



## **Webcentral Limited and its controlled entities**

ABN: 21 073 716 793

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### **APPENDIX 4D**

### **CONSOLIDATED INTERIM FINANCIAL REPORT**

FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

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# Appendix 4D and Interim Financial Report – 31 December 2022

## 1. Company Information

<b>Name of Entity</b>	Webcentral Limited
<b>ABN</b>	21 073 716 793
<b>Reporting Period</b>	6 months ended 31 December 2022 (Comparative period – 6 months ended 31 December 2021)

## 2. Results for announcement to the market

	31-Dec-22 6 months \$'000	Movement \$'000	Movement %	31-Dec-21 6 months \$'000
Revenue from ordinary activities and continuing operations	48,605	597	1.2%	48,008
Underlying earnings before interest, tax, depreciation and amortisation from continuing operations (1)	6,797	(273)	(3.9%)	7,070
Loss after tax from continuing operations	(3,638)	7,213	66.5%	(10,851)
Loss after tax attributable to members of the parent	(2,732)	8,863	76.4%	(11,595)

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

## Commentary

The key strategic and financial growth highlights for the half-year ended 31 December 2022 were as follows:

- Revenue of \$48.5 million, representing growth of 5.0% compared to the prior comparative period (PCP). Non-recurring third party services revenue decreased by \$1.7 million compared to PCP
- Hosting revenue has grown by \$2.8m compared to PCP due to an attachment rate of 26% on domain sales for hosting up from 6% compared to PCP and email revenue growth of 12% compared to PCP
- 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
- Strong wholesale and enterprise customer growth with more than \$1.7 million annual recurring revenue sold in 1H FY23 and sales pipeline of \$4.3 million
- Strong hardware revenue of \$4.1 million in 1H FY23 supported by sold but unbilled revenue of \$2.5 million and sales pipeline of \$2.6 million at 31 December 2022
- Strong capital position with \$3.8 million cash and \$5.0 million of available debt at 31 December 2022 (of which \$1.5 million is for the purpose of business acquisitions)
- Customer value increase with 9% ARPU growth achieved compared to the prior comparative period
- Completion of the fibre network with more than 120 kilometres of fibre installed and more than 50 data centres connected
- Continued development of other new product releases including Webcentral Internet / NBN
- Launch of the new .au domain name generating more than \$3.8 million in sales with 90,000 .au domains registered generating annual recurring revenue of \$3.2 million
- Acquisition of New Domain Services, a premium domain email and webhosting services business

# Appendix 4D and Interim Financial Report – 31 December 2022

## Underlying EBITDA

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

	31-Dec-22 6 months \$'000	31-Dec-21 6 months \$'000
<b>CONTINUING OPERATIONS</b>		
(Loss) / profit before tax	(3,165)	(11,204)
Depreciation and amortisation expense	6,266	7,006
Share based expenses	751	8,183
Finance costs (excl. bank charges and merchant fees)	1,599	1,286
Acquisition costs	159	729
Restructuring and non-recurring costs	1,187	1,070
<b>Underlying EBITDA</b>	<b>6,797</b>	<b>7,070</b>

## 3. Dividends

An unfranked dividend of \$0.005 per share was declared in respect of the year ended 30 June 2022 and paid on 4 November 2022. There were no other dividends declared or paid during the half-year ended 31 December 2022 (2021: Nil).

## 4. Net tangible asset backing

	Current period	Previous period
Net tangible asset backing per ordinary security	(19.49) cents	(21.79) cents

Net tangible assets are calculated firstly from the Group's net assets at 31 December 2022 of \$24.7 million and adjusted for \$13.32 million of right-of-use lease assets, deferred tax liabilities of \$2.72 million and \$77.83 million of intangible assets associated with the Group's previous acquisitions and capitalised software.

## 5. Earnings per Share

	31-Dec-22 6 months cents	31-Dec-21 6 months cents
<b>From continuing operations</b>		
Basic loss per share	(1.11)	(4.34)
Diluted loss per share	(1.11)	(4.34)

### Attributable to members of the parent

Basic loss per share	(1.11)	(4.34)
Diluted loss per share	(1.11)	(4.34)

	\$'000	\$'000
<b>Reconciliation of earnings used in calculating earnings per share</b>		
(Loss) / profit for the period from continuing operations	(3,638)	(10,851)
Less loss / (profit) attributed to non-controlling interests	-	(145)
Loss for the period attributable to members of the parent	(3,638)	(10,996)

	No. of Shares	No. of Shares
<b>Weighted average number of shares used in calculating earnings per share</b>		
Number for basic earnings per share - ordinary shares	326,564,780	250,308,473
Number for diluted earnings per share - ordinary shares	326,564,780	250,308,473

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

# Appendix 4D and Interim Financial Report – 31 December 2022

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

On 1 December 2022, the Company announced the acquisition of New Domain Services, a premium domain email and webhosting services business with 25,000 customers with normalised revenue of \$2 million and normalised EBITDA of \$1.2 million. The acquisition price was \$5 million with \$3.5 million paid in cash at Completion and up to \$1.5 million payable within 12 months of Completion. The acquisition was funded from existing cash reserves and from the Group's acquisition debt facility with CBA.

New Domain Services has been integrated with the Group's Melbourne IT business and New Domain vendor Jonathan Horne has been appointed as Chief Executive Officer of the combined business to drive growth in corporate domains services. It is expected that the acquisition will also benefit the broader Webcentral business as customer services changes, process improvements and product innovation are rolled out to Webcentral's business.

Pursuant to the acquisition, on 7 December 2022, the Group acquired 100% of the ordinary shares in Bachco Pty Ltd and Terrific.com.au Pty Ltd.

## 7. Review of accounts

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



Mr. Joe Demase  
Managing Director  
Melbourne  
27 February 2023

# CORPORATE INFORMATION

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## Directors

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

## Company Secretaries

Glen Dymond  
Michael Wilton

## Registered Office and Principal Place of Business

Level 7, 505 Little Collins Street  
Melbourne, VIC, 3000  
Tel: 1300 638 734

## Company Number

ACN 073 716 793

## Country of Incorporation

Australia

## ASX Code: WCG

## Company Domicile and Legal Form

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

## Legal Advisors

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

## Share Register

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

## Auditors

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

**Internet address** [webcentral.au](http://webcentral.au)

# DIRECTORS' REPORT

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The Directors present their report, together with the consolidated interim financial report, of the consolidated entity (referred to hereafter as the 'Group') consisting of Webcentral Limited (referred to hereafter as "the Company") and the entities it controlled at the end of, or during, the half-year ended 31 December 2022.

## DIRECTORS DETAILS

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

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

## PRINCIPAL ACTIVITIES

The Group's principal activities during the period were:

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

There were no significant changes in the nature of these activities during the period.

## REVIEW OF OPERATIONS AND FINANCIAL RESULTS

A review of the operations of the Group during the period and the results of those operations found that the revenue and other income for the period was \$48.6 million, representing growth of 1.2% compared to the prior comparative period of \$48.0 million. Revenue of \$48.5 million for the period was 5.0% higher than the prior comparative period of \$46.2 million due to growth in Cloud, Domains, Data Centres and Hardware & Software revenue, offset by declines in Network & Voice and Digital Marketing revenue. Other Income of \$0.1 million for the period was 94.8% lower than the prior comparative period of \$1.8 million due to the completion of Transitional Service Agreements in relation to businesses disposed of by the Group in prior years.

The underlying EBITDA of the Group for the period of \$6.8 million was 3.9% lower than the prior comparative period of \$7.1 million, predominantly due to a reduction of other income.

The loss of the Group for the period after providing for income tax amounted to \$3.6 million (2021: \$10.9 million loss), a significant reduction of 66.5% from the prior comparative period due to lower share-based payments expense and lower non-recurring restructuring costs associated with the Group's merger with 5G Networks Limited in the prior comparative period.

The key strategic and financial growth highlights for the half-year ended 31 December 2022 were as follows:

- Revenue of \$48.5 million, representing growth of 5.0% compared to the prior comparative period (PCP). Non-recurring third party services revenue decreased by \$1.7 million compared to PCP
- Hosting revenue has grown by \$2.8 million compared to PCP due to an attachment rate of 26% on new domain sales for hosting up from 6% compared to PCP and email revenue growth of 12% compared to PCP
- 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
- Strong wholesale and enterprise customer growth with more than \$1.7 million annual recurring revenue sold in 1H FY23 and sales pipeline of \$4.3 million
- Strong hardware revenue of \$4.1 million in 1H FY23 supported by sold but unbilled revenue of \$2.5 million and sales pipeline of \$2.6 million at 31 December 2022
- Strong capital position with \$3.8 million cash and \$5.0 million of available debt at 31 December 2022 (of which \$1.5 million is for the purpose of business acquisitions)
- Customer value increase with 9% ARPU growth achieved compared to PCP
- Completion of the fibre network with more than 120 kilometres of fibre installed and more than 50 data centres connected
- Continued development of other new product releases including Webcentral Internet / NBN

# DIRECTORS' REPORT

- Launch of the new .au domain name generating more than \$3.8 million in sales with 90,000 .au domains registered with annual recurring revenue of \$3.2 million
- 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
- Acquisition of New Domain Services, a premium domain email and webhosting services business

## Management performance measures – underlying EBITDA

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

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

	6 months ended	
	31-Dec-22 \$'000	31-Dec-21 \$'000
<b>CONTINUING OPERATIONS</b>		
<b>(Loss) / profit before tax</b>	<b>(3,165)</b>	<b>(11,204)</b>
Depreciation and amortisation expense	6,266	7,006
Share-based payments expense	751	8,183
Finance costs (excluding bank charges and merchant fees)	1,599	1,286
Acquisition costs	159	729
Restructuring costs	1,187	1,070
<b>Underlying EBITDA</b>	<b>6,797</b>	<b>7,070</b>



# DIRECTORS' REPORT

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## Acquisitions and investing activities

On 22 August 2022, the Company sold all of the shares held in Cirrus Networks Holdings Limited at 3.2 cents per share for total consideration of \$5.5 million.

On 1 December 2022, the Company announced the acquisition of New Domain Services, a premium domain email and webhosting services business with 25,000 customers with normalised revenue of \$2 million and normalised EBITDA of \$1.2 million. The acquisition price was \$5 million with \$3.5 million paid in cash at Completion and up to \$1.5 million payable within 12 months of Completion. The acquisition was funded from existing cash reserves and from the Group's acquisition debt facility with CBA.

New Domain Services has been integrated with the Group's Melbourne IT business and New Domain vendor Jonathan Horne has been appointed as Chief Executive Officer of the combined business to drive growth in corporate domains services. It is expected that the acquisition will also benefit the broader Webcentral business as customer services changes, process improvements and product innovation are rolled out to Webcentral's business.

During the period the Group also continued to invest in its fibre network build throughout several capital cities and had completed more than 120 km and connected more than 50 data centres as at the date of this report.

## Capital structure

On 3 August 2022, the Company announced the launch of an on-market share buyback (**Buyback**). During the period the Company acquired a total of 5,401,820 ordinary shares on-market pursuant to the Buyback for total consideration of \$955,278. All shares acquired were cancelled during the period.

On 11 October 2022, 1,000,000 ordinary shares were issued to the vendors of the ColoAu business at an issue price of \$0.1366 per share to satisfy the earn-out payable in respect of the ColoAu acquisition in July 2020.

On 4 November 2022, 346,611 ordinary shares were issued pursuant to the Dividend Reinvestment Plan at an issue price of \$0.15 per share.

During the period, the following unlisted options were issued:

- 900,000 options under the Executive and Director Share Option Plan (**ESOP**) at an exercise price of \$0.20, subject to the satisfaction of service vesting conditions and expiry date of five years after grant;
- 2,000,000 options under the Executive Equity Plan (**EEP**) at an exercise price of \$0.20, subject to the satisfaction of service vesting conditions and expiry date of five years after grant;
- 260,000 options under the EEP at an exercise price of \$0.20, subject to the satisfaction of performance and service vesting conditions and expiry date of three years after grant;
- 4,000,000 options under the EEP at an exercise price of \$0.17, subject to the satisfaction of service vesting conditions and expiry date of five years after grant;
- 250,000 options under the EEP at an exercise price of \$0.17, subject to the satisfaction of performance and service vesting conditions and expiry date of three years after grant; and
- 250,000 unlisted options at an exercise price of \$0.20 during the period to service providers of the Group.

During the period, 850,000 unlisted options issued under the ESOP and EEP were forfeited and cancelled.

## SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Group during the half-year ended 31 December 2022.

## EVENTS ARISING SINCE THE END OF THE REPORTING PERIOD

On 24 February 2023 a variation of the Company's debt facilities with Commonwealth Bank of Australia was approved in order to reallocate limits from the acquisition facility to the market rate loan facility of \$2.0 million and from the bank guarantee facility to the equipment lease facility of \$0.55 million. In addition, the maturity date for the acquisition facility was extended to 31 March 2024.

No other matter or circumstances have arising since the end of the period which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

# DIRECTORS' REPORT

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## DIVIDENDS

An unfranked dividend of \$0.005 per share was declared in respect of the year ended 30 June 2022 and paid on 4 November 2022. There were no other dividends declared or paid during the half-year ended 31 December 2022 (2021: Nil).

## ROUNDING OF AMOUNTS

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

## AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 11 and forms part of this Directors' Report.

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



Joe Gangi  
Chairman  
Melbourne

27 February 2023

# AUDITOR'S INDEPENDENCE DECLARATION



**Grant Thornton Audit Pty Ltd**  
Level 22 Tower 5  
Collins Square  
727 Collins Street  
Melbourne VIC 3008  
GPO Box 4736  
Melbourne VIC 3001  
T +61 3 8320 2222

## Auditor's Independence Declaration

### To the Directors of Webcentral Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of Webcentral Limited for the half-year ended 31 December 2022, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b no contraventions of any applicable code of professional conduct in relation to the review.

A stylized signature of the Grant Thornton firm, written in a cursive script.

Grant Thornton Audit Pty Ltd  
Chartered Accountants

A handwritten signature of M A Cunningham in black ink.

M A Cunningham  
Partner – Audit & Assurance  
Melbourne, 27 February 2023

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## **Webcentral Limited and its controlled entities**

ABN: 21 073 716 793

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# **CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE HALF-YEAR ENDED**

31 DECEMBER 2022

# CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND COMPREHENSIVE INCOME

For the half-year ended 31 December 2022

	Notes	31-Dec-22 6 months \$'000	31-Dec-21 6 months \$'000
<b>CONTINUING OPERATIONS</b>			
Revenue	5	48,510	46,183
Other Income		95	1,825
<b>Revenue and other income</b>		<b>48,605</b>	<b>48,008</b>
Network and data centre costs		(12,764)	(11,967)
Domain registrations costs		(3,433)	(3,724)
Cloud and hosting costs		(409)	(886)
Software and licencing costs		(2,408)	(2,418)
Direct labour costs		-	(6)
External labour cost		(389)	(395)
Other direct costs		(268)	(229)
Rent and office expenses		(321)	(278)
Marketing and travel expenses		(1,242)	(770)
Employee benefits expenses		(17,702)	(17,408)
Other expenses		(2,872)	(2,857)
Share-based payment expenses		(751)	(8,183)
Acquisition costs		(159)	(729)
Restructuring costs		(1,187)	(1,070)
Depreciation expenses		(4,296)	(5,259)
Amortisation expenses		(1,970)	(1,747)
Finance costs		(1,599)	(1,286)
<b>Total expenses</b>		<b>(51,770)</b>	<b>(59,212)</b>
<b>Loss before income tax</b>		<b>(3,165)</b>	<b>(11,204)</b>
Income tax (expense)/benefit		(473)	353
<b>Loss after tax</b>		<b>(3,638)</b>	<b>(10,851)</b>
<b>OTHER COMPREHENSIVE INCOME, NET OF INCOME TAX</b>			
Items that will be reclassified to profit or loss in subsequent periods:			
Currency translation differences		(37)	-
Items that will not be reclassified to profit or loss in subsequent periods:			
Change in fair value of equity instruments designed at fair value through other comprehensive income		943	(599)
<b>Other comprehensive income for the period, net of tax</b>		<b>906</b>	<b>(599)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>(2,732)</b>	<b>(11,450)</b>

# CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND COMPREHENSIVE INCOME

For the half-year ended 31 December 2022 (Continued)

	Notes	31-Dec-22 6 months \$'000	31-Dec-21 6 months \$'000
<b>(Loss) / profit for the period attributable to:</b>			
Members of the parent		(3,638)	(10,996)
Non-controlling interests		-	145
		<b>(3,638)</b>	<b>(10,851)</b>
<b>Total comprehensive income attributable to:</b>			
Members of the parent		(2,732)	(11,595)
Non-controlling interests		-	145
		<b>(2,732)</b>	<b>(11,450)</b>
<b>Loss per share (cents per share):</b>			
Basic earnings per share	6	(1.11)	(4.34)
Diluted earnings per share	6	(1.11)	(4.34)
<b>Loss per share attributable to the members of the parent (cents per share):</b>			
Basic earnings per share	6	(1.11)	(4.34)
Diluted earnings per share	6	(1.11)	(4.34)

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	31-Dec-22 \$'000	30-Jun-22 \$'000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents		3,764	5,367
Trade and other receivables		5,145	4,049
Contract assets		940	669
Prepayments of domain name registry charges		6,359	5,585
Other assets		3,558	3,409
<b>Total Current Assets</b>		<b>19,766</b>	<b>19,079</b>
<b>Non-Current Assets</b>			
Plant and equipment	7	15,930	15,670
Right-of-use assets	8	13,320	15,177
Prepayments of domain name registry charges		2,967	2,387
Goodwill	9	55,523	50,212
Intangible assets	10	22,303	22,059
Other financial assets	11	725	5,198
Other assets		790	835
<b>Total Non-Current Assets</b>		<b>111,558</b>	<b>111,538</b>
<b>TOTAL ASSETS</b>		<b>131,324</b>	<b>130,617</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables		14,443	15,643
Borrowings	11	551	571
Lease liability	8	3,253	3,456
Employee benefits		3,640	3,907
Provision for income tax		125	35
Contract liabilities		25,167	23,409
Other financial liabilities	11	741	500
Other liabilities		3,139	2,990
<b>Total Current Liabilities</b>		<b>51,059</b>	<b>50,511</b>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022 (Continued)

	Notes	31-Dec-22 \$'000	30-Jun-22 \$'000
<b>Non-Current Liabilities</b>			
Borrowings	11	28,829	25,359
Lease liability	8	13,289	14,784
Employee benefits		482	451
Contract liabilities		10,247	8,072
Deferred tax liabilities		2,719	2,507
<b>Total Non-Current Liabilities</b>		<b>55,566</b>	<b>51,173</b>
<b>TOTAL LIABILITIES</b>		<b>106,625</b>	<b>101,684</b>
<b>NET ASSETS</b>			
		<b>24,699</b>	<b>28,933</b>
<b>EQUITY</b>			
Share capital	14	200,524	201,301
Reserves	15	(134,480)	(134,661)
Accumulated Losses		(41,345)	(37,707)
<b>TOTAL EQUITY</b>		<b>24,699</b>	<b>28,933</b>



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## For the half-year ended 31 December 2022

Note	Share Capital	Treasury Shares	Reserves	Accumulated Losses	Total equity attributable to owners of the Company	Non-Controlling Interests	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
As at 1 July 2022	201,301	-	(134,661)	(37,707)	28,933	-	28,933
(Loss)/ profit for the period	-	-	-	(3,638)	(3,638)	-	(3,638)
Other comprehensive income	-	-	906	-	906	-	906
Dividend Paid	-	-	(1,476)	-	(1,476)	-	(1,476)
<b>Total comprehensive income for the period</b>	<b>201,301</b>	<b>-</b>	<b>(135,231)</b>	<b>(41,345)</b>	<b>24,725</b>	<b>-</b>	<b>24,725</b>
<b>Transactions with owners in their capacity as owners:</b>							
Share issued – ColoAu vendor	137	-	-	-	137	-	137
Share issued – Dividend reinvestment plan	52	-	-	-	52	-	52
Share cancellation – share buyback	(955)	-	-	-	(955)	-	(955)
Share issue costs	(11)	-	-	-	(11)	-	(11)
Share based compensation	-	-	751	-	751	-	751
<b>As at 31 December 2022</b>	<b>200,524</b>	<b>-</b>	<b>(134,480)</b>	<b>(41,345)</b>	<b>24,699</b>	<b>-</b>	<b>24,699</b>

Note	Share Capital	Treasury Shares	Reserves	Accumulated Losses	Total equity attributable to owners of the Company	Non-Controlling Interests	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
As at 1 July 2021	80,061	-	12,300	(12,824)	79,537	(29,681)	49,856
(Loss)/ profit for the period	-	-	-	(10,996)	(10,996)	145	(10,851)
Other comprehensive income	-	-	(599)	-	(599)	-	(599)
<b>Total comprehensive income for the period</b>	<b>80,061</b>	<b>-</b>	<b>11,701</b>	<b>(23,820)</b>	<b>67,942</b>	<b>(29,536)</b>	<b>38,406</b>
<b>Transactions with owners in their capacity as owners:</b>							
Acquisitions of subsidiaries through internal reorganisation	132,340	(11,196)	(150,680)	-	(29,536)	29,536	-
Shares issued on exercise of options	1,115	-	-	-	1,115	-	1,115
Share issue costs	-	-	(124)	-	(124)	-	(124)
Share based compensation	-	-	4,172	-	4,172	-	4,172
<b>As at 31 December 2021</b>	<b>213,516</b>	<b>(11,196)</b>	<b>(134,931)</b>	<b>(23,820)</b>	<b>43,569</b>	<b>-</b>	<b>43,569</b>

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the half-year ended 31 December 2022

	Notes	31-Dec-22 6 months \$'000	31-Dec-21 6 months \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipt from customers		54,356	54,107
Payments to suppliers and employees		(49,845)	(50,702)
Interest received		2	60
Interest paid		(1,470)	(1,286)
Income tax paid		-	(21)
Payments for restructuring and acquisition costs		(2,127)	(2,088)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>916</b>	<b>70</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(3,103)	(3,780)
Payment for acquisition of New Domain Services	13	(3,500)	-
Proceeds from sale of CNW Shares		5,487	-
Investment in CNW Shares		-	(5,320)
Proceeds from subleases		-	993
Return of capital and dividends received from investment in The Pistol		33	-
Consideration paid in relation to deferred capital payments of North Sydney Data Centre		-	(333)
Payment for acquisition of Intergrid		-	(602)
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(1,083)</b>	<b>(9,042)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares on exercise of options		-	1,025
Proceeds from borrowings		8,800	2,198
Payments of share buyback		(1,914)	-
Payments of borrowing costs		(10)	(200)
Repayment of borrowings		(4,844)	(604)
Payment to/Release of unrestricted cash		-	(376)
Payment of share issue costs		-	(170)
Payment of dividend on ordinary shares		(1,476)	-
Payments in relation to performance rights and options		-	(4,013)
Payment of lease liabilities		(1,956)	(3,116)
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>(1,400)</b>	<b>(5,256)</b>

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the half-year ended 31 December 2022 (Continued)

	Notes	31-Dec-22 6 months \$'000	31-Dec-20 6 months \$'000
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		(1,567)	(14,228)
Net foreign exchange differences		(36)	39
Cash and cash equivalents at beginning of period		5,367	19,170
CASH AND CASH EQUIVALENTS AT END OF PERIOD		3,764	4,981

# NOTES TO THE FINANCIAL STATEMENTS

## 1. Corporate Information

The consolidated financial statements of Webcentral Limited ('the Company' or 'Webcentral') and its subsidiaries (collectively, 'the Group') for the half-year ended 31 December 2022 were authorised for issue in accordance with a resolution of the directors on 27 February 2023.

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 nature of the operations and principal activities of the Group are described in the Directors' Report.

### Operations and Principal Activities

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

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

### Registered Office and Principal Place of Business

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

## 2. Basis of Preparation

The Interim Financial Statements are for the half-year ended 31 December 2022 and are prepared in accordance with the *Corporations Act 2001*, applicable Accounting Standards, including AASB 134: *Interim Financial Reporting* and other mandatory professional reporting requirements. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 134: *Interim Financial Reporting*.

The Interim Financial Statements do not include all of the information required in annual financial statements in accordance with IFRS, and should be read in conjunction with the consolidated financial statements for the year ended 30 June 2022, together with any public announcements made by the Company during the half-year ended 31 December 2022 in accordance with continuous disclosure requirements under the Australian Securities Exchange Listing Rules and the *Corporations Act 2001*.

The Interim Financial Statements were authorised for issue, in accordance with a resolution of the Directors on 27 February 2023.

### Merger of Webcentral and 5G Networks Limited

On 12 November 2021, a merger (**Merger**) between the Company and 5G Networks Limited (**5GN**) was effected by way of scheme of arrangement between 5GN and its shareholders. On 23 November 2021, all 5GN shares were transferred to Webcentral.

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

### Going concern

The financial report for the half-year ended 31 December 2022 has been prepared on a going concern basis that assumes the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

For the half-year ended 31 December 2022 the Group recorded a loss after tax of \$3,638,000 (2021: Loss \$10,851,000), operating cash inflows of \$916,000 (2021: \$70,000), financing cash outflows of \$1,400,000 (2021: \$5,256,000), and a deficit of current assets to current liabilities of \$31,293,000 (30 June 2022: \$31,432,000). As at 31 December 2022, the Group had \$3.8 million of cash on hand and available debt facilities of \$5.0 million.

The Group's loss after tax has decreased by 67% compared to the prior corresponding period. The significant items which contributed to the Group's loss after tax for the period were the non-cash share-based payments expense of \$0.75 million and acquisition and restructuring costs of \$1.2 million.

# NOTES TO THE FINANCIAL STATEMENTS

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The acquisition and restructuring costs are considered to be one-off and non-recurring in nature. The share-based payment expense has decreased by \$7.4 million compared to the prior corresponding period.

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

The Group's cash forecast for the period to February 2024 (i.e. 12 months after the issue of the Group's half-year 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:

- Continued growth in domains, email and webhosting sales from new product initiatives launched in FY22 and 1HFY23
- Enterprise customer sales closed in 1H FY23 of \$1.7 million and sales pipeline of \$4.3 million
- Hardware sales closed of \$5.5 million in 1H FY23

A conservative cash forecast for the period to February 2024 (i.e. 12 months after the issue of the Group's half-year report) has also been prepared on the basis of a continuation of the Group's current revenue which indicates a positive operating cashflow for the period to February 2024 and that it does not require additional funding from external debt or equity providers.

The Directors have undertaken solvency tests at half year-end and as at the signing date of Group's financial report which consider the Group's ability to pay liabilities that are due within 30 days of each date. These tests consider the current assets and liabilities expected to be settled within 30 days and other available sources of funding including agreed deferrals of payments to suppliers and variations to the Group's debt facilities and indicate that the Group has sufficient funding headroom.

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

## 3. Significant Accounting Policies

The Interim Financial Statements have been prepared in accordance with the accounting policies adopted in the Group's most recent audited financial statements for the year ended 30 June 2022.

### Critical Accounting Judgements, Estimates and Assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management judgement, estimates and assumptions applied in the interim financial statements are the same as those applied in the Group's last Annual Financial Report for the year ended 30 June 2022. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results.

## 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.

- Data Centres, Networks and Cloud Applications: Data Centres, Networks and Cloud are interrelated and consist of the provision of data centre services (physical, virtual machines and colocation in non-5GN owned DCs), network infrastructure included cross connects, 5GN owned and non-5GN owned fibre networks and cloud applications.
- Managed Services including Voice, Hardware / Software and other: Managed IT services including on-site and remote IT support, professional services and project management, provision of voice services and hardware and software procurement. These services are typically bundled into one product or service.

# NOTES TO THE FINANCIAL STATEMENTS

- Webcentral: Webcentral domains, email, web hosting and digital marketing business. Segment information for the reporting period is as follows:

## a. Adjusted EBITDA

Adjusted EBITDA excludes discontinued operations and the effects of significant items of income and expenditure which may have an impact on the quality of earnings such as restructuring costs, legal expenses and impairments where the impairment is the result of an isolated, non-recurring event. It also excludes the effects of equity-settled share-based payments and unrealised gains or losses on financial instruments.

Interest income and finance cost are not allocated to segments, as this type of activity is driven by the central treasury function, which manages the cash position of the group.

	2022 6 months \$'000	2021 6 months \$'000
<b>Segment Revenue</b>		
Data Centres, Network & Cloud	11,302	12,559
Managed Services	10,162	9,995
Webcentral	27,046	24,410
Intersegment eliminations	-	(781)
<b>Consolidated Revenue</b>	<b>48,510</b>	<b>46,183</b>
Cost of goods sold	(19,671)	(19,625)
<b>Gross Margin</b>	<b>28,839</b>	<b>26,558</b>
Other income	95	1,825
Rent and office expenses	(321)	(278)
Marketing and travel expenses	(1,242)	(770)
Employee benefits expenses	(17,702)	(17,408)
Other expenses	(2,872)	(2,857)
<b>Total Adjusted EBITDA</b>	<b>6,797</b>	<b>7,070</b>

## b. Reconciliations of operating profit (loss) before income tax

Adjusted EBITDA reconciles to operating profit before income tax as follows:

	2022 6 months \$'000	2021 6 months \$'000
<b>Total adjusted EBITDA</b>	<b>6,797</b>	<b>7,070</b>
Share-based payment expenses	(751)	(8,183)
Acquisition costs	(159)	(729)
Restructuring costs	(1,187)	(1,070)
Depreciation and amortisation expenses	(6,266)	(7,006)
Finance costs	(1,599)	(1,286)
<b>Loss before income tax expense</b>	<b>(3,165)</b>	<b>(11,204)</b>

# NOTES TO THE FINANCIAL STATEMENTS

## c. Segment assets

Segment assets are measured in the same way as in the financial statements. These assets are allocated based on the operations of the segment.

	2022 6 months \$'000	2021 6 months \$'000
Data Centres, Network & Cloud	39,756	46,073
Managed Services	12,039	18,703
Webcentral	88,539	87,630
<b>Total segment assets</b>	<b>140,334</b>	<b>152,406</b>

## Alternative segment presentation

The Group has restructured its operations into the following customer segments following the merger between Webcentral and 5G Networks Limited in November 2021:

- **Enterprise:** cloud hosting, domain names, data centre, networks and voice, IT managed services, hardware and software and digital marketing products and services provided to Enterprise and Government customers
- **Retail:** domains, web hosting, email hosting and digital marketing services to consumer and small and medium enterprise customers
- **Wholesale:** cloud hosting, data centre, networks and voice products and services provided to wholesale telecommunications and IT customers

Segment information is provided below in relation to these segments. These reporting segments will apply from reporting periods from 1 July 2023.

## a. Adjusted EBITDA

Adjusted EBITDA excludes discontinued operations and the effects of significant items of income and expenditure which may have an impact on the quality of earnings such as restructuring costs, legal expenses and impairments where the impairment is the result of an isolated, non-recurring event. It also excludes the effects of equity-settled share-based payments and unrealised gains or losses on financial instruments.

Interest income and finance cost are not allocated to segments, as this type of activity is driven by the central treasury function, which manages the cash position of the group.

	2022 6 months \$'000	2021 6 months \$'000
<b>Segment Revenue</b>		
Enterprise	18,961	19,097
Retail	25,553	23,402
Wholesale	3,996	3,684
<b>Consolidated Revenue</b>	<b>48,510</b>	<b>46,183</b>
Cost of goods sold	(19,671)	(19,625)
<b>Gross Margin</b>	<b>28,839</b>	<b>26,558</b>
Other income	95	1,825
Rent and office expenses	(321)	(278)
Marketing and travel expenses	(1,242)	(770)
Employee benefits expenses	(17,702)	(17,408)
Other expenses	(2,872)	(2,857)
<b>Total Adjusted EBITDA</b>	<b>6,797</b>	<b>7,070</b>

# NOTES TO THE FINANCIAL STATEMENTS

## b. Reconciliations of operating profit (loss) before income tax

Adjusted EBITDA reconciles to operating profit before income tax as follows:

	2022 6 months \$'000	2021 6 months \$'000
<b>Total adjusted EBITDA</b>	<b>6,797</b>	<b>7,070</b>
Share-based payment expenses	(751)	(8,183)
Acquisition costs	(159)	(729)
Restructuring costs	(1,187)	(1,070)
Depreciation and amortisation expenses	(6,266)	(7,006)
Finance costs	(1,599)	(1,286)
<b>Loss before income tax expense</b>	<b>(3,165)</b>	<b>(11,204)</b>

## c) Segment assets

Segment assets are measured in the same way as in the financial statements. These assets are allocated based on the operations of the segment.

	2022 6 months \$'000	2021 6 months \$'000
Enterprise	49,202	61,472
Retail	88,023	84,886
Wholesale	3,109	6,048
<b>Total segment assets</b>	<b>140,334</b>	<b>152,406</b>

## 5. Revenue

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

	31-Dec-22 6 months \$'000	31-Dec-21 6 months \$'000
<b>CONTINUING OPERATIONS</b>		
<b>Types of goods or service</b>		
Cloud	16,569	14,287
Domains	11,783	10,847
Network and Voice	4,224	4,409
Data Centres	4,100	4,823
Managed Services	6,044	5,986
Digital Marketing	1,672	2,530
Hardware & Software	4,118	3,301
<b>Total revenue from contracts with customers</b>	<b>48,510</b>	<b>46,183</b>
<b>Timing of revenue recognition</b>		
Goods and services transferred at a point in time	4,118	3,301
Services transferred over time	44,392	42,882
<b>Total revenue from contracts with customers</b>	<b>48,510</b>	<b>46,183</b>



# NOTES TO THE FINANCIAL STATEMENTS

## 6. Earnings/(loss) per share

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

	31-Dec-22 Number	31-Dec-21 Number
Weighted average number of ordinary shares used in the calculation of basic earnings per share	326,564,780	250,308,473
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	326,564,780	250,308,473

## 7. Property, Plant and Equipment

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

	Consolidated	
	31-Dec-22 \$'000	30-Jun-22 \$'000
Leasehold improvements	4,410	4,427
Less: Accumulated depreciation	(3,652)	(3,430)
	<b>758</b>	<b>997</b>
Plant and equipment	29,563	27,103
Less: Accumulated depreciation	(14,391)	(12,430)
	<b>15,172</b>	<b>14,673</b>
<b>Total Property, Plant and Equipment</b>	<b>15,930</b>	<b>15,670</b>

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

	Leasehold improvements \$'000	Plant and equipment \$'000	Total \$'000
<b>Gross carrying amount</b>			
At 1 July 2022	4,427	27,103	31,530
Additions	2	2,460	2,462
Disposals	(19)	-	(19)
<b>At 31 December 2022</b>	<b>4,410</b>	<b>29,563</b>	<b>33,973</b>
<b>Depreciation and impairment</b>			
At 1 July 2022	(3,430)	(12,430)	(15,860)
Depreciation	(222)	(1,961)	(2,183)
Disposals	-	-	-
<b>At 31 December 2022</b>	<b>(3,652)</b>	<b>(14,391)</b>	<b>(18,043)</b>
<b>Carrying amount at 31 December 2022</b>	<b>758</b>	<b>15,172</b>	<b>15,930</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 8. 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.

### Right-of-use asset

	Consolidated	
	31-Dec-22 \$'000	30-Jun-22 \$'000
Building	27,236	27,018
Less: Accumulated depreciation	(14,403)	(12,392)
	<b>12,833</b>	<b>14,626</b>
IT Equipment	807	807
Less: Accumulated depreciation	(320)	(256)
	<b>487</b>	<b>551</b>
<b>Total right of use asset</b>	<b>13,320</b>	<b>15,177</b>

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

	Right-of-use Assets		
	Building \$'000	IT Equipment \$'000	Total \$'000
<b>As at 1 July 2022</b>	<b>14,626</b>	<b>551</b>	<b>15,177</b>
Additions during the year	258	-	258
Disposals during the year	(40)	-	(40)
Depreciation expense	(2,011)	(64)	(2,075)
<b>As at 31 December 2022</b>	<b>12,833</b>	<b>487</b>	<b>13,320</b>

# NOTES TO THE FINANCIAL STATEMENTS

## Lease liabilities

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

	31-Dec-22 \$'000	30-Jun-22 \$'000
Lease liabilities (current)	3,253	3,456
Lease liabilities (non-current)	13,289	14,784

The lease liabilities are secured by the related underlying assets. Future minimum lease payments at 31 December 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	
<b>31 December 2022</b>							
Lease payments	4,375	4,576	4,045	2,995	2,384	1,508	19,883
Finance charges	(1,122)	(863)	(601)	(381)	(199)	(175)	(3,341)
<b>Net present values</b>	<b>3,253</b>	<b>3,713</b>	<b>3,444</b>	<b>2,614</b>	<b>2,185</b>	<b>1,333</b>	<b>16,542</b>
<b>30 June 2022</b>							
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)
<b>Net present values</b>	<b>3,456</b>	<b>3,634</b>	<b>3,494</b>	<b>2,876</b>	<b>3,107</b>	<b>1,673</b>	<b>18,240</b>

## 9. Goodwill

	Consolidated	
	31-Dec-22 \$'000	30-Jun-22 \$'000
<b>Goodwill</b>	<b>55,523</b>	<b>50,212</b>

The following table shows the movements in goodwill:

	31-Dec-22 \$'000	30-Jun-22 \$'000
<b>Gross carrying amount</b>		
Balance at beginning of period	61,706	61,706
Acquired through business combination	5,311	-
<b>Balance at end of the period</b>	<b>67,017</b>	<b>61,706</b>
<b>Accumulated impairment</b>		
Balance at beginning of period	(11,494)	-
Impairment loss recognised	-	(11,494)
<b>Balance at end of the period</b>	<b>(11,494)</b>	<b>(11,494)</b>
<b>Carrying amount at end of the period</b>	<b>55,523</b>	<b>50,212</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 10. Other Intangible Assets

	Consolidated	
	31-Dec-22 \$'000	30-Jun-22 \$'000
Customer contract	20,486	18,932
Less: Accumulated amortisation	(4,254)	(3,295)
	<b>16,232</b>	<b>15,637</b>
Brand name	4,017	4,017
Less: Accumulated amortisation	(1,782)	(1,380)
	<b>2,235</b>	<b>2,637</b>
Capitalised software	5,399	4,856
Less: Accumulated amortisation	(1,689)	(1,214)
	<b>3,710</b>	<b>3,642</b>
Marketing Related Intangibles	180	180
Less: Accumulated amortisation	(54)	(37)
	<b>126</b>	<b>143</b>
<b>Total intangible assets</b>	<b>22,303</b>	<b>22,059</b>

### Reconciliations:

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

CONSOLIDATED	Customer contract \$'000	Brand name \$'000	Capitalised software \$'000	Marketing Related Intangibles \$'000	Total \$'000
Balance at 1 July 2022	15,637	2,637	3,642	143	22,059
Additions	1,554	-	708	-	2,262
Disposal	-	-	(47)	-	(47)
Amortisation	(959)	(402)	(593)	(17)	(1,971)
<b>Balance at 31 December 2022</b>	<b>16,232</b>	<b>2,235</b>	<b>3,710</b>	<b>126</b>	<b>22,303</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 11. Financial Assets and Financial Liabilities

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

31 December 2022	Amortised cost \$'000	FVTPL \$'000	FVOCI \$'000	Total \$'000
<b>Financial assets</b>				
Cash and cash equivalents	3,764	-	-	3,764
Trade and other receivables	4,721	-	-	4,721
Unsecured loans	-	424	-	424
Other investments	-	-	725	725
<b>Total financial assets</b>	<b>8,485</b>	<b>424</b>	<b>725</b>	<b>9,634</b>
<b>Financial liabilities</b>				
Non-current borrowings	28,829	-	-	28,829
Non-current lease liabilities	13,289	-	-	13,289
Current borrowings	551	-	-	551
Trade and other payables	14,443	-	-	14,443
Other financial liabilities	-	741	-	741
Lease liabilities	3,253	-	-	3,253
<b>Total financial liabilities</b>	<b>60,365</b>	<b>741</b>	<b>-</b>	<b>61,106</b>

30 June 2022	Amortised cost \$'000	FVTPL \$'000	FVOCI \$'000	Total \$'000
<b>Financial assets</b>				
Cash and cash equivalents	5,367	-	-	5,367
Trade and other receivables	3,625	-	-	3,625
Unsecured loans	-	424	-	424
Other investments	-	-	5,198	5,198
<b>Total financial assets</b>	<b>8,992</b>	<b>424</b>	<b>5,198</b>	<b>14,614</b>
<b>Financial liabilities</b>				
Non-current borrowings	25,359	-	-	25,359
Non-current lease liabilities	14,784	-	-	14,784
Current borrowings	571	-	-	571
Trade and other payables	15,643	-	-	15,643
Lease liabilities	3,456	-	-	3,456
Other financial liabilities	-	500	-	500
<b>Total financial liabilities</b>	<b>59,813</b>	<b>500</b>	<b>-</b>	<b>60,313</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 12. Fair Value Measurement

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

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

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

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

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

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

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

The following table provides the fair value measurement hierarchy of the Group's financial assets and liabilities as at 31 December 2022:

	Note	Date of valuation	TOTAL \$'000	Fair value measurement using		
				Quoted prices in active markets (Level 1) \$'000	Significant observable inputs (Level 2) \$'000	Significant unobservable inputs (Level 3) \$'000
<b>Assets / (liabilities) measured at fair value</b>						
<b>Financial assets</b>						
Investment in The Pistol shares		31-Dec-22	725	-	-	725
Unsecured loans		31-Dec-22	365	-	-	365
<b>Financial liabilities</b>						
Contingent consideration		31-Dec-22	235	-	-	235

There have been no transfers between Level 1, 2 and 3 during the period. On 22 August 2022, the Company sold all of the shares held in Cirrus Networks Holdings Limited at 3.2 cents per share for total consideration of \$5.5 million.

# NOTES TO THE FINANCIAL STATEMENTS

## 13. Business Combinations

### New Domain Services

On 1 December 2022, the Company announced the acquisition of New Domain Services, a premium domain email and webhosting services business with 25,000 customers with normalised revenue of \$2 million and normalised EBITDA of \$1.2 million. The Company acquired all of the shares in Bachco Pty Ltd and Terrific.com.au Pty Ltd.

The acquisition price was \$5 million with \$3.5 million paid in cash at Completion and up to \$1.5 million payable within 12 months of Completion. The acquisition was funded from existing cash reserves and from the Group's acquisition debt facility with CBA. An earnout payment may be payable in respect of revenue growth achieved for the six months ending 30 June 2023 and for the financial year ending 30 June 2024.

The purpose of the acquisition is to drive revenue growth in corporate domains services. New Domain Services has been integrated with the Group's Melbourne IT business and New Domain vendor Jonathan Horne has been appointed as Chief Executive Officer of the combined business. It is expected that the acquisition will also benefit the broader Webcentral business as customer services changes, process improvements and product innovation are rolled out to Webcentral's business.

The goodwill value of \$5.31 million identified in relation to the acquisition is provisional as the Company continues to obtain information in relation to the acquisition and determine the value of intangible assets.

The acquisition of New Domain Services has been assessed under the requirements of AASB3: *Business Combinations* and has been assessed to meet the requirements of a business combination:

The definition of a business under AASB3 is met:

- the business consists an integrated set of activities (being a domains and hosting business with 20,000 customers, managing customer service and operating activities to provide services, operating a domain registrar Terrific.com.au Pty Ltd) and assets including IT equipment and intangible assets;
- the purpose of the business is to provide services to businesses – it operates a website offering services, it is registered for GST and meets the general definition of carrying on a business; and
- the business generates income from operating activities and generates operating profits.

The acquired set of activities and assets have inputs and substantive processes that can collectively significantly contribute to the creation of outputs:

- the business' inputs includes a workforce with experience, skills and knowledge, intellectual property including business processes and procedures, customer list and registrar accreditations, and fixed assets including IT equipment and infrastructure;
- the business processes include processes, policies and procedures developed to manage customers and associated domains and hosting services, customer workflow automation processes and domain registrar processes; and
- the business generates operating revenue from the provision of domains and hosting services.

# NOTES TO THE FINANCIAL STATEMENTS

Details of the net assets acquired and goodwill are as follows:

	Note	\$'000
<b>Fair value of consideration transferred</b>		
Amount settled in cash		3,500
Deferred payments		1,500
Contingent consideration		235
<b>Total consideration</b>		<b>5,235</b>
<b>Recognised amounts of identifiable net assets</b>		
Deposits		32
Deferred COGS		294
Other assets		36
<b>Total current assets</b>		<b>362</b>
Property, plant and equipment		8
Deferred tax asset		681
Intangible assets	a	1,554
<b>Total non-current assets</b>		<b>2,243</b>
Contract liabilities - current		(1,201)
Trade and other payables		(7)
Deferred tax liability		(466)
Employee benefits		(79)
Provisions		(153)
<b>Total current liabilities</b>		<b>(1,906)</b>
Contract liabilities - non-current		(775)
<b>Total non-current liabilities</b>		<b>(775)</b>
<b>Identifiable net assets</b>		<b>(76)</b>
<b>Goodwill on acquisition</b>		<b>5,311</b>
Consideration transferred settled in cash		3,500
<b>Net cash outflow on acquisition</b>		<b>3,500</b>
Acquisition costs charged to expenses		20

## Identifiable intangible asset - customer contracts

An intangible asset has been recognised in relation to the customer relationships held by New Domain Services at the time it was acquired by the Company. The asset has been valued under the Multi-Period Excess Earnings Method whereby an estimate of future cash flows has been discounted to present-value. The key assumptions used in the valuation are the forecast revenue growth of 2.5% p.a., observed customer churn of 20% p.a. and weighted average cost of capital of 10-11%.



Acquisition-related costs amounting to \$20,000 are not included as part of consideration transferred and have been recognised as an expense in the consolidated statement of profit or loss, as part of acquisition expenses.

The purchase agreement included two potential earn-out amounts payable in cash if the combined Melbourne IT and New Domain Services businesses achieve revenue growth targets for the six-month period ending 30 June 2023 and for the financial year ending 30 June 2024. The contingent consideration amount has not been adjusted to present value amount as the adjustment would be immaterial.

The goodwill that arose on the combination can be attributed to the revenue synergies and growth in the corporate domains services business expected to be derived from the combination and the value of the workforce of New Domain Services which cannot be recognised as an intangible asset. Goodwill has been allocated to the cash-generating unit of Webcentral as at 31 December 2022. The goodwill that arose from this business combination is not expected to be deductible for tax purposes.

From the date of the acquisition to 31 December 2022, New Domain Services contributed \$0.14 million to the Group's revenues and \$0.12 million to the Group's EBITDA.

## 14. Share Capital

On 3 August 2022, the Company announced the launch of an on-market share buyback (**Buyback**). During the period the Company acquired a total of 5,401,820 ordinary shares on-market pursuant to the Buyback for total consideration of \$955,278. All shares acquired were cancelled during the period.

On 11 October 2022, 1,000,000 ordinary shares were issued to the vendors of the ColoAu business at an issue price of \$0.1366 per share to satisfy the earn-out payable in respect of the ColoAu acquisition in July 2020.

On 4 November 2022, 346,611 ordinary shares were issued pursuant to the Dividend Reinvestment Plan at an issue price of \$0.15 per share.

	31-Dec-22 \$'000	30-Jun-22 \$'000
<b>Issued and paid-up capital</b>		
Ordinary shares each fully paid	200,524	201,301

### Movements in ordinary shares on issue

	31-Dec-22 6 months		30-Jun-22 12 months	
	Number of shares	\$'000	Number of shares	\$'000
<b>Beginning of the financial period</b>	<b>331,092,792</b>	<b>201,301</b>	<b>114,261,123</b>	<b>80,061</b>
- Shares cancelled pursuant to on-market buyback	(2,559,460)	(516)	-	-
- Shares cancelled pursuant to on-market buyback	(1,226,573)	(201)	-	-
- Shares cancelled pursuant to on-market buyback	(1,490,467)	(219)	-	-
- Issue of shares to vendor in relation to earn-out payment	1,000,000	137	-	-
- Issue of shares under Dividend Reinvestment Plan	346,611	52	-	-
- Shares cancelled pursuant to on-market buyback	(125,320)	(19)	-	-
- Acquisition of subsidiaries through internal reorganisation	-	-	212,902,341	121,144
- Shares issued following exercise of options	-	-	125,000	25
- Shares issued as consideration for services	-	-	200,000	90
- Shares issued following exercise of performance rights	-	-	5,000,000	1,000
- Shares cancelled pursuant to unmarketable parcel facility	-	-	(4,278,509)	(1,005)
- Transaction costs relating to equity	-	(11)	-	(14)
<b>Shares issued and fully paid</b>	<b>327,037,583</b>	<b>200,524</b>	<b>328,209,955</b>	<b>201,301</b>
- Issue of shares to employees under Employee Share Plan	-	-	882,837	-
- Issue of shares under ESOP	-	-	2,000,000	-
<b>End of the financial period</b>	<b>327,037,583</b>	<b>200,524</b>	<b>331,092,792</b>	<b>201,301</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 15. Reserves

	31-Dec-22 \$'000	30-Jun-22 \$'000
Share-based payments reserve	12,222	11,471
Profit reserve	3,903	4,436
Foreign currency reserve	199	236
Reorganisation reserve	(150,804)	(150,804)
<b>Total</b>	<b>(134,480)</b>	<b>(134,661)</b>

<b>Share-based payment reserve</b>	31-Dec-22 \$'000	30-Jun-22 \$'000
Balance at the beginning of the period	11,471	6,649
Arising on share-based payments	751	4,822
<b>Balance at the end of the period</b>	<b>12,222</b>	<b>11,471</b>

<b>Other Reserves</b>	31-Dec-22 \$'000	30-Jun-22 \$'000
Balance at the beginning of the period	4,436	5,379
Change in fair value of equity instruments	943	(943)
Dividend recognised and paid	(1,476)	-
<b>Balance at the end of the period</b>	<b>3,903</b>	<b>4,436</b>

<b>Foreign currency reserve</b>	31-Dec-22 \$'000	30-Jun-22 \$'000
Balance at the beginning of the period	236	272
Currency translation differences	(37)	(36)
<b>Balance at the end of the period</b>	<b>199</b>	<b>236</b>

<b>Reorganisation reserve</b>	31-Dec-22 \$'000	30-Jun-22 \$'000
Balance at the beginning of the period	(150,804)	-
Acquisition of subsidiaries	-	(132,340)
Elimination of Non-Controlling Interest	-	(29,536)
Reclassification of shares still held by 5GN in WCG	-	11,196
Share issue costs	-	(124)
<b>Balance at the end of the period</b>	<b>(150,804)</b>	<b>(150,804)</b>

# NOTES TO THE FINANCIAL STATEMENTS

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## 16. Dividends

An unfranked dividend of \$0.005 per share was declared in respect of the year ended 30 June 2022 and paid on 4 November 2022. There were no other dividends declared or paid during the half-year ended 31 December 2022 (2021: Nil).

## 17. Related Party Transactions

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

- A total of \$104,810 (2021: \$54,190) was paid to Studio Inc, an entity related to Joe Demase, for the design of marketing materials for the Group. All transactions are carried at commercial third-party rates.
- A payment of \$7,598 (2021: nil) was paid to Hunter Demase, who is related to Joe Demase, for services to the development of the.au Sales Team. All transactions are carried at commercial third-party rates.

## 18. Events subsequent to reporting date

On 24 February 2023 a variation of the Company's debt facilities with Commonwealth Bank of Australia was approved in order to reallocate limits from the acquisition facility to the market rate loan facility of \$2.0 million and from the bank guarantee facility to the equipment lease facility of \$0.55 million. In addition, the maturity date for the acquisition facility was extended to 31 March 2024.

No other matter or circumstances have arising since the end of the period which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

# DIRECTORS' DECLARATION

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## Directors' Declaration

1. In the Directors' opinion:
  - (a) The financial statements and notes of Webcentral Limited for the half-year ended 31 December 2022 are in accordance with the *Corporations Act 2001*, including:
    - (i) giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the half-year ended on that date; and
    - (ii) complying with Australian Accounting Standards (Including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
  - (b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

For and on behalf of the Board



Mr. Joe Gangi  
Chairman

27 February 2023

# INDEPENDENT AUDITOR'S REVIEW REPORT



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## Independent Auditor's Review Report

To the Members of Webcentral Limited

### Report on the half-year financial report

#### Conclusion

We have reviewed the accompanying half-year financial report of Webcentral Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

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

- a giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

#### Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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# INDEPENDENT AUDITOR'S REVIEW REPORT

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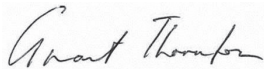
## Directors' responsibility for the half-year financial report

The Directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

## Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Grant Thornton Audit Pty Ltd  
Chartered Accountants



M A Cunningham  
Partner – Audit & Assurance

Melbourne, 27 February 2023



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