

# 5G Networks Limited

And Its Controlled Entities

## CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

ABN 21 073 716 793



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# APPENDIX 4D AND INTERIM FINANCIAL REPORT – 31 DECEMBER 2023

## 1. COMPANY INFORMATION

**Name of entity:** 5G Networks Limited (Formerly Webcentral Limited)

**ABN:** 21 073 716 793

**Reporting period:** 6 months ended 31 December 2023 (Comparative period – 6 months ended 31 December 2022)

## 2. RESULTS FOR ANNOUNCEMENT TO THE MARKET

	31-Dec-23			31-Dec-22
	6 months \$'000	Movement \$'000	Movement %	6 months \$'000
Revenue from ordinary activities and continuing operations	24,381	1,150	5.0%	23,231
Underlying earnings before interest, tax, depreciation and amortisation from continuing operations	(1,950)	2,558	56.7%	(4,508)
Loss after tax from continuing operations	(14,249)	(4,490)	(46.0%)	(9,759)
Profit after tax attributable to members of the parent	60,761	64,399	1770%	(3,638)

1. The Group believes this unaudited non-IFRS information is relevant to the user's understanding of the Group's underlying performance.

### COMMENTARY

The key strategic and financial growth highlights for the half-year ended 31 December 2023 were as follows:

- Sale of Domains Business completed in December 2023 which generated a gain on sale of \$95.43 million before provisions and income tax expense.
- Repayment of loan facilities of \$28.15 million from the proceeds of sale.
- Net cash position of \$67 million at 31 December 2023.
- Revenue and other income from continuing operations of \$24.4 million, representing growth of 5.0% compared to the prior comparative period (PCP).
- Strong wholesale and enterprise customer growth with more than \$3.0 million annual recurring revenue sold in 1H FY24 and recurring sales pipeline of \$2.2 million.
- Existing customer re-signs of \$0.8 million in 1H FY24.

On 22 December 2023, the Company's name was changed from Webcentral Limited to 5G Networks Limited following approval by the Company's shareholders at the Company's 2023 Annual General Meeting held on 23 November 2023.

## 3. DIVIDENDS

There were no dividends declared or paid during the half-year ended 31 December 2023. In the corresponding prior period, an unfranked dividend of \$0.005 (half a cent) per share was declared in respect of the year ended 30 June 2022 and paid on 4 November 2022.

## 4. NET TANGIBLE ASSET BACKING

	Current Period	Previous Period
Net tangible asset backing per ordinary security	17.76 cents	(19.49) cents

Net tangible assets are calculated firstly from the Group's net assets at 31 December 2023 of \$72.1 million and adjusted for \$7.7 million of right-of-use lease assets, and \$5.7 million of intangible assets associated with the Group's previous acquisitions.

# APPENDIX 4D AND INTERIM FINANCIAL REPORT – 31 DECEMBER 2023

## 5. EARNINGS PER SHARE

	31-Dec-23 6 months cents	31-Dec-22 6 months cents
<b>From continuing operations</b>		
Basic loss per share	(4.31)	(2.99)
Diluted loss per share	(4.31)	(2.99)
<b>Attributable to members of the parent</b>		
Basic profit/(loss) per share	18.39	(0.84)
Diluted profit/(loss) per share	18.39	(0.84)
<b>Reconciliation of earnings used in calculating earnings per share</b>	<b>\$'000</b>	<b>\$'000</b>
(Loss) / profit for the period from continuing operations	(14,249)	(9,759)
Profit from discontinued operation	75,010	6,121
Comprehensive income	-	906
<b>Profit/(Loss) for the period attributable to members of the parent</b>	<b>60,761</b>	<b>(2,732)</b>
<b>Weighted average number of shares used in calculating earnings per share</b>	<b>No. of Shares</b>	<b>No. of Shares</b>
Number for basic earnings per share - ordinary shares	330,436,555	326,564,780
Number for diluted earnings per share - ordinary shares	330,436,555	326,564,780

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 (2022: Nil) as the share options and performance rights of the Company were antidilutive.

## 6. DETAILS OF ENTITIES OVER WHICH CONTROL HAS BEEN GAINED OR LOST

On 20 December 2023, the Company completed the sale of its Webcentral and Melbourne IT domain name registry, consumer hosting (cPanel hosting) and email hosting services business (the **Domains Business**) to an investment group based in Europe. The buyer was Oakley Barcelona AUS Bidco Pty Ltd (**Bidco**). The ultimate holding company is Hosting Group TopCo S.à r.l. (**Topco**), a Luxembourg domiciled investment holding company. The companies that were sold and over which control has been lost are Netregistry Group Pty Ltd, Netregistry Pty Ltd, Domainz Ltd, Netregistry Wholesale Pty Ltd and Terrific.com.au Pty Ltd.

The Group received a portion of the sale proceeds as an equity investment via new shares issued by Topco. The total consideration received was \$127.73M, consisting of \$107.42M in cash and \$20.31M in shares in Topco.

The Group will provide managed services to the Domains Business for a period of five years from Completion under a Managed Services Agreement (**MSA**) and Transitional Services Agreement (**TSA**) for total value of \$12M.

Following completion, the Group has continued to carry on its remaining businesses, primarily being the 5GN operations as a telecommunications carrier servicing enterprise and wholesale customers. The 5GN business owns and operates data centres, private cloud, fibre optic cables and provides managed IT services to 2,500 enterprise clients and 100 wholesale customers.

# APPENDIX 4D AND INTERIM FINANCIAL REPORT – 31 DECEMBER 2023

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## 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.

Signed



Mr Joe Demase  
Managing Director  
Melbourne  
21 February 2024

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# 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 10 11 12

## COMPANY NUMBER

ACN 073 716 793

## COUNTRY OF INCORPORATION

Australia

## ASX CODE

5GN

## COMPANY DOMICILE AND LEGAL FORM

5G Networks Limited is the parent entity  
and an Australian Company limited by shares

## LEGAL ADVISERS

Cornwalls  
Level 4, 380 Collins 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

<https://www.5gnetworks.au>

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# DIRECTORS' REPORT

The Directors present their report, together with the consolidated interim financial report, of the consolidated entity (referred to hereafter as the 'Group') consisting of 5G Networks Limited (referred to hereafter as "the Company") and the entities it controlled at the end of, or during, the half-year ended 31 December 2023.

## DIRECTORS DETAILS

The following persons were Directors of the Company 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

On 20 December 2023, the Group sold its Webcentral and Melbourne IT domain name registry, consumer hosting (cPanel hosting) and email hosting services business (the **Domains Business**).

There have been no other significant changes in the nature of the Company's activities.

## REVIEW OF OPERATIONS AND FINANCIAL RESULTS

A review of the continuing operations of the Group during the period and the results of those operations found that the revenue and other income for the period was \$24.4 million, representing growth of 5.0% compared to the prior comparative period of \$23.2 million. Revenue of \$22.4 million for the period was 3.0% lower than the prior comparative period of \$23.1 million due to a decline in Cloud, Data Centres, Hardware & Software and Digital Marketing revenue offset by increases in Networks and Managed Services revenue. Other Income of \$1.94 million for the period was significantly higher than the prior comparative period due to the sale of IP assets during the period.

The underlying EBITDA loss of the Group for the period of \$1.95 million was a 56.7% improvement compared to the prior comparative period of \$4.5 million, predominantly due the reduction in operating costs and increase in other income.

The profit of the Group for the period after providing for income tax amounted to \$61 million (2022: \$3.6 million loss), a significant improvement compared to the prior comparative period due to the gain on sale of the Domains Business in December 2023.

The key strategic and financial highlights for the half-year ended 31 December 2023 were as follows:

- Sale of Domains Business completed in December 2023 which generated a gain on sale of \$95.43 million before provisions and income tax expense.
- Repayment of loan facilities of \$28.15 million from the proceeds of sale.
- Net cash position of \$67 million at 31 December 2023.
- Revenue and other income from continuing operations of \$24.4 million, representing growth of 5.0% compared to the prior comparative period (PCP).
- Strong wholesale and enterprise customer growth with more than \$3.0 million annual recurring revenue sold in 1H FY24 and recurring sales pipeline of \$2.2 million.
- Existing customer re-signs of \$0.8 million in 1H FY24.

# DIRECTORS' REPORT

## SALE OF DOMAINS BUSINESS

On 20 December 2023, the Company completed the sale of its Domains Business to an investment group based in Europe. The buyer was Oakley Barcelona AUS Bidco Pty Ltd (**Bidco**). The ultimate holding company is Hosting Group TopCo S.à r.l. (**Topco**), a Luxembourg domiciled investment holding company.

The Group received a portion of the sale proceeds as an equity investment via new shares issued by Topco. The total consideration received was \$127.73M, consisting of \$107.42M in cash and \$20.31M in shares in Topco.

The Group will provide managed services to the Domains Business for a period of five years from Completion under a Managed Services Agreement (**MSA**) and Transitional Services Agreement (**TSA**) for total value of \$12M.

Following completion, the Group has continued to carry on its remaining businesses, primarily being the 5GN operations as a telecommunications carrier servicing enterprise and wholesale customers. The 5GN business owns and operates data centres, private cloud, fibre optic cables and provides managed IT services to 2,500 enterprise clients and 100 wholesale customers.

## CAPITAL STRUCTURE

During the period, the following shares were issued pursuant to the exercise of options:

- 625,000 ordinary shares at an exercise price of \$0.20 per share;
- 4,000,000 ordinary shares at an exercise price of \$0.17 per share under the Company's Executive and Director Share Option Plan (**ESOP**);
- 500,000 ordinary shares at an exercise price of \$0.11 per share under the Company's ESOP; and
- 300,000 ordinary shares at an exercise price of \$0.20 per share under the Company's ESOP.

On 8 December 2023 the Company announced the launch of an on-market share buyback. During the period the Company did not acquire any shares on-market.

On 20 December 2023, the Company repaid \$28.15 million of its debt facilities with Commonwealth Bank of Australia (**CBA**) from the proceeds of the sale of the Domains Business. The Company also amended its debt facility agreement with CBA to remove the market rate loan and acquisition loan facilities and remove the financial covenants under the agreement. The Group's remaining debt facilities with CBA consist of equipment facility loans, bank guarantees and credit card facility secured by a \$4.75 million term deposit with CBA.

## SIGNIFICANT CHANGES IN STATE OF AFFAIRS

The Company's name was changed from Webcentral Limited to 5G Networks Limited following approval by the Company's shareholders at the Company's 2023 Annual General Meeting held on 23 November 2023.

There were no other significant changes in the state of affairs of the Group during the half-year ended 31 December 2023.

## EVENTS ARISING SINCE THE END OF THE REPORTING PERIOD

On 16 January 2024, the Company announced the acquisition of Security Shift, a cyber security consultancy business for \$4 million. The acquisition will be funded from existing cash reserves and from the issue of 7,294,118 ordinary shares in 5GN for value of \$1.24 million. The total cash payments consist of an upfront payment of \$1.66 million and two deferred payments of \$550k payable over the two years following completion. The net assets acquired include cash of \$0.3 million, trade receivables of \$0.4 million and liabilities of \$0.1 million with the balance of the purchase price represented by goodwill and intangible assets

On 10 January 2024, the Company declared a special dividend of \$0.02 (2 cents) per ordinary share payable on 22 February 2024. The record date was 25 January 2024. The special dividend is to be funded from the sale proceeds of the Domains Business.

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

There were no dividends declared or paid during the half-year ended 31 December 2023. In the corresponding prior period, an unfranked dividend of \$0.005 (half a cent) per share was declared in respect of the year ended 30 June 2022 and paid on 4 November 2022.

## 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 10 and forms part of this Directors' Report.

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



Joe Gangi  
Chairman  
Melbourne  
21 February 2024

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# 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 5G Networks Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of 5G Networks Limited for the half-year ended 31 December 2023, I declare that, to the best of my knowledge and belief, there have been:

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

Grant Thornton Audit Pty Ltd  
Chartered Accountants

M J Climpson  
Partner

Melbourne, 21 February 2024

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# 5G Networks Limited

And Its Controlled Entities

## CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

ABN 21 073 716 793



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# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 31 DECEMBER 2023

	Notes	31-Dec-23 6 months \$000	31-Dec-22 6 months \$000
<b>CONTINUING OPERATIONS</b>			
Revenue	5	22,441	23,136
Other income		1,940	95
<b>Revenue and other income</b>		<b>24,381</b>	<b>23,231</b>
Network and data centre costs		(8,752)	(8,505)
Cloud and hosting costs		(1,690)	(1,451)
Other direct costs		(3,397)	(3,221)
Rent and office expenses		(118)	(86)
Marketing and travel expenses		(573)	(925)
Employee benefits expenses		(11,046)	(12,817)
Other expenses		(755)	(734)
Share-based payment expenses		(496)	(395)
Acquisition costs		-	(159)
Restructuring costs		(6,801)	(990)
Depreciation expenses		(3,476)	(4,296)
Amortisation expenses		(260)	(115)
Finance costs		(2,019)	(1,599)
<b>Total expenses</b>		<b>(39,383)</b>	<b>(35,293)</b>
<b>Loss before income tax</b>		<b>(15,002)</b>	<b>(12,062)</b>
Income tax (expense)/benefit	7	753	2,303
<b>Loss after tax from continuing operations</b>		<b>(14,249)</b>	<b>(9,759)</b>
<b>DISCONTINUED OPERATION</b>			
Profit from discontinued operation, net of tax	16	75,010	6,121
<b>Profit after tax for the period from discontinued operation</b>		<b>75,010</b>	<b>6,121</b>
<b>Other comprehensive income, net of income tax</b>			
<i>Items that will be reclassified to profit or loss in subsequent periods:</i>			
Currency translation differences		-	(37)
<i>Items that will not be reclassified to profit or loss in subsequent periods:</i>			
Change in fair value of equity instruments designed at fair value through other comprehensive income		-	943
<b>Other comprehensive income for the period, net of tax</b>		<b>-</b>	<b>906</b>
<b>Total comprehensive income for the period</b>		<b>60,761</b>	<b>(2,732)</b>
<b>Profit / (Loss) for the period attributable to:</b>			
Members of the parent		60,761	(3,638)
Non-controlling interests		-	-
		<b>60,761</b>	<b>(3,638)</b>
<b>Total comprehensive income for the period attributable to:</b>			
Members of the parent		60,761	(2,732)
Non-controlling interests		-	-
		<b>60,761</b>	<b>(2,732)</b>
<b>Total comprehensive income attributable to:</b>			
Continuing operations		(14,249)	(8,853)
Discontinued operations		75,010	6,121
		<b>60,761</b>	<b>(2,732)</b>
<b>Loss per share from continuing operations (cents per share):</b>			
Basic loss per share	6	(4.31)	(2.99)
Diluted loss per share	6	(4.31)	(2.99)
<b>Profit/(Loss) per share attributable to the members of the parent (cents per share):</b>			
Basic profit/(loss) per share	6	18.39	(0.84)
Diluted profit/(loss) per share	6	18.39	(0.84)

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# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

	Notes	31-Dec-23 \$'000	30-Jun-23 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	8	66,340	4,498
Restricted cash	8	4,750	-
Trade and other receivables		3,797	5,088
Contract assets		1,790	1,089
Prepayments of domain name registry charges		-	6,279
Other assets		2,739	3,998
<b>Total Current Assets</b>		<b>79,416</b>	<b>20,952</b>
<b>Non-current assets</b>			
Plant and equipment	9	8,835	9,805
Right-of-use assets	10	7,749	10,376
Prepayments of domain name registry charges		-	2,719
Goodwill	11	5,536	50,280
Intangible assets	12	155	21,067
Investments	13	20,310	-
Other financial assets	14	725	725
Deferred tax assets	7	-	890
Other assets		75	36
<b>Total Non-Current Assets</b>		<b>43,385</b>	<b>95,898</b>
<b>TOTAL ASSETS</b>		<b>122,801</b>	<b>116,850</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		9,804	14,666
Borrowings	14	583	29,158
Lease liability	10	3,270	3,937
Employee benefits		2,527	3,536
Provision for income tax	7	14,056	124
Contract liabilities		243	25,440
Other financial liabilities	14	4,831	6,305
<b>Total Current Liabilities</b>		<b>35,314</b>	<b>83,166</b>
<b>Non-current liabilities</b>			
Borrowings	14	648	-
Lease liability	10	10,846	13,229
Employee benefits		361	487
Contract liabilities		-	9,698
Other financial liabilities	14	3,518	-
<b>Total Non-Current Liabilities</b>		<b>15,373</b>	<b>23,414</b>
<b>TOTAL LIABILITIES</b>		<b>50,687</b>	<b>106,580</b>
<b>NET ASSETS</b>		<b>72,114</b>	<b>10,270</b>
<b>EQUITY</b>			
Share capital	18	200,638	200,521
Reserves	19	(131,083)	(132,049)
Accumulated Profits/(Losses)		2,559	(58,202)
<b>TOTAL EQUITY</b>		<b>72,114</b>	<b>10,270</b>

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# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 31 DECEMBER 2023

	Share Capital	Reserves	Accumulated Losses	Total equity attributable to owners of the Company	Total Equity
	\$000	\$000	\$000	\$000	\$000
<b>As at 1 July 2023</b>	<b>200,521</b>	<b>(132,049)</b>	<b>(58,202)</b>	<b>10,270</b>	<b>10,270</b>
Profit for the period	-	-	60,761	60,761	60,761
Other comprehensive income	-	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>200,521</b>	<b>(132,049)</b>	<b>2,559</b>	<b>71,031</b>	<b>71,031</b>
<b>Transactions with owners in their capacity as owners:</b>					
Share issued – exercise of options	125	-	-	125	125
Share issue costs	(8)	-	-	(8)	(8)
Share based compensation	-	966	-	966	966
<b>As at 31 December 2023</b>	<b>200,638</b>	<b>(131,083)</b>	<b>2,559</b>	<b>72,114</b>	<b>72,114</b>
<b>As at 1 July 2022</b>	<b>201,301</b>	<b>(134,661)</b>	<b>(37,707)</b>	<b>28,933</b>	<b>28,933</b>
Loss 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>(135,231)</b>	<b>(41,345)</b>	<b>24,725</b>	<b>24,725</b>
<b>Transactions with owners in their capacity as owners:</b>					
Shares issued – ColoAu vendor	137	-	-	137	137
Shares issued - Dividend reinvestment plan	52	-	-	52	52
Share cancellation - on-market buy back	(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>(134,480)</b>	<b>(41,345)</b>	<b>24,699</b>	<b>24,699</b>

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# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 31 DECEMBER 2023

	Notes	31-Dec-23 6 months \$'000	31-Dec-22 6 months \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipt from customers		52,489	54,356
Payments to suppliers and employees		(53,854)	(49,845)
Interest received		5	2
Interest paid		(1,153)	(1,470)
Payments for restructuring and acquisition costs		(7,383)	(2,127)
<b>Net cash flows from operating activities</b>		<b>(9,896)</b>	<b>916</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of Domains Business	17	107,420	-
Purchase of property, plant and equipment		(1,099)	(3,103)
Payment for acquisition of New Domain Services	16	(1,500)	(3,500)
Increase in pledged bank deposits		(4,750)	-
Proceeds from sale of CNW Shares		-	5,487
Proceeds from sale of assets		1,576	-
Return of capital and dividends received from investment in The Pistol		-	33
<b>Net cash flows from investing activities</b>		<b>101,647</b>	<b>(1,083)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares on exercise of options		135	-
Proceeds from borrowings		500	8,800
Payments in relation to on-market share buyback		-	(1,914)
Payments of borrowing costs		-	(10)
Repayment of borrowings		(28,498)	(4,844)
Payment of dividend on ordinary shares		-	(1,476)
Payment of lease liabilities		(2,009)	(1,956)
<b>Net cash flows from financing activities</b>		<b>(29,872)</b>	<b>(1,400)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>61,879</b>	<b>(1,567)</b>
Net foreign exchange differences		(37)	(36)
Cash and cash equivalents at beginning of period		4,498	5,367
<b>Cash and cash equivalents at end of period</b>	<b>8</b>	<b>66,340</b>	<b>3,764</b>

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# NOTES TO THE FINANCIAL STATEMENTS

## 1. CORPORATE INFORMATION

The consolidated financial statements of 5G Networks Limited ('the Company' or '5GN') and its subsidiaries (collectively, 'the Group') for the half-year ended 31 December 2023 were authorised for issue in accordance with a resolution of the directors on 21 February 2024.

5G Networks Limited is a limited company, incorporated and domiciled in Australia, whose shares are publicly traded on the Australian Securities Exchange (ASX). The Company's name was changed from Webcentral Limited to 5G Networks Limited following approval by the Company's shareholders at the Company's 2023 Annual General Meeting held on 23 November 2023.

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 ACTIVITY

The principal activities of the Group during the period are described below:

#### Continuing operations

5GN provides the following services to enterprise and wholesale customers:

- 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
- website development, search engine marketing and social advertising campaigns for businesses in Australia and New Zealand

#### Discontinued operation – Domains Business

The Domains Business provides domain name registry, consumer hosting (cPanel hosting) and email hosting services to businesses in Australia and New Zealand under the Webcentral, Melbourne IT and Domainz brands. The Domains Business was sold on 20 December 2023.

### 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, Victoria 3000.

## 2. BASIS OF PREPARATION

The Interim Financial Statements are for the half-year ended 31 December 2023 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 2023, together with any public announcements made by the Company during the half-year ended 31 December 2023 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 21 February 2024.

### GOING CONCERN

The financial report for the half-year ended 31 December 2023 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.

The Directors have 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.



# NOTES TO THE FINANCIAL STATEMENTS

## 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 2023. The following accounting policies have been adopted or amended since then:

### ASSOCIATES AND EQUITY METHOD

Associates are all entities over which the group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of voting rights. Investments in associates are accounted for using the equity method of accounting after initially being recorded at cost.

Under the equity method of accounting, the investments are initially recorded at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses of the investee in profit or loss, and the group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

### FINANCIAL INSTRUMENTS – FINANCIAL LIABILITIES

The Group's financial liabilities include liabilities recognised in relation to warranty obligations arising from contractual arrangements. Financial liabilities are initially measured at fair value and subsequently measured at amortised cost.

### 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 2023. 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.

### 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.

## 4. OPERATING SEGMENTS AND PRODUCT LINES

From 1 July 2023, Management has identified the operating segments monitored by the Group's Chief Operating Decision Maker ("CODM") as being Enterprise, Wholesale and Retail:

- **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.
- **Wholesale:** cloud hosting, data centre, networks and voice products and services provided to wholesale telecommunications and Segment information is provided below in relation to these segments.
- **Retail:** domains, web hosting, email hosting and digital marketing services to consumer and small and medium enterprise customers.

All of the Group's Retail segment operations are classified as a discontinued operation for the period as they were included within the Domains Business which was sold on 20 December 2023.

The operating segments reported in the Group's financial statements for the year ended 30 June 2023 were Data Centres, Networks and Cloud Applications, Managed Services and Webcentral. The Group changed its operating segments due to the sale of the Webcentral Domains Business.

## NOTES TO THE FINANCIAL STATEMENTS

Segment information for continuing operations 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.

2023	Enterprise \$'000	Wholesale \$'000	Total \$'000
<b>Segment Revenue</b>	<b>18,336</b>	<b>4,105</b>	<b>22,441</b>
<b>Cost of goods sold</b>	<b>(11,190)</b>	<b>(2,649)</b>	<b>(13,839)</b>
<b>Gross margin</b>	<b>7,146</b>	<b>1,456</b>	<b>8,602</b>
Other income	1,940	-	1,940
Rent and office expenses	(96)	(22)	(118)
Marketing and travel expenses	(468)	(105)	(573)
Employee benefits expenses	(10,615)	(431)	(11,046)
Other expenses	(617)	(138)	(755)
<b>Total Adjusted EBITDA</b>	<b>(2,710)</b>	<b>761</b>	<b>(1,950)</b>
Share-based payment expenses			(496)
Restructuring costs			(6,801)
Depreciation and amortisation expenses	(3,476)	(260)	(3,736)
Finance costs			(2,019)
<b>Loss before income tax expense</b>			<b>(15,002)</b>
<b>Total Segment assets</b>	<b>101,064</b>	<b>21,737</b>	<b>122,801</b>
<b>Total Segment liabilities</b>	<b>24,947</b>	<b>5,585</b>	<b>30,532</b>

2022	Enterprise \$'000	Wholesale \$'000	Total \$'000
<b>Segment revenue</b>	<b>19,140</b>	<b>3,996</b>	<b>23,136</b>
<b>Cost of goods sold</b>	<b>(9,692)</b>	<b>(3,485)</b>	<b>(13,177)</b>
<b>Gross margin</b>	<b>9,448</b>	<b>511</b>	<b>9,959</b>
Other income	95	-	95
Rent and office expenses	(71)	(15)	(86)
Marketing and travel expenses	(765)	(160)	(925)
Employee benefits expenses	(12,373)	(444)	(12,817)
Other expenses	(607)	(127)	(734)
<b>Total Adjusted EBITDA</b>			<b>(4,508)</b>
Share-based payment expenses			(395)
Acquisition costs			(159)
Restructuring costs			(990)
Depreciation and amortisation expenses	(4,411)	-	(4,411)
Finance costs			(1,599)
<b>Loss before income tax expense</b>			<b>(12,062)</b>
<b>Total Segment assets</b>	<b>49,202</b>	<b>3,109</b>	<b>52,311</b>
<b>Total Segment liabilities</b>	<b>37,383</b>	<b>2,364</b>	<b>39,747</b>

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## NOTES TO THE FINANCIAL STATEMENTS

### 5. REVENUE

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

	31-Dec-23 6 months \$'000	31-Dec-22 6 months \$'000
<b>CONTINUING OPERATIONS</b>		
<b>Types of goods of service</b>		
Cloud	3,464	3,885
Data Centres	4,204	4,521
Networks	3,712	3,451
Managed Services	5,977	5,489
Digital Marketing	1,347	1,672
Hardware & Software	3,737	4,118
<b>Total revenue from contracts with customers</b>	<b>22,441</b>	<b>23,136</b>
<b>Timing of revenue recognition</b>		
Services transferred over time	18,704	19,018
Goods and services transferred at a point in time	3,737	4,118
<b>Total revenue from contracts with customers</b>	<b>22,441</b>	<b>23,136</b>

### 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 (2022: Nil) as the share options and performance rights of the Company were antidilutive. The following represents the share data used in the EPS computations:

	Number of shares	
	31-Dec-23 Number	31-Dec-22 Number
Weighted average number of ordinary shares used in the calculation of basic earnings per share	330,436,555	326,564,780
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	330,436,555	326,564,780

## NOTES TO THE FINANCIAL STATEMENTS

### 7. INCOME TAX

	Consolidated	
	Dec-23 6 months \$'000	Dec-22 6 months \$'000
<b>(a) INCOME TAX BENEFIT / (EXPENSE)</b>		
Loss from continuing operations before income tax expense	(15,002)	(12,062)
Profit from discontinued operation before income tax expense	95,245	8,897
<b>Profit before income tax expense</b>	<b>80,243</b>	<b>(3,165)</b>
Tax at the Group's statutory income tax rate of 30% (2022: 30%)	(24,073)	950
<b>Tax effect amounts which are non-assessable/(non-deductible in calculating taxable income):</b>		
Accounting and tax difference on sale of business	6,375	-
Other tax-exempt income	-	(10)
Expense on performance rights and options	(290)	(225)
Other non-deductible expenses	(8)	(16)
Net under/over	(1,626)	-
Movement in temporary differences relating to sale entities	(121)	-
Unrecognised tax loss for the year	-	(1,172)
Derecognition of deferred tax assets	(2,985)	-
Utilisation of tax losses	3,246	-
<b>Actual tax benefit / (expense)</b>	<b>(19,482)</b>	<b>(473)</b>
<b>Tax expense comprises:</b>		
- Current tax	(14,056)	-
- Deferred tax - origination and reversal of temporary differences	(5,426)	(473)
<b>Aggregate Income tax (expense) / benefit</b>	<b>(19,482)</b>	<b>(473)</b>
<b>Income Tax (Expense) / Benefit reported in the Statement of Comprehensive Income:</b>		
- From continuing operations	753	2,303
- From discontinued operation	(20,235)	(2,776)
<b>Aggregate Income tax (expense) / benefit</b>	<b>(19,482)</b>	<b>(473)</b>

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## NOTES TO THE FINANCIAL STATEMENTS

### b. Deferred tax assets and liabilities

	Consolidated	
	Dec-23 \$'000	Jun-23 \$'000
<b>Deferred tax assets and liabilities are comprised of the following temporary differences:</b>		
Allowable section 40-880 deductions	481	946
Accrued expenses and provisions	3,553	7,540
PPE and leased assets	2,351	609
Investments	(3,265)	-
Tangible and intangible assets	(5)	(3,028)
ACA impact on depreciating asset	(84)	(89)
Brand and Customer contract	(46)	(5,088)
<b>NET DEFERRED TAX ASSET</b>	<b>2,985</b>	<b>890</b>
Derecognition of Deferred Tax Asset	(2,985)	-
<b>Deferred Tax Asset</b>	<b>-</b>	<b>890</b>

As at 30 June 2023 the Group had significant carry forward revenue and capital tax losses arising from the sale of businesses in prior years. The Group is assessing the eligibility and deductibility of these losses in relation to the year ending 30 June 2024 which may be applied against current tax provisions, including the current provision for income tax of \$14.0 million recorded in the current period in relation to the sale of the Domains Business.

### 8. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	Consolidated	
	31-Dec-23 \$'000	30-Jun-23 \$'000
Cash at bank and in hand	66,340	4,498
Restricted cash	4,750	-
<b>Total cash and cash equivalents and restricted cash</b>	<b>71,090</b>	<b>4,498</b>

#### Restricted cash

The restricted cash amounts of \$4.75 million (2022: nil) are held as security for property lease bank guarantees and equipment loan facilities with Commonwealth Bank of Australia.

### 9. PROPERTY, PLANT AND EQUIPMENT

	Consolidated	
	31-Dec-23 \$'000	30-Jun-23 \$'000
Leasehold improvements	4,254	4,410
Less: Accumulated depreciation	(3,942)	(3,864)
	<b>312</b>	<b>546</b>
Plant and equipment	31,873	30,994
Less: Accumulated depreciation	(23,350)	(21,735)
	<b>8,523</b>	<b>9,259</b>
<b>Total Property, Plant and Equipment</b>	<b>8,835</b>	<b>9,805</b>

## NOTES TO THE FINANCIAL STATEMENTS

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 2023	4,410	30,994	35,404
Disposal through sale of business	-	(108)	(108)
Additions	-	1,099	1,099
Disposals	(156)	(112)	(268)
<b>Closing Value at 31 December 2023</b>	<b>4,254</b>	<b>31,873</b>	<b>36,127</b>
<b>Depreciation and impairment</b>			
At 1 July 2023	(3,864)	(21,735)	(25,599)
Depreciation	(193)	(1,619)	(1,812)
Disposals	115	4	119
<b>Closing value at 31 December 2023</b>	<b>(3,942)</b>	<b>(23,350)</b>	<b>(27,292)</b>
<b>Carrying Amount at 31 December 2023</b>	<b>312</b>	<b>8,523</b>	<b>8,835</b>

### 10. 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-23 \$'000	30-Jun-23 \$'000
Building	24,132	28,100
Less: Accumulated depreciation	(16,741)	(18,146)
	<b>7,391</b>	<b>9,954</b>
IT Equipment	807	807
Less: Accumulated depreciation	(449)	(385)
	<b>358</b>	<b>422</b>
<b>Total Right-of-use asset</b>	<b>7,749</b>	<b>10,376</b>

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

	Right-of-use assets		
	Building \$'000	IT equipment \$'000	Total \$'000
<b>As at 1 July 2023</b>	<b>9,954</b>	<b>422</b>	<b>10,376</b>
Additions during the year	572	-	572
Disposals during the year	(1,775)	(64)	(1,424)
Depreciation expense	(1,360)	-	(1,775)
<b>As at 31 December 2023</b>	<b>7,391</b>	<b>358</b>	<b>7,749</b>

# NOTES TO THE FINANCIAL STATEMENTS

## Lease liabilities

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

	31-Dec-23 \$'000	30-Jun-23 \$'000
Lease liabilities (current)	3,270	3,937
Lease liabilities (non-current)	10,846	13,229

The lease liabilities are secured by the related underlying assets. Future minimum lease payments at 31 December 2023 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 2023</b>							
Lease payments	4,561	4,380	3,103	2,384	1,291	1,035	16,754
Finance charges	(1,291)	(605)	(376)	(191)	(97)	(78)	(2,638)
<b>Net present values</b>	<b>3,270</b>	<b>3,775</b>	<b>2,727</b>	<b>2,193</b>	<b>1,194</b>	<b>957</b>	<b>14,116</b>
<b>30 June 2023</b>							
Lease payments	4,989	4,825	4,058	3,375	1,438	1,305	19,990
Finance charges	(1,037)	(756)	(491)	(286)	(133)	(122)	(2,825)
<b>Net present values</b>	<b>3,952</b>	<b>4,069</b>	<b>3,567</b>	<b>3,089</b>	<b>1,305</b>	<b>1,183</b>	<b>17,165</b>

## 11. GOODWILL

	Consolidated	
	31-Dec-23 \$'000	30-Jun-23 \$'000
Goodwill	5,536	50,280

The following table shows the movements in goodwill:

	31-Dec-23 \$000	30-Jun-23 \$000
<b>Gross carrying amount</b>		
Balance at beginning of period	67,253	61,706
Acquired through business combination	-	5,547
Disposal through sale of business	(44,744)	-
<b>Balance at end of the period</b>	<b>22,509</b>	<b>67,253</b>
Accumulated impairment		
Balance at beginning of period	(16,973)	(11,494)
Impairment loss recognised	-	(5,479)
<b>Balance at end of the period</b>	<b>(16,973)</b>	<b>(16,973)</b>
<b>Carrying amount at end of the period</b>	<b>5,536</b>	<b>50,280</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 12. OTHER INTANGIBLE ASSETS

The following table shows the movements in goodwill:

	Consolidated	
	31-Dec-23	30-Jun-23
Customer contract	328	20,486
Less: Accumulated amortisation	(282)	(5,314)
	<b>46</b>	<b>15,172</b>
Brand name	516	4,017
Less: Accumulated amortisation	(407)	(2,044)
	<b>109</b>	<b>1,973</b>
Capitalised software	-	5,432
Less: Accumulated amortisation	-	(1,704)
	-	<b>3,728</b>
Marketing Related Intangibles -	-	231
Less: Accumulated amortisation	-	(37)
	-	194
<b>Total intangible assets</b>	<b>155</b>	<b>21,067</b>

#### Reconciliations

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

	Customer contract \$'000	Brand name \$'000	Capitalised software \$'000	Marketing Related Intangibles \$'000	Total \$'000
<b>Balance at 1 July 2023</b>	<b>15,172</b>	<b>1,973</b>	<b>3,728</b>	<b>194</b>	<b>21,067</b>
Additions	-	-	-	-	-
Disposal	(14,198)	(1,524)	(3,199)	(194)	(19,115)
Amortisation	(928)	(340)	(529)	-	(1,797)
<b>Balance at 31 December 2023</b>	<b>46</b>	<b>109</b>	-	-	<b>155</b>

### 13. INVESTMENTS

	Consolidated	
	31-Dec-23 \$'000	30-Jun-23 \$'000
Investments	20,310	-

Investments consist of the fair value of the Group's investment in Hosting Group TopCo S.à r.l. (Topco) of \$20.31 million which has been calculated as follows:

	'000
EUR Value of 33.3% equity in Topco	€12,500
AUD/EUR exchange rate on 20 December 2023	0.61546
AUD Value of 33.3% equity in Topco	\$20,310



## NOTES TO THE FINANCIAL STATEMENTS

The Group is an associate of the Topco and has 'significant influence' over the policy-making processes of Topco as defined under AASB 128 Investments in Associates and Joint Ventures (**AASB 128**) on the basis that the Group holds 33.3% of the voting power of Topco, it has appointed one board representative out of a total of three, and there are material transactions between the Group and Topco under managed services and transitional services agreements. For future reporting periods, the Group will apply the equity method of accounting and record its share of profit and the change in net assets of Topco.

### 14. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

	Amortised cost \$000	FVTPL \$000	FVOCI \$'000	Total \$000
<b>31 DECEMBER 2023</b>				
<b>Financial assets</b>				
Cash and cash equivalents	66,340	-	-	66,340
Restricted cash	4,750			4,750
Trade and other receivables	3,432	-	-	3,432
Unsecured loans	-	365	-	365
Other investments	-	-	725	725
<b>Total financial assets</b>	<b>74,522</b>	<b>365</b>	<b>725</b>	<b>75,612</b>
<b>Financial liabilities</b>				
Current borrowings	583	-	-	583
Non-current borrowings	648	-	-	648
Lease liabilities	3,270	-	-	3,270
Non-current lease liabilities	10,846	-	-	10,846
Trade and other payables	9,804	-	-	9,804
Other financial liabilities - current	4,831	-	-	4,831
Other financial liabilities - non-current	3,518	-	-	3,518
<b>Total financial liabilities</b>	<b>33,500</b>	<b>-</b>	<b>-</b>	<b>33,500</b>

	Amortised cost \$000	FVTPL \$000	FVOCI \$'000	Total \$000
<b>30 JUNE 2023</b>				
<b>Financial assets</b>				
Cash and cash equivalents	4,498	-	-	4,498
Trade and other receivables	4,664	-	-	4,664
Unsecured loans	-	365	-	365
Other investments	-	-	725	725
<b>Total financial assets</b>	<b>9,162</b>	<b>365</b>	<b>725</b>	<b>10,252</b>
<b>Financial liabilities</b>				
Trade and other payables	14,666	-	-	14,666
Current borrowings	29,158	-	-	29,158
Non-current borrowings	-	-	-	-
Lease liabilities	3,937	-	-	3,937
Non-current lease liabilities	13,229	-	-	13,229
Other financial liabilities	2,182	-	-	2,182
<b>Total financial liabilities</b>	<b>63,172</b>	<b>-</b>	<b>-</b>	<b>63,172</b>

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# NOTES TO THE FINANCIAL STATEMENTS

## Other financial liabilities

The balance of other financial liabilities at reporting date consists of liabilities recognised in relation to warranty obligations under the Share Purchase Agreement (**SPA**) for the sale of the Domains Business completed during the period. The Group has conducted an assessment of the potential liabilities under the SPA and recognised the following financial liabilities at their present value using a discount rate of 12%:

	Current >1 year \$'000	1-2 years \$'000	2-3 years \$'000	3-4 years \$'000	Non-current \$'000	Total \$'000
Warranty provision amount	2,250	2,250	1,000	1,000	3,750	6,500
<b>Present value – other financial liabilities</b>	<b>2,250</b>	<b>2,009</b>	<b>797</b>	<b>712</b>	<b>3,518</b>	<b>5,768</b>

The warranty terms under the SPA are 24 months for general warranties and four years for specific warranties. The probabilities applied to each category of warranty claim are based on the Group's assessment of the potential warranty claims that may arise and are between 1% and 4.5%.

## 15. 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:

- 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 2023:

	Note	Date of valuation	Fair value measurement using			
			TOTAL	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
			\$000	\$000	\$000	\$000
<b>Assets / (liabilities) measured at fair value</b>						
<b>Financial assets</b>						
Investment in The Pistol shares		31-Dec-23	725	-	-	725
Unsecured loans		31-Dec-23	365	-	-	365

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

# NOTES TO THE FINANCIAL STATEMENTS

## 16. BUSINESS COMBINATIONS

### New Domain Services

On 7 December 2022, the Company completed 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.

Two deferred acquisition payments totalling \$1.5 million were paid during the period. The Company's obligation to pay an earn-out was extinguished on completion of the sale of the Domains Business which included the New Domain Services business.

The goodwill value of \$5.344 million identified in relation to the acquisition is final. The New Domain Services business was sold in December 2023 with the sale of the Domains Business.

## 17. DISCONTINUED OPERATION – DOMAINS BUSINESS

### a) Webcentral and Melbourne IT Domain, Hosting and Email business

On 20 December 2023 the Group sold its Webcentral and Melbourne IT domain name registry, consumer hosting (cPanel hosting) and email hosting services businesses (**Domains Business**) to an investment group based in Europe. The buyer was Oakley Barcelona AUS Bidco Pty Ltd (**Bidco**). The ultimate holding company is a Luxembourg domiciled investment holding company, Hosting Group TopCo S.à r.l. (**Topco**). The total consideration received was \$127.73 million consisting of \$107.42 million in cash and \$20.31 million in equity in Topco. The equity in Topco is held by 8 separate shareholders who each hold between 0.1% and 33.3%, represented by three Board representatives, being Oakley Capital (33.3%), 5GN (33.3%) and Equivia (33.3%).

The Domains Business is reported in the current period as a discontinued operation. Financial information relating to the discontinued operation for the period to 20 December 2023 is set out below.

### b) Financial performance and cash flow information

The financial performance and cash flow information presented is for the period 1 July 2023 to 20 December 2023 (2023 column) and for the half-year ended 31 December 2022 (2022 column).

	Note	2023 \$'000	2022 \$'000
Revenue		24,519	25,374
Expenses		(24,700)	(16,477)
Profit before income tax		(181)	8,897
Income tax expense		(6,189)	(2,776)
Profit after income tax of discontinued operations		(6,370)	6,121
Gain on sale of the subsidiary after income tax (see (c) below)		81,380	-
<b>Profit from discontinued operations</b>		<b>75,010</b>	<b>6,121</b>
<b>Other comprehensive income from discontinued operations</b>		<b>75,010</b>	<b>6,121</b>
Net cash inflow from operating activities		13,389	7,679
Net cash inflow/(outflow) from investing activities		(561)	(708)
Net cash inflow/(outflow) from financing activities		-	-
<b>Net increase in cash generated by the discontinued operation</b>		<b>12,828</b>	<b>6,971</b>

## NOTES TO THE FINANCIAL STATEMENTS

### c) Details of the sale of the business

	Note	2023 \$'000	2022 \$'000
Consideration received or receivable:			
Cash		107,420	-
Fair value of investment	(i)	20,310	-
Total disposal consideration		127,730	-
Carrying amount of net assets sold		(32,304)	-
<b>Gain on sale before income tax and reclassification of foreign currency translation reserve</b>		<b>95,426</b>	-
Income tax expense on gain		(14,046)	-
<b>Gain on sale after income tax</b>		<b>81,380</b>	-

(i) The fair value of the Company's investment in Topco of \$20.31 million has been calculated as follows:

	'000
EUR Value of 33.3% equity in Topco	€12,500
AUD/EUR exchange rate on 20 December 2023	0.61546
AUD Value of 33.3% equity in Topco	\$20,310

(ii) The carrying amounts of assets and liabilities as at the date of sale (20 December 2023) were:

	20 December 2023 \$000
Cash and cash equivalents	3,288
Trade and other receivables	365
Prepayments of domain name registry charges	10,068
Property, plant and equipment	106
Intangible assets	62,539
Other assets	873
<b>Total assets</b>	<b>77,239</b>
Trade and other payables	(3,775)
Provisions	(519)
Contract liabilities	(36,095)
Deferred tax liabilities	(4,546)
<b>Total liabilities</b>	<b>(44,935)</b>
<b>Net assets</b>	<b>32,304</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 18. SHARE CAPITAL

During the period, the following shares were issued pursuant to the exercise of options:

- 625,000 ordinary shares at an exercise price of \$0.20 per share
- 4,000,000 ordinary shares at an exercise price of \$0.17 per share under the Company's Executive and Director Share Option Plan (**ESOP**);
- 500,000 ordinary shares at an exercise price of \$0.11 per share under the Company's ESOP; and
- 300,000 ordinary shares at an exercise price of \$0.20 per share under the Company's ESOP.

On 8 December 2023 the Company announced the launch of an on-market share buyback. During the period the Company did not acquire any shares on-market.

	31-Dec-23 \$'000	30-Jun-23 \$'000
Issued and paid-up capital		
Ordinary shares each fully paid	200,638	200,521

#### Movements in ordinary shares on issue

	31 Dec 2023 6 months		30 Jun 2023 12 months	
	Number of Shares	\$'000	Number of shares	\$'000
<b>Beginning of the financial period</b>	<b>329,126,229</b>	<b>200,521</b>	<b>331,092,792</b>	<b>201,301</b>
Shares issued following exercise of options	625,000	125	-	-
Shares cancelled pursuant to on-market buyback	-	-	(5,401,820)	(955)
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
Transaction costs relating to equity	-	(8)	-	(14)
<b>Shares issued and fully paid</b>	<b>329,751,229</b>	<b>200,638</b>	<b>327,037,583</b>	<b>200,521</b>
Issue of shares to employees under Employee Share Plans	-	-	2,088,646	-
Issue of shares under ESOP	4,800,000	-	-	-
<b>End of the financial period</b>	<b>334,551,229</b>	<b>200,638</b>	<b>329,126,229</b>	<b>200,521</b>

### 19. RESERVES

	31-Dec-23 \$'000	30-Jun-23 \$'000
Share-based payments reserve	13,983	13,017
Other reserves	5,450	5,450
Foreign currency reserve	288	288
Reorganisation reserve	(150,804)	(150,804)
<b>Total</b>	<b>(131,083)</b>	<b>(132,049)</b>

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## NOTES TO THE FINANCIAL STATEMENTS

	31-Dec-23 \$'000	30-Jun-23 \$'000
<b>SHARE-BASED PAYMENTS RESERVE</b>		
Balance at the beginning of the period	13,017	11,471
Arising on share-based payments	966	1,546
<b>Balance at the end of the period</b>	<b>13,983</b>	<b>13,017</b>
<b>OTHER RESERVES</b>		
Balance at the beginning of the period	5,450	4,436
Change in fair value of equity instruments	-	1,014
<b>Balance at the end of the period</b>	<b>5,450</b>	<b>5,450</b>
<b>FOREIGN CURRENCY RESERVE</b>		
Balance at the beginning of the period	288	236
Currency translation differences	-	52
<b>Balance at the end of the period</b>	<b>288</b>	<b>288</b>
<b>REORGANISATION RESERVE</b>		
Balance at the beginning of the period	(150,804)	(150,804)
<b>Balance at the end of the period</b>	<b>(150,804)</b>	<b>(150,804)</b>

### 20. DIVIDENDS

There were no dividends declared or paid during the half-year ended 31 December 2023. In the corresponding prior period, 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.

### 21. RELATED PARTY TRANSACTIONS

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

- A total of \$119,710 (2023: \$104,810) 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.

### 22. EVENTS SUBSEQUENT TO REPORTING DATE

On 16 January 2024, the Company announced the acquisition of Security Shift, a cyber security consultancy business for \$4 million. The acquisition will be funded from existing cash reserves and from the issue of 7,294,118 ordinary shares in 5GN for value of \$1.24 million. The total cash payments consist of an upfront payment of \$1.66 million and two deferred payments of \$550k payable over the two years following completion. The net assets acquired include cash of \$0.3 million, trade receivables of \$0.4 million and liabilities of \$0.1 million with the balance of the purchase price represented by goodwill and intangible assets.

On 10 January 2024, the Company declared a special dividend of \$0.02 (2 cents) per ordinary share payable on 22 February 2024. The record date was 25 January 2024. The special dividend is to be funded from the sale proceeds of the Domains Business.

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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1. In the Directors' opinion:

- (a) The financial statements and notes of Webcentral Limited for the half-year ended 31 December 2023 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 2023 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*.

On behalf of the board of directors



Mr. Joe Gangi  
Chair  
21 February 2024

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# INDEPENDENT AUDITOR'S REVIEW REPORT

## Grant Thornton Audit Pty Ltd

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## Independent Auditor's Review Report

To the Members of 5G Networks Limited

Report on the half-year financial report

### Conclusion

We have reviewed the accompanying half-year financial report of 5G Networks Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2023, 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 5G Networks 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 2023 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 Company 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 2023 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 J Climpson  
Partner

Melbourne, 21 February 2024

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