Webcentral Limited and its controlled entities

ABN: 21 073 716 793

APPENDIX 4E FOR THE YEAR ENDED 30 JUNE 2023

1. Company Information

Name of Entity	Webcentral Limited
ABN	21 073 716 793
Reporting Period	Year ended 30 June 2023 (Comparative period – year ended 30 June 2022)

2. Results for announcement to the market

	Year ended 30 June 2023		
	2023 $A'000s	Movement $A'000s / (%)	2022 $A'000s
Revenue from ordinary activities and continuing operations	96,138	▲2,710 / 2.9%	93,428
Underlying earnings before interest, tax, depreciation and amortisation from continuing operations[1]	12,825	▼(4,736) / (27.0%)	17,561
Loss after tax from continuing operations	(19,019)	▲5,719 / 23.1%	(24,738)
Loss after tax attributable to members of the parent	(19,019)	▲5,864 / 23.6%	(24,883)

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

Commentary

Revenue for the period was $96.14 million, representing growth of 2.9% compared to the prior comparative period (**PCP**) of $93.43 million. The loss of the Group for the period after providing for income tax amounted to $19.02 million (2022: $24.74 million loss). The underlying EBITDA of the Group for the period of $12.83 million was 27.0% lower than the prior comparative period of $17.56 million, after adjusting for non-operating items including a non-cash goodwill impairment expense of $14.08 million, non-cash share-based payments expense of $1.55 million, and acquisition, restructuring other non-recurring costs of $3.5 million.

The major contributors to the decline in underlying EBITDA was the $3.26 million reduction in non-recurring hosting revenue and transitional services income and the reduction in networks and data centre revenue.

The goodwill impairment charge has arisen due to the assessment of the carrying value of goodwill and intangible assets at year-end and the impact of higher discount rates. The non-cash impairment expense recognises the decline in revenue at one of the Group's data centres servicing the cyrpto mining market and pricing pressure from government contracts. The non-cash impairment charge has no impact on the Group's debt facilities, covenants or liquidity.

Segment Revenue	2023 $'000	2022 $'000
Data Centres, Network & Cloud	22,117	24,638
Managed Services	20,239	19,465
Webcentral	53,782	50,106
Intersegment eliminations	-	(781)
Total Revenue	**96,138**	**93,428**

The Group's customer segments for reporting periods from 1 July 2023 are set out below.

Segment Revenue	2023 $'000	2022 $'000	Change
Retail	51,118	48,863	4.6%
Enterprise	37,108	37,022	0.2%
Wholesale	7,912	7,543	4.9%

The Group achieved revenue growth across its Retail, Enterprise and Wholesale customer segments in FY23 due to the following initiatives:

- The successful launch of the new .au domain name TLD generating more than $4.6 million in sales from more than 100,000 new .au domain names registered;
- Growth in SME hosting and email services including the migration of 20,000 Microsoft email product users to our internal OX mail platform with significant gross margin increase;
- Improvement in hardware supply chain resulting in faster delivery times and project work across the business, with hardware revenue up 21% to $8.15 million in FY23;
- A multi-channel marketing initiative was implemented across online and digital, radio advertising and the strategic St Kilda Football Club sponsorship, delivering a significant increase in brand awareness and online traffic;
- Further improvements to customer journey and support, the successful launch of new product bundles and a major refresh of the Company's digital marketing strategy, and continued platform and system improvements to improve customer experience and improve efficiencies;
- Strong wholesale and enterprise customer growth with more than $5.9 million annual recurring revenue sold in FY23, existing customer renewals of $4.9 million and sales pipeline of $8.9 million; and
- Customer value increase with 13 to 15% ARPU growth achieved for Melbourne IT and Webcentral respectively compared to the PCP.

Other key strategic and financial growth highlights for the year ended 30 June 2023 were as follows:

- Acquisition of New Domain Services, a premium domain email and webhosting services business with the owner taking the charge of the Melbourne IT brand with a focus on corporate clients and providing much needed service and support with brand protection;
- Ongoing automation of customer portals, the launch of the Dark Fibre product connecting over 50 Data centres in Sydney, Melbourne, Brisbane and Adelaide;
- Improved customer retention from focus on customer service improvement including the introduction of website chatbots and simplifying the customer journey, together with improved systems and billing processes;
- Completion of the fibre network with more than 120 kilometres of fibre installed and more than 50 data centres connected; and
- Strong capital position with $4.5 million cash and $4.5 million of available debt at 30 June 2023 (of which $1.5 million is for the purpose of business acquisitions).

Underlying EBITDA

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

	Year ended	
	30 June 2023 $'000	30 June 2022 $'000
CONTINUING OPERATIONS		
(Loss) / profit before tax	**(22,217)**	**(24,382)**
Depreciation and amortisation expense	12,447	13,630
Share based expenses	1,546	8,833
Finance costs (excluding bank charges and merchant fees)	3,475	2,798
Acquisition costs	184	904
Restructuring and other non-recurring costs	3,313	3,706
Impairment of financial assets, goodwill, fixed assets and intangible assets	14,077	12,072
Underlying EBITDA	**12,825**	**17,561**

3. Dividends

No final dividend was or is proposed to be declared with respect to the current period. No interim dividend was paid. A dividend of $0.005 per share was paid on 4 November 2022 in respect of the year ended 30 June 2022, franked to 20%.No dividends were paid in the prior corresponding period.

4. Net tangible asset backing

	Current period	Previous period
Net tangible asset backing per ordinary security	(21.76) cents	(20.10) cents

Net tangible assets are calculated firstly from the Group's net assets at 30 June 2023 of $10.27 million adjusted for $10.4 million of right-of-use lease assets and $71.3 million of intangible assets associated with the Group's previous acquisitions and capitalised software.

5. Earnings per Share

	30-Jun-23 cents	30-Jun-22 cents
From continuing operations		
Basic loss per share	(5.79)	(8.50)
Diluted loss per share	(5.79)	(8.50)
Attributable to members of the parent		
Basic loss per share	(5.47)	(8.56)
Diluted loss per share	(5.47)	(8.56)

	$'000	$'000
Reconciliation of earnings used in calculating earnings per share		
(Loss) / profit for the period from continuing operations	(19,019)	(24,738)
Other comprehensive income	1,066	(979)
Less loss / (profit) attributed to non-controlling interests	-	(145)
Loss for the period attributable to members of the parent	**(17,953)**	**(25,862)**

	No. of Shares	No. of Shares
Weighted average number of shares used in calculating earnings per share		
Number for basic earnings per share - ordinary shares	328,328,188	291,056,455
Number for diluted earnings per share - ordinary shares	328,328,188	291,056,455

Basic earnings/(loss) per share is calculated as profit/(loss) for the period attributable to members of the parent, divided by the weighted average number of ordinary shares. Diluted earnings/(loss) per share is calculated as profit/(loss) for the period attributable to members of the parent, divided by the weighted average number of ordinary shares and the dilutive potential ordinary shares.

Options and performance rights are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent that they are dilutive. Where an operating loss is incurred, options and performance rights are not dilutive. These options and performance rights have not been included in the determination of basic earnings per share.

There have been no transactions involving ordinary shares or potential ordinary shares that would significantly change the number of ordinary shares or potential ordinary shares outstanding between the reporting date and the date of completion of these financial statements.

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

On 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.

The acquisition price was $5 million with $3.5 million paid in cash at Completion and deferred payments of $1.5 million payable within 12 months of Completion. A deferred payment of $0.5 million was paid on 14 July 2023.

An earn-out may be payable in respect of revenue growth for the six-months ended 30 June 2023 and for the financial year ending 30 June 2024.

The acquisition was funded from existing cash reserves and from the Group's acquisition debt facility with CBA. Pursuant to the acquisition, on 7 December 2022, the Group acquired 100% of the ordinary shares in Bachco Pty Ltd and Terrific.com.au Pty Ltd.

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

7. Audit of accounts

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

Mr. Joe Demase
Managing Director
Melbourne
28 August 2023

Webcentral Limited and its controlled entities

ABN: 21 073 716 793

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2023

	Notes	Year ended 30-Jun-23 $'000	Year ended 30-Jun-22 $'000
CONTINUING OPERATIONS			
Revenue	4	96,138	93,428
Other income	5	38	3,304
Revenue and other income		**96,176**	**96,732**
Network and data centre costs		(26,035)	(24,285)
Domain registration costs		(7,198)	(6,225)
Cloud and hosting costs		(751)	(1,461)
Software and licencing costs		(5,067)	(4,999)
External labour costs		(722)	(814)
Other direct costs		(435)	(373)
Rent and office expenses		(604)	(410)
Marketing and travel expenses		(2,493)	(1,788)
Employee benefits expenses		(34,371)	(35,960)
Other expenses		(5,675)	(2,856)
Impairment of financial assets	9	-	(578)
Impairment of assets	13	(14,077)	(11,494)
Share-based payment expenses		(1,546)	(8,833)
Acquisition costs		(184)	(904)
Non-recurring and restructuring costs		(3,313)	(3,706)
Depreciation expenses		(8,529)	(10,195)
Amortisation expenses		(3,918)	(3,435)
Finance costs		(3,475)	(2,798)
Total expenses		**(118,393)**	**(121,114)**
Loss before income tax		**(22,217)**	**(24,382)**
Income tax (expense) / benefit	7	3,198	(356)
Loss after tax		**(19,019)**	**(24,738)**
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX			
Items that will be reclassified to profit or loss in subsequent years:			
Currency translation differences	21	52	(36)
Items that will not be reclassified to profit or loss in subsequent years:			
Change in fair value of equity instruments designed at fair value through other comprehensive income	21	1,014	(943)
Other comprehensive income for the year, net of income tax		**1,066**	**(979)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(17,953)	(25,717)

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

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2023 (Continued)

	Notes	Year ended 30-Jun-23 $'000	Year ended 30-Jun-22 $'000
Loss for the period attributable to:			
Members of the parent		(19,019)	(24,883)
Non-controlling interests		-	145
		(19,019)	**(24,738)**
Total comprehensive income attributable to:			
Members of the parent		(17,953)	(25,862)
Non-controlling interests		-	145
		(17,953)	**(25,717)**

	Notes	30-Jun-23 cents per share	30-Jun-22 cents per share
Loss per share from continuing operations			
Basic loss per share	6	(5.79)	(8.50)
Diluted loss per share	6	(5.79)	(8.50)
Loss per share attributable to members of the parent			
Basic loss per share	6	(5.47)	(8.56)
Diluted loss per share	6	(5.47)	(8.56)

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

Consolidated Statement of Financial Position

As at 30 June 2023

	Notes	30-Jun-23 $'000	30-Jun-22 $'000
ASSETS			
Current Assets			
Cash and cash equivalents	8	4,498	5,367
Trade and other receivables	9	5,088	4,049
Prepayments of domain name registry charges		6,279	5,585
Contract assets	10	1,089	669
Other assets	15	3,998	3,409
Total Current Assets		**20,952**	**19,079**
Non-Current Assets			
Plant and equipment	11	9,805	15,670
Right-of-use assets	12	10,376	15,177
Intangible assets	14	21,067	22,059
Prepayments of domain name registry charges		2,719	2,387
Deferred tax assets	7	890	-
Goodwill	13	50,280	50,212
Other financial assets	25	725	5,198
Other assets	15	36	835
Total Non-Current Assets		**95,898**	**111,538**
TOTAL ASSETS		**116,850**	**130,617**
LIABILITIES			
Current Liabilities			
Trade and other payables	16	14,774	14,893
Borrowings	25	29,158	571
Lease liability	12	3,937	3,456
Employee benefits	18	3,536	3,907
Provision for income tax		124	35
Contract liabilities	10	25,440	23,409
Other financial liabilities		2,182	1,250
Other liabilities	17	4,015	2,990
Total Current Liabilities		**83,166**	**50,511**

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

Consolidated Statement of Financial Position

As at 30 June 2023 (Continued)

	Notes	30-Jun-23 $'000	30-Jun-22 $'000
Non-Current Liabilities			
Borrowings	25	-	25,359
Lease liability	12	13,229	14,784
Employee benefits	19	487	451
Contract liabilities	10	9,698	8,072
Deferred tax liabilities	7	-	2,507
Total Non-Current Liabilities		**23,414**	**51,173**
TOTAL LIABILITIES		**106,580**	**101,684**
NET ASSETS		**10,270**	**28,933**
EQUITY			
Share capital	20	200,521	201,301
Reserves	21	(132,049)	(134,661)
Accumulated losses		58,202	(37,707)
TOTAL EQUITY		**10,270**	**28,933**

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

Consolidated Statement of Changes in Equity

For the year ended 30 June 2023

	Notes	Share Capital $'000	Treasury Shares $'000	Reserves $'000	Accumulated Losses $'000	Total equity attributable to owners of the Company $'000	Non-controlling Interest $'000	Total Equity $'000
BALANCE AT 1 JULY 2022		**201,301**	**-**	**(134,661)**	**(37,707)**	**28,933**	**-**	**28,933**
Loss for the period		-	-	-	(19,019)	(19,019)	-	(19,019)
Other comprehensive income		-	-	1,066	-	1,066	-	1,066
Dividend paid	21	-	-	-	(1,476)	(1,476)	-	(1,476)
Total comprehensive income for the period		**201,301**	**-**	**(133,595)**	**(58,202)**	**9,504**	**-**	**9,504**
Transactions with owners in their capacity as owners:								
Shares issued on exercise of Options		137	-	-	-	137	-	137
Share issued - Dividend reinvestment plan		52	-	-	-	52	-	52
Cancellation of shares pursuant to on-market buy back		(955)	-	-	-	(955)	-	(955)
Share issue costs		(14)	-	-	-	(14)	-	(14)
Share based compensation	21	-	-	1,546	-	1,546	-	1,546
Balance at 30 June 2023		**200,521**	**-**	**(132,049)**	**(58,202)**	**10,270**	**-**	**10,270**
BALANCE AT 1 JULY 2021		**80,061**	**-**	**12,300**	**(12,824)**	**79,537**	**(29,681)**	**49,856**
Loss for the period		-	-	-	(24,883)	(24,883)	145	(24,738)
Other comprehensive income		-	-	(979)	-	(979)	-	(979)
Total comprehensive income for the period		**80,061**	**-**	**11,321**	**(37,707)**	**53,675**	**(29,536)**	**24,139**
Transactions with owners in their capacity as owners:								
Acquisitions of subsidiaries through internal reorganization		132,340	(11,196)	(150,680)	-	(29,536)	29,536	-
Cancellation of treasury shares held by 5G Networks Limited		(11,196)	11,196	-	-	-	-	-
Shares issued on exercise of Options		1,115	-	-	-	1,115	-	1,115
Cancellation of shares under unmarketable parcel facility		(1,005)	-	-	-	(1,005)	-	(1,005)
Share issue costs		(14)	-	(124)	-	(138)	-	(138)
Share based compensation		-	-	4,822	-	4,822	-	4,822
Balance at 30 June 2022		**201,301**	**-**	**(134,661)**	**(37,707)**	**28,933**	**-**	**28,933**

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

Consolidated Statement of Cash Flows

For the year ended 30 June 2023

	Notes	Year ended 30-Jun-23 $'000	30-June-22 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		105,455	106,865
Payments to suppliers and employees		(92,582)	(98,807)
Interest received		4	111
Interest paid		(3,235)	(2,856)
Income tax paid		-	(57)
Payments for non-recurring activities		(1,621)	(2,554)
NET CASH FLOWS FROM OPERATING ACTIVITIES		**8,021**	**3,422**
CASH FLOWS FROM INVESTING ACTIVITIES			
Net cash on purchase of New Domain	19	(3,500)	-
Purchase of plant and equipment		(3,746)	(5,856)
Purchase of intangible assets		(2,411)	(1,336)
Sublease payments received		60	1,835
Net Cash on Purchase of ColoAU		-	(8)
Net Cash on Purchase of Intergrid		-	(602)
Consideration paid in relation to deferred capital payments of North Sydney Data Centre		-	(499)
Investments in listed companies		-	(5,417)
Return of capital and dividends received from investments		33	136
Proceeds from sales of CNW shares		5,487	-
NET CASH FLOWS USED IN INVESTING ACTIVITIES		**(4,077)**	**(11,747)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issues of shares on exercise of options		-	1,025
Proceeds from borrowings		8,800	5,412
Payment of performance rights		-	(4,013)
Payment of security deposit		(40)	(376)
Payments of share buyback		(1,914)	-
Repayment of borrowings		(5,539)	(1,095)
Payment of capital raising costs		-	(182)
Payment of borrowing costs		-	(305)
Payment of dividend on ordinary shares		(1,476)	-
Payment of lease liabilities		(4,696)	(5,925)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		**(4,865)**	**(5,459)**
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		**(921)**	**(13,784)**
Net foreign exchange differences		52	(19)
Cash and cash equivalents at beginning of period		5,367	19,170
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**8**	**4,498**	**5,367**

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

1. Corporate Information

The consolidated financial statements cover Webcentral Limited ('the Company' or 'Webcentral') and its subsidiaries (collectively, 'the Group') for the year ended 30 June 2023.

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

Operations and Principal Activities

The Group's principal activities during the year were:

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

Registered Office and Principal Place of Business

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

2. Statement of Compliance

The Preliminary Final Report (the Report) has been prepared in accordance with ASX Listing Rule 4.3A and has been derived from the unaudited consolidated financial statements. The consolidated financial statements have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) that are mandatory for the current reporting period and the *Corporations Act 2001*. The consolidated financial statements also comply with International Financial Reporting Standards ('IFRS') and interpretations ('IFRICs') adopted by the International Accounting Standards Board ('IASB').

The preliminary final report has been prepared on the historical cost basis except for derivative financial assets, contingent consideration payables and share-based payment transactions which are stated at their fair value.

The consolidated financial statements are in the process of being audited. Accordingly, the Report should be read in conjunction with any public announcements made by the Company during the year in accordance with the continuous disclosure requirements arising under the *Corporations Act 2001* and ASX Listing Rules.

The Group is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to rounding off. Amounts in this Report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, unless otherwise stated.

Going concern

The financial report for the financial year ended 30 June 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.

For the year ended 30 June 2023 the Group recorded a loss after tax of $19,019,000 (2022: Loss $24,738,000), operating cash inflows of $8,021,000 (2022: $3,422,000), financing cash outflows of $4,865,000 (2022: $5,459,000), and a deficit of current assets to current liabilities of $62,214,000 (2022: $31,432,000). At year end the Group had $4.5 million of cash on hand and available debt facilities of $4.5 million, of which $1.5 million is for the purpose of business acquisitions.

The significant items which contributed to the Group's loss after tax for the year were the were the non-cash goodwill impairment expense of $14.08 million, acquisition, restructuring other non-recurring costs of $3.5 million, and non-cash share-based payments expense of $1.55 million.

The major contributors to the decline in underlying EBITDA was the $3.26 million reduction in non-recurring hosting revenue and transitional services income and the reduction in networks and data centre revenue.

The goodwill impairment charge has arisen due to the assessment of the carrying value of goodwill and intangible assets at year-end and the impact of higher discount rates. The non-cash impairment expense recognises the decline in revenue at one of the Group's data centres servicing the digital currency market and pricing pressure from government contracts. The non-cash impairment charge has no impact on the Group's debt facilities, covenants or liquidity.

The acquisition, restructuring and transaction costs are considered to be one-off and non-recurring in nature.

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

The Group's cash forecast for the period to September 2024 (i.e. 12 months after the issue of the Group's financial report) indicates that is generating a positive operating cashflow and that it does not require additional funding from external debt or equity providers.

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

- annual renewal of .au domain names following launch in the period from March to September 2022
- continued growth in CPanel hosting products
- wholesale and enterprise customer growth with more than $5.9 million annual recurring revenue sold in FY23
- enterprise and wholesale sales pipeline of $8.9 million
- continued growth in hardware sales with sales closed of $2.0 million in FY23 for delivery in FY24

A conservative cash forecast for the period to September 2024 (i.e. 12 months after the issue of the Group's financial report) has also been prepared on the basis of a continuation of the Group's revenue in July 2023 which indicates a positive operating cashflow for the period to September 2024 and that it does not require additional funding from external debt or equity providers.

The Directors have undertaken solvency tests at year-end which consider the Group's ability to pay liabilities that are due within 30 days of each date. These tests consider the current assets and liabilities expected to be settled within 30 days, available debt funding of $3.0 million (excluding $1.5 million acquisition facility), expected sale proceeds from the sale of assets of $1.9 million and other available sources of funding and indicate that the Group has sufficient funding headroom. The solvency tests consider current assets that are expected to be converted to cash and current liabilities that are not payable within 30 days including prepayments and current assets of $1.2 million, borrowings and other financial liabilities not expected to be payable or settled in cash of $31.3 million, trade payables and other creditors not payable of $5.6 million, payroll provisions of $3.2 million, property lease liabilities of $3.6 million and deferred revenue balances of $27.6 million.

The Directors have also considered the Group's compliance with its debt facility agreement with CBA and the amendment to the Net Leverage Ratio covenant in relation to the period ended 30 June 2023 to increase it to 3.50 times. As the amendment was received after reporting date, the Group is required to classify an amount of $25.1 million as a current liability in the Statement of Financial Position even though these amounts are not repayable within 12 months of reporting date.

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

New or Amended Accounting Standards not yet adopted in the period

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

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

Comparative Figures

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

3. Critical Accounting Judgements, Estimates and Assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances and with the exceptions of income tax and revenue recognition, were the same as those applied in the Group's last annual financial statements for the year ended 30 June 2022. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Prepayments of domain name registry charges

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

Provision for impairment of receivables

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

Estimation of Useful Lives of Assets

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

Goodwill and Other Indefinite Life Intangible Assets

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

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

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

Leases

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

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

Income Tax

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

Recovery of Deferred Tax Assets

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

Long Service Leave Provision

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

Business Combinations

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

4. Revenue from contracts with customers

The revenue breakdown by product and service line for the year ended 30 June 2023 is shown below:

	2023 $'000	2022 $'000
CONTINUING OPERATIONS		
Types of goods of service		
Cloud	32,039	29,407
Domains	24,360	22,595
Network & Voice	8,661	10,168
Data Centres	7,638	7,989
Managed Services	12,089	11,994
Digital Marketing	3,201	4,512
Hardware & Software	8,150	6,763
Total revenue from contracts with customers	**96,138**	**93,428**
Timing of revenue recognition		
Goods and services transferred at a point in time	8,150	6,763
Services transferred over time	87,988	86,665
Total revenue from contracts with customers	**96,138**	**93,428**

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

	Cloud $'000	Domains $'000	Network & Voice $'000	Data Centres $'000	Managed Services $'000	Digital Marketing $'000	Hardware & Software $'000	Total $'000
For the year ended 30 June 2023								
Goods transferred at a point in time	-	-	-	-	-	-	8,150	8,150
Services transferred over time	32,039	24,360	8,661	7,638	12,089	3,201	-	87,988
For the year ended 30 June 2022								
Goods transferred at a point in time	-	-	-	-	-	-	6,763	6,763
Services transferred over time	29,407	22,595	10,168	7,989	11,994	4,512	-	86,665

5. Other Income

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

	Consolidated	
	2023 $'000	2022 $'000
Dividend income	33	168
Interest income	5	21
Sublease income	-	197
Management fees from transitional service agreements in relation to the sale of Enterprise and TPP Wholesale businesses	-	2,460
Sundry income	-	458
Total Other Income	**38**	**3,304**

6. Earnings per share

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

	Consolidated	
	2023 Number of shares	2022 Number of shares
Weighted average number of shares used in calculating earnings per share and diluted earnings per share	328,328,188	291,056,455

7. Income tax

	Consolidated	
	2023 $'000	2022 $'000
(A) INCOME TAX BENEFIT / (EXPENSE)		
(Loss) / profit before income tax	(22,217)	(24,382)
At the Group's statutory income tax rate of 30% (2021: 30%)	6,665	7,315
Tax effect amounts which are not deductible in calculating taxable income:		
Non-deductible goodwill impairment charge	-	(3,448)
Other tax-exempt income	(10)	10
Expense on performance rights and options	(464)	(2,650)
Other non-deductible expenses	(1,655)	(343)
Net under/over	848	(313)
Unrecognised tax loss for the year	(2,187)	(994)
Over provision from period and business combination	-	67
Actual tax benefit / (expense)	**3,198**	**(356)**
Tax expense comprises:		
- Over provision from prior period and business combination	-	-
- Deferred tax - origination and reversal of temporary differences	3,198	(356)
Aggregate Income tax expense at the effective income tax rate	**3,198**	**(356)**
Deferred tax assets are comprised of the following temporary differences:[1]		
Allowable section 40-880 (blackhole) deductions – written down value	946	870
Accrued expenses and provisions	7,540	7,439
Other	609	20
Tangible and intangible assets	(3,028)	(5,229)
ACA impact on depreciating asset – written down value	(89)	(122)
R&D capitalised labour	-	(3)
Brand and Customer contract	(5,088)	(5,482)
NET DEFERRED TAX ASSET / DEFERRED TAX LIABILITY	**890**	**(2,507)**

As at 30 June 2023, the Group has unrecognised income tax losses of $44,117,707 tax-effected at 30% (2022: $34,807,742), and capital losses of $87,869,863 arising from the sale of businesses in previous financial years (2022: $87,869,863).

8. Cash and Cash Equivalents

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

	Consolidated	
	2023 $'000	2022 $'000
Cash at bank and in hand	4,498	5,367
Total cash and cash equivalents	**4,498**	**5,367**

(b) Reconciliation of loss after tax to net cash flows from operating activities

	Consolidated	
	2023 $'000	2022 $'000
Loss after income tax	(19,019)	(24,883)
Non-cash flows in profit:		
Depreciation and amortisation	12,447	13,683
Employee benefits expenses	371	854
Share-based payment expenses	1,546	8,833
Impairment expenses	14,077	11,494
Other non-cash expenses (prepayments)	(2,770)	(2,740)
Changes in assets and liabilities net of effects of purchases and disposals of controlled entities:		
Movement in trade and other receivables	1,039	1,243
Movement in other assets	1,283	(1,572)
Movement in deferred tax asset	3,397	379
Movement in trade and other payables	(2,757)	(1,839)
Movement in employee benefits provisions	(371)	(854)
Movement in Income tax payable	(89)	(57)
Movement in other Liabilities	(1,133)	(1,119)
Net cash from operating activities	**8,021**	**3,422**

9. Trade and other receivables

	Consolidated	
	2023 $'000	2022 $'000
Trade receivables	4,747	5,020
Allowance for impairment of receivables	(238)	(1,768)
	4,509	3,252
Unsecured loans – at call[1]	424	424
Other receivables	155	373
Total trade and other receivables	**5,088**	**4,049**

1. Unsecured loans represent loans granted to key management personnel and employees to allow them to take up shares in a capital raising undertaken by Webcentral Limited in FY22.

The Group applies the AASB 9 simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component.

In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due and also according to the geographical location of customers.

The expected loss rates are based on the payment profile for sales over the past 48 months before 30 June 2023 and 1 July 2022 respectively as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forwarding looking macroeconomic factors affecting the customer's ability to settle the amount outstanding.

Trade receivables are written off (i.e. derecognised) when there is no reasonable expectation of recovery. Failure to make payments within 120 days from the invoice date and failure to engage with the Group on alternative payment arrangement amongst other is considered indicators of no reasonable expectation of recovery.

On the above basis the expected credit loss for trade receivables as at 30 June 2023 and 30 June 2022 was determined as follows:

	30-Jun-23			30-Jun-22		
	ECL Rate	Gross $'000	ECL $'000	ECL Rate	Gross $'000	ECL $'000
Current	0.0%	1,751	-	0.0%	2,475	-
1-30 days past due	0.1%	946	(1)	0.0%	324	-
31-60 days past due	6.0%	92	(5)	0.0%	171	-
61-90 days past due	39.9%	133	(53)	0.0%	132	-
91 days + past due	9.8%	1,825	(179)	92.2%	1,918	(1,768)
Closing balance		**4,747**	**(238)**		**5,020**	**(1,768)**

The closing balance of the trade receivables loss allowance as at 30 June 2023 reconciles with the trade receivables loss allowance opening balance as follows:

	$'000
Opening loss allowance as at 1 July 2021	1,190
Net additional provision for ECL's taken to the P&L	578
Loss allowance as at 30 June 2022	**1,768**
Transfer to other receivables/trade receivables	(1,530)
Loss allowance as at 30 June 2023	**238**

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

10. Contract Assets and Liabilities

Contract assets consist of the following:

	Consolidated	
	2023 $'000	2022 $'000
Contract assets[1]		
Work in progress	1,089	669
	1,089	**669**

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

Contract liabilities consist of the following:

	Consolidated	
	2023 $'000	2022 $'000
Deferred revenue	25,440	23,409
Contract liabilities - current	**25,440**	**23,409**
Deferred revenue	9,698	8,072
Contract liabilities - non-current	**9,698**	**8,072**

Notes to the Financial Statements

11. Property, Plant and Equipment

	Leasehold improvements $'000	Plant and equipment $'000	Total $'000
Gross carrying amount			
At 1 July 2022	4,427	27,103	31,530
Assets acquired in the business acquisition	-	8	8
Additions	2	3,893	3,895
Disposals	(19)	(10)	(29)
Closing Value at 30 June 2023	**4,410**	**30,994**	**35,404**
Depreciation and impairment			
At 1 July 2022	(3,430)	(12,430)	(15,860)
Depreciation	(434)	(3,970)	(4,404)
Impairment (refer note 13)	-	(5,344)	(5,344)
Disposals	-	9	9
Closing value at 30 June 2023	**(3,864)**	**(21,735)**	**(25,599)**
Carrying Amount 30 June 2023	**546**	**9,259**	**9,805**
Gross carrying amount			
At 1 July 2021	4,432	21,861	26,293
Additions	-	5,969	5,969
Disposals	(5)	(727)	(732)
Closing Value at 30 June 2022	**4,427**	**27,103**	**31,530**
Depreciation and impairment			
Balance at 1 July 2021	(1,943)	(8,477)	(10,420)
Depreciation	(1,487)	(3,989)	(5,476)
Disposals	-	36	36
Closing value at 30 June 2022	**(3,430)**	**(12,430)**	**(15,860)**
Carrying Amount 30 June 2022	**997**	**14,673**	**15,670**

12. Leases

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

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

	2023 $'000	2022 $'000
Depreciation expense of right-of-use assets	3,879	4,722
Interest expense on lease liabilities	1,166	1,166
Rent expense - short-term leases	5	28

Right-of-use asset

	Right-of-use assets		
	Building $'000	IT equipment $'000	Total $'000
As at 1 July 2022	14,626	551	15,177
Additions during the year	2,277	-	2,277
Disposals during the year	(89)	-	(89)
Depreciation expense	(3,751)	(129)	(3,880)
Impairment (refer note 13)	(3,109)	-	(3,109)
As at 30 June 2023	**9,954**	**422**	**10,376**

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

The impairment charge against Lease Right-of-use assets has arisen due to the allocation of an impairment charge against other assets of the Cash Generating Unit (CGU) pro-rata based on the carrying amount of assets of the CGU. Refer to note 13 for further details.

Lease receivables

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

	2023 $'000	2022 $'000
Opening balance	-	2,993
Assets acquired in the business acquisition	-	-
Additions	-	-
Disposals[1]	-	(1,127)
Interest income	-	94
Receipts from lessees	-	(1,960)
Closing balance	**-**	**-**

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

Lease liabilities

	Consolidated 2023 $'000	Consolidated 2022 $'000
Current		
Obligations under property leases	3,903	3,319
Obligations under equipment leases	34	137
	3,937	**3,456**
Non-current		
Obligations under property leases	13,191	14,713
Obligations under equipment leases	38	71
	13,229	**14,784**

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

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

Right-on-use asset	No of right-on-use assets leased	Range of remaining term	Average remaining lease term	No of leases with extension options	No of leases with variable payments linked to an index	No of leases with termination options
Data centres and related facilities	5	1-7 years	4 years	4	4	0
Office premises	8	1-4 years	2 years	6	6	0
IT Equipment	2	2 years	2 years	0	0	0

The lease liabilities are secured by the related underlying assets. Future minimum lease payments at 30 June 2023 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
30 June 2023							
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)
Net present values	**3,952**	**4,069**	**3,567**	**3,089**	**1,305**	**1,183**	**17,165**
30 June 2022							
Lease payments	4,554	4,500	4,124	3,288	3,364	1,909	21,739
Finance charges	(1,098)	(866)	(630)	(412)	(257)	(236)	(3,499)
Net present values	**3,456**	**3,634**	**3,494**	**2,876**	**3,107**	**1,673**	**18,240**

Notes to the Financial Statements

Lease payments not recognised as a liability

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

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

	Consolidated 2023 $'000	Consolidated 2022 $'000
Short-term leases	167	193
Total	**167**	**193**

13. Goodwill

The following table shows the movements in goodwill:

	Consolidated 2023 $'000	Consolidated 2022 $'000
Gross carrying amount		
Balance at beginning of period	61,706	61,706
Acquired through business combination (refer note 19)	5,547	-
Balance at end of the period	**67,253**	**61,706**
Accumulated impairment		
Balance at beginning of period	(11,494)	-
Impairment loss recognised	(5,479)	(11,494)
Balance at end of the period	**(16,973)**	**(11,494)**
Carrying amount at end of the period	**50,280**	**50,212**

Impairment Disclosures and Testing of Goodwill

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

	Consolidated 2023 $'000	Consolidated 2022 $'000
Data Centres, Networks and Cloud	-	5,479
Managed Services	5,536	5,536
Webcentral	44,744	39,197
Goodwill allocation at 30 June	**50,280**	**50,212**

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

A value in use model was developed to provide a forecast of free cash flows for the five financial years ending on 30 June 2028 and a terminal value, based on a one-year budget approved by the Board followed by an extrapolation of expected cash flows for the units' remaining useful lives using growth rates of 2.5% per annum for year 2 onward being the long-term target CPI rate. The present value of the expected cash flows of each CGU is determined by applying a suitable discount rate.

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

	Low	High
Data Centres, Networks and Cloud	10.5%	12.6%
Managed Services	13.1%	14.7%
Webcentral	11.5%	13.5%

Impairment Charge for Goodwill

An impairment charge of $14.08 million was recorded for the Data centres, network and cloud segment based on impairment testing indicating that the carrying value exceeded the recoverable amount of the CGU as at 30 June 2023. The underlying reasons for the impairment charge were the reduction in revenue in FY23 compared to the prior year due to the cessation of legacy customer contracts, the conversion of higher value data centre contracts into lower value cloud services contracts, and forecast revenue growth not achieved in FY23.

The impairment is allocated in the order of first to reduce the carrying amount of goodwill to the CGU and to other assets of the CGU pro rata on the basis of the carrying amount of assets in the CGU.

There has been no other individual assets available to reduce to below its fair value.

Item / $000	CGU1
Goodwill	5,479
Lease right of use asset:	
Various	3,109
Fixed assets	5,344
Oher intangibles:	
Customer contract	44
Brand name	101
Total	**14,077**

No impairment charge was recorded for the Managed Services and Webcentral segments as their respective recoverable amounts exceeds their carrying values by $8.0 million and $92.6 million respectively.

Sensitivity analysis undertaken on the key impairment model assumptions indicates that in order for the recoverable amounts to be equal to their carrying values for the Managed Services and Webcentral segments, the discount rate would need to increase to 21% and 19% respectively and the revenue growth rate would need to decrease to 2.6% and 1.1% respectively. Management are not aware of any events that are expected to have an adverse effect on revenue growth.

14. Other intangible assets

The following table shows the movements in other intangible assets:

	Customer contract $'000	Brand name $'000	Capitalised software $'000	Marketing Related Intangibles $'000	Total $'000
Gross carrying amount					
At 1 July 2022	18,932	4,017	4,856	180	27,985
Additions	1,554	-	806	51	2,411
Disposals	-	-	(230)	-	(230)
Closing Value at 30 June 2023	**20,486**	**4,017**	**5,432**	**231**	**30,166**
Amortisation and impairment					
At 1 July 2022	(3,295)	(1,380)	(1,214)	(37)	(5,926)
Amortisation	(1,918)	(620)	(490)	-	(3,028)
Impairment loss recognised	(101)	(44)	-	-	(145)
Closing value at 30 June 2023	**(5,314)**	**(2,044)**	**(1,704)**	**(37)**	**(9,099)**
Carrying Amount at 30 June 2023	**15,172**	**1,973**	**3,728**	**194**	**21,067**
Gross carrying amount					
At 1 July 2021	18,932	4,017	3,775	-	26,724
Additions	-	-	1,081	180	1,261
Disposals	-	-	-	-	-
Closing Value at 30 June 2022	**18,932**	**4,017**	**4,856**	**180**	**27,985**
Amortisation and impairment					
Balance at 1 July 2021	(1,377)	(577)	(542)	-	(2,496)
Amortisation	(1,918)	(803)	(672)	(37)	(3,430)
Impairment loss recognised	-	-	-	-	-
Closing value at 30 June 2022	**(3,295)**	**(1,380)**	**(1,214)**	**(37)**	**(5,926)**
Carrying Amount at 30 June 2022	**15,637**	**2,637**	**3,642**	**143**	**22,059**

Notes to the Financial Statements

(a) Marketing-related intangibles

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

(b) Brand Name and Customer Contracts

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

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

(c) Capitalised software

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

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

15. Other assets

Other assets consist of the following:

	Consolidated 2023 $'000	Consolidated 2022 $'000
Other prepayments	3,057	2,878
Inventory	201	200
Bond payments	123	74
Other	617	257
Other assets - current	**3,998**	**3,409**
Other prepayments	36	835
Other assets - non-current	**36**	**835**

16. Trade and other payables

	Consolidated 2023 $'000	Consolidated 2022 $'000
Trade creditors	11,737	11,917
Accrued liabilities	1,442	888
Deposits received in advance	289	231
Other creditors	1,306	1,857
Total trade and other payables	**14,774**	**14,893**

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

17. Other Liabilities

	Consolidated 2023 $'000	Consolidated 2022 $'000
GST and PAYG due to ATO	3,904	2,804
Payroll tax provision	111	186
Other liabilities - current	**4,015**	**2,990**

18. Employee Benefits Provisions

	Consolidated 2023 $'000	Consolidated 2022 $'000
Current		
Annual leave	1,796	2,007
Long service leave	935	934
Wages payable	13	61
Superannuation payable	682	738
Accrued bonuses and sales commission	110	167
	3,536	**3,907**
Non-current		
Long service leave	487	451
	487	**451**

19. Business Acquisitions

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 acquisition was funded from existing cash reserves and from the Group's acquisition debt facility with CBA. Pursuant to the acquisition, on 7 December 2022, the Group acquired 100% of the ordinary shares in Bachco Pty Ltd and Terrific.com.au Pty Ltd.

The acquisition price was $5 million with $3.5 million paid in cash at Completion and deferred payments of $1.5 million payable within 12 months of Completion. A deferred payment of $0.5 million was paid on 14 July 2023.

An earn-out may be payable in respect of revenue growth for the six-months ended 30 June 2023 and for the financial year ending 30 June 2024.

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

The goodwill value of $5.55 million identified in relation to the acquisition is provisional as the Company continues to obtain information in relation to the acquisition and determine the fair value of assets and liabilities.

The acquisition of New Domain Services has been assessed under the requirements of AASB 3: *Business Combinations* and has been assessed to meet the requirements of a business combination:

1. The definition of a business under AASB 3 is met:
    - the business consists an integrated set of activities (being a domains and hosting business with 20,000 customers, managing customer service and operating activities to provide services, operating a domain registrar Terrific.com.au Pty Ltd) and assets including IT equipment and intangible assets;
    - the purpose of the business is to provide services to businesses – it operates a website offering services, it is registered for GST and meets the general definition of carrying on a business; and
    - the business generates income from operating activities and generates operating profits.
2. The acquired set of activities and assets have inputs and substantive processes that can collectively significantly contribute to the creation of outputs:
    - the business' inputs includes a workforce with experience, skills and knowledge, intellectual property including business processes and procedures, customer list and registrar accreditations, and fixed assets including IT equipment and infrastructure;
    - the business processes include processes, policies and procedures developed to manage customers and associated domains and hosting services, customer workflow automation processes and domain registrar processes; and
    - the business generates operating revenue from the provision of domains and hosting services.

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

Fair value of consideration transferred	Note	$000
Amount settled in cash		3,500
Deferred payments		1,500
Contingent consideration		203
Total consideration		**5,203**
Recognised amounts of identifiable net assets		
Other assets		32
Total current assets		**32**
Prepayment of domain name registrations		88
Property, plant and equipment		8
Deferred tax asset		619
Intangible assets	a	1,554
Total non-current assets		**2,269**
Contract liabilities – current		(1,201)
Trade and other payables		(57)
Deferred tax liability		(466)
Employee benefits		(76)
Provisions		(70)
Total current liabilities		**(1,870)**
Contract liabilities – non-current		(775)
Total non-current liabilities		**(775)**
Identifiable net assets		(344)
Goodwill on acquisition		**5,547**
Consideration transferred settled in cash		3,500
Net cash outflow on acquisition		**3,500**
Acquisition costs charged to expenses		20

Notes to the Financial Statements

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

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

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

The goodwill that arose on the combination can be attributed to the revenue synergies and growth in the corporate domains services business expected to be derived from the combination and the value of the workforce of New Domain Services which cannot be recognised as an intangible asset. Goodwill has been allocated to the cash-generating unit of Webcentral as at 30 June 2023. The goodwill that arose from this business combination is not expected to be deductible for tax purposes.

From the date of the acquisition to 30 June 2023, New Domain Services contributed $0.9 million revenue and $0.5 million profit to the Group's EBITDA. If the business was acquired at the beginning of the financial year, New Domain Services would have contributed $1.54 million revenue and $0.86 million profit to the Group's EBITDA.

20. Issued Capital

During the period, 1,000,000 ordinary shares were issued to the vendors of the ColoAu business to satisfy the earn-out payable in respect of the ColoAu acquisition in July 2020, 346,611 ordinary shares were issued pursuant to the Dividend Reinvestment Plan and 2,088,646 ordinary shares were issued under the Employee Share Plan During the year, 5,401,820 ordinary shares were cancelled pursuant to an on-market buy-back.

	Consolidated	
	2023 $'000	2022 $'000
Issued and paid-up capital		
Ordinary shares each fully paid	200,521	201,301

Movements in ordinary shares on issue

	30 June 2023		30 June 2022	
	Number of shares	$'000	Number of shares	$'000
Beginning of the financial period	**331,092,792**	**201,301**	**114,261,123**	**80,061**
- Issue of shares to vendor	1,000,000	137	-	-
- Issues of shares under Dividend Reinvestment Plan	346,611	52	-	-
- Acquisition of subsidiaries through internal reorganisation	-	-	212,902,341	121,144
- Cancellation of shares through share buyback	(5,401,820)	(955)	-	-
- Shares issued following exercise of options	-	-	125,000	25
- Share issued as consideration for services	-	-	200,000	90
- Shares issued following exercise of performance rights	-	-	5,000,000	1,000
- Shares cancellation – unmarketable parcel facility	-	-	(4,278,509)	(1,005)
- Transaction costs for share issue	-	(14)	-	(14)
Shares issued and fully paid	**327,037,583**	**200,521**	**328,209,955**	**201,301**
- Issue of shares to employees under Employee Share Plan	2,088,646	-	882,837	-
- Issue of shares under ESOP	-	-	2,000,000	-
End of the financial period	**329,126,229**	**200,521**	**331,092,792**	**201,301**

Ordinary Shares

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

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

Share Based Payments – Employee Shares

On 31 March 2023, 2,088,646 ordinary shares were issued to employees under an Employee Share Plan as free shares.

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

Share Based Payments – Options

During the year the Group issued 6,100,000 options to key management personnel under the Executive and Director Share Option Plan and the Executive Equity Plan as a means of rewarding and incentivising key employees.

There were 20,000,000 performance rights and 26,995,000 unlisted options on issue at the end of the year.

Treasury Shares

The loans granted under Executive and Director Share Plan are limited in recourse over the shares issued on exercise of the options, and the Company placed a holding lock over these shares to secure repayment. These shares are treated as treasury shares. No treasury shares were issued during the year (2022: 2,000,000).

Movements in treasury shares:

	30 June 2023		30 June 2022	
	Number of shares	$'000	Number of shares	$'000
Beginning of the financial period	**2,000,000**	**-**	**-**	**-**
- Acquisition of subsidiaries through internal reorganisation	-	-	69,524,461	(11,196)
- Cancellation of treasury shares held by 5G Networks Limited	-	-	(69,524,461)	11,196
- Issue of shares under ESOP	-	-	2,000,000	-
End of the financial period	**2,000,000**	**-**	**2,000,000**	**-**

21. Reserves

	Consolidated	
	2023 $'000	2022 $'000
Share-based payments reserve	13,017	11,471
Other reserve	5,450	4,436
Foreign currency reserve	288	236
Reorganisation reserve	(150,804)	(150,804)
Total	**(132,049)**	**(134,661)**

Share-based payment reserve	2023 $'000	2022 $'000
Balance at the beginning of the period	11,471	6,649
Arising on share-based payments	1,546	4,822
Balance at the end of the year	**13,017**	**11,471**

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

Other reserves	2023 $'000	2022 $'000
Balance at the beginning of the period	4,436	5,379
Change in fair value of equity instruments	1,014	(943)
Balance at the end of the year	**5,450**	**4,436**

Other reserves represent the fair value reserve (for equity investments at fair value through equity). The fair value reserve of financial assets at FVOCI is used to record changes to the fair value of non-current financial asset as disclosed in note 25 to the financial statements.

Foreign currency reserve	2023 $'000	2022 $'000
Balance at the beginning of the period	236	272
Currency translation differences	52	(36)
Balance at the end of the year	**288**	**236**

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

Reorganisation reserve	2023 $'000	2022 $'000
Balance at the beginning of the period	(150,804)	-
Acquisition of subsidiaries	-	(132,340)
Elimination of Non-Controlling Interest	-	(29,536)
Reclassification of shares still held by 5GN in WCG	-	11,196
Share issue costs	-	(124)
Balance at the end of the year	**(150,804)**	**(150,804)**

Reorganisation reserve is used to record any difference arising when applying a book-value method to busniess combinations under common control.

22. Dividends

During the year a dividend of $0.005 (half a cent) per ordinary share was paid in respect of the year ended 30 June 2022 (2022: nil).

The Directors have not recommended the payment of a final dividend in respect of the financial year ended 30 June 2023.

23. Parent Information

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

The parent entity for the group is Webcentral Limited and following information is the financial position for Webcentral Limited.

Parent Entity Statement of Financial Position

As at 30 June 2023

	2023 $'000	2022 $'000
Current assets	72,415	73,273
Non-current assets	17,219	16,063
Total assets	89,634	89,336
Current liabilities	82,502	71,479
Non-current liabilities	6,382	4,823
Total liabilities	88,884	76,302
Net Assets	**750**	**13,034**
Contributed equity	218,859	219,646
Share-based payments reserve	5,830	4,285
Reorganisation reserve	(104,762)	(104,762)
Foreign currency reserve	53	200
Profit reserve	(1,941)	(1,479)
Retained earnings	(117,289)	(104,856)
Total Equity	**750**	**13,034**
Loss of the parent entity	(11,746)	(14,160)
Total comprehensive loss of the parent entity	(10,680)	(15,139)

Guarantees

During the reporting period, each of the companies in the Group, including Webcentral Limited provided a cross guarantee to CBA for the facilities provided by CBA (refer note 25).

Contingent Liabilities

The parent entity did not have any contingent liabilities as at 30 June 2023 (30 June 2022: Nil).

24. Controlled entities

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

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

Name	Country of Incorporation	Equity Holding at 30 June 2023	Equity Holding at 30 June 2022
5G Networks Pty Ltd	Australia	100%	100%
5G Network Operations Pty Ltd	Australia	100%	100%
Enspire Australia Pty Ltd	Australia	100%	100%
Asian Pacific Telecommunications Pty Ltd	Australia	100%	100%
Anittel Pty Ltd	Australia	100%	100%
Hostworks Pty Limited	Australia	100%	100%
Hostworks Group Pty Limited	Australia	100%	100%
Logic Communications Pty Ltd	Australia	100%	100%
Modular IT Pty.Ltd.	Australia	100%	100%
Australian Pacific Data Centres Pty Ltd	Australia	100%	100%
5G Networks Finance Pty Ltd	Australia	100%	100%
Intergrid Group Pty Ltd	Australia	100%	100%
Web Marketing Experts Pty Ltd	Australia	100%	100%
Nothing But Web Pty Ltd	Australia	100%	100%
Domainz Limited	New Zealand	100%	100%
Uber Global Ltd	Australia	100%	100%
Names By Request Pty Ltd	Australia	100%	100%
Uber Business Pty Ltd	Australia	100%	100%
Netregistry Group Pty Ltd	Australia	100%	100%
Netregistry Pty Ltd	Australia	100%	100%
Netregistry Wholesale Pty Ltd	Australia	100%	100%
Netregistry Services Pty Ltd	Australia	100%	100%
Netregistry Operations Pty Ltd	Australia	100%	100%
Netregistry Domains Pty Ltd	Australia	100%	100%
Webcentral Services Pty Ltd	Australia	100%	100%
ACN 132 400 787 Pty Ltd	Australia	100%	100%
Planetdomain Pty Ltd	Australia	100%	100%
ACN 063 963 039 Pty Ltd	Australia	100%	100%
ACN 139 714 686 Pty Ltd	Australia	100%	100%
Bachco Pty Ltd	Australia	100%	N/A
Terrific.com.au Pty Ltd	Australia	100%	N/A

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

25. Financial Risk Management

The main risks the Group is exposed to through its financial instruments are interest rate risk, liquidity risk and credit risk.

Financial Risk Management Objectives

The Group's financial instruments consist mainly of deposits with banks, local money market instruments, accounts receivable and payable, loans to and from subsidiaries, and leases.

The main purpose of non-derivative financial instruments is to raise finance for Group operations.

The Group does not have any derivative instruments at 30 June 2023 or 30 June 2022.

The totals for each category of financial instruments, measured in accordance with AASB 9 as detailed in the accounting policies to these financial statements, are as follows.

	Amortised cost	FVTPL	FVOCI	Total
	$'000	$'000	$'000	$'000
30 JUNE 2023				
Cash and cash equivalents	4,498	-	-	4,498
Trade and other receivables	4,664	-	-	4,664
Unsecured loans	-	424	-	424
Other investments	-	-	725	725
Total financial assets	**9,162**	**424**	**725**	**10,311**
30 JUNE 2023				
Non-current borrowings	-	-	-	-
Non-current lease liabilities	13,229	-	-	13,229
Current borrowings	29,158	-	-	29,158
Trade and other payables	14,774	-	-	14,774
Lease liabilities	3,937	-	-	3,937
Other financial liabilities	-	2,182	-	2,182
Total financial liabilities	**61,098**	**2,182**	**-**	**63,280**
30 JUNE 2022				
Cash and cash equivalents	5,367	-		5,367
Trade and other receivables	3,625	-		3,625
Unsecured loans	-	424		424
Other investment	-	-	5,198	5,198
Total financial assets	**8,992**	**424**	**5,198**	**14,614**
30 JUNE 2022				
Non-current borrowings	25,359	-	-	25,359
Non-current lease liabilities	14,784	-	-	14,784
Current borrowings	571	-	-	571
Trade and other payables	14,893	-	-	14,893
Lease liabilities	3,456	-	-	3,456
Other financial liabilities	-	1,250	-	1,250
Total financial liabilities	**59,063**	**1,250**	**-**	**60,313**

Borrowings include the following financial liabilities:

	Consolidated 2023 $'000	Consolidated 2022 $'000
CURRENT		
At amortised cost:		
Obligations under bank loan[1]	29,158	571
	29,158	**571**
NON-CURRENT		
At amortised cost:		
Obligations under bank loan[1]	-	25,359
	-	**25,359**

Security arrangements

1 The bank loans are from Commonwealth Bank of Australia (CBA) and they are secured with a fixed charge over particular assets and a floating charge over other collateral.

On 23 August 2023, CBA approved an amendment to the Net Leverage Ratio covenant in relation to the period ended 30 June 2023 to increase it to 3.50 times. There was no financial impact to the Group and all other financial covenants and undertakings under the Debt Facility Agreement were met in relation to the period ended 30 June 2023. The Group expects to comply with all financial covenants for FY24. As the amendment was received after reporting date, the Group is required to classify an amount of $25.1 million as a current liability in the Statement of Financial Position even though these amounts are not repayable within 12 months of reporting date.

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 30 June 2023:

	Note	Date of valuation	TOTAL	Fair value measurement using: Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
			$'000	$'000	$'000	$'000
ASSETS / (LIABILITIES) MEASURED AT FAIR VALUE:						
Financial assets						
Investment in The Pistol shares		30-Jun-23	725	-	-	725
Unsecured loans		30-Jun-23	424	-	-	424
Financial liabilities						
Contingent consideration		30-Jun-23	2,182	-	-	2,182

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

Capital Management

For the purpose of the Group's capital management, capital includes issued capital, all other equity reserves attributable to the equity holders of the parent and debt capital, principally raised from the Group's banking partners, but inclusive of other debt-like instruments, such as earn-outs due. The Board's primary objective is to maximise the value of the Group's operations to its shareholders.

The Group manages its capital structure and financing facilities and makes adjustments in light of changes in economic and market conditions, requirements of the business operations and requirements of its financial covenants. To maintain or adjust the capital structure, the Group may raise or repay debt, adjust the dividend payment to shareholders, return capital to shareholders, issue new shares, or sell assets to fund these activities.

Liquidity Risk

The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

Cash flows realised from financial assets in the table below reflect management's expectation as to the timing of realisation. Actual timing may therefore defer from that disclosed.

The table below sets out the available financing facilities as at 30 June 2023:

	Total facility amount	Amount drawn	Unused financing facilities
	$'000	$'000	$'000
CBA loan facilities	38,100	33,567	4,533
Total	**38,100**	**33,567**	**4,533**

The table below sets out the maturity periods of the financial liabilities of the consolidated Group as at 30 June 2023 and 30 June 2022. All carrying amounts of IT equipment finance are undiscounted contractual cash flows.

Contracted maturities at 30 June 2023	< 6 Months	6-12 Months	1-2 Years	2-5 Years	>5 Years	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Trade & Other Payables	14,774	-	-	-	-	14,774
Borrowings	281	289	566	28,022	-	29,158
Interest on Borrowings	37	29	37	18	-	121
Other Financial Liabilities	-	2,182	-	-	-	2,182

Contracted maturities at 30 June 2022	< 6 Months	6-12 Months	1-2 Years	2-5 Years	>5 Years	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Trade & Other Payables	14,912	-	-	-	-	14,912
Borrowings	315	256	497	24,862	-	25,930
Interest on Borrowings	37	30	43	12	-	122
Other Financial Liabilities	-	1,250	-	-	-	1,250

Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

There are no material amounts of collateral held as security at 30 June 2023 or 30 June 2022.

Credit risk is managed on a Group basis and reviewed regularly by the Board. It arises from exposures to customers as well as through deposits with financial institutions.

The following table provides information regarding the credit risk relating to cash and money market securities based on Moody's counterparty credit ratings.

	Consolidated	
	2023 $'000	2022 $'000
Aa3 rated cash & cash equivalents	4,498	5,367
Total	**4,498**	**5,367**

The Group does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the Group.

The Group has not recognised an impairment loss in 2023 (2022: Loss of $578,000) in profit and loss in respect of impairment provision for receivables for the year ended 30 June 2023. The movements in the provision for impairment of receivables were outlined in Note 9.

Interest Rate and Market Risk

Market risk is the risk that changes in market prices, such as interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising returns.

At 30 June 2023, the Group is exposed to changes in market interest rates through bank borrowings at variable interest rates. All of the Group's equipment loans and leases are at a fixed interest rate.

The Group's long-term borrowings, totalling $29,158,000 are interest only payment loans. Monthly cash outlays of approximately $125,000 per month are required to service the interest payments. An official increase /decrease in interest rate of 150 basis points would have an adverse/ favourable effect before tax of $437,000 per annum. The percentage change is based on the expected volatility of interest rates using market data and analysis forecasts.

Treasury Risk

The Board's overall risk management strategy seeks to assist the consolidated Group in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

Foreign Currency Risk

The Group conducts some of its business in US dollars ('USD') and is therefore exposed to movements in the AUD/ USD dollar exchange rate. The Group actively manages the gross margin risk by its foreign currency risk management strategy.

Both the functional and presentation currency of the Group is in Australian dollars (AUD). The consolidated Group contains functional currencies in USD and NZD. Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date.

The exchange differences arising on the retranslation are taken directly to other comprehensive income. On disposal of a foreign entity, the deferred cumulative amount recognised in other comprehensive income relating to that particular foreign operation is recognised in the determination of profit and loss for the year.

At 30 June 2023, the Group had the following exposures to USD denominated assets and liabilities, where the functional currency is not USD. The Group's exposure to foreign currency changes for all other currencies is not material. Assets and liabilities that are designated in cash flow hedges are not included:

	30-Jun-23 $'000	30-Jun-22 $'000
Financial assets		
Cash and cash equivalents	235	344
Trade and other receivables	200	234
	435	**578**
Financial liabilities		
Trade and other payables	(2,381)	(2,534)
Net exposure	**(1,946)**	**(1,956)**

The following sensitivity is based on foreign currency risk exposures in existence at the reporting date.

At 30 June 2023, had the AUD moved as illustrated in the table below with all other variables held constant, post-tax profit and equity would have been affected as follows:

	Net profit Higher / (Lower)		Equity Higher / (Lower)	
	2023 $000	2022 $000	2023 $000	2022 $000
Consolidated				
- AUD/USD +10%	175	173	175	173
- AUD/USD -10%	(214)	(211)	(214)	(211)

The Group also has exposures to foreign exchange when retranslating foreign currency subsidiaries into AUD. The sensitivity range has been determined using an expected range of 0.636 to 0.778 USD/AUD for the retranslation of USD denominated balances for the forthcoming year. The Group has determined that the sensitivity for the Group's exposure to the NZD is not material.

Sensitivity Analysis

As the Group's equipment loans are not material to the Group and at a fixed interest rate, no sensitivity analysis has been performed, as any +/- variation in interest rates would not have a material impact on the post-tax profit for the remaining period of the loans.

A change in interest rates on the Cash on Deposit would not have a material impact to the Group and therefore no sensitivity analysis has been performed.

Debt Maturity and Refinancing Risk

Refinancing risk is the risk that the Group is not able to refinance the full amount of its ongoing debt requirements on appropriate terms and pricing. These exposures are not material to the Group's operations at this point.

26. Related party disclosures

Subsidiaries

Details relating to subsidiaries are included in Note 24.

Ultimate and direct parent

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

Key Management Personnel (KMP) Compensation

	Consolidated	
	2023 $'000	2022 $'000
Short-Term Employee Benefits	1,693	1,330
Post-Employment Benefits	125	92
Termination Payments	-	-
Share based Payments	1,132	2,606
Total	**2,950**	**4,028**

Transactions with related parties

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

- A total of $213,191 (2022: $154,294) was paid to Studio Inc., an entity related to Joe Demase, for the design of marketing materials for the Group. All transactions are carried at commercial third-party rates
- A total of $18,315 were paid to Mr Hunter Demase for sales consulting services (2022: nil). All transactions are carried at commercial third-party rates.

Terms and conditions of related party trading transactions

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

Transactions with key management personnel

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

	2023 $'000
Balance at the start of the year	**128**
Repayment from KMP	-
Balance at the end of the year	**128**

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

27. Events subsequent to reporting date

On 23 August 2023, CBA approved an amendment to the Net Leverage Ratio covenant in relation to the period ended 30 June 2023 to increase it to 3.50 times.

There has not been any other matter or circumstance in the interval between the end of the year and the date of this report that has materially affected or may materially affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial periods.

Webcentral

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