

1. Company details

Name of entity:	DXN Limited
ABN:	46 620 888 548
Reporting period:	For the year ended 30 June 2022
Previous period:	For the year ended 30 June 2021

2. Results for announcement to the market

			\$
Revenues from ordinary activities	up	91.5% to	15,386,453
Loss from ordinary activities after tax attributable to the owners of DXN Limited	up	43.4% to	(6,902,449)
Loss for the year attributable to the owners of DXN Limited	up	43.4% to	(6,902,449)

Dividends

There were no dividends paid, recommended or declared during the current financial period.

Comments

The loss for the Group after providing for income tax amounted to \$6,902,449 (30 June 2021: \$4,812,631).

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	0.25	0.86

4. Control gained over entities

Name of entity	Secure Data Centre Pty Ltd ATF SDC Trust and SDC Trust
Date control gained	18 October 2021
Contribution to the reporting entity's (loss)/profit from ordinary activities before income tax during the period	\$110,353

5. Loss of control over entities

Not applicable.

6. Details of associates and joint venture entities

Not applicable.

7. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements are in the process of being audited. While the audit opinion is unlikely to be modified, it will contain an emphasis of matter paragraph related to material uncertainty regarding going concern.

8. Attachments

Details of attachments (if any):

The Appendix 4E Preliminary Final Report of DXN Limited for the year ended 30 June 2022 is attached.

DXN Limited

ABN 46 620 888 548

Appendix 4E Preliminary Final Report - 30 June 2022

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	Note	Consolidated 2022 \$	Consolidated 2021 \$
Sales to customers	2	15,386,453	8,035,137
Cost of goods sold		(10,735,205)	(5,787,131)
Gross margin		<u>4,651,248</u>	<u>2,248,006</u>
Other income	3	995,745	4,606,247
Interest revenue calculated using the effective interest method		650	10,422
Expenses			
Acquisition expenses		(10,615)	(54,487)
Administration expenses		(352,613)	(463,631)
Compliance and legal expenses		(559,321)	(365,217)
Consultants and contractors		(339,445)	(160,486)
Depreciation and amortisation expenses	4	(3,704,379)	(4,996,766)
Employee benefits expenses		(4,587,134)	(3,670,467)
Impairment of assets		-	(347,394)
Marketing expenses		(18,925)	(1,942)
Occupancy expenses		(973,130)	(993,353)
Research and development expenses		(504,971)	-
Telecommunication and technology expenses		(156,288)	(101,461)
Travel expenses		(78,301)	(23,125)
Finance costs	4	<u>(1,264,970)</u>	<u>(498,977)</u>
Loss before income tax expense		(6,902,449)	(4,812,631)
Income tax expense		<u>-</u>	<u>-</u>
Loss after income tax expense for the year attributable to the owners of DXN Limited		(6,902,449)	(4,812,631)
Other comprehensive income for the year, net of tax		<u>-</u>	<u>-</u>
Total comprehensive loss for the year attributable to the owners of DXN Limited		<u>(6,902,449)</u>	<u>(4,812,631)</u>
		Cents	Cents
Basic earnings per share	5	(0.50)	(0.45)
Diluted earnings per share	5	(0.50)	(0.45)

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

	Note	Consolidated 2022 \$	Consolidated 2021 \$
Assets			
Current assets			
Cash and cash equivalents	6	1,924,767	1,663,955
Trade and other receivables	7	649,672	666,152
Inventories/work in progress	8	1,248,380	1,231,781
Other assets	10	134,460	124,854
		<u>3,957,279</u>	<u>3,686,742</u>
Non-current assets classified as held for sale		-	544,011
Total current assets		<u>3,957,279</u>	<u>4,230,753</u>
Non-current assets			
Property, plant and equipment	11	7,187,578	8,701,703
Right-of-use assets	12	11,184,958	8,407,598
Intangibles	13	3,802,763	1,502,016
Bank guarantees and deposits	9	528,917	1,028,917
Other assets	10	608,333	-
Total non-current assets		<u>23,312,549</u>	<u>19,640,234</u>
Total assets		<u>27,269,828</u>	<u>23,870,987</u>
Liabilities			
Current liabilities			
Trade and other payables	14	2,503,210	2,153,523
Contract liabilities	15	332,507	387,556
Borrowings	16	58,971	1,027,255
Lease liabilities	17	728,679	625,417
Employee benefits	18	156,743	181,290
Provisions	19	850,000	-
Total current liabilities		<u>4,630,110</u>	<u>4,375,041</u>
Non-current liabilities			
Borrowings	16	4,000,000	605,011
Lease liabilities	17	10,775,981	7,882,462
Employee benefits	18	16,038	-
Provisions	19	400,000	-
Total non-current liabilities		<u>15,192,019</u>	<u>8,487,473</u>
Total liabilities		<u>19,822,129</u>	<u>12,862,514</u>
Net assets		<u>7,447,699</u>	<u>11,008,473</u>
Equity			
Issued capital	20	43,471,842	40,345,107
Reserves	21	1,391,896	1,176,956
Accumulated losses		<u>(37,416,039)</u>	<u>(30,513,590)</u>
Total equity		<u>7,447,699</u>	<u>11,008,473</u>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

Consolidated	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2020	39,604,052	1,020,705	(25,700,959)	14,923,798
Loss after income tax expense for the year	-	-	(4,812,631)	(4,812,631)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive loss for the year	-	-	(4,812,631)	(4,812,631)
<i>Transactions with owners in their capacity as owners:</i>				
Issue of shares	732,859	-	-	732,859
Capital raising costs	(19,519)	-	-	(19,519)
Share-based payments	-	183,966	-	183,966
Exercise of performance rights	27,715	(27,715)	-	-
Balance at 30 June 2021	<u>40,345,107</u>	<u>1,176,956</u>	<u>(30,513,590)</u>	<u>11,008,473</u>
Consolidated	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2021	40,345,107	1,176,956	(30,513,590)	11,008,473
Loss after income tax expense for the year	-	-	(6,902,449)	(6,902,449)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive loss for the year	-	-	(6,902,449)	(6,902,449)
<i>Transactions with owners in their capacity as owners:</i>				
Issue of shares	3,343,967	-	-	3,343,967
Capital raising costs	(217,232)	32,667	-	(184,565)
Share-based payments	-	182,273	-	182,273
Balance at 30 June 2022	<u>43,471,842</u>	<u>1,391,896</u>	<u>(37,416,039)</u>	<u>7,447,699</u>

	Note	Consolidated 2022 \$	Consolidated 2021 \$
Cash flows from operating activities			
Receipts from customers		16,630,159	7,264,873
Payments to suppliers and employees		(17,888,368)	(11,056,801)
R&D tax incentive claim		826,741	725,766
Government grants		66,162	454,000
Interest received		650	19,141
Interest paid		(16,353)	(70,520)
Other income		2,034	-
Net cash (used in) operating activities		(378,975)	(2,663,541)
Cash flows from investing activities			
Payments associated with the acquisition of business	25	(3,816,574)	-
Payments for plant and equipment		(24,334)	(140,112)
Payments for intangible assets		(25,272)	(39,036)
Proceeds from release of deposits and guarantees		-	2,058,925
Net cash (used in)/from investing activities		(3,866,180)	1,879,777
Cash flows from financing activities			
Proceeds from issue of shares and options	20	3,143,967	732,860
Payment of capital raising costs	20	(202,230)	(19,520)
Finance facility drawn down		4,000,000	1,179,429
Repayment of finance facility		(1,867,716)	(3,037,522)
Transaction costs related to loans and borrowings		(567,210)	-
Net cash from/(used in) financing activities		4,506,811	(1,144,753)
Net increase/(decrease) in cash and cash equivalents		261,656	(1,928,517)
Cash and cash equivalents at the beginning of the financial year		1,663,955	3,592,472
Effects of exchange rate changes on cash and cash equivalents		(844)	-
Cash and cash equivalents at the end of the financial year	6	<u>1,924,767</u>	<u>1,663,955</u>

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

Note 1. Operating segments

Identification of reportable operating segments

The Group is organised into two operating segments: Data centre manufacturing and Data centre operations. These operating segments are based on the internal reports that are reviewed and used by the Chief Executive Officer ('CEO') and the Group's Executive Leadership Team (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

The information reported to the CODM on a monthly basis is the segment profit that represents the profit earned by each segment without allocation of the share of central administration costs including directors' salaries, finance income, non-operating gains and losses in respect of financial instruments and finance costs, and income tax expense.

Operating segment information

Major customers

The Group has a number of customers to which it provides services and products.

Data centre manufacturing

The Group supplies 2 single external customers who account for 33% and 25% (2021: 2 customers; 25% and 22%) of the external revenue. The next most significant customer accounts for 24% (2021: 10%) of the external revenue.

Data centre operations

The Group supplies 1 single external customer which accounts for 42% (2021: 1 customer; 92%) of the total segment revenue.

There were no intersegment sales during the reporting periods.

Operating segment information

	Data centre manufacturing \$	Data centre operations \$	Other (Corporate) \$	Total \$
Consolidated - 2022				
Revenue				
Revenue from external customers	13,131,413	2,255,040	-	15,386,453
Other income	17,237	36,733	941,775	995,745
Total revenue	<u>13,148,650</u>	<u>2,291,773</u>	<u>941,775</u>	<u>16,382,198</u>
Results				
Profit/(loss) before income tax	1,083,518	(4,102,686)	(3,883,281)	(6,902,449)
Income tax	-	-	-	-
Profit/(loss) after income tax	<u>1,083,518</u>	<u>(4,102,686)</u>	<u>(3,883,281)</u>	<u>(6,902,449)</u>
Assets				
Segment assets	3,320,218	21,697,912	2,251,698	27,269,828
Total assets				<u>27,269,828</u>
Liabilities				
Segment liabilities	3,599,571	11,394,313	4,828,245	19,822,129
Total liabilities				<u>19,822,129</u>

Note 1. Operating segments (continued)

	Data centre manufacturing \$	Data centre operations \$	Other (Corporate) \$	Total \$
Consolidated - 2021				
Revenue				
Revenue from external customers	7,050,936	984,201	-	8,035,137
Other income	-	43,696	4,562,551	4,606,247
Total revenue	<u>7,050,936</u>	<u>1,027,897</u>	<u>4,562,551</u>	<u>12,641,384</u>
Results				
Profit/(loss) before income tax	849,864	(5,166,389)	(496,106)	(4,812,631)
Income tax	-	-	-	-
Profit/(loss) after income tax	<u>849,864</u>	<u>(5,166,389)</u>	<u>(496,106)</u>	<u>(4,812,631)</u>
Assets				
Segment assets	2,639,828	18,463,810	2,767,349	23,870,987
Total assets				<u>23,870,987</u>
Liabilities				
Segment liabilities	1,781,997	9,631,800	1,448,717	12,862,514
Total liabilities				<u>12,862,514</u>

Assets used jointly by reportable segments are allocated on the basis of the revenues earned by the individual reportable segments.

All revenue is derived in Australia.

Note 2. Revenue

	Consolidated 2022 \$	Consolidated 2021 \$
<i>Revenue from contracts with customers</i>		
Sales to customers	<u>15,386,453</u>	<u>8,035,137</u>

100% of the Group's revenue from external customers is recognised over time.

All revenue is derived in Australia.

Note 3. Other income

	Consolidated 2022 \$	2021 \$
Research and development tax incentive claim	826,741	725,766
Export marketing development grant	50,959	100,000
Government wage subsidies	17,237	-
Government grants (COVID-19)	-	291,000
Net foreign exchange gain	63,475	-
Other	37,333	187,048
Lease liability reversed ¹	-	3,302,433
Other income	995,745	4,606,247

¹ Liability reversal of the carrying value of the liability for the Melbourne data centre facility.

Note 4. Expenses

	Consolidated 2022 \$	2021 \$
Loss before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Depreciation - property, plant and equipment	2,280,549	3,903,980
Depreciation - right-of-use assets	823,228	599,555
Total depreciation	3,103,777	4,503,535
<i>Amortisation</i>		
Amortisation - intangibles	600,602	493,231
Total depreciation and amortisation	3,704,379	4,996,766
<i>Finance costs</i>		
Interest and finance charges paid/payable on borrowings	491,562	203,495
Interest and finance charges paid/payable on lease liabilities	773,408	295,482
	1,264,970	498,977
<i>Net foreign exchange loss (included in administration expenses)</i>		
Net foreign exchange loss	-	92,142
<i>Leases</i>		
Short term lease payments	140,874	87,461
<i>Superannuation expense</i>		
Defined contribution superannuation expense	308,008	285,133
<i>Employee benefits expense excluding superannuation</i>		
Employee benefits expense excluding superannuation	4,279,126	3,385,334

Note 5. Earnings per share

	Consolidated 2022 \$	Consolidated 2021 \$
Loss after income tax attributable to the owners of DXN Limited	<u>(6,902,449)</u>	<u>(4,812,631)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>1,385,110,988</u>	<u>1,069,101,004</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>1,385,110,988</u>	<u>1,069,101,004</u>
	Cents	Cents
Basic earnings per share	(0.50)	(0.45)
Diluted earnings per share	(0.50)	(0.45)

At 30 June 2022 and 30 June 2021, options and performance rights over ordinary shares were excluded from the calculation of the weighted average number of ordinary shares used in calculating diluted earnings per share due to being anti-dilutive, as the Group reported a loss for the period.

Note 6. Cash and cash equivalents

	Consolidated 2022 \$	Consolidated 2021 \$
<i>Current assets</i>		
Cash at bank and on hand	<u>1,924,767</u>	<u>1,663,955</u>

Note 7. Trade and other receivables

	Consolidated 2022 \$	Consolidated 2021 \$
<i>Current assets</i>		
Trade receivables	635,390	666,018
Less: Allowance for expected credit losses	<u>-</u>	<u>-</u>
	<u>635,390</u>	<u>666,018</u>
Interest receivable	-	134
GST receivable	<u>14,282</u>	<u>-</u>
	<u>649,672</u>	<u>666,152</u>

Allowance for expected credit losses

The Group has recognised a loss of \$nil profit or loss in respect of the expected credit losses for the year ended 30 June 2022 and 30 June 2021.

Note 7. Trade and other receivables (continued)

The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

Consolidated	Expected credit loss rate		Carrying amount		Allowance for expected credit losses	
	2022 %	2021 %	2022 \$	2021 \$	2022 \$	2021 \$
0 to 30 days	-	-	314,975	574,598	-	-
30 to 60 days	-	-	8,416	91,420	-	-
60 to 90 days	-	-	-	-	-	-
over 90 days	-	-	311,999	-	-	-
			<u>635,390</u>	<u>666,018</u>	<u>-</u>	<u>-</u>

Note 8. Inventories/work in progress

	Consolidated 2022 \$	2021 \$
<i>Current assets</i>		
Materials and consumables	467,366	660,956
Work in progress - Customers (contract asset) ¹	781,014	570,825
	<u>1,248,380</u>	<u>1,231,781</u>

¹ Relates to external customers.

Note 9. Bank guarantees and deposits

	Consolidated 2022 \$	2021 \$
5 Parkview Drive, Olympic Park, Sydney NSW ^{1,2}	495,000	495,000
286-292 Lorimer Street, Port Melbourne, Victoria ^{1,3}	-	500,000
3 Dampier Road, Welshpool, WA ^{1,2}	33,917	33,917
	<u>528,917</u>	<u>1,028,917</u>

¹ Relates to term deposits given to secure bank guarantees at 30 June 2021 over leased premises. The bank guarantees are classified as restricted cash.

² Relates to deposits given to landlords' legal representatives at 30 June 2022 over leased premises. These deposits are held in solicitor trust accounts and are classified as restricted cash.

³ This bank guarantee was surrendered to the landlords as a payment in lieu of outstanding rent when the Melbourne data centre lease dispute was resolved in December 2021.

Note 10. Other assets

	Consolidated 2022 \$	2021 \$
<i>Current assets</i>		
Prepayments	120,904	111,298
Other deposits	13,556	13,556
	<u>134,460</u>	<u>124,854</u>
<i>Non-current assets</i>		
Other non-current assets (Borrowing costs capitalised net of amortisation)	608,333	-
	<u>742,793</u>	<u>124,854</u>

Note 11. Property, plant and equipment

	Consolidated 2022 \$	2021 \$
<i>Non-current assets</i>		
Leasehold improvements - at cost	3,045,118	2,285,853
Less: Accumulated depreciation	(525,257)	(469,702)
	<u>2,519,861</u>	<u>1,816,151</u>
Plant and equipment - at cost	286,054	260,685
Less: Accumulated depreciation	(151,425)	(116,195)
	<u>134,629</u>	<u>144,490</u>
Motor vehicles - at cost	26,016	26,016
Less: Accumulated depreciation	(12,050)	(8,780)
	<u>13,966</u>	<u>17,236</u>
Office equipment - at cost	61,126	61,126
Less: Accumulated depreciation	(50,558)	(37,678)
	<u>10,568</u>	<u>23,448</u>
DC modules - at cost	10,415,688	11,227,465
Less: Accumulated depreciation	(5,965,865)	(4,608,445)
	<u>4,449,823</u>	<u>6,619,020</u>
ICT hardware - at cost	340,736	340,736
Less: Accumulated depreciation	(282,005)	(259,378)
	<u>58,731</u>	<u>81,358</u>
	<u>7,187,578</u>	<u>8,701,703</u>

Note 12. Right-of-use assets

	Consolidated 2022 \$	2021 \$
<i>Non-current assets</i>		
Land and buildings - right-of-use	12,178,466	13,948,160
Less: Accumulated depreciation	(993,508)	(1,797,307)
Less: Impairment	-	(3,743,255)
	<u>11,184,958</u>	<u>8,407,598</u>

Right-of-use assets relate to leased properties in Perth, Darwin, Sydney and Hobart.

The Group leases land and buildings under agreements of between three to fifteen years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

All account balances associated with the Melbourne property were reversed during the year following resolution of the dispute with the landlord.

Note 13. Intangibles

	Consolidated 2022 \$	2021 \$
<i>Non-current assets</i>		
Goodwill - at cost	1,986,421	25,541
Software development - at cost	38,970	494,031
Patents and trademarks - at cost	36,480	36,480
Less: Accumulated amortisation	(8,390)	(6,430)
	<u>28,090</u>	<u>30,050</u>
Software - at cost	232,167	203,855
Less: Accumulated amortisation	(135,539)	(93,282)
	<u>96,628</u>	<u>110,573</u>
Customer contracts - at cost	2,703,418	1,342,104
Less: Accumulated amortisation	(1,050,764)	(500,283)
	<u>1,652,654</u>	<u>841,821</u>
	<u>3,802,763</u>	<u>1,502,016</u>

Goodwill	Goodwill on the acquisition of assets and revenue of Data Centre 3 Pty Ltd from TasmaNet Pty Ltd and acquisition of Secure Data Centre - Darwin during FY22.
Software development	Relates to the development costs spent to date on IoT software.
Patents and trademarks	Relates to patents and is amortised over the estimated useful life of the patents.
Software	Relates to acquired software.
Customer contracts	Relates to the minimum contracted revenues / EBITDA in relation to the acquisition of DC module assets of Data Centre 3 Pty Ltd from TasmaNet Pty Ltd and customer contracts acquired from the purchase of Secure Data Centre – Darwin during FY22.

Note 14. Trade and other payables

	Consolidated 2022 \$	Consolidated 2021 \$
<i>Current liabilities</i>		
Trade payables	2,152,202	1,354,906
GST payable	-	102,614
Payroll liabilities	162,552	424,402
Other payables and accruals ¹	188,456	271,601
	<u>2,503,210</u>	<u>2,153,523</u>

Terms and conditions

¹ Other payables are non-interest bearing have no fixed repayment terms.

Note 15. Contract liabilities

	Consolidated 2022 \$	Consolidated 2021 \$
<i>Current liabilities</i>		
Contract liabilities ¹	<u>332,507</u>	<u>387,556</u>

¹ Relates to amounts received in advance from external customers for the custom-built DXN data centre and cable landing station modules.

Note 16. Borrowings

	Consolidated 2022 \$	Consolidated 2021 \$
<i>Current liabilities</i>		
Export finance loan ¹	-	639,364
Insurance premium funding	60,855	54,765
Chattel mortgage ²	-	366,145
Less: Unexpired charges	(1,884)	(33,019)
	<u>58,971</u>	<u>1,027,255</u>
<i>Non-current liabilities</i>		
Chattel mortgage ²	-	628,384
Less: Unexpired charges	-	(23,373)
Pure Asset Management Pty Ltd ³	4,000,000	-
	<u>4,000,000</u>	<u>605,011</u>
	<u>4,058,971</u>	<u>1,632,266</u>

Note 16. Borrowings (continued)

- ¹ \$500,000 loan with Export finance facility was fully repaid on 1 November 2021. The interest rate on this facility was 6.53% per annum (30 June 2021: 6.53%).
- ² This secured principal and interest chattel finance facility with ANZ Bank to finance generators and chillers was fully repaid on 1 November 2021. The interest rate on this facility was 4.47% per annum (30 June 2021: 4.47% per annum).
- ³ \$4,000,000 secured facility with Pure Asset Management Pty Ltd is to finance working capital and acquisitions. The interest rate on this facility (including line fee) is 11.25% per annum. In addition, there was a 2.5% establishment fee. This facility is due to mature on 14 October 2025 and is secured by a General Security Agreement over the assets of the Company. This facility is subject to financial covenants, where a breach of a covenant can lead to an 'Event of Default'. As at 30 June 2022, there was no 'Event of Default'.

However, in late July 2022, DXN reported a breach of a financial covenant to Pure, where the Group's cash balance had fallen below \$1,250,000. On 5 August 2022, Pure provided a waiver for the breach of the covenant, subject to DXN executing the following agreements:

- i) a business purchase agreement in relation to the main assets and undertaking of the Group; and
- ii) an underwriting agreement between the Borrower and the Lender in connection with the proposed \$2,125,000 share placement by the Borrower, each in a form satisfactory to the Lender.

As announced to the market on 5 August 2022, both agreements were successfully executed. Additionally, Pure amended the Facility Agreement by increasing the level of cash required under its financial covenant to \$1,600,000.

Financing arrangements

Unrestricted access was available at the reporting date to the following lines of credit:

	Consolidated 2022 \$	2021 \$
Total facilities		
Export finance loan	-	1,003,000
Insurance premium funding	60,855	54,765
Chattel mortgage	-	971,000
Pure Asset Management Pty Ltd	4,000,000	-
	<u>4,060,855</u>	<u>2,028,765</u>
Used at the reporting date		
Export finance loan	-	639,364
Insurance premium funding	60,855	54,765
Chattel mortgage	-	994,529
Pure Asset Management Pty Ltd	4,000,000	-
	<u>4,060,855</u>	<u>1,688,658</u>
Unused at the reporting date		
Export finance loan	-	363,636
Insurance premium funding	-	-
Chattel mortgage	-	-
Pure Asset Management Pty Ltd	-	-
	<u>-</u>	<u>363,636</u>

Note 17. Lease liabilities

	Consolidated 2022 \$	Consolidated 2021 \$
<i>Current liabilities</i>		
Lease liability	728,679	625,417
<i>Non-current liabilities</i>		
Lease liability	10,775,981	7,882,462
	<u>11,504,660</u>	<u>8,507,879</u>

Note 18. Employee benefits

	Consolidated 2022 \$	Consolidated 2021 \$
<i>Current liabilities</i>		
Annual leave	156,743	181,290
<i>Non-current liabilities</i>		
Long service leave	16,038	-
	<u>172,781</u>	<u>181,290</u>

Note 19. Provisions

	Consolidated 2022 \$	Consolidated 2021 \$
<i>Current liabilities</i>		
Warranty retention ¹	850,000	-
<i>Non-current liabilities</i>		
Provision for warrants ²	400,000	-
	<u>1,250,000</u>	<u>-</u>

¹ This amount was withheld from the purchase price of SDC to cover any warranty claims associated with the acquisition. Subject to any warranty claims, this withheld amount will be paid on 18 October 2022.

² 200 million warrants were issued to Pure Asset Management Pty Ltd as part of the New Debt Facility arrangement, as announced to the market on 9 September 2021. These warrants have a 48 month term and expire on 15 October 2025.

Movements in provisions

Movements in each class of provision during the current financial year are set out below:

	Warranty retention \$	Provision for warrants \$
Consolidated - 2022		
Carrying amount at the start of the year	-	-
Additional provisions recognised	850,000	400,000
Carrying amount at the end of the year	<u>850,000</u>	<u>400,000</u>

Note 20. Issued capital

	2022 Shares	Consolidated 2021 Shares	2022 \$	2021 \$
Ordinary shares - fully paid	<u>1,471,314,836</u>	<u>1,105,318,536</u>	<u>43,471,842</u>	<u>40,345,107</u>

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 2020	1,050,552,642		39,604,052
Issue of shares - exercise of options	15 July 2020	5,000,000	\$0.020	100,000
Issue of shares - exercise of options	25 August 2020	159,120	\$0.020	3,182
Issue of shares - exercise of options	8 September 2020	5,000,000	\$0.020	100,000
Issue of shares - exercise of options	18 September 2020	18,850	\$0.020	377
Issue of shares - exercise of options	28 September 2020	65,000	\$0.020	1,300
Issue of shares - exercise of performance rights	24 December 2020	111,111	\$0.000	5,889
Issue of shares - exercise of performance rights	12 March 2021	411,813	\$0.000	21,826
Issue of shares - placement	15 April 2021	44,000,000	\$0.012	528,000
Capital raising costs		-		(19,519)
Balance	30 June 2021	1,105,318,536		40,345,107
Issue of shares - placement	10 September 2021	182,662,966	\$0.009	1,643,967
Issue of shares - share purchase plan	6 October 2021	134,666,622	\$0.009	1,212,000
Issue of shares - purchase consideration	18 October 2021	16,666,667	\$0.012	200,000
Issue of shares - share purchase plan shortfall	22 October 2021	32,000,045	\$0.009	288,000
Capital raising costs		-		(184,565)
Capital raising costs - share based payments		-		(32,667)
Balance	30 June 2022	<u>1,471,314,836</u>		<u>43,471,842</u>

Ordinary shares

Ordinary shares entitle the holder to participate in any dividends declared and any proceeds attributable to shareholders should the Company be wound up in proportions that consider both the number of shares held and the extent to which those shares are paid up. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

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 buy-back

There is no current on-market share buy-back.

Note 21. Reserves

	Consolidated 2022 \$	2021 \$
Share-based payments reserve	1,081,594	866,654
Option reserve	<u>310,302</u>	<u>310,302</u>
	<u>1,391,896</u>	<u>1,176,956</u>

Share-based payments reserve

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration.

Note 21. Reserves (continued)

Option reserve

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration.

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	Share-based payments \$	Option \$	Total \$
Balance at 1 July 2020	710,403	310,302	1,020,705
Employee equity settled transactions	183,966	-	183,966
Reclassified to issued capital	(27,715)	-	(27,715)
Balance at 30 June 2021	866,654	310,302	1,176,956
Capital raising costs	32,667	-	32,667
Share-based payments	182,273	-	182,273
Balance at 30 June 2022	<u>1,081,594</u>	<u>310,302</u>	<u>1,391,896</u>

Note 22. Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Note 23. Contingent liabilities

	Consolidated 2022 \$	Consolidated 2021 \$
5 Parkview Drive, Olympic Park, Sydney NSW ^{1, 2}	495,000	495,000
286-292 Lorimer Street, Port Melbourne, Victoria ¹	-	500,000
3 Dampier Road, Welshpool, WA ^{1, 2}	33,917	33,917
	<u>528,917</u>	<u>1,028,917</u>

¹ Relates to term deposits as at 30 June 2021 given to secure bank guarantees over leased premises. The bank guarantees are restricted cash.

² Relates to deposits given to landlords' legal representatives at 30 June 2022 over leased premises. These deposits are held in solicitor trust accounts and are classified as restricted cash.

In the 2021 Annual Report, a contingent liability of \$3,300,000 was disclosed, relating to the lease dispute for the Melbourne data centre site. As announced to the market on 31 January 2022, this dispute was resolved on terms that included termination of the lease, and DXN surrendering the \$500,000 bank guarantee to the landlord as a payment in lieu of outstanding rent. The Company has no accrued or future liabilities or obligations to the landlord under the lease and was released from all claims under or in connection with the lease, including those made in the proceedings.

Note 24. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent 2022 \$	2021 \$
Loss after income tax	(6,970,609)	(4,735,836)
Total comprehensive loss	(6,970,609)	(4,735,836)

Statement of financial position

	Parent 2022 \$	2021 \$
Total current assets	3,685,138	4,587,496
Total assets	24,644,145	23,082,605
Total current liabilities	4,399,581	4,129,722
Total liabilities	17,161,867	11,971,393
Equity		
Issued capital	43,471,842	40,345,107
Share-based payments reserve	1,081,594	866,654
Option reserve	310,302	310,302
Accumulated losses	(37,381,460)	(30,410,851)
Total equity	7,482,278	11,111,212

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2022 and 30 June 2021.

Contingent liabilities

Apart from the deposits disclosed at note 23, the parent entity had no contingent liabilities as at 30 June 2022 and 30 June 2021.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2022 and 30 June 2021.

Note 25. Business combinations

Acquisitions during the year ended 30 June 2022

On 18 October 2021, the Company acquired 100% of the ordinary shares on issue in Secure Data Centre Pty Ltd ATF SDC Trust and 100% of the units on issue in the SDC Trust for a total purchase consideration of \$5,063,516. This is a data centre business and operates in the 'Data centre operations' division of the Group.

The acquired business contributed revenues of \$1,159,159 and profit after tax of \$110,353 to the Group for the period from 18 October 2021 to 30 June 2022. If the acquisition occurred on 1 July 2021, the full year contributions would have been revenues of \$1,725,407 and profit after tax of \$317,059. The values identified in relation to the acquisition are final as at 30 June 2022.

Details of the acquisition are as follows:

	Fair value \$
Cash and cash equivalents	196,942
Trade receivables	139,727
Leasehold improvements	757,400
Plant and equipment	2,900
DC Modules	753,110
Software	2,391
Customer contracts	1,361,314
Trade and other payables	(111,148)
Net assets acquired	3,102,636
Goodwill	1,960,880
Acquisition-date fair value of the total consideration transferred	<u>5,063,516</u>
Representing:	
Cash paid or payable to vendor	4,013,516
DXN Limited shares issued to vendor	200,000
Warranty retention	850,000
	<u>5,063,516</u>
Acquisition costs expensed to profit or loss	<u>20,615</u>
Cash used during the period ended 30 June 2022 to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	5,063,516
Less: cash and cash equivalents	(196,942)
Less: shares issued by Company as part of consideration	(200,000)
Less: warranty retention	(850,000)
Net cash used	<u>3,816,574</u>

Note 25. Business combinations (continued)

During the year ended the 30 June 2022, the valuation was completed and the acquisition date fair value of the assets was adjusted as follows:

	30 June 2022 \$	31 December 2021 \$	Increase/ (decrease) \$
Leasehold improvements	757,400	466,916	290,484
Plant and equipment	2,900	159,530	(156,630)
DC Modules	753,110	637,805	115,305
Goodwill	1,960,880	2,210,039	(249,159)
	<u>3,474,290</u>	<u>3,474,290</u>	<u>-</u>

Note 26. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in :

Name	Principal place of business / Country of incorporation	Ownership interest	
		2022 %	2021 %
Tas01 Pty Ltd	Tasmania, Australia	100%	100%
Secure Data Centre Pty Ltd	Northern Territory, Australia	100%	-
SDC Trust	Northern Territory, Australia	100%	-