Box Holdco Pty Ltd

ABN 91 627 143 042

Annual report
for the year ended 31 December 2023

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Annual report - 31 December 2023

Contents

The Directors present their report on the consolidated entity consisting of Box Holdco Pty Ltd and the entities it controlled at the end of, or during, the year ended 31 December 2023. Throughout the report, the consolidated entity is referred to as the Group.

Directors

The following persons were Directors of Box Holdco Pty Ltd during the whole of the financial year and up to the date of this report, unless otherwise stated:

Jason A Gomersall
Vaughan Wallace
Tristan Evans
Craig Collins

Principal activities

During the year the principal continuing activities of the Group consisted of the provision of data centre, cloud and managed connectivity services to Government and Enterprise customers in Australia. The Group operates enterprise data centres in Brisbane, Adelaide, Sydney and Townsville, cloud infrastructure platforms housed within its data centres and a national Internet Protocol (IP) connectivity network with points of presence in several capital cities across Australia.

Dividends

No dividends have been paid during the financial year. The Directors do not recommend that a dividend be paid in respect of the financial year (2022: nil).

Review of operations

The profit from ordinary activities after income tax amounted to $221,797 (2022 loss: $2,534,245).

Significant changes in the state of affairs

There have been no significant changes in the state of affairs of the Group during the year.

Events since the end of the financial year

No matter or circumstance has arisen since 31 December 2023 that has significantly affected the Group's operations, results or state of affairs, or may do so in future years.

Likely developments and expected results of operations

The Directors expect that the Group will continue to carry out its principal activities as detailed above. There are no other known or likely developments which the Directors foresee which the Directors wish to disclose at this time.

Environmental regulation

The Group is not affected by any significant environmental regulation in respect of its operations.

Shares under option

No option to acquire shares in the Group has been granted to any person. No shares have been issued during the financial year or since the end thereof by virtue of the exercise of any options. There are no unissued shares under option at the date of this report.

Insurance of officers and indemnities

During the financial period, the Group paid a premium of $31,860 (2022: $50,000) to insure the Directors and secretary of the Group and the general managers of each of the divisions of the Group.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Group. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

Proceedings on behalf of the Group

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Group, or to intervene in any proceedings to which the Group is a party, for the purpose of taking responsibility on behalf of the Group for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Group with leave of the Court under section 237 of the *Corporations Act 2001*.

Auditor

PricewaterhouseCoopers continues in office in accordance with section 325 of the *Corporations Act 2001*.

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 3.

Rounding of amounts

The Group is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the Directors' report. Amounts in the Directors' report have been rounded off in accordance with the instrument to the nearest dollar.

This report is made in accordance with a resolution of the Directors.

Jason A Gomersall
Director

Brisbane
23 April 2024

Auditor's Independence Declaration

As lead auditor for the audit of Box Holdco Pty Ltd for the year ended 31 December 2023, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Box Holdco Pty Ltd and the entities it controlled during the period.

Andrew Weeden
Partner
PricewaterhouseCoopers

Brisbane
23 April 2024

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This financial report is the consolidated financial report of the consolidated entity consisting of Box Holdco Pty Ltd and its subsidiaries. A list of subsidiaries is included in note 24.

The financial report is presented in the Australian dollar ($).

Box Holdco Pty Ltd is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 22, 144 Edward Street,
Brisbane, Queensland, 4000.

A description of the nature of the consolidated entity's operations and its principal activities is included in the Directors' report on page 1, which is not part of this financial report.

The financial report was authorised for issue by the Directors on 22 April 2024. The Directors have the power to amend and reissue the financial report.

	Notes	2023 $	2022 $
Revenue from contracts with customers	3	**46,197,551**	35,163,131
Other income	4(a)	**1,294,101**	371,395
Other gains/(losses)	4(b)	**746,529**	2,342,774
Data centre and network expenses		**(15,762,359)**	(12,844,298)
Employee benefits expense		**(8,566,209)**	(6,490,240)
Depreciation and amortisation expense	8, 9, 10	**(13,902,937)**	(11,141,048)
Contractors and agency fees		**(434,533)**	(439,955)
Raw materials and consumables used		**(403,301)**	(239,135)
Equipment lease expenses		**(7,088)**	(6,116)
Marketing expenses		**(37,237)**	(80,495)
Acquisition expenses		**(76,344)**	(3,018,148)
Other expenses		**(2,376,463)**	(1,807,530)
Finance expenses	4(c)	**(6,215,497)**	(5,433,958)
Share of net profit of associates accounted for using equity method		**322,912**	405,543
Profit/(loss) before income tax		**779,125**	(3,218,080)
Income tax (expense)/benefit	5	**(557,328)**	683,835
Profit/(loss) for the year		**221,797**	(2,534,245)
Other comprehensive income for the year, net of tax		**-**	-
Total comprehensive income/(loss) for the year		**221,797**	(2,534,245)
Total comprehensive income/(loss) for the year is attributable to:			
Owners of Box Holdco Pty Ltd		**(332,606)**	(2,503,550)
Non-controlling interests		**554,403**	(30,695)
		221,797	(2,534,245)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

	Notes	2023 $	2022 $
ASSETS			
Current assets			
Cash and cash equivalents	6	**11,800,672**	7,339,833
Trade and other receivables	7	**3,634,302**	3,885,264
Contract assets	3(a)	**645,225**	421,492
Current tax receivables		**302,420**	-
Total current assets		**16,382,619**	11,646,589
Non-current assets			
Contract assets	3(a)	**1,246,412**	418,688
Plant and equipment	8	**89,386,206**	92,028,203
Right-of-use assets	9	**35,250,138**	36,025,374
Intangible assets	10	**77,393,788**	80,130,829
Other non-current assets	11	**774,289**	711,378
Total non-current assets		**204,050,833**	209,314,472
Total assets		**220,433,452**	220,961,061
LIABILITIES			
Current liabilities			
Trade and other payables	12	**5,116,315**	5,255,086
Contract liabilities	3(a)	**2,392,029**	1,153,008
Borrowings	13	**2,102,332**	669,596
Lease liabilities	9	**1,071,049**	1,363,464
Current tax liabilities		**-**	386,605
Employee benefit obligations	14	**713,010**	695,723
Total current liabilities		**11,394,735**	9,523,482
Non-current liabilities			
Borrowings	13	**57,006,935**	60,093,220
Lease liabilities	9	**39,782,528**	38,749,590
Contract liabilities	3(a)	**201,340**	87,366
Employee benefit obligations	14	**110,470**	99,994
Deferred tax liabilities	15	**7,493,541**	7,645,468
Provisions	16	**2,973,544**	3,034,971
Total non-current liabilities		**107,568,358**	109,710,609
Total liabilities		**118,963,093**	119,234,091
Net assets		**101,470,359**	101,726,970
EQUITY			
Contributed equity	17	**98,326,214**	98,326,214
Other reserves	18(a)	**291,670**	270,078
Accumulated losses	18(b)	**(8,710,774)**	(8,378,168)
Capital and reserves attributable to owners of Box Holdco Pty Ltd		**89,907,110**	90,218,124
Non-controlling interests		**11,563,249**	11,508,846
Total equity		**101,470,359**	101,726,970

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

	Notes	Attributable to owners of Box Holdco Pty Ltd					
		Contributed equity $	**Other reserves $**	**Accumulated losses $**	**Total $**	**Non-controlling interests $**	**Total equity $**
Balance at 1 January 2022		49,826,214	243,746	(5,874,618)	44,195,342	-	44,195,342
Loss for the year		-	-	(2,503,550)	(2,503,550)	(30,695)	(2,534,245)
Other comprehensive income		-	-	-	-	-	-
Total comprehensive loss for the period		**-**	**-**	**(2,503,550)**	**(2,503,550)**	**(30,695)**	**(2,534,245)**
Transactions with owners in their capacity as owners:							
Contributions of equity, net of transaction costs and tax	17	48,500,000	-	-	48,500,000	-	48,500,000
Non-controlling interests on acquisition of subsidiary		-	-	-	-	11,539,541	11,539,541
Management share schemes - value of services	18(a)	-	26,332	-	26,332	-	26,332
		48,500,000	26,332	-	48,526,332	11,539,541	60,065,873
Balance at 31 December 2022		**98,326,214**	**270,078**	**(8,378,168)**	**90,218,124**	**11,508,846**	**101,726,970**
Balance at 1 January 2023		98,326,214	270,078	(8,378,168)	90,218,124	11,508,846	101,726,970
Profit for the year		-	-	(332,606)	(332,606)	554,403	221,797
Total comprehensive loss for the year		**-**	**-**	**(332,606)**	**(332,606)**	**554,403**	**221,797**
Transactions with owners in their capacity as owners:							
Dividends provided for or paid	19	-	-	-	-	(500,000)	(500,000)
Management share schemes - value of services	18(a)	-	21,592	-	21,592	-	21,592
		-	21,592	-	21,592	(500,000)	(478,408)
Balance at 31 December 2023		**98,326,214**	**291,670**	**(8,710,774)**	**89,907,110**	**11,563,249**	**101,470,359**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

	Notes	**2023** **$**	2022 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		**53,974,441**	40,280,615
Payments to suppliers and employees (inclusive of GST)		**(34,108,530)**	(33,731,533)
Interest received		**283,262**	71,279
Interest paid		**(5,809,516)**	(5,041,689)
Income taxes (paid)/refunded		**(1,398,279)**	(377,609)
Net cash inflow from operating activities		**12,941,378**	1,201,063
Cash flows from investing activities			
Payment for acquisition of subsidiary, net of cash acquired		**-**	(44,666,585)
Payments for plant and equipment		**(5,813,787)**	(11,105,211)
Proceeds from sale of non-current assets		**595,431**	1,412,169
Distributions received		**400,000**	300,000
Net cash (outflow) from investing activities		**(4,818,356)**	(54,059,627)
Cash flows from financing activities			
Proceeds from issues of shares and other equity securities	17	**-**	48,500,000
Proceeds from external borrowings		**1,122,505**	4,585,985
(Repayment of)/proceeds from related party borrowings		**(3,110,780)**	(2,539,954)
Dividends paid to non-controlling interests in subsidiaries		**(500,000)**	-
Lease payments		**(1,173,908)**	(1,084,924)
Net cash (outflow) inflow from financing activities		**(3,662,183)**	49,461,107
Net increase (decrease) in cash and cash equivalents		**4,460,839**	(3,397,457)
Cash and cash equivalents at the beginning of the financial period		**7,339,833**	10,737,290
Cash and cash equivalents at end of year	6	**11,800,672**	7,339,833

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

1 Summary of material accounting policies

This note provides a list of all material accounting policies adopted in the preparation of this consolidated financial report. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report is for the Group consisting of Box Holdco Pty Ltd and its subsidiaries.

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board. Box Holdco Pty Ltd is a for-profit entity for the purpose of preparing the financial report.

(i) Compliance with Australian Accounting Standards - Simplified Disclosure Requirements

The consolidated financial report of the Group complies with Australian Accounting Standards - Simplified Disclosures as issued by the Australian Accounting Standards Board (AASB).

(ii) Historical cost convention

The financial report has been prepared on a historical cost basis.

(iii) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time in their annual reporting period commencing 1 January 2023:

- AASB 17 *Insurance Contracts*
- AASB 2023-2 *Amendments to Australian Accounting Standards - Definition of Accounting Estimates International Tax Reform - Pillar Two Model Rules [AASB 112].*

The amendments listed above did not have any material impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(iv) New standards and interpretations not yet adopted

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2023 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(v) Comparatives

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

(vi) Critical accounting estimates

The preparation of the financial report requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial report, are disclosed in note 2.

(b) Principles of consolidation and equity accounting

The consolidated financial report incorporates the assets and liabilities of all subsidiaries of Box Holdco Pty Ltd ('Company' or 'parent entity') as at 31 December 2023 and the results of all subsidiaries for the year then ended. Box Holdco Pty Ltd and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

1 Summary of material accounting policies (continued)

(b) Principles of consolidation and equity accounting (continued)

(i) Subsidiaries (continued)

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated balance sheet respectively.

(ii) Associates

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

(iii) Equity method

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

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 1(g).

(c) Revenue recognition

Revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with the customer. Revenue from contracts with customers is measured at its transaction price, being the amount of consideration which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, net of goods and service tax, returns, rebates and discounts. Transaction price is allocated to each performance obligation on the basis of the relative standalone selling prices of each distinct good or services promised in the contract. Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

Revenue from the provision of data centre services is recognised over time as the services are rendered to the customer, which in most cases is when the Group has satisifed the performance obligations under the contract.

Contract assets are amortised on a straight line basis over the average customer contract term.

(d) Income tax

The income tax expense or benefit for the year is the tax payable on the current year's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting year. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

1 Summary of material accounting policies (continued)

(d) Income tax (continued)

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial report. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting year and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(i) Tax consolidation legislation

Box Holdco Pty Ltd and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, Box Holdco Pty Ltd, and the controlled entities in the tax consolidated Group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated Group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Box Holdco Pty Ltd also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated Group.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate Box Holdco Pty Ltd for any current tax payable assumed and are compensated by Box Holdco Pty Ltd for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Box Holdco Pty Ltd under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial report.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the Group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly owned tax consolidated entities.

Separately, the Your DC entities listed in note 24 have entered into tax consolidation, with Your DC Pty Ltd as head entity of that consolidated group.

(e) Leases

The Group leases various offices and datacentres. Rental contracts are typically made for fixed periods of 3 to 15 years, but may have extension options as described below.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

1 Summary of material accounting policies (continued)

(e) Leases (continued)

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable,
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date,
- amounts expected to be payable by the Group under residual value guarantees,
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee’s incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the Group entities use that rate as a starting point to determine the incremental borrowing rate.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset’s useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group’s operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

(f) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group.

1 Summary of material accounting policies (continued)

(f) Business combinations (continued)

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. Non-financial assets are measured on the basis of fair value of the asset sold on its own at the unit of account level.

Acquisition-related costs are expensed as incurred.

The excess of consideration transferred over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

Where an acquired entity does not constitute a business, management determines the assets acquired and records that asset at cost to the Group.

(g) Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting year.

(h) Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

(i) Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 14-30 days and are therefore all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

The Group applies the AASB 9 *Financial Instruments* simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

1 Summary of material accounting policies (continued)

(i) Trade receivables (continued)

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The contract assets have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets. The expected loss rates are based on the payment profiles of sales over a period of 36 months and the corresponding historical credit losses experienced within this period.

(j) Contract assets

A contract asset is the right to receive consideration in exchange for services rendered to the customer. Contract assets are recognised to the extent that services have been rendered but not yet invoiced and at an amount that reflects the consideration to which the Group expects to be entitled in exchange for the services rendered. Contract assets are subject to impairment assessment.

(k) Plant and equipment

Plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting year in which they are incurred.

Depreciation is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

• Plant and equipment	3 - 25 years
• Motor vehicles	7.5 years
• Furniture, fittings and equipment	4 - 20 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting year.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(g)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the consolidated statement of profit or loss and other comprehensive income. When revalued assets are sold, it is Group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

(l) Intangible assets

(i) Goodwill

Goodwill is measured as described in note 1(f). Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

(ii) Brands

Separately acquired brands are shown at historical cost. Brands acquired in a business combination are recognised at fair value at the acquisition date. The brand is deemed to have an indefinite useful life as there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity. Brands are not amortised but are tested for impairment annually, or more frequently if events or changes in circumstances indicate that they might be impaired, and are carried at cost less accumulated impairment losses.

1 Summary of material accounting policies (continued)

(l) Intangible assets (continued)

(iii) Customer contracts

The customer contracts were acquired as part of a business combination. They are recognised at their fair value at the date of acquisition and are subsequently amortised on a straight-line basis over the relevant the useful life determined at acquisition. Customer contracts acquired as part of the iseek acquisition are amortised over 7 years. Customer contracts acquired as part of the Your DC acquisition are amortised over 22 years.

(iv) Software

Costs associated with maintaining software programmes are recognised as an expense as incurred. Software purchased through a business combination or development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets.

Software purchased through a business combination is recognised at the fair value at the date of acquisition. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use. Software is amortised using the straight line method basis over 5 years. At the reporting date, they have a remaining useful life of 1 year.

(m) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(n) Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

(o) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the year of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the year of the facility to which it relates.

Borrowings are removed from the consolidated balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the consolidated statement of profit or loss and other comprehensive income as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting year.

(p) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

1 Summary of material accounting policies (continued)

(p) Provisions (continued)

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting year. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(q) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating annual leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities for wages and salaries are presented as current other payables in the consolidated balance sheet. The liabilities for annual leave are presented as current employee benefit obligations in the consolidated balance sheet.

(ii) Other long-term employee benefit obligations

The liabilities for long service leave and annual leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

The obligations are presented as current liabilities in the consolidated balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

(iii) Post-employment obligations

The Group pays contributions to publicly or privately administered defined contribution superannuation plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(r) Contributed equity

Ordinary shares, Class A Ratchet shares and redeemable preference shares, which are only redeemable at the option of the Company are classified as equity.

Redeemable preference shares and the Class A Ratchet share were measured at fair value on the date of issue. Refer to note 17(d) for details regarding changes in redeemable preference shares and the Class A Ratchet share during the period.

(s) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting year but not distributed at the end of the reporting year.

(t) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the consolidated balance sheet.

1 Summary of material accounting policies (continued)

(t) Goods and Services Tax (GST) (continued)

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(u) Rounding of amounts

The Group is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with the instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

(v) Parent entity financial information

The financial information for the parent entity, Box Holdco Pty Ltd, disclosed in note 27 has been prepared on the same basis as the consolidated financial report, except as set out below.

(i) Investments in subsidiaries

Investments in subsidiaries are accounted for at cost in the financial report of Box Holdco Pty Ltd.

2 Critical estimates and judgements

(a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The 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.

(i) Estimated impairment of goodwill

The Group tests annually whether goodwill and other intangibles have suffered any impairment, in accordance with the accounting policy stated in note 1(g). An intangible asset's recoverable value is the greater of the value in use and its fair value less costs to sell. In the current year, the Group has determined that the fair value less costs to sell basis is the higher recoverable value.

(ii) Make good provisions

Make good provisions are for the estimated cost of restoring leased premises to their original condition at the end of the lease term. Significant management judgement is required to estimate make good obligations to dismantle, remove and restore items of right-of-use assets and property, plant and equipment.

(iii) Lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options are only included in the lease term if the lease is reasonably certain to be extended. For the majority of sites, extension options have been included in measuring the lease liability.

3 Revenue from contracts with customers

The Group derives revenue from the transfer of services over time as follows:

	2023 **$**	2022 $
Data centre, network and cloud services	**46,197,551**	35,163,131

(a) Assets and liabilities related to contracts with customers

The Group has recognised the following assets and liabilities related to contracts with customers:

	2023 **$**	2022 $
Contract assets		
Current contract assets - data centre services	**645,225**	421,492
Non-current contract assets - data centre services	**1,246,412**	418,688
Total contract assets	**1,891,637**	840,180
Contract liabilities		
Current contract liabilities - data centre services	**65,707**	28,325
Current contract liabilities - revenue received in advance	**2,316,322**	1,114,681
Current contract liabilities - customer security deposits	**10,000**	10,000
	2,392,029	1,153,006
Non-current contract liabilities - data centre services	**201,340**	87,366
Total contract liabilities	**2,593,369**	1,240,372

4 Other income and expense items

(a) Other income

	2023 **$**	2022 $
Interest income	**283,262**	71,279
Other income	**1,010,839**	300,116
	1,294,101	371,395

(b) Other gains/(losses) - net

Net foreign exchange losses	**(1,889)**	(743)
Net gain on disposal or modification of leases	**152,987**	931,348
Net gain on disposal of non-current assets	**595,431**	1,412,169
	746,529	2,342,774

4 Other income and expense items (continued)

(c) Finance costs

	2023 $	2022 $
Interest and finance charges paid/payable	**3,612,908**	2,660,762
Interest and finance charges paid/payable for lease liabilities	**2,531,334**	2,708,286
Provisions: unwinding of discount	**71,255**	64,910
Finance costs expensed	**6,215,497**	5,433,958

5 Income tax expense/(benefit)

(a) Income tax expense/(benefit)

	2023 $	2022 $
Current tax		
Current tax on profits for the year	**1,955,918**	368,842
Adjustments for current tax of prior periods	**60,076**	(1,136,315)
Previously unrecognised tax losses	**(1,306,739)**	-
Total current tax expense/(benefit)	**709,255**	(767,473)
Deferred income tax		
(Decrease)/increase in net deferred tax liabilities (note 15(b))	**(151,927)**	83,638
Total deferred tax (benefit)/expense	**(151,927)**	83,638
Income tax expense/(benefit)	**557,328**	(683,835)

(b) Numerical reconciliation of income tax expense to prima facie tax payable

	2023 $	2022 $
Profit/(loss) from continuing operations before income tax expense	**779,125**	(3,218,080)
Tax at the Australian tax rate of 30.0%	**233,738**	(965,424)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-deductible acquisition expenses	**11,850**	948,439
Acquisition related adjustments	**245,917**	568,763
Tax on unfranked dividends	**600,000**	-
Share of equity accounted profit	**(96,873)**	(121,662)
Sundry items	**(6,256)**	22,364
Subtotal	**988,376**	452,480
Adjustments for current tax of prior periods	**60,076**	(1,136,315)
Adjustments for deferred tax of prior periods	**815,615**	-
Unrecognised tax losses now recouped to reduce current tax expense	**(1,306,739)**	-
Income tax expense/(benefit)	**557,328**	(683,835)

5 Income tax expense/(benefit) (continued)

(c) Tax losses

As at 31 December 2023, unused tax losses for which no deferred tax asset has been recognised are $1,784,377 (at 30% tax effected $535,301).

6 Cash and cash equivalents

	2023 **$**	2022 $
Cash at bank and on hand	**11,800,672**	7,339,833

7 Trade receivables

	2023 **$**	2022 $
Trade receivables	**2,375,421**	2,346,744
Loss allowance	**(46,146)**	(48,280)
	2,329,275	2,298,464
Other receivables	**(21,441)**	164,229
Prepayments	**1,326,468**	1,422,571
	3,634,302	3,885,264

8 Plant and equipment

Non-current	**Freehold land** $	**Buildings** $	**Plant and equipment** $	**Furniture, fittings and equipment** $	**Motor vehicles** $	**Leasehold improve-ments** $	**Assets under construct-ion** $	**Total** $
At 31 December 2022								
Cost	5,975,000	7,807,706	92,419,558	1,412,912	-	2,885,014	8,841,937	119,342,127
Accumulated depreciation	-	(124,507)	(25,507,781)	(1,210,589)	-	(471,047)	-	(27,313,924)
Net book amount	5,975,000	7,683,199	66,911,777	202,323	-	2,413,967	8,841,937	92,028,203
Period ended 31 December 2023								
Opening net book amount	5,975,000	7,683,199	66,911,777	202,323	-	2,413,967	8,841,937	92,028,203
Additions	-	70,640	1,772,481	3,965	51,984	-	3,914,717	5,813,787
Disposals	-	-	-	-	-	(132,682)	-	(132,682)
Transfers	-	-	5,709,991	1,075	-	-	(5,715,170)	(4,104)
Depreciation charge	-	(154,134)	(7,913,492)	(44,671)	(3,466)	(203,235)	-	(8,318,998)
Closing net book amount	5,975,000	7,599,705	66,480,757	162,692	48,518	2,078,050	7,041,484	89,386,206
At 31 December 2023								
Cost	5,975,000	7,878,346	99,902,029	1,417,953	51,984	2,752,332	7,041,484	125,019,128
Accumulated depreciation	-	(278,641)	(33,421,272)	(1,255,261)	(3,466)	(674,282)	-	(35,632,922)
Net book amount	5,975,000	7,599,705	66,480,757	162,692	48,518	2,078,050	7,041,484	89,386,206

9 Leases

(a) Amounts recognised in the consolidated balance sheet

The consolidated balance sheet shows the following amounts relating to leases:

	2023 $	2022 $
Right-of-use assets		
Properties	**35,250,138**	35,870,009
Equipment	**-**	155,365
	35,250,138	36,025,374

	2023 $	2022 $
Lease liabilities		
Current	**1,071,049**	1,363,464
Non-current	**39,782,528**	38,749,590
	40,853,577	40,113,054

Future lease payments in relation to lease liabilities as at year end are as follows:

	2023 $	2022 $
Within one year	**3,626,614**	3,827,309
Later than one year but not later than five years	**13,866,349**	13,197,697
Later than five years	**60,446,550**	60,962,856
	77,939,513	77,987,862

Additions to the right-of-use assets during the 2023 financial year were $2,596,526 (2022: $772,302).

(b) Amounts recognised in the consolidated statement of profit or loss and other comprehensive income

The consolidated statement of profit or loss and other comprehensive income shows the following amounts relating to leases:

		2023 $	2022 $
Depreciation charge of right-of-use assets			
Properties		**2,805,747**	2,733,647
Equipment		**36,909**	77,998
		2,842,656	2,811,645
Interest expense	4(c)	**2,531,334**	2,708,286
Gain on disposal of lease		**152,987**	931,348

10 Intangible assets

	Goodwill $	Brands $	Software $	Customer contracts $	Other $	Total $
At 31 December 2022						
Cost	57,224,325	1,191,010	1,696,759	24,004,348	2,582,994	86,699,436
Accumulated amortisation and impairment	-	-	(1,482,881)	(4,942,226)	(143,500)	(6,568,607)
Net book amount	57,224,325	1,191,010	213,878	19,062,122	2,439,494	80,130,829
Year ended 31 December 2023						
Opening net book amount	57,224,325	1,191,010	213,878	19,062,122	2,439,494	80,130,829
Transfer from PP&E	-	-	4,104	-	-	4,104
Amortisation charge	-	-	(183,586)	(1,696,561)	(860,998)	(2,741,145)
Closing net book amount	57,224,325	1,191,010	34,396	17,365,561	1,578,496	77,393,788
At 31 December 2023						
Cost	57,224,325	1,191,010	1,700,863	24,004,348	2,582,994	86,703,540
Accumulated amortisation and impairment	-	-	(1,666,467)	(6,638,787)	(1,004,498)	(9,309,752)
Net book amount	57,224,325	1,191,010	34,396	17,365,561	1,578,496	77,393,788

11 Other non-current assets

	2023 $	2022 $
Non-current assets		
Interest in associates and joint ventures	**674,289**	611,378
Deposits	**100,000**	100,000
	774,289	711,378

12 Trade and other payables

	2023 $	2022 $
Current liabilities		
Trade payables	**3,067,727**	3,674,473
GST payable	**368,400**	115,053
Accrued expenses	**1,391,891**	1,020,247
Other payables	**288,297**	445,313
	5,116,315	5,255,086

13 Borrowings

	2023			2022		
	Current $	**Non-current $**	**Total $**	Current $	Non-current $	Total $
Secured						
Bank loans (a)	**-**	**57,263,222**	**57,263,222**	-	55,422,010	55,422,010
Debt issue costs	**(335,643)**	**(556,654)**	**(892,297)**	(334,726)	(892,297)	(1,227,023)
Chattel mortgage	**234,765**	**195,637**	**430,402**	766,761	430,402	1,197,163
Other loans	**34,182**	**104,730**	**138,912**	32,207	138,912	171,119
Total secured borrowings	**(66,696)**	**57,006,935**	**56,940,239**	464,242	55,099,027	55,563,269
Unsecured						
Insurance premium funding	**285,615**	**-**	**285,615**	205,354	-	205,354
Loans from related parties	**1,883,413**	**-**	**1,883,413**	-	4,994,193	4,994,193
Total unsecured borrowings	**2,169,028**	**-**	**2,169,028**	205,354	4,994,193	5,199,547
Total borrowings	**2,102,332**	**57,006,935**	**59,109,267**	669,596	60,093,220	60,762,816

(a) Bank loans

Bank loans are secured by a General Security Deed which has the effect of granting a fixed and floating charge over the Group and all of its subsidiaries and their assets. Interest rates vary between 6.09% and 8.19% with interest repayments made quarterly.

(b) Other loans

A loan from a local council for building upgrades (solar array installation) that is secured against the property under council legislation.

14 Employee benefit obligations

	2023			2022		
	Current $	**Non-current $**	**Total $**	Current $	Non-current $	Total $
Leave obligations	**713,010**	**110,470**	**823,480**	695,723	99,994	795,717

Leave obligations

The leave obligations cover the Group's liabilities for long service leave and annual leave which are classified as either other long-term benefits or short-term benefits, as explained in note 1(q).

15 Deferred tax balances

(a) Deferred tax assets

	Notes	2023 $	2022 $
The balance comprises temporary differences attributable to:			
Lease liabilities		**12,256,073**	12,052,839
Employee benefits		**265,012**	158,111
Accruals and other payables		**82,481**	205,232
Provisions		**892,063**	910,491
Other		**346,912**	361,547
		13,842,541	13,688,220
Set-off of deferred tax assets pursuant to set-off provisions	15(b)	**(13,842,541)**	(13,688,220)
Net deferred tax assets		**-**	-

(b) Deferred tax liabilities

	Notes	2023 $	2022 $
The balance comprises temporary differences attributable to:			
Property, plant and equipment		**3,630,869**	2,935,084
Leasehold improvements		**623,415**	724,190
Intangible assets		**6,050,805**	6,857,366
Right-of-use assets		**10,640,072**	10,807,612
Other		**390,921**	9,436
		21,336,082	21,333,688
Set-off of deferred tax liabilities pursuant to set-off provisions	15(a)	**(13,842,541)**	(13,688,220)
Net deferred tax liabilities		**7,493,541**	7,645,468

	2023 $	2022 $
Movements:		
Opening balance	**7,645,468**	1,501,044
(Credit)/charge to profit or loss	**(151,927)**	83,638
Deferred tax on asset acquisitions	**-**	6,060,786
	7,493,541	7,645,468

16 Provisions

	2023 $	2022 $
Make good provision	**2,973,544**	3,034,971

(a) Information about individual provisions

Make good provision

The Group may be required to restore the leased premises to their original condition at the end of the respective lease terms. A provision has been recognised for the present value of the estimated expenditure required to remove any leasehold improvements. These costs have been capitalised as part of the cost of leasehold improvements and are amortised over the shorter of the term of the lease and the useful life of the assets.

16 Provisions (continued)

(b) Movements in provisions

	2023 $	2022 $
Movements:		
Opening balance	**3,034,971**	2,970,061
Change in provision charged to plant and equipment	**(132,682)**	-
Unwinding of discount	**71,255**	64,910
	2,973,544	3,034,971

17 Contributed equity

(a) Share capital

	2023 Shares	2022 Shares	**2023 $**	2022 $
Ordinary shares	**42,505,734**	42,505,734	**91,487,148**	91,487,148
Class A ratchet shares	**4,193,903**	4,193,903	**357,660**	357,660
Management Shares	**1,029,332**	1,029,332	**1,029,332**	1,029,332
Redeemable preference shares fully paid	**8,387,806**	8,387,806	**5,452,074**	5,452,074
	56,116,775	56,116,775	**98,326,214**	98,326,214

(b) Movements in ordinary shares:

Details	**Number of shares**	**$**
Opening balance 1 January 2022	31,000,617	42,987,148
Shares issued	11,505,117	48,500,000
Balance 31 December 2022	42,505,734	91,487,148
Balance 31 December 2023	42,505,734	91,487,148

(c) Movements in Class Z shares:

Details	**Number of shares**	**$**
Opening balance 1 January 2023	-	-
Conversion of MEP Class M to Class Z	213,110	2
Buy back of Class Z	(213,110)	(2)
		-

(d) Shares

Ordinary shares and redeemable preference shares entitle the holder to participate in dividends in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and on a poll each share is entitled to one vote.

Ordinary shares have no par value and the Group does not have a limited amount of authorised capital.

Class A Ratchet shares entitle the holder to a corresponding number of shares based on the share split on 13 July 2021 as a result of a transaction during the during the period ended 31 December 2021.

17 Contributed equity (continued)

(d) Shares (continued)

Redeemable Preference Shares have ceased to be redeemable from 13 July 2021 as a result of a transaction during the the period ended 31 December 2021, and have rights equivalent to Ordinary Shares from this date onwards, aside from a liquidation preference of $1 in aggregate in respect of all Redeemable Preference Shares.

Management shares have the same voting rights and rights to participation in dividends as ordinary shares.

18 Other reserves and accumulated losses

(a) Other reserves

	2023 **$**	2022 $
Share-based payments	**291,670**	270,078

Movements:

	2023 **$**	2022 $
Share-based payments		
Opening balance	**270,078**	243,746
Management equity plan expense	**21,592**	26,332
Balance at period end	**291,670**	270,078

Share-based payments

The share-based payments reserve is used to recognise:

- the grant date fair value of options issued to management but not exercised
- the grant date fair value of shares issued to management
- the grant date fair value of deferred shares granted to management but not yet vested.

(b) Accumulated losses

Movements in accumulated losses were as follows:

	2023 **$**	2022 $
Balance 1 January	**(8,378,168)**	(5,874,618)
Net loss for the year	**(332,606)**	(2,503,550)
Balance 31 December	**(8,710,774)**	(8,378,168)

19 Dividends

(a) Ordinary shares

No dividends have been paid during the financial year (2022: nil). As at the date of this report, the Directors have not made any recommendation in respect of dividends for the period ended 31 December 2023 or thereafter.

19 Dividends (continued)

(b) Franking dividends

The final dividends recommended after 31 December 2023 will be fully franked out of existing franking credits, or out of franking credits arising from the payment of income tax in the year ending 31 December 2024.

	Consolidated entity	
	2023 **$**	2022 $
Franking credits available for subsequent reporting periods based on a tax rate of 30.0%	**3,172,678**	1,905,390

The above amounts are calculated from the balance of the franking account as at the end of the reporting year, adjusted for franking credits and debits that will arise from the settlement of liabilities or receivables for income tax and dividends after the end of the year.

20 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the entity and its related practices:

PricewaterhouseCoopers

	2023 **$**	2022 $
Audit of financial statements	**164,213**	152,761
Other assurance services	**87,453**	60,958
Taxation services	**99,384**	117,400
Financial due diligence services	**-**	347,600
Assistance with the compilation of financial statements	**7,059**	6,000
	358,109	684,719

21 Contingent liabilities

The Group has a bank guarantee and indemnity facility under its Syndicated Facility agreement, under which bank guarantees to the value of $1,484,294 (2022: $1,484,294) have been issued to various lessors in respect of the Group’s obligations under operating leases for property.

22 Commitments

(a) Capital commitments

Significant capital expenditure contracted for at the end of the reporting year but not recognised as liabilities is as follows:

	2023 **$**	2022 $
Property, plant and equipment	**1,433,867**	1,908,179

23 Related party transactions

(a) Subsidiaries

Interests in subsidiaries are set out in note 24(a).

(b) Key management personnel compensation

	2023	2022
	$	$
Key management personnel compensation	**900,468**	762,636

(c) Transactions with other related parties

The following transactions occurred with related parties:

	2023	2022
	$	$
Sales and purchases of goods and services		
Sale of goods to director related entities	**1,151,278**	1,271,733
Purchase of goods from director related entities	**(1,422,092)**	(2,588,948)

The Group has purchasing and sales agreements with Vonex Limited. Jason Gomersall, CEO and executive director, is a shareholder and director of Vonex Limited.

(d) Outstanding balances arising from sales/purchases of goods and services

The following balances are outstanding at the end of the reporting year in relation to transactions with related parties:

	2023	2022
	$	$
Trade and other payables	**(38,254)**	(237,297)
Trade and other receivables	**6,552**	195,963

(e) Loans from related parties

	2023	2022
	$	$
Loans from other related parties		
Beginning of the year	**4,994,194**	7,534,148
Loans advanced	**-**	20,941,113
Loan repayments received	**(3,274,607)**	(23,719,882)
Interest charged	**163,826**	238,815
End of year	**1,883,413**	4,994,194

(f) Terms and conditions

The terms of the agreements with Vonex Limited (and its subsidiary Vonex Wholesale Limited) were agreed prior to the acquisition of iseek Pty Ltd by the Group and are in force on an ongoing basis. Under these terms, various services are provided (i) on a reimbursement of fees incurred basis, (ii) on a pre-agreed margin, and (iii) conducted on a basis intended to be at arm's length.

24 Interests in other entities

(a) Subsidiaries

The Group's principal subsidiaries at 31 December 2023 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

Name of entity	Place of business/ country of incorporation	Ownership interest held by the group 2023 %	2022 %
Box Finco Pty Ltd	Australia	**100**	100
iseek Pty Ltd	Australia	**100**	100
LDR2 Pty Ltd	Australia	**100**	100
KDCR Australia Trust No.1 *	Australia	**100**	100
KDCR Australia No.1 Pty Ltd	Australia	**100**	100
iseek Facilities Pty Ltd	Australia	**100**	100
Your DC Pty Ltd	Australia	**80**	80
Your Fibre Pty Ltd	Australia	**80**	80
Your DC Investment Pty Ltd (as trustee)	Australia	**80**	80
Your DC Investment Trust	Australia	**80**	80

* This entity is a unit trust established under a Unit Trust Deed. The Group has acquired all units in the Trust.

25 Deed of cross guarantee

Box Holdco Pty Ltd, Box Finco Pty Ltd, iseek Pty Ltd, LDR2 Pty Ltd, KDCR Australia No.1 Pty Ltd and iseek Facilities Pty Ltd are parties to a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and Directors' report under *ASIC Corporations (Wholly-owned Companies) Instrument 2016/785.*

The above companies represent a 'closed group' for the purposes of the instrument, and as there are no other parties to the deed of cross guarantee that are controlled by Box Holdco Pty Ltd, they also represent the 'extended closed group'.

Set out below is a consolidated statement of profit or loss and other comprehensive income and a summary of movements in consolidated retained earnings for the year ended 31 December 2023 of the closed group consisting of Box Holdco Pty Ltd, Box Finco Pty Ltd, iseek Pty Ltd, LDR2 Pty Ltd, KDCR Australia No.1 Pty Ltd and iseek Facilities Pty Ltd.

(a) Consolidated statements

	2023 **$**	2022 $
Consolidated statement of profit or loss and other comprehensive income		
Revenue from contracts with customers	**35,909,965**	33,543,603
Other income	**3,773,738**	2,224,251
Other gains/(losses)	**151,098**	(742)
Expenses	**(34,634,000)**	(33,474,058)
Finance costs	**(5,479,756)**	(5,777,587)
Share of net profits of associates accounted for using the equity method	**322,912**	405,543
Profit/(loss) before income tax	**43,957**	(3,078,990)
Income tax (expense)/benefit	**(594,173)**	698,219
Loss for the year	**(550,216)**	(2,380,771)

	2023 **$**	2022 $
Summary of movements in consolidated retained earnings		
Retained earnings at the beginning of the financial year	**(8,255,389)**	(5,874,618)
Loss for the period	**(550,216)**	(2,380,771)
Retained earnings at the end of the financial year	**(8,805,605)**	(8,255,389)

25 Deed of cross guarantee (continued)

(b) Consolidated balance sheet

Set out below is a consolidated balance sheet as at 31 December 2023 of the closed group consisting of Box Holdco Pty Ltd, Box Finco Pty Ltd, iseek Pty Ltd, LDR2 Pty Ltd, KDCR Australia No.1 Pty Ltd and iseek Facilities Pty Ltd.

	2023 **$**	2022 $
Current assets		
Cash and cash equivalents	**8,746,330**	5,593,900
Trade and other receivables	**3,140,235**	3,489,477
Contract assets	**1,583,319**	720,548
Tax receivable	**1,775,888**	-
Total current assets	**15,245,772**	9,803,925
Non-current assets		
Property, plant and equipment	**63,024,349**	66,298,372
Right-of-use assets	**35,250,138**	36,025,373
Investment in subsidiaries	**46,832,454**	46,769,543
Intangible assets	**29,986,297**	31,261,272
Other non-current assets	**100,000**	100,000
Total-non-current assets	**175,193,238**	180,454,560
Total assets	**190,439,010**	190,258,485
Current liabilities		
Trade and other payables	**4,596,798**	4,704,858
Contract liabilities	**2,710,252**	1,010,107
Borrowings	**1,883,413**	4,994,193
Current tax liabilities	**727,576**	2,203
Employee benefit obligations	**512,375**	437,952
Total current liabilities	**10,430,414**	11,149,313
Non-current liabilities		
Borrowings	**44,107,703**	42,772,977
Lease liabilities	**41,283,979**	41,286,556
Deferred tax liabilities	**1,831,091**	1,584,681
Provisions	**2,973,544**	3,034,970
Employee benefit obligations	**-**	89,085
Total non-current liabilities	**90,196,317**	88,768,269
Total liabilities	**100,626,731**	99,917,582
Net assets	**89,812,279**	90,340,903
Equity		
Contributed equity	**98,326,214**	98,326,214
Reserves	**291,670**	270,078
Retained earnings	**(8,805,605)**	(8,255,389)
Total equity	**89,812,279**	90,340,903

26 Events occurring after the reporting period

No matter or circumstance has occurred subsequent to year end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group or economic entity in subsequent financial years.

27 Parent entity financial information

(a) Summary financial information

The individual financial report for the parent entity, Box Holdco Pty Ltd, shows the following aggregate amounts:

	2023 **$**	2022 $
Balance sheet		
Current assets	**32,572**	1,256,651
Non-current assets	**99,974,028**	101,645,692
Total assets	**100,006,600**	102,902,343
Current liabilities	**30,000**	-
Non-current liabilities	**4,240,650**	8,081,310
Total liabilities	**4,270,650**	8,081,310
Net assets	**95,735,950**	94,821,033
Shareholders' equity		
Issued capital	**98,326,214**	98,326,214
Reserves		
Share-based payments	**291,670**	270,078
Accumulated losses	**(2,881,934)**	(3,775,259)
Total equity	**95,735,950**	94,821,033
Profit/(loss) for the year	**893,325**	(667,397)
Total comprehensive income/(loss)	**893,325**	(667,397)

In the Directors' opinion:

(a) the financial report and notes set out on pages 4 to 33:

  (i) complying with Accounting Standards - General Purpose Financial Statements - Simplified Disclosures and other mandatory professional reporting requirements, and

  (ii) give a true and fair view of the consolidated entity's financial position as at 31 December 2023 and of its performance for the financial year ended on that date, and

(b) 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

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed Group identified in note 25 will be able to meet any liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 25.

This declaration is made in accordance with a resolution of the Directors.

Jason A Gomersall
Director

Brisbane
23 April 2024

Independent auditor's report

To the members of Box Holdco Pty Ltd

Our opinion

In our opinion:

The accompanying financial report of Box Holdco Pty Ltd (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2023 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards - Simplified Disclosures and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated balance sheet as at 31 December 2023
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the consolidated statement of profit or loss and other comprehensive income for the year then ended
- the notes to the consolidated financial statements, including material accounting policy information and other explanatory information
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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 & 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 financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 31 December 2023, but does not include the financial report and our auditor's report thereon.

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Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon through our opinion on the financial report.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf. This description forms part of our auditor's report.

PricewaterhouseCoopers

PricewaterhouseCoopers

Andrew Weeden
Partner

Brisbane
23 April 2024