Estimation of Useful Lives of Assets

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

Goodwill and Other Indefinite Life Intangible Assets

The Group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in Note 2.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

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

Leases

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its premises leases to lease the assets for additional terms of five years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. The Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy). The Group excluded the renewal period as part of the lease term for leases of rental premises as the Group is not reasonably certain to exercise the renewals.

Income Tax

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

Recovery of Deferred Tax Assets

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

Long Service Leave Provision

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

Business Combinations

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

Merger with 5G Networks Limited

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

Notes to the Financial Statements

4. Operating Segments and Product Lines

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

	2022					Consolidated
	Data Centres, Networks & Cloud	Managed Services	Domain Names and Marketing	Total	Eliminations	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Segment Revenue	24,638	19,465	50,106	94,209	(781)	93,428
Cost of goods sold	(15,888)	(8,405)	(13,872)	(38,165)	8	(38,157)
Segment gross margin	8,750	11,060	36,234	56,044	(773)	55,271
Segment assets	23,172	2,123	6,205	31,500	-	31,500

	2021					Consolidated
	Data Centres, Networks & Cloud	Managed Services	Domain Names and Marketing	Total	Eliminations	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Segment Revenue	27,723	25,326	35,305	88,354	(1,265)	87,089
Cost of goods sold	(14,478)	(10,846)	(12,148)	(37,472)	7	(37,465)
Segment gross margin	13,245	14,480	23,157	50,882	(1,258)	49,624
Segment assets	22,874	2,725	5,752	31,351		31,351

5. Revenue from contracts with customers

The revenue breakdown by product and service line for the year ended 30 June 2022 is shown below:

	2022 \$'000	2021 \$'000
CONTINUING OPERATIONS		
Types of goods of service		
Cloud	29,407	27,763
Domains	22,595	15,012
Network & Voice	10,168	9,217
Data Centres	7,989	8,489
Managed Services	11,994	13,378
Digital Marketing	4,512	2,405
Hardware & Software	6,763	10,825
Total revenue from contracts with customers	93,428	87,089
Timing of revenue recognition		
Goods and services transferred at a point in time	6,763	10,825
Services transferred over time	86,665	76,264
Total revenue from contracts with customers	93,428	87,089

Notes to the Financial Statements

The Group's revenue disaggregated by pattern of revenue recognition is as follows:

	For the year ended 30 June 2022							Total
	Cloud	Domains	Network & Voice	Data Centres	Managed Services	Digital Marketing	Hardware & Software	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Goods transferred at a point in time	-	-	-	-	-	-	6,763	6,763
Services transferred over time	29,407	22,595	10,168	7,989	11,994	4,512	-	86,665

	For the year ended 30 June 2021							Total
	Cloud	Domains	Network & Voice	Data Centres	Managed Services	Digital Marketing	Hardware & Software	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Goods transferred at a point in time	-	-	-	-	-	-	10,825	10,825
Services transferred over time	27,763	15,012	9,217	8,489	13,378	2,405	-	76,264

6. Other Income

Other income includes miscellaneous items including expense recoveries. Other revenue is recognised when it is received or when the right to receive payment is established.

	Consolidated	
	2022 \$'000	2021 \$'000
Government grant income	-	478
Dividend income	168	116
Interest income	21	99
Gain on remeasuring equity interest to fair value upon control obtained	-	1,350
Sublease income	197	132
Management fees from transitional service agreements in relation to the sale of Enterprise and TPP Wholesale businesses ¹	2,460	2,428
Sundry income	458	-
Total Other Income	3,304	4,603

1. Under the terms of the Transitional Services Agreements for the sale of the TPP Wholesale Reseller business and the Enterprise business, the Group is entitled to receive ongoing management fees associated with the separation of the businesses until the Agreements cease.

7. Earnings per share

Basic Earnings Per Share (EPS) amounts are calculated by dividing net loss for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period. Diluted EPS amounts are calculated by dividing net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. There were no dilutive potential ordinary shares in existence during the year (2021: Nil) as the share options and performance rights of the Company were antidilutive. The following represents the share data used in the EPS computations:

	Consolidated	
	2022 \$'000	2021 \$'000
Weighted average number of shares used in calculating earnings per share and diluted earnings per share	291,056,455	107,668,000

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

8. Income tax

	2022 \$'000	2021 \$'000
Deferred tax assets are comprised of the following temporary differences:		
Blackhole expenditure	870	741
Accruals	7,439	9,237
Other	20	-
	8,329	9,978

	2022 \$'000	2021 \$'000
Deferred tax liabilities are comprised of the following temporary differences:		
Tangible and intangible assets	(5,229)	(5,812)
ACA impact on depreciating asset – written down value	(122)	4
R&D capitalised labour	(3)	-
Brand and Customer contractr	(5,482)	(6,298)
Other	-	-
	(10,836)	(12,106)
NET DEFERRED TAX ASSET / DEFERRED TAX LIABILITY	(2,507)	(2,128)

As at 30 June 2022, the Group has unrecognised income tax losses of \$34,807,742 tax-effected at 30% (2021: \$9,856,208), and capital losses of \$87,869,863 arising from the sale of the TPP Wholesale Reseller business, and the sale of the Enterprise business (2021: \$87,869,863).

9. Cash and Cash Equivalents

(a) Reconciliation of cash and cash equivalents

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

	Consolidated	
	2022 \$'000	2021 \$'000
Cash at bank and in hand	5,367	19,170
Total cash and cash equivalents	5,367	19,170

10. Trade and other receivables

	Consolidated	
	2022 \$'000	2021 \$'000
Trade receivables	5,020	4,990
Allowance for impairment of receivables	(1,768)	(1,190)
	3,252	3,800
Unsecured loans – at call ¹	59	983
Other receivables	373	1,180
Total trade and other receivables	3,684	5,963

1. Unsecured loans represent loans granted to key management personnel and employees to allow them to take up shares in a capital raising being undertaken by Webcentral Limited in FY21. The loans are expected to be extinguished following the payment of FY22 bonuses.

The closing balance of the trade receivables loss allowance as at 30 June 2022 reconciles with the trade receivables loss allowance opening balance as follows:

	\$'000
Opening loss allowance as at 1 July 2020	340
Net additional provision for ECL's taken to the P&L	850
Loss allowance as at 30 June 2021	1,190
Net additional provision for ECL's taken to the P&L	578
Loss allowance as at 30 June 2022	1,768

In respect of trade and other receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Trade receivables consist of a large number of customers in various industries and geographical areas. Based on historical information about customer default rates management consider the credit quality of trade receivables that are not past due or impaired to be good.

11. Contract Assets and Liabilities

Contract assets consist of the following:

	Consolidated	
	2022 \$'000	2021 \$'000
Contract assets ¹		
Work in progress	668	620
	668	620

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

Contract liabilities consist of the following:

	Consolidated	
	2022 \$'000	2021 \$'000
Deferred revenue	23,409	23,748
Contract liabilities – current	23,409	23,748
Deferred revenue	8,072	8,551
Contract liabilities – non-current	8,072	8,551

12. Property, Plant and Equipment

	Leasehold improvements \$'000	Plant and equipment \$'000	Total \$'000
Gross carrying amount			
At 1 July 2021	4,432	21,861	26,293
Additions	-	5,969	5,969
Disposals	(5)	(727)	(732)
At 30 June 2022	4,427	27,103	31,530

Depreciation and impairment			
At 1 July 2021	(1,943)	(8,477)	(10,420)
Depreciation	(1,487)	(3,989)	(5,476)
Disposals	-	36	36

	Leasehold improvements \$'000	Plant and equipment \$'000	Total \$'000
Closing value at 30 June 2022	(3,430)	(12,430)	(15,860)
Carrying Amount 30 June 2022	997	14,673	15,670

Gross carrying amount			
At 1 July 2020	2,002	11,975	13,977
Assets acquired in the business acquisition	1,920	2,887	4,807
Additions	522	6,999	7,521
Disposals	(12)	-	(12)
Closing Value at 30 June 2021	4,432	21,861	26,293

Depreciation and impairment			
Balance at 1 July 2020	(684)	(4,876)	(5,560)
Depreciation	(1,271)	(3,601)	(4,872)
Disposals	12	-	12
Closing value at 30 June 2021	(1,943)	(8,477)	(10,420)
Carrying Amount 30 June 2021	2,489	13,384	15,873

13. Leases

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

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

	2022 \$'000	2021 \$'000
Depreciation expense of right-of-use assets	4,722	4,897
Interest expense on lease liabilities	1,166	1,402
Rent expense – short-term leases	28	53

Notes to the Financial Statements

Right-of-use asset

	Right-of-use assets		
	Building \$'000	Other equipment \$'000	Total \$'000
As at 1 July 2021	14,930	548	15,478
Additions during the year	3,205	132	3,337
Derecognition of lease receivables	1,127	-	1,127
Disposals during the year	(43)	-	(43)
Depreciation expense	(4,593)	(129)	(4,722)
As at 30 June 2022	14,626	551	15,177

	Right-of-use assets		
	Premises \$'000	Other equipment \$'000	Total \$'000
As at 1 July 2020	12,369	645	13,014
Adjustments during the year	10,509	30	10,539
Disposals during the year	(3,178)	-	(3,178)
Depreciation expense	(4,770)	(127)	(4,897)
As at 30 June 2021	14,930	548	15,478

Lease receivables

Set out below is a reconciliation of lease receivables for finance leases where the Group is a lessor:

	2022 \$'000	2021 \$'000
Opening balance	2,993	-
Assets acquired in the business acquisition	-	5,402
Additions	-	383
Disposals ¹	(1,127)	(983)
Interest income	94	132
Receipts from lessees	(1,960)	(1,941)
Closing balance	-	2,993

1. Disposals due to early termination of sublease and the balance was transferred to ROU

Set out below is a maturity analysis of lease receivables for finance leases where the Group is a lessor:

	2022 \$'000	2021 \$'000
Maturity analysis - contractual undiscounted cash flows		
Within 1 year	-	1,987
1-2 year	-	378
2-3 year	-	391
After 3 years	-	439
Total undiscounted lease receivable at 30 Jun	-	3,195
Unearned finance income	-	(202)
Net investment in lease	-	2,993

Lease liabilities

	Consolidated	
	2022 \$'000	2021 \$'000
Current		
Obligations under property leases	3,319	5,641
Obligations under equipment leases	137	244
	3,456	5,885
Non-current		
Obligations under property leases	14,713	16,288
Obligations under equipment leases	71	350
	14,784	16,394

Each lease generally imposes a restriction that, unless there is a contractual right for the Group to sublet the asset to another party, the right-of-use asset can only be used by the Group. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to purchase the underlying leased asset outright at the end of the lease, or to extend the lease for a further term. The Group is prohibited from selling or pledging the underlying leased assets as security. For leases over data centres and office premises the Group must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the Group must insure items of property, plant and equipment and incur maintenance fees on such items in accordance with the lease contracts.

Notes to the Financial Statements

The table below describes the nature of the Group's leasing activities by type of right-of-use asset recognised on balance sheet:

Right-on-use asset	No of right-on-use assets leased	Range of remaining term	Average remaining lease term	No of leases with extension options	No of leases with variable payments linked to an index	No of leases with termination options
Data centres and related facilities	5	1-9 years	4 years	5	5	0
Office premises	12	1-5 years	2 years	6	6	0
IT Equipment	2	2 years	2 years	0	0	0

The lease liabilities are secured by the related underlying assets. Future minimum lease payments at 30 June 2022 were as follows:

	Minimum lease payments due						Total
	Within 1 year	1-2 year	2-3 year	3-4 years	4-5 years	After 5 years	
30 June 2022							
Lease payments	4,554	4,500	4,124	3,288	3,364	1,909	21,739
Finance charges	(1,098)	(866)	(630)	(412)	(257)	(236)	(3,499)
Net present values	3,456	3,634	3,494	2,876	3,107	1,673	18,240
30 June 2021							
Lease payments	7,098	5,996	3,523	3,341	2,504	4,064	26,496
Finance charges	(1,213)	(919)	(724)	(528)	(354)	(478)	(4,217)
Net present values	5,885	5,047	2,799	2,813	2,150	3,586	22,280

Lease payments not recognised as a liability

The group has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognised as lease liabilities and are expensed as incurred.

The expense relating to payments not included in the measurement of the lease liability is as follows:

	Consolidated	
	2022 \$'000	2021 \$'000
Short-term leases	28	53
Total	28	53

14. Goodwill

The following table shows the movements in goodwill:

	Consolidated	
	2022 \$'000	2021 \$'000
Gross carrying amount		
Balance at beginning of period	61,706	16,567
Acquired through business combination	-	45,139
Balance at end of the period	61,706	61,706
Accumulated impairment		
Balance at beginning of period	-	-
Impairment loss recognised	(11,494)	-
Balance at end of the period	(11,494)	-
Carrying amount at end of the period		
	50,212	61,706

Impairment Disclosures and Testing of Goodwill

Goodwill is allocated to the Group's cash generating units, which are the units expected to benefit from the synergies of the business combinations in which the goodwill arises.

	Consolidated	
	2022 \$'000	2021 \$'000
Data Centres, Networks and Cloud	5,479	16,973
Managed Services	5,536	5,536
Webcentral	39,197	39,197
Goodwill allocation at 30 June	50,212	61,706

The recoverable amount of the cash-generating units is determined based on value-in-use calculations. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable discount rate in order to calculate the present value of those cash flows.

A value in use model was developed to provide a forecast of free cash flows for the five financial years ending on 30 June 2027 and a terminal value, based on a one-year budget approved by the Board followed by an extrapolation of expected cash flows for the units' remaining useful lives using growth rates of 2.5% per annum for year 2 onward being the long-term target CPI rate. The present value of the expected cash flows of each CGU is determined by applying a suitable discount rate.

The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each CGU and reflect current market assessments of the time value of money and asset-specific risk factors. The discount rate has been based upon an estimate of CGU weighted average cost of capital (WACC). The WACC adopted for each CGU is summarised below:

Discounted rates	Low	High
Data Centres, Networks and Cloud	9.7%	11.0%
Managed Services	12.1%	12.9%
Webcentral	10.6%	12.1%

Impairment Charge for Goodwill

An impairment charge of \$11.49 million was recorded for Data centres, network and cloud based on the assessment of the recoverable amount and carrying value of the CGU as at 30 June 2022. No impairment charge was recorded for Managed Services and Webcentral as their respective recoverable amounts exceeds their carrying values under sensitivity analysis.

15. Other intangible assets

The following table shows the movements in other intangible assets:

	Customer contract \$'000	Brand name \$'000	Capitalised software \$'000	Marketing related intangibles \$'000	Total \$'000
Gross carrying amount					
At 1 July 2021	18,932	4,017	3,775	-	26,724
Additions	-	-	1,081	180	1,261
Disposals	-	-	-	-	-
Closing Value at 30 June 2022	18,932	4,017	4,856	180	27,985
Amortisation and impairment					
At 1 July 2021	(1,377)	(577)	(542)	-	(2,496)
Amortisation	(1,918)	(803)	(672)	(37)	(3,430)
Impairment loss recognised	-	-	-	-	-
Closing value at 30 June 2022	(3,295)	(1,380)	(1,214)	(37)	(5,926)
Carrying Amount at 30 June 2022	15,637	2,637	3,642	143	22,059
Gross carrying amount					
At 1 July 2020	372	-	-	-	372
Assets acquired in the business acquisition	18,560	4,017	3,425	-	26,002
Additions	-	-	350	-	350
Disposals	-	-	-	-	-
Closing Value at 30 June 2021	18,932	4,017	3,775	-	26,724
Amortisation and impairment					
Balance at 1 July 2020	(78)	-	-	-	(78)
Amortisation	(1,299)	(577)	(542)	-	(2,418)
Impairment loss recognised	-	-	-	-	-
Closing value at 30 June 2021	(1,377)	(577)	(542)	-	(2,496)
Carrying Amount at 30 June 2021	17,555	3,440	3,233	-	24,228

(a) Marketing-related intangibles

Market-related intangibles represent website development. They have been assessed as having an effective life of five years.

(b) Brand Name and Customer Contracts

Brand names and customer contracts acquired in a business combination that qualify for separate recognition are recognised as intangible assets at their fair values.

Brand names and customer contracts are amortised on a straight-line basis over their estimated useful lives of five to ten years.

(c) Capitalised software

Costs relating to the research phase of the project are expensed while costs relating to the development phase are capitalised as Capitalised Software when the project meets the definition of an asset; and is identifiable. The costs capitalised are being amortised over a useful lie of four to six years.

Included in capitalised software is \$2.59m of capitalised labour and other directly attributable costs. The capitalised labour in progress which has not started amortisation relates to product and service customer platform enhancements. The remaining balance of capitalised software relates internal developed software platforms eligible to begin amortisation during the year.

16. Other assets

Other assets consist of the following:

	Consolidated	
	2022 \$'000	2021 \$'000
Other prepayments	2,878	526
Inventory	200	172
Bond payments	74	78
Other	623	280
Other assets - current	3,775	1,056
Other prepayments	835	1,044
Bond payments	-	450
Other assets - non-current	835	1,494

17. Trade and other payables

	Consolidated	
	2022 \$'000	2021 \$'000
Trade creditors	11,917	10,910
Accrued liabilities	888	3,319
Deferred consideration	750	1,941
Deposits received in advance	231	303
Other creditors	1,857	3,540
Total trade and other payables	15,643	19,293

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

18. Other Liabilities

	Consolidated	
	2022 \$'000	2021 \$'000
GST and PAYG due to ATO	2,804	3,352
Payroll tax provision	186	414
Other liabilities - current	2,990	3,766

19. Employee Benefits Provisions

	Consolidated	
	2022 \$'000	2021 \$'000
Current		
Annual leave	2,007	1,883
Long service leave	934	1,079
Wages payable	61	201
Superannuation payable	738	516
Accrued bonuses and sales commission	167	1,033
	3,907	4,712
Non-current		
Long service leave	451	547
	451	547

20. Business Acquisitions

Colocation Australia ("ColoAu")

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

Intergrid Group Pty Ltd

On 17 March 2021, the Group completed the acquisition of 100% of Intergrid Group Pty Ltd. A deferred payment of \$0.60 million was paid on 20 July 2021 due to the achievement of target revenue and customer churn rates. The goodwill value of \$2.928 million identified in relation to the acquisition is final.

21. Issued Capital

During the period, 241,322,246 ordinary shares were issued pursuant to the Merger with 5GN for consideration of all of the shares in 5GN and 7,325,000 ordinary shares were issued following the exercise of options and performance rights for total consideration of \$1,515,000. In January 2022, 69,524,461 ordinary shares held by 5GN were cancelled via a selective reduction of capital pursuant to the Merger. These shares were classified as treasury shares from 23 November 2021 at the time the scheme became effective. In June 2022, 4,278,509 ordinary shares were cancelled pursuant to an unmarketable parcel share sale facility.

	Consolidated	
	2022 \$'000	2021 \$'000
Issued and paid-up capital		
Ordinary shares each fully paid	201,301	80,061

Notes to the Financial Statements

Movements in ordinary shares on issue

	30 June 2022		30 June 2021	
	Number of shares	\$'000	Number of shares	\$'000
Beginning of the period	114,261,123	80,061	86,748,245	38,644
- Acquisition of subsidiaries through internal reorganisation	212,902,341	121,144	-	-
- Shares issued following exercise of options	125,000	25	730,000	552
- Share issued as consideration for services	200,000	90	-	-
- Shares issued following exercise of performance rights	5,000,000	1,000	2,000,000	1,200
- Shares cancellation – unmarketable parcel facility	(4,278,509)	(1,005)	-	-
- Issue of shares pursuant to Share purchase plan	-	-	3,398,111	3,874
- Issue of shares to vendor	-	-	777,569	980
- Issue of shares under a Placement	-	-	15,279,175	27,503
- Issues of shares under Dividend Reinvestment Plan	-	-	58,788	90
- Issue of shares as consideration for WCG off-market takeover	-	-	4,743,253	8,246
- Issue of shares as consideration of financial advisory services rendered	-	-	114,942	200
- Transaction costs for share issue	-	(14)	-	(1,228)
Shares issued and fully paid	328,209,905	201,301	113,850,083	80,061
- Issue of shares to employees under Employee Share Plan	882,837	-	111,040	-
- Issue of shares under ESOP	2,000,000	-	300,000	-
End of the financial period	331,092,792	201,301	114,261,123	80,061

Ordinary Shares

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

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

Share Based Payments – Employee Shares

On 22 March 2022, 882,837 ordinary shares were issued to employees under an Employee Share Plan as free shares.

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

Share Based Payments – Options

During the year the Group issued 29,610,000 options to directors and employees under the Executive and Director Share Plan and the Executive Equity Plan as a means of rewarding and incentivising key employees.

There were 20,000,000 performance rights and 15,110,000 unlisted options on issue at the end of the year.

Treasury Shares

The loans granted under Executive and Director Share Plan are limited in recourse over the shares issued on exercise of the options, and the Company placed a holding lock over these shares to secure repayment. These shares were treated as treasury shares. During the year, the Group has issued 2,000,000 treasury shares.

Notes to the Financial Statements

22. Reserves

	Consolidated	
	2022 \$'000	2021 \$'000
Share-based payments reserve	11,471	6,649
Other reserve	4,436	5,379
Foreign currency reserve	236	272
Reorganisation reserve	(150,804)	-
Total	(134,661)	11,870
Share-based payment reserve		
Balance at the beginning of the period	6,649	3,775
Arising on share-based payments	4,822	2,874
Balance at the end of the year	11,471	6,649
Other reserve		
Balance at the beginning of the period	5,379	1,350
Other comprehensive income	(943)	-
Dividend recognised and paid	-	(1,067)
Deemed disposal of partial interests in a subsidiary arising from issuance of shares	-	5,096
Balance at the end of the period	4,436	5,379
Foreign currency reserve		
Balance at the beginning of the period	272	-
Currency translation differences	(36)	272
Balance at the end of the period	236	272
Reorganisation reserve		
Balance at the beginning of the period	-	-
Elimination of 5GN contributed equity ¹	80,061	-
Elimination of Non-Controlling Interest ²	(29,536)	-
Issue of WCG shares to existing 5GN shareholders ³	(115,835)	-
Reinstate WCG share capital ⁴	(96,566)	-
Reclassification of shares still held by 5GN in WCG	11,196	-
Share issue costs ⁵	(124)	-
Balance at the end of the year	(150,804)	-

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

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

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

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

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

23. Dividends

There were no dividends paid during the year (2021: \$0.01 (1 cent) per ordinary share paid in respect of the year ended 30 June 2020).

The Directors have recommended the payment of an unfranked final dividend of 0.5 cents per ordinary share in respect of the financial year ended 30 June 2022.

24. Parent Information

The following information has been extracted from the books and records of the parent and has been prepared in accordance with Australian Accounting Standards.

Parent Entity Statement of Financial Position

As at 30 June 2022	2022 \$'000	2021 \$'000
Current assets	73,274	51,126
Non-current assets	54,009	42,707
Total assets	127,283	93,833
Current liabilities	71,479	1,943
Non-current liabilities	4,823	10,118
Total liabilities	76,302	12,061
Net assets	50,981	81,772
Contributed equity	219,646	80,124
Share-based payments reserve	4,285	6,236
Reorganisation reserve	(104,762)	-
Foreign currency reserve	200	-
Profit reserve	(1,479)	283
Retained earnings	(66,909)	(4,871)
Total Equity	50,981	81,772
Loss of the parent entity	(14,160)	(1,453)
Total comprehensive loss of the parent entity	(15,139)	(1,453)

Guarantees

During the reporting period, each of the companies in the Group, including Webcentral Limited provided a cross guarantee to CBA for the facilities provided by CBA.

Contingent Liabilities

The parent entity did not have any contingent liabilities as at 30 June 2022 (30 June 2021: Nil).

25. 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 Limited and the subsidiaries in the following table:

Name	Country of Incorporation	Equity Holding at 30 June 2022	Equity Holding at 30 June 2021
5G Network Operations Pty Ltd	Australia	100%	– ¹
5G Networks Pty Limited	Australia	100%	– ¹
Enspire Australia Pty Ltd	Australia	100%	– ¹
Asian Pacific Telecommunications Pty Ltd	Australia	100%	– ¹
Anittel Pty Ltd	Australia	100%	– ¹
Hostworks Pty Limited	Australia	100%	– ¹
Hostworks Group Pty Limited	Australia	100%	– ¹
Logic Communications Pty Ltd	Australia	100%	– ¹
Modular IT Pty.Ltd.	Australia	100%	– ¹
Australian Pacific Data Centres Pty Ltd	Australia	100%	– ¹
5G Networks Finance Pty Ltd	Australia	100%	– ¹
Intergrid Group Pty Ltd	Australia	100%	– ¹
Web Marketing Experts Pty Ltd	Australia	100%	100%
Nothing But Web Pty Ltd	Australia	100	100%
Domainz Limited	New Zealand	100%	100%
Results First Limited	New Zealand	100%	100%
Uber Global Ltd	Australia	100%	100%
Melbourne IT GP Holdings Pty Ltd	Australia	100%	100%
Names By Request Pty Ltd	Australia	100%	100%
Uber Business Pty Ltd	Australia	100%	100%
Netregistry Group Pty Ltd	Australia	100%	100%
Netregistry Pty Ltd	Australia	100%	100%
Netregistry Wholesale Pty Ltd	Australia	100%	100%
Netregistry Services Pty Ltd	Australia	100%	100%
Netregistry Operations Pty Ltd	Australia	100%	100%
Webcentral Services Pty Ltd	Australia	100%	100%

1. Webcentral Limited and its subsidiaries were controlled by 5G Networks Ltd until the merger of 5G Networks Ltd with Webcentral Limited in November 2021.

26. Related party disclosures

Subsidiaries

Details relating to subsidiaries are included in Note 25.

Ultimate and direct parent

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

Entities with significant influence

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

- Joseph Demase, Managing Director, holds, directly or indirectly, 16.85% (2021: 7.7%) of the ordinary shares of the Company.

Key Management Personnel (KMP) Compensation

	Consolidated	
	2022 \$'000	2021 \$'000
Short-Term Employee Benefits	1,095	1,368
Post-Employment Benefits	87	71
Termination Payments	–	154
Share based Payments	1,904	322
Total	3,086	1,915

Transactions with related parties

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

- A total of \$154,294 (2021: \$164,129) 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.

Terms and conditions of related party trading transactions

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

Transactions with key management personnel

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

	2022 \$'000
Balance at the start of the year	346
Repayment from KMP	(287)
Balance at the end of the year	59

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

During the period, the loans of \$0.28 million have been repaid.

27. Events subsequent to reporting date

On 3 August 2022, the Company announced an on-market share buy-back of ordinary shares. The buy-back will be within the 10/12 limit’s permitted by the *Corporations Act 2001* and therefore does not require shareholders approval. The buy-back will be funded from the company’s cash reserves.

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.



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