

Appendix 4D and Interim Financial Report

31 DECEMBER 2020



RESULTS FOR THE HALF YEAR ENDED 31 DECEMBER 2020

5G NETWORKS LIMITED (ASX: 5GN) IS PLEASED TO ANNOUNCE ITS FY2021 INTERIM FINANCIAL REPORT AND COMMENTARY.

5GN's first half financial performance has been strong with the continued transition to higher margin annuity revenue streams delivering record growth in EBITDA and operating cashflows. The successful acquisition of a controlling interest in Webcentral Group Limited (ASX:WCG) on 28 October 2020 has enabled 5GN to accelerate entry into the SMB market. This strategy delivers 5GN with access to WCG's base of 330,000 SMB customers, managed through the online sales channel.

The takeover of WCG is now complete and our executive team and Board are extremely satisfied with the outcome which is in accord with expectations. Importantly, 5GN now provides numerous Cloud, Telecommunications and Managed IT services to WCG. This strategic business relationship will continue to expand, with 5GN now employing WCG's capability for software development for operational improvement and automation across our service delivery platforms. Additionally, 5GN will now develop a comparable digital sales channel as used in the WCG portal to implement automation and rapidly deliver world class services to its wholesale clients.

5GN continues to strengthen its successful track record for prudently completing acquisitions that bring accretive value through increased earnings and growth. The WCG acquisition also underpins the next phase of 5GN's strategy for continuing its vertical integration across the industry. Future acquisitions will be funded from existing cash reserves, and it is expected that a large amount of the WCG debt owing to 5GN will be repaid over the next 12 months.

Key highlights for the half year ended 31 December 2020 include:

- Significant EBITDA growth, with first half underlying EBITDA of \$6.2 million¹, an increase of 105% on the previous period (H1FY20: \$3.0m)
- Increased underlying EBITDA margin to 16.7%¹ compared to 12% in the previous period
- First half FY21 Revenue was \$37.3 million, representing 47% growth on the previous period (H1FY20: \$25.4m)
- Record underlying first half operating cash flow of \$4.8 million², an increase of 45% on the previous half
- A gain of \$1.35 million was recorded in relation to the Group's initial investment in WCG from 3 September 2020 until control was achieved on 28 October 2020
- Acquisition of ColoAu in July 2020, a leading wholesale provider of data centre services and hyper-speed data networks
- Commencement of fibre build to connect 5GN data centres to over 80 additional data centres across Brisbane, Sydney, Melbourne, Adelaide and Perth
- Acquisition of Brisbane Data Centre in December 2020, providing additional data centre capacity
- Continued transition to higher margin annuity revenue with 5GN's annuity revenue performance strengthened with 7% growth on 1HFY20
- Strong hardware and software revenue of \$6.6 million in the first half with the completion of several large strategic projects
- Continued growth in sales pipeline with \$4.7m of new and re-signed revenue secured in the half demonstrates continued customer commitment and expansion of services; greater than 80% of revenue is contracted
- Continued investment in cloud infrastructure to connect and integrate 3 cloud zones, across Melbourne, Sydney and Adelaide
- Substantial cash balance of \$8.3m and an additional \$1.1m of available debt to fund targeted acquisitions
- Successful completion of \$27.5 million capital raising in September and Share Purchase Plan of \$3.9 million
- Increase of debt facilities with Commonwealth Bank of \$8.4 million to \$14.5 million

1. Underlying EBITDA is before acquisition and transaction costs of \$2.56 million, share-based payments expense of \$1.09 million and other non-operating items

2. Underlying operating cashflow is before acquisition and transaction cash outflows of \$2.4 million

3. The result for the period includes the results of Webcentral Group Limited ("WCG") for the period from the date when control was gained on 28 October 2020. WCG contributed revenue of \$9.3 million and an operating loss after tax of \$0.5 million for the period to 31 December 2020. Included within the results for the period is a gain of \$1.35 million recorded in relation to the Group's initial investment in WCG from 3 September 2020 until control was gained on 28 October 2020.

APPENDIX 4D – PRELIMINARY FINAL REPORT

1. COMPANY DETAILS

Name of entity: 5G Networks Limited

ABN: 30 163 312 025

Reporting period: Half year ended 31 December 2020

Previous corresponding period: Half year ended 31 December 2019

2. RESULTS FOR ANNOUNCEMENT TO THE MARKET:

				HY 31-Dec-20 (\$000)	HY 31-Dec-19 (\$000)
Revenue from ordinary activities	Up	47%	to	37,259	25,360
Underlying Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) ¹	Up	105%	to	6,234	3,040
Net loss for the period attributable to members	Up	348%	to	(2,131)	(475)

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

Underlying EBITDA excludes acquisition and transaction costs of \$2.56 million, depreciation and amortisation expenses of \$4.53 million, share-based payments expense of \$1.09 million and finance costs of \$1.0 million.

COMMENTARY

Reported revenue for the first half FY21 Revenue was \$37.3 million, representing 47% growth on the previous period (H1FY20: \$25.4m). Underlying EBITDA for the period was \$6.2 million, representing an increase of 105% on the previous period (H1FY20 \$3.0m). Net Loss for the period was \$2.3 million, an increase of \$1.9 million from the previous period (H1FY20: Loss \$0.475 million).

The result includes the results of Webcentral Group Limited ("WCG") for the period from when control was gained on 28 October 2020. WCG contributed revenue of \$9.3 million and an operating loss of \$0.5 million for the period to 31 December 2020.

Group revenue continued to transition to higher margin annuity revenue streams with 5GN's annuity revenue performance strengthened with 7% growth on 1HFY20. Hardware and software revenue increased to \$6.4 million in the first half with the completion of several large strategic projects.

The loss recorded by the Group for the period was impacted by the acquisition and transaction costs incurred by the Group in relation to the WCG acquisition and other acquisitions totalling \$2.56 million and non-cash share based payments expense of \$1.09 million.

Included within the results for the period is a gain of \$1.35 million recorded in relation to the Group's initial investment in WCG from 3 September 2020 until control was gained on 28 October 2020.

3. DIVIDENDS:

	Amount per security (Cents)	Franked amount per security (Cents)
2020 Final dividend – paid 16 October 2020	1.0	1.0

The fully franked final dividend relates to the financial reporting period ended 30 June 2020. No interim dividend was or is proposed to be declared with respect to the current period.

APPENDIX 4D – PRELIMINARY FINAL REPORT

4. NET TANGIBLE ASSETS

	Half year ended 31 December 2020 (Cents)	Half year ended 31 December 2019 (Cents)
Net tangible assets per ordinary security	(0.58)	0.93

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

On 9 July 2020 the Group completed the acquisition of ColoAu, a leading wholesale provider of data centre services and hyper-speed data networks.

On 28 October 2020, the Group acquired 50.7% of shares of Webcentral Group Limited (“WCG”), pursuant to the off market takeover bid, and as such, the Group has control over WCG and its subsidiaries from that date. As at 31 December 2020, the Group owns 44.6% of WCG’s shares. Despite the reduction in share ownership to below 50% since 28 October 2020, the Directors consider that the Group maintains effective control over WCG in accordance with the requirements of Australian Accounting Standards.

6. OTHER INFORMATION

It is recommended that this Appendix 4D be read in conjunction with the financial report for the half year ended 31 December 2020 and the Annual Report for the year ended 30 June 2020, and considered together with any public announcements made by 5G Networks Limited during the period ended 31 December 2020 in accordance with the continuous disclosure obligations of the ASX listing rules.

Additional Appendix 4D disclosure requirements can be found in the attached Interim Financial Report.

Information should be read in conjunction with 5G Networks Limited’s 2020 Annual Report and the attached Interim Financial Report.

This report is based on the Interim Financial Report which has been reviewed by the Group’s auditors with the Independent Auditor’s Review Report included in the Interim Financial Report.

Signed



Joseph Demase
Managing Director
Melbourne
26 February 2021

5G Networks Limited

And Its Controlled Entities

CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

ABN 30 163 312 025



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CORPORATE DIRECTORY

DIRECTORS

Albert Cheok (Non-Executive Chairman)
Joseph Gangi (Non-Executive Director)
Jason Ashton (Non-Executive Director)
Joseph Demase (Managing Director)

REGISTERED OFFICE

Level 8
99 William Street
Melbourne VIC 3000
Telephone No: +1300 10 11 12

COMPANY NUMBER

ACN: 163 312 025

COUNTRY OF INCORPORATION

Australia

COMPANY DOMICILE AND LEGAL FORM

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

PRINCIPAL PLACES OF BUSINESS

Level 8
99 William Street
Melbourne VIC 3000

COMPANY SECRETARY

Glen Dymond
Michael Wilton

LEGAL ADVISERS

Cornwalls
Level 10, 114 William Street
Melbourne VIC 3000

AUDITORS

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

SHARE REGISTER

Link Market Services Pty Limited
Level 12, 680 George Street
Sydney NSW 2000

ASX CODE

5GN

WEBSITE

www.5gnetworks.com.au

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 2020.

DIRECTORS DETAILS

The following persons were Directors of 5G Networks Limited during the period and up to the date of this report, unless otherwise stated:

- Albert Cheok (Non-Executive Chairman)
- Joseph Gangi (Non-Executive Director)
- Jason Ashton (Non-Executive Director)
- Joseph Demase (Managing 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 have been no significant changes in the nature of these activities.

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 for the period was \$37.26 million (2019: \$25.36 million). The loss of the Group for the period after providing for income tax amounted to \$2.26 million (2019: \$0.475 million loss). The underlying EBITDA of the Group for the period was \$6.2 million after adjusting for transaction and acquisition costs and other non-recurring costs.

The result includes the results of Webcentral Group Limited ("WCG") for the period from when control was gained on 28 October 2020. WCG contributed revenue and other income of \$10.24 million and an operating loss of \$0.1 million for the period to 31 December 2020.

The key driver of the loss recorded by the Group for the period was the acquisition and transaction costs incurred by the Group in relation to the WCG acquisition and other acquisitions totalling \$2.56 million and non-cash share based payments expense of \$1.09 million.

Included within the results for the period is a gain of \$1.35 million recorded in relation to the Group's initial investment in WCG from 3 September 2020 until control was gained on 28 October 2020.

The Group proactively managed the impact of COVID-19 during the period given that the Group's data connectivity, cloud and data centre services and managed IT are an essential service for its customers. The Group was focussed on supporting its customers as they transitioned to remote working arrangements through the laptops, VPN access technology and the increase of network and internet capacity. The Group continues to proactively working with our key customers to identify more efficient ways of conducting their operations, and to support their businesses' requirements during this challenging situation. The Group has significant network and data centre capacity to accommodate the increase in demand for these services and our employees already use the latest technology and infrastructure to support work from home or remote locations.

DIRECTORS' REPORT

Acquisitions and investing activities

On 9 July 2020 the Group completed the acquisition of ColoAu, a leading wholesale provider of data centre services and hyper-speed data networks. The total purchase price was \$2.9 million consisting of cash consideration of \$2.4 million and \$0.5 million in 5GN shares issued on 3 August 2020 at \$1.20 per share.

On 28 October 2020, the Group acquired 50.69% of shares of Webcentral Group Limited ("WCG"), pursuant to the off market takeover, and as such, the Group has control over WCG and its subsidiaries from 28 October 2020. As at 31 December 2020, the Group owns 44.6% of WCG's shares. Despite the reduction in share ownership to below 50% since 28 October 2020, the Directors consider that the Group maintains effective control over WCG in accordance with the requirements of Australian Accounting Standards.

On 27 October 2020 the Company provide a secured loan of \$47.5 million to WCG to allow it to repay its existing debt providers in full. In November 2020 WCG repaid \$500,000 to the Company in relation to funding provided for a transaction break fee payable by WCG and in December 2020 WCG repaid \$5.3 million to the Company.

On 19 November 2020 the Group has entered into a lease agreement for a data centre in Brisbane, Queensland. The purchase price of \$1.1 million includes all operating infrastructure at the facility.

During the period the Group commenced its fibre build to connect its data centres to over 80 additional data centres across Brisbane, Sydney, Melbourne, Adelaide and Perth.

Capital structure

During the period, 15,279,175 ordinary shares were issued pursuant to a Placement for total consideration of \$27,502,515, 3,398,111 ordinary shares were issued under a Share Purchase Plan for total consideration of \$3,873,847, 4,743,253 ordinary shares were issued as consideration for the acquisition of shares in Webcentral Group Limited under an off-market takeover, 3,030,000 ordinary shares were issued following the exercise of options and performance rights for total consideration of \$1,932,000, 416,667 ordinary shares were issued to the vendor of ColoAu as part-consideration for the acquisition of the ColoAu business and assets, 58,788 ordinary shares were issued under the Dividend Reinvestment Plan and 114,942 ordinary shares were issued as consideration for financial advisory services rendered.

During the period, 1,800,000 options were issued under the Executive and Director Share Option Plan at an exercise price of \$1.50, subject to the satisfaction of service vesting conditions and expiry date of 4 years after grant, and 5,000,000 performance rights were issued to the Managing Director at an exercise price of \$1.70, subject to the satisfaction of service vesting conditions and performance conditions and expiry date four years after grant.

In September 2020 the Group increased its debt facilities with Commonwealth Bank of Australia by \$8.4 million to \$14.5 million.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There were no other significant changes in the state of affairs of the Group during the period, other than those reported in the Review of operations and financial results.

EVENTS ARISING SINCE THE END OF THE REPORTING PERIOD

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

DIVIDENDS

During the period a 100% franked dividend of \$0.01 (1 cent) per ordinary share was paid in respect of the financial year ended 30 June 2020. There were no dividends declared in the half-year ended 31 December 2020 (2019: 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:



Albert Cheok
Chairman
26 February 2021

AUDITOR'S INDEPENDENCE DECLARATION



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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 2020, I declare that, to the best of my knowledge and belief, there have been:

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

A handwritten signature in black ink, appearing to read "Grant Thornton", written over a light grey rectangular background.

Grant Thornton Audit Pty Ltd
Chartered Accountants

A handwritten signature in black ink, appearing to read "M A Cunningham", written over a light grey rectangular background.

M A Cunningham
Partner – Audit & Assurance

Melbourne, 26 February 2021

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 31 DECEMBER 2020

	Notes	Consolidated 6 months to	
		31 December 2020 \$000	31 December 2019 \$000
Continuing operations			
Revenue	5	37,259	25,360
Other income		2,339	27
Network and data centre costs		(17,848)	(10,618)
Rent and office expenses		(410)	(162)
Marketing and travel expenses		(403)	(207)
Employee benefits expenses		(13,067)	(9,996)
Other expenses		(951)	(1,364)
Share based payments		(1,088)	(335)
Acquisition costs		(2,559)	(191)
Depreciation expenses		(4,324)	(2,277)
Amortisation expenses		(206)	-
Finance costs		(1,041)	(712)
Loss before tax		(2,299)	(475)
Income tax (expense)/benefit		41	-
Loss after tax		(2,258)	(475)
Other Comprehensive loss for the period, net of income tax		-	-
Total comprehensive income for the year		(2,258)	(475)
Profit / (loss) for the period attributable to:			
Members of the parent		(2,131)	(475)
Non-controlling interests		(127)	-
		(2,258)	(475)
Total comprehensive income for the period attributable to:			
Members of the parent		(2,131)	(475)
Non-controlling interests		(127)	-
		(2,258)	(475)
Earnings per share attributable to the owners of 5G Networks Limited (cents per share):			
Basic earnings per share	6	(2.09)	(0.74)
Diluted earnings per share	6	(2.09)	(0.74)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Notes	Consolidated	
		31 December 2020 \$000	30 June 2020 \$000
ASSETS			
Current assets			
Cash and cash equivalents		8,263	22,118
Restricted cash		-	1,397
Trade and other receivables	11	8,225	2,808
Lease receivable		3,115	-
Contract assets		680	700
Prepayments of domain name registry charges		7,519	-
Current tax refund		2,313	-
Other current assets		2,326	727
Total current assets		32,441	27,750
Non-current assets			
Property, plant and equipment	7	14,988	9,062
Right to use asset	8	20,695	12,369
Prepayments of domain name registry charges		670	-
Lease receivable		1,951	-
Deferred tax asset		1,725	1,725
Goodwill	9	62,652	16,567
Other intangible assets	10	6,030	294
Other investments	11	725	-
Other assets		1,884	-
Total non-current assets		111,320	40,017
TOTAL ASSETS		143,761	67,767
LIABILITIES			
Current liabilities			
Trade and other payables		22,184	6,709
Borrowings	11	461	1,212
Lease liability	8	8,703	2,141
Employee benefits		3,479	2,292
Provision for income tax		41	41
Contract liabilities		25,922	1,313
Other liabilities		2,781	2,951
Total current liabilities		63,571	16,659

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020 (CONTINUED)

	Notes	Consolidated	
		31 December 2020 \$000	30 June 2020 \$000
Non-current liabilities			
Trade and other payables		352	1,247
Borrowings	11	5,031	2,578
Lease Liability	8	19,000	11,302
Employee benefits		611	299
Contract liabilities		7,135	-
Other liabilities		2,685	-
Total non-current liabilities		34,814	15,453
TOTAL LIABILITIES		98,385	32,112
NET ASSETS		45,376	35,655
EQUITY			
Share capital	14	84,427	38,644
Reserves		3,557	3,125
Accumulated losses		(8,245)	(6,114)
Total equity attributable to owners of the Company		79,739	35,655
Non-controlling interests		(34,363)	-
TOTAL EQUITY		45,376	35,655

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 31 DECEMBER 2020

	Share Capital	Share Based Payment Reserve	Profit Reserve	Capital Reserve	Accumulated Losses	Total equity attributable to owners of the Company	Non-controlling interest	Total Equity
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Balance at 1 July 2020	38,644	3,775	1,350	-	(8,114)	35,655	-	35,655
Loss for the period	-	-	-	-	(2,131)	(2,131)	(127)	(2,258)
Transactions with owners in their capacity as owners:								
Non-controlling interests arising on acquisition of a subsidiary	-	-	-	-	-	-	(33,398)	(33,398)
Shares issued on exercise of Options	1,752	-	-	-	-	1,752	-	1,752
Shares issued pursuant to Dividend Reinvestment Plan	91	-	-	-	-	91	-	91
Shares issued to directors	2,500	-	-	-	-	2,500	-	2,500
Share issued to vendors to acquire business	8,946	-	-	-	-	8,946	-	8,946
Capital raising	34,182	-	-	-	-	34,182	-	34,182
Share issue costs	(1,688)	-	-	-	-	(1,688)	-	(1,688)
Dividend recognised and paid	-	-	(1,067)	-	-	(1,067)	-	(1,067)
Share based compensation	-	1,088	-	-	-	1,088	-	1,088
Exchange differences on translating foreign operation	-	-	(31)	-	-	(31)	-	(31)
Disposal of a subsidiary	-	-	-	-	-	-	(385)	(385)
Deemed disposal of partial interests in a subsidiary arising from issuance of shares	-	-	-	442	-	442	(453)	(11)
Balance at 31 December 2020	84,427	4,863	252	442	(10,245)	79,739	(34,363)	45,376
Balance at 1 July 2019	18,606	2,351	1,000	-	(5,569)	16,388	-	16,388
Loss for the period	-	-	-	-	(475)	(475)	-	(475)
Transactions with owners in their capacity as owners:								
Shares issued on exercise of Options	540	-	-	-	-	540	-	540
Shares issued pursuant to Dividend Reinvestment Plan	69	-	-	-	-	69	-	69
Shares issued to directors	150	-	-	-	-	150	-	150
Share issue costs	(25)	-	-	-	-	(25)	-	(25)
	734	-	-	-	-	734	-	734
Dividend paid	-	-	(649)	-	-	(649)	-	(649)
Performance Rights and Share Options issued	-	335	-	-	-	335	-	335
Balance at 31 December 2019	19,340	2,686	351	-	(6,044)	16,333	-	16,333

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 31 DECEMBER 2020

	Notes	Consolidated Half Year Ended	
		31 December 2020 \$000	31 December 2019 \$000
Cash flows from operating activities			
Receipts from customers		41,200	28,078
Receipts from government grant		259	-
Payments to suppliers and employees		(36,283)	(24,235)
Interest received		3	27
Interest paid		(928)	(586)
Income tax payments made		(26)	-
Acquisition costs		(1,283)	-
Net cash flows from operating activities		2,942	3,284
Cash flows from investing activities			
Payment for acquisition of ColoAU	13	(2,435)	-
Consideration paid in relation to deferred capital payments of North Sydney Data Centre		(500)	-
Investment in WCG	13	(1,480)	-
Cash acquired from WCG	13	2,687	-
Consideration paid for property, plant and equipment in relation to Brisbane Data Centre		(1,100)	-
Purchase of property, plant and equipment		(2,424)	(1,341)
Loans to Webcentral Group Limited		(500)	-
Loans to employees	16	(920)	-
Proceeds from subleases		822	-
Net Cash on Purchase of Australian Pacific Data Centres		-	(3,197)
Net cash flows used in investing activities		(5,850)	(4,538)
Cash flows from financing activities			
Proceeds from issue of shares		37,065	150
Proceeds from issue of shares on exercise of options		1,752	540
Proceeds from borrowings		6,000	879
Release of unrestricted cash		1,397	-
Repayment of WCG's borrowing	13	(47,628)	-
Repayment of borrowings		(4,474)	(2,641)
Payment of capital raising costs		(2,071)	(25)
Capital Lease payments		(1,978)	(917)
Dividends paid		(977)	(580)
Net cash flows from/(used in) financing activities		(10,914)	(2,594)
Net increase/(decrease) in cash and cash equivalents		(13,822)	(3,848)
Net foreign exchange differences		(33)	-
Cash and cash equivalents at beginning of period		22,118	6,660
Cash and cash equivalents at end of period		8,263	2,812

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2020

1. CORPORATE INFORMATION

The financial statements as at and for the half year ended 31 December 2020 cover 5G Networks Limited as a group of 5G Networks Limited (the 'company' or 'parent entity') and its subsidiaries (referred to in these financial statements as the 'Group').

5G Networks Limited is a listed public company limited by shares, incorporated and domiciled in Australia.

Operations and Principal Activity

The Group's principal activities during the year were:

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

Registered Office and Principal Place of Business

Level 8, 99 William Street, Melbourne VIC 3000

2. BASIS OF PREPARATION

The Interim Financial Statements are for the six months ended 31 December 2020 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 2020, together with any public announcements made by the Company during the half-year ended 31 December 2020 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 26 February 2021.

Going Concern

The financial report for the half-year ended 31 December 2020 has been prepared on the going concern basis that contemplates 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 2020 the Group recorded a loss after tax of \$2.26 million (2019: Loss of \$0.475 million), operating cash inflow of \$2.94 million (2019: inflow of \$3.28 million), financing cash outflow of \$10.91 million (2019: outflow of \$2.594 million), and a deficit of current assets to current liabilities of \$31.13 million (2019: deficit of \$3.734 million). At period end the Group had \$8.26 million of cash on hand and available debt facilities of \$1.1 million.

The acquisition and transaction costs incurred by the Group in relation to the WCG acquisition and other acquisitions totalling \$2.56 million and non-cash share based payments expense of \$1.09 million.

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

In relation to the Group's controlling interest in WCG, the Directors believe that the non-recurring restructuring activities that led to the loss for the period for WCG are now complete and that WCG is now operating cashflow positive. The specific initiatives that have been implemented by WCG to date include:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2020

2. BASIS OF PREPARATION (CONTINUED)

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.

Comparative Figures

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

New and Revised Accounting Standards

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half-year.

3. SIGNIFICANT ACCOUNTING POLICIES

The Interim Financial Statements have been prepared in accordance with the accounting policies adopted in the Group's most recent annual financial statements for the year ended 30 June 2020.

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 2020. 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.

Control over Webcentral Group Limited ("WCG")

On 28 October 2020, 5GN held ownership of 50.69% of the Company's shares and therefore at that date 5GN obtained control of the Company. Management estimates the fair value of consideration transferred upon this business combination on 28 October 2020.

Management considers that the Group has de facto control of WCG even though it has less than 50% of the voting rights in the WCG since the completion of capital raising activities by WCG on 18 November 2020. Management has exercised its critical judgement when determining whether the Group has de facto control over WCG by considering the following key matters, amongst others:

- (i) the Group has a sufficiently dominant voting interest to direct the relevant activities of WCG
- (ii) the Group has obtained effective control over majority of the board of WCG.

The Group has measured the consideration transferred at fair value upon business combination. If the Group had concluded that its 44.6% ownership interest was insufficient to give the Group control of WCG, WCG would instead have been classified as an associate and the Group would have accounted for it using the equity method of accounting.

4. OPERATING SEGMENTS AND PRODUCT LINES

Management currently identifies the operating segments monitored by the Group's Chief Operating Decision Maker ("CODM") as being Data Centres, Network and Cloud Services and Managed Services, and Webcentral.

Segment information for the reporting period is as follows:

\$000	6 months to 31 December 2020			Total
	Data Centres, Networks & Cloud	Managed Services	Webcentral	
Segment Revenue	14,999	12,966	9,294	37,259
Cost of goods sold	(8,074)	(6,180)	(3,594)	(17,848)
Segment gross margin	6,925	6,786	5,700	19,411
Segment assets	66,905	44,185	32,718	143,808

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2020

4. OPERATING SEGMENTS AND PRODUCT LINES (CONTINUED)

\$000	6 months to 31 December 2019			Total
	Data Centres, Networks & Cloud	Managed Services	Webcentral	
Segment Revenue	12,309	13,051	-	25,360
Cost of goods sold	(5,199)	(5,419)	-	(10,618)
Segment gross margin	7,110	7,632	-	14,742
Segment assets	28,712	15,481	-	44,193

No segment liabilities are disclosed because there is no measure of segment liabilities regularly reported to the chief operating decision maker.

5. REVENUE

The revenue breakdown by product and service line for the half year ended 31 December 2020 is shown below:

	Consolidated Half-year ended	
	31 December 2020 \$000	31 December 2019 \$000
Revenue by Product and Service Line		
Network & Voice	4,469	3,859
Data Centres	4,666	3,203
Hardware & Software	6,413	4,721
Managed Services	6,553	6,591
Cloud Services	15,158	6,986
Total Revenue	37,259	25,360

Cloud Revenue includes the revenue from Webcentral Group Limited during the period.

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

\$000	6 months to 31 December 2020					Total
	Network & Voice	Data Centres	Hardware & Software	Managed Services	Cloud Services	
Goods transferred at a point in time	-	-	6,413	-	140	6,553
Services transferred over time	4,469	4,666	-	6,553	15,018	30,706

\$000	6 months to 31 December 2019					Total
	Network & Voice	Data Centres	Hardware & Software	Managed Services	Cloud Services	
Goods transferred at a point in time	-	-	4,721	-	-	4,721
Services transferred over time	3,859	3,203	-	6,591	6,986	20,639

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2020

6. EARNINGS PER SHARE (EPS)

Basic EPS amounts are calculated by dividing net loss for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period. Diluted EPS amounts are calculated by dividing net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. There were no dilutive potential ordinary share in existence during the period (2019: Nil) as the share options and performance rights were antidilutive. The following represents the share data used in the EPS computations:

	6 months to 31 December 2020 '000	6 months to 31 December 2019 '000
Weighted average number of ordinary shares for basic earnings per share and diluted earnings per share	101,916	64,300

7. PROPERTY, PLANT AND EQUIPMENT

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

	Leasehold Improvements \$000	Plant & Equipment \$000	Total \$000
Gross carrying amount			
Balance at 1 July 2020	2,002	12,620	14,622
Assets acquired in the business acquisition	3,016	1,383	4,399
Additions	411	3,113	3,524
Disposals	(12)	(20)	(32)
Closing value at 31 December 2020	5,417	17,096	22,513
Depreciation and impairment			
Balance at 1 July 2020	(684)	(4,876)	(5,560)
Depreciation	(497)	(1,500)	(1,997)
Disposals	12	20	32
Closing value at 31 December 2020	(1,169)	(6,356)	(7,525)
Carrying amount 31 December 2020	4,248	10,740	14,988

	Leasehold Improvements \$000	Plant & Equipment \$000	Total \$000
Gross carrying amount			
Balance at 1 July 2019	735	7,696	8,431
Assets acquired in the business acquisition	1,100	142	1,242
Additions	54	1,710	1,764
Disposals	(14)	-	(14)
Closing value at 31 December 2019	1,875	9,548	11,423
Depreciation and impairment			
Balance at 30 June 2019	(304)	(3,015)	(3,319)
Depreciation	(100)	(852)	(952)
Disposals	10	-	10
Closing value at 31 December 2019	(394)	(3,867)	(4,261)
Carrying amount 31 December 2019	1,481	5,681	7,162

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2020

8. LEASE ASSETS AND LIABILITIES

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

The following tables show the movements in right of use asset:

			Total \$000
Gross carrying amount			
Balance at 1 July 2020			16,404
Assets acquired in the business acquisition			8,823
Additions			1,662
Disposals			-
Closing value at 31 December 2020			26,889
Depreciation and impairment			
Balance at 1 July 2020			(4,035)
Depreciation			(2,159)
Disposals			-
Closing value at 31 December 2020			(6,194)
Carrying amount 31 December 2020			20,295

			Total \$000
Gross carrying amount			
Balance at 1 July 2019			15,984
Assets acquired in the business acquisition			1,107
Additions			658
Disposals			(2,618)
Closing value at 31 December 2019			15,131
Depreciation and impairment			
Balance at 1 July 2019			(1,842)
Depreciation			(1,305)
Disposals			448
Closing value at 31 December 2019			(2,699)
Carrying amount 31 December 2019			12,432

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2020

8. LEASE ASSETS AND LIABILITIES (CONTINUED)

Lease liabilities

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

	31 December 2020 \$000	30 June 2020 \$000
Lease liabilities (current)	8,703	1,882
Lease liabilities (non-current)	19,000	11,313

The lease liabilities are secured by the related underlying assets. Future minimum lease payments at 31 December 2020 were as follows:

	Minimum lease payments due						
	Within 1 year	1-2 year	2-3 year	3-4 years	4-5 years	After 5 years	Total
31 December 2020							
Lease payments	10,252	7,685	3,424	3,305	2,964	5,168	32,798
Finance charges	(1,549)	(1,016)	(824)	(642)	(428)	(636)	(5,095)
Net present values	8,703	6,669	2,600	2,663	2,536	4,532	27,703
30 June 2020							
Lease payments	3,114	3,209	2,793	2,354	2,100	3,333	16,903
Finance charges	(973)	(800)	(618)	(469)	(322)	(278)	(3,460)
Net present values	2,141	2,409	2,175	1,885	1,778	3,055	13,443

9. GOODWILL

The following table shows the movements in goodwill:

	6 months to 31 December 2020 \$000	6 months to 31 December 2019 \$000
Gross carrying amount		
Balance at beginning of period	16,567	6,842
Acquired through business combination	46,085	6,528
Balance at end of the period	62,652	13,370
Accumulated impairment		
Balance at beginning of period	-	-
Impairment loss recognised	-	-
Balance at end of the period	-	-
Carrying amount at end of the period	62,652	13,370

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2020

10. OTHER INTANGIBLE ASSETS

The following table shows the movements in goodwill:

	Customer contract	Brand name	Acquired software licenses	Internally developed software	Total
Gross carrying amount					
Balance at 1 July 2020	372	-	-	-	372
Acquisition through business combination		2,111	2,571	1,273	5,955
Additions	-	-	-	20	20
Disposal	-	-	(33)	-	(33)
Balance at 31 December 2020	372	2,111	2,538	1,293	6,314
Amortisation and impairment					
Balance at 1 July 2020	(78)	-	-	-	(78)
Amortisation	(31)	-	(175)	-	(206)
Impairment loss recognised	-	-	-	-	-
Balance at 31 December 2020	(109)	-	-	-	(284)
Carrying amount 31 December 2020	263	2,111	2,363	1,293	6,030

	Customer contract	Brand name	Acquired software licenses	Internally developed software	Total
Gross carrying amount					
Balance at 1 July 2019	-	-	-	-	-
Acquisition through business combination	-	-	-	-	-
Additions	-	-	-	-	-
Disposal	-	-	-	-	-
Balance at 31 December 2019	-	-	-	-	-
Amortisation and impairment					
Balance at 1 July 2019	-	-	-	-	-
Amortisation	-	-	-	-	-
Impairment loss recognised	-	-	-	-	-
Balance at 31 December 2019	-	-	-	-	-
Carrying amount 31 December 2019	-	-	-	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2020

11. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

	Amortised cost \$000	Fair Value Through Profit & Loss (FVTPL) \$000	Total \$000
31 DECEMBER 2020			
Financial assets			
Cash and cash equivalents	8,263	-	8,263
Trade and other receivables	8,225	-	8,225
Other investment	-	725	725
Total financial assets	16,488	725	17,213
Financial liabilities			
Non-current borrowings	5,031	-	5,031
Non-current payables	352	-	352
Current borrowings	461	-	461
Trade and other payables	22,184	-	22,184
Total financial liabilities	28,028	-	28,028
31 DECEMBER 2019			
Financial assets			
Cash and cash equivalents	2,812	-	2,812
Trade and other receivables	2,915	-	2,915
Other investment	-	-	-
Total financial assets	5,727		5,727
Financial liabilities			
Non-current borrowings	3,275	-	3,275
Non-current payables	-	-	-
Current borrowings	2,081	-	2,081
Trade and other payables	5,715	-	5,715
Total financial liabilities	11,071	-	11,071

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2020

12. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

The following table provides the fair value measurement hierarchy of the Group's financial assets and liabilities as at 31 December 2020:

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2020

13. BUSINESS COMBINATIONS

Australian Pacific Data Centres Pty Ltd

On 19 September 2019, the Company completed the acquisition of Australian Pacific Data Centres Pty Ltd (“APDC”). The goodwill value of \$2.33 million identified in relation to the acquisition is final.

ColoAU

On 8 July 2020, the Company has entered into an agreement to acquire the assets of ColoAU’s national business; the purchase price was \$2.4 million in cash and \$0.5 million in 5GN shares. An earn out of up to \$0.5 million payable in 5GN shares is payable if revenue growth targets are achieved over the period 18 months from acquisition.

This acquisition will allow 5GN to fast track its wholesale business utilising the established ColoAU automated systems and on-demand provisioning platform.

Details of net assets acquired and goodwill are as follows:

This acquisition will allow 5GN to fast track its wholesale business utilising the established ColoAU automated systems and on-demand provisioning platform.

Details of net assets acquired and goodwill are as follows:

			\$000
Consideration paid			2,900
Contingent consideration			500
Total consideration			3,400
Identifiable net assets of ColoAU			(845)
Goodwill			2,555
Consideration transferred settled in cash			2,435
Net cash outflow on acquisition			2,435
Acquisition costs charged to expenses			77
Net cash paid relating to the acquisition			2,512

Acquisition-related costs amounting to \$0.077 million 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 fair values of the identifiable assets and liabilities and the resulting goodwill have been determined provisionally at 31 December 2020. The Group is currently obtaining the information necessary to finalise its valuation.

The fair values of consideration have been determined provisionally at 31 December 2020, because the earn out shares will only be payable upon the ColoAU business achieving the agreed earn out target. The initial accounting for fair value of consideration will be changed if the target cannot be met hence the earn out shares will not be paid.

The goodwill that arose on the combination can be attributed to the synergies expected to be derived from the combination and the value of the workforce of ColoAU which cannot be recognised as an intangible asset. Goodwill has been provisionally allocated to cash-generating units at 31 December 2020 and is attributable to the service segment. 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 2020, ColoAU contributed \$2.12 million to the Group’s revenues and \$0.25 million to the Group’s loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2020

13. BUSINESS COMBINATIONS (CONTINUED)

Webcentral Group Limited

On 7 September 2020, 5GN acquired a 10.7% shareholding in WCG. On 28 October 2020, 5GN held ownership of 50.69% of the Company's shares and therefore at that date 5GN obtained control of the Company. The takeover offer closed on 10 November 2020, with 5GN holding ownership of 56.7% of the Company's shares. Following a capital raising completed in November and December 2020 5GN's holding was reduced to its current level of 44.6%.

The difference between the fair value and the Group's carrying amount of its equity interest in Webcentral before obtaining control and the release of a related gain on derecognition of equity instruments of \$1.35 million, was recognised in the Group's consolidated income statement under other income.

On 27 October 2020 the Company provide a secured loan of \$47.5 million to WCG to allow it to repay its existing debt providers in full. In November 2020 WCG repaid \$500,000 to the Company in relation to funding provided for a transaction break fee payable by WCG and in December 2020 WCG repaid \$5.3 million to the Company.

Details of net liabilities assumed and goodwill are as follows:

			\$000
Consideration settled in shares			8,247
Fair value of equity interests held before the business combination			2,830
Total consideration			11,077
Non-controlling interest			(33,398)
Fair value of net liabilities assumed			65,851
Goodwill			43,530
Consideration transferred settled in cash			1,480
Cash and cash equivalents acquired			(2,678)
Repayment of existing debt acquired			47,628
Acquisition costs charged to expenses			1,206
Net cash outflow on acquisition			47,636

The consideration settled in shares of \$8.247 million is calculated based on the valuation of 4,743,253 5GN ordinary shares issued as consideration for WCG shares acquired from 3 September 2020 to 13 November 2020 valued at the closing price of WCG shares on 27 October 2020 of 16 cents per share prior to control being achieved.

Acquisition-related costs amounting to \$1.206 million 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 fair values of the identifiable assets and liabilities, the non-controlling interests and the resulting goodwill have been determined provisionally at 31 December 2020, because the acquisition was completed late in the period. The Group is currently obtaining the information necessary to finalise its valuation.

The goodwill that arose on the combination can be attributed to the synergies expected to be derived from the combination and the value of the workforce of WCG which cannot be recognised as an intangible asset. Goodwill has been provisionally allocated to cash-generating units at 31 December 2020 and is attributable to the service segment. 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 2020, WCG contributed \$9.29 million to the Group's revenues and \$0.5 million to the Group's loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2020

14. SHARE CAPITAL

During the period, 15,279,175 ordinary shares were issued pursuant to a Placement for total consideration of \$27,502,515, 3,398,111 ordinary shares were issued under a Share Purchase Plan for total consideration of \$3,873,847, 4,743,253 ordinary shares were issued as consideration for the acquisition of shares in Webcentral Group Limited under an off-market takeover, 3,030,000 ordinary shares were issued following the exercise of options and performance rights for total consideration of \$1,932,000, 416,667 ordinary shares were issued to the vendor of ColoAu as part-consideration for the acquisition of the ColoAu business and assets, 58,788 ordinary shares were issued under the Dividend Reinvestment Plan and 114,942 ordinary shares were issued as consideration for financial advisory services rendered.

During the period, 1,800,000 options were issued under the Executive and Director Share Option Plan at an exercise price of \$1.50, subject to the satisfaction of service vesting conditions and expiry date of 4 years after grant, and 5,000,000 performance rights were issued to the Managing Director at an exercise price of \$1.70, subject to the satisfaction of service vesting conditions and performance conditions and expiry date four years after grant.

Amounts in thousand shares	31 December 2020	30 June 2020	31 December 2019
Share issued and fully paid			
Beginning of the period	85,685	65,579	63,501
Issue of ordinary shares	-	-	188
Issue of shares pursuant to Share Purchase Plan	3,398	-	-
Issued on exercise of employee share options	730	280	1,800
Issue of shares to vendor of ColoAu	417	-	-
Issue of shares under a Placement	15,279	14,826	-
Issues of shares under Dividend Reinvestment Plan	59	-	90
Issue of shares as consideration for WCG off-market takeover	4,743	-	-
Issue of shares pursuant to exercise of performance rights	2,000	5,000	-
Issue of shares as consideration for financial advisory services rendered	115	-	-
Share issued and fully paid	112,426	85,685	65,579
Share authorised for share-based payments	163	163	-
Treasury shares	1,200	900	-
Total shares authorised at the end of the period	113,789	86,748	65,579

15. DIVIDENDS

During the period a 100% franked dividend of \$0.01 (1 cent) per ordinary share was paid in respect of the financial year ended 30 June 2019. There were no dividends declared in the half-year ended 31 December 2019 (2018: Nil).

16. RELATED PARTY TRANSACTIONS

During the period, the Group granted loans of \$0.92 million to executives to allow them to take up shares in a capital raising being undertaken by Webcentral Group Limited. The loans are repayable within two years and are interest-free.

17. SUBSEQUENT EVENTS

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

DIRECTORS' DECLARATION

FOR THE HALF YEAR ENDED 31 DECEMBER 2020

1. In the directors' opinion:

- (a) The financial statements and notes of 5G Networks Limited for the half-year ended 31 December 2020 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 2020 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.

2. The Directors have been given the declaration required by Section 295A of the *Corporation Act 2001* from the Chief Executive Officer and Chief Financial Officer for the half year ended 31 December 2020.

3. Note 2 confirms that the consolidated financial statements also comply with international financial reporting standards

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



Joseph Demase
Managing Director
Melbourne
26 February 2021

INDEPENDENT AUDITORS REVIEW REPORT



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Independent Auditor's Review Report

To the Members of 5G Networks Limited

Report on the review of 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 2020, 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 and its subsidiaries 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 2020 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.

INDEPENDENT AUDITORS REVIEW REPORT



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 2020 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.

A stylized, handwritten signature of Grant Thornton in black ink.

Grant Thornton Audit Pty Ltd
Chartered Accountants

A handwritten signature of M A Cunningham in black ink.

M A Cunningham
Partner – Audit & Assurance

Melbourne, 26 February 2021