

18 February 2021

ASX Announcement

DXN Limited (ASX:DXN) is pleased to provide its half yearly report and Appendix 4D for the six months ended 31 December 2020 (1HFY21).

December 2020 Half Year Highlights:

- Sales \$4.1m - an improvement of 65% on 1H FY20
- Gross margin 35% - a gain of 158% on 1HFY20
- EBITDA loss \$225,854 - a 92% improvement on 1HFY20
- New contracts secured - \$3.6m

	1HFY21 \$	1HFY20 \$	Variance %
Revenue			
Sales to customers	4,133,406	2,503,634	65%
Cost of sales	(2,706,127)	(1,950,052)	39%
Gross profit	1,427,279	553,582	158%
Other income	1,160,087	927,548	25%
Less other operating expenses	(2,813,220)	(4,233,922)	34%
EBITDA	(225,854)	(2,752,792)	92%
Depreciation & amortisation	(1,726,598)	(909,708)	(90%)
Foreign exchange gains/(loss)	(79,716)	(16,279)	(390%)
Equity-settled employee costs	(88,438)	(336,084)	74%
Finance expenses	(254,310)	(131,052)	(94%)
Non-operating income / (expenses) *	-	(1,969,000)	
Net Loss After Tax	(2,374,916)	(6,114,915)	61%

* Impairment charge on the Melbourne facility Right of Use asset

CEO Commentary

DXN has made significant progress with its restructuring and strategy implementation and the benefits began to emerge in 1HFY21. A strong focus on reducing operating expenses, improved gross margin (from 22% to 35%) and increased sales improved EBITDA by 92% compared to 1HFY20. We are seeing positive results with regards to cost containment and improved efficiencies being achieved at DXN's new manufacturing facility.

DXN Limited

ABN: 46 620 888 548

5 Parkview Drive, Sydney Olympic Park, Sydney, NSW 2127

W: dxn.solutions | T: 1300 328 239 | E: info@dxn.solutions

Colocation sales in SYD01 or Sydney Data Centre continue to be slow but our sales strategy implemented in September 2020 is showing some promising signs. TAS01 our data Centre in Hobart Tasmania is performing to plan. The DXN Modules manufacturing strategic focus on subsea cables, the resources sector and EDGE data centre opportunities is also starting to deliver results, lifting sales to customers by 65%. New manufacturing sales in the period of \$3.6m included contracts secured with Newcrest Mining (c.\$1.5m), CPS (c.\$300k), Streamline Connect (c.\$700k), and a subsea cable landing station contract with APX Partners (c.\$1.1m). The pipeline of new business opportunities continues to be strong and this is expected to support sales over the remainder of FY21.

-ends-

About DXN Limited

DXN Limited designs, builds, owns and operates data centres. Offering integrated, customised and tailored solutions to clients, DXN provides businesses with the option of delivering solutions to site through containerised modules, or space in DXN's modular colocation facilities to suit technical specifications and operational requirements. From a single rack in the colocation facilities through to fully customised Edge Infrastructure, DXN can deliver a range of solutions to meet modern data centre requirements. DXN has achieved an industry first and become the first modular data centre developer in the world to receive both Uptime Institute Tier-Ready III and Tier-Ready IV design review awards. For more <https://dxn.solutions>

For more information please contact:
Matthew Madden, CEO
T +61 1300 328 239
E: investorrelations@dxn.solutions
ASX Release authorised by the Board

DXN Limited

ABN: 46 620 888 548

5 Parkview Drive, Sydney Olympic Park, Sydney, NSW 2127

W: dxn.solutions | T: 1300 328 239 | E: info@dxn.solutions

DXN Limited

ABN 46 620 888 548

Appendix 4D

Half Year Report

For the period ended 31 December 2020

(Previous corresponding period: 31 December 2019)

Results for announcement to the market

	31 December 2020 Current Period \$	<i>Percentage Change Up / (Down)</i>	Change Up / (Down) \$	31 December 2019 Previous Corresponding Period \$
Revenue from ordinary activities	4,133,406	65.1%	1,629,772	2,503,634
Loss from ordinary activities after tax	(2,374,916)	61.2%	3,739,999	(6,114,915)
Net Loss for the period attributable to members	(2,374,916)	61.2%	3,739,999	(6,114,915)

Dividends

The Company does not propose to pay any dividends in the current period.

Net tangible assets per security

	Current Period (31 December 2020)	Previous Corresponding Period (31 December 2019)
Cents per ordinary share ^	1.06 cents	3.39 cents

^ Note - The net tangible assets used in the net tangible assets per security calculation for 2020 includes both the right-of-use assets and lease liabilities.

Details of entities over which control has been gained or lost

Control gained over entities

Not applicable

Control lost over entities

Not applicable

Details of Associates

Details of Associates

Current Period

Previous Corresponding Period

Not applicable

Accounting Standards

For foreign entities, the set of accounting standards used in compiling the report:-

Not applicable

Auditor's review report

For all entities, if the accounts contain an independent audit report or review that is subject to a modified opinion, emphasis of matter or other matter paragraph, a description of the modified opinion, emphasis of matter or other matter paragraph:-

The auditor's review report is unmodified but contains an emphasis of matter paragraph related to material uncertainty regarding going concern.

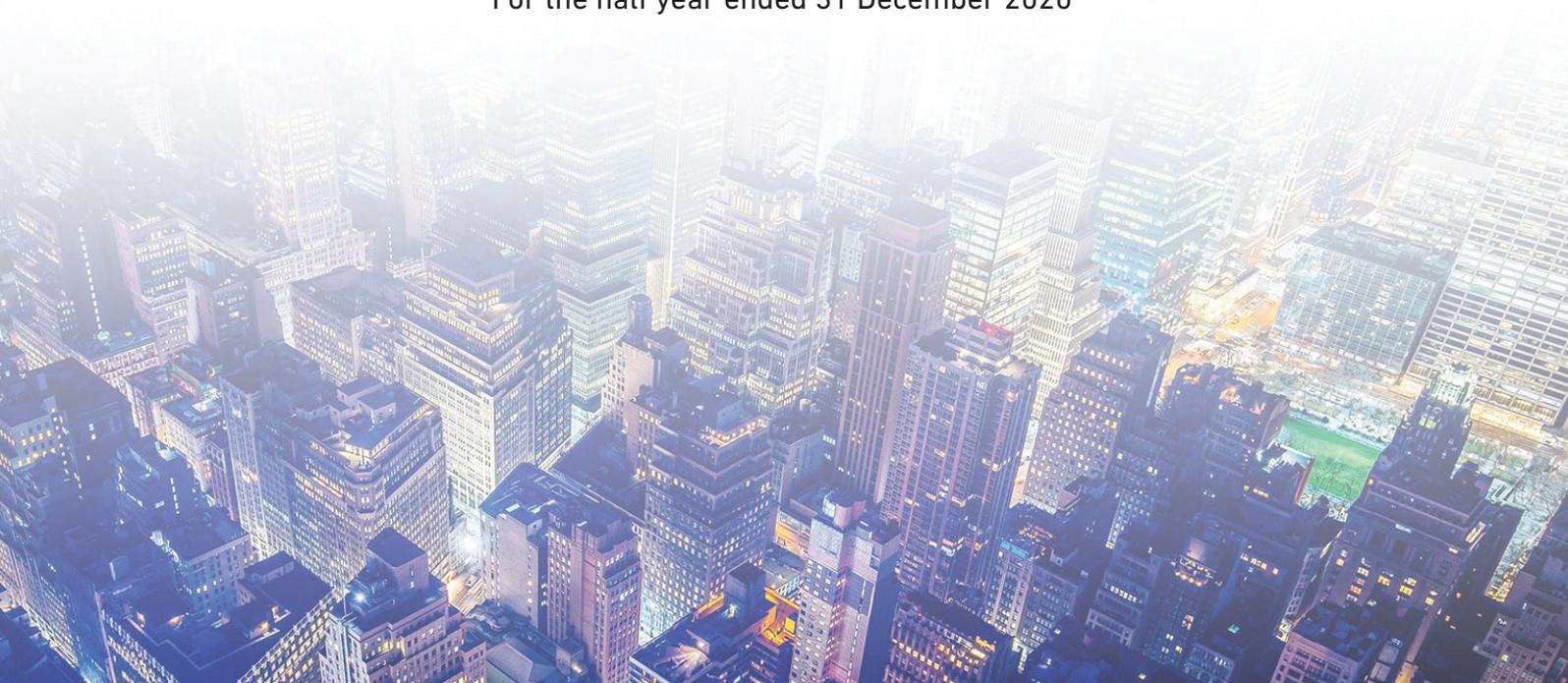


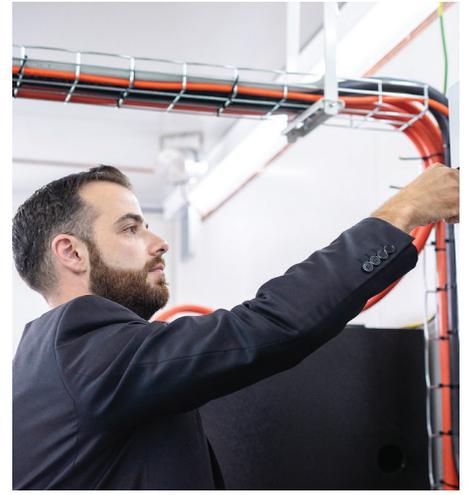
DXN

DXN Limited
(formerly The Data Exchange Network Limited)
(ACN 620 888 548)

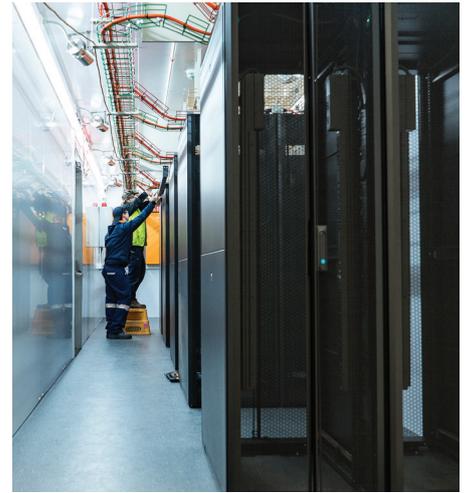
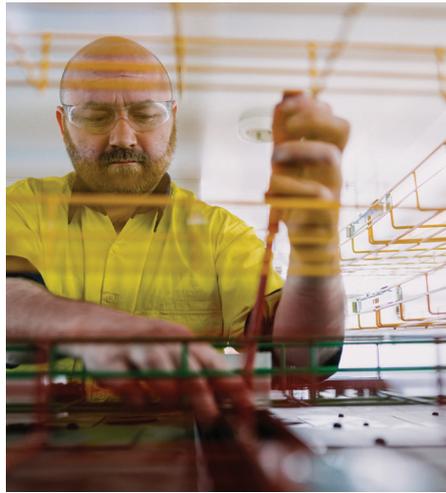
FINANCIAL REPORT

For the half year ended 31 December 2020

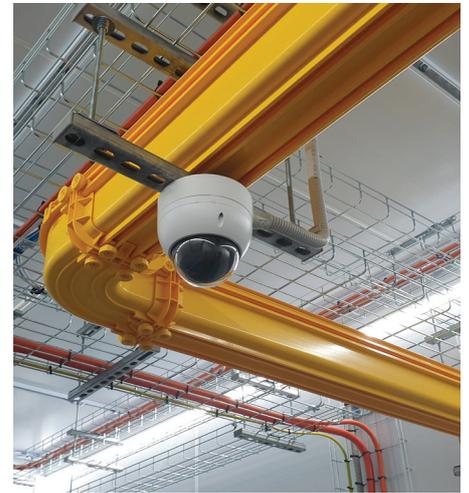




MAKING



GLOBAL



LOCAL

CONTENTS

Corporate Directory.....	4
Director's Report	5
Consolidated Statement of Profit or Loss and Other Comprehensive Income	8
Consolidated Statement of Financial Position	9
Consolidated Statement of Change of Equity	10
Consolidated Statement of Cashflows.....	11
Condensed Notes to The Financial Statements.....	12
Directors' Declaration	21

CORPORATE DIRECTORY



NON- EXECUTIVE CHAIRMAN

John Baillie

CHIEF EXECUTIVE OFFICER & MANAGING DIRECTOR

Matthew Madden

NON-EXECUTIVE DIRECTORS

Richard Carden
John Dimitropoulos

COMPANY SECRETARY

George Lazarou

REGISTERED OFFICE

5 Parkview Drive
SYDNEY OLYMPIC PARK NSW 2127
Telephone: 1300 328 2390

PRINCIPAL OFFICE

3 Dampier Road
WELSHPOOL WA 6106
Telephone: 1300 328 239

AUDITORS

Moore Australia Audit (WA)
Level 15 Exchange Tower
2 The Esplanade
PERTH WA 6000
Telephone: +61 8 9225 5355

SHARE REGISTRAR

Automic Pty Ltd
Level 2
267 St Georges Terrace
PERTH WA 6000
Telephone: 1300 288 664

SOLICITORS

Steinepreis Paganin
Level 4, The Read Buildings
16 Milligan Street
PERTH WA 6000
Telephone: +61 8 9321 4000

BANKERS

ANZ
15 Hutton Street
OSBORNE PARK WA 6017

STOCK EXCHANGE LISTING

Australian Securities Exchange
(Home Exchange: Perth,
Western Australia)
Code: DXN, DXNOD

DIRECTORS' REPORT

Your Directors submit the financial report of DXN Limited and its controlled entities (the Group) for the half-year ended 31 December 2020.

1. DIRECTORS

The names of Directors who held office during or since the end of the half year:

Mr John Baillie

Mr Matthew Madden (*appointed 26 August 2020*)

Mr Richard Carden

Mr John Dimitropoulos (*appointed 1 October 2020*)

Mr John Duffin (*resigned 26 August 2020*)

RESULTS

The net loss of the Group for the half year ended 31 December 2020 is \$2,374,916 (2019: \$6,114,915)

	1HFY21	1HFY20	Variance
	\$	\$	%
Revenue			
Sales to Customers	4,133,406	2,503,634	65%
Cost of Sales	(2,706,127)	(1,950,052)	39%
Gross Profit	1,427,279	553,582	158%
Other Income	1,160,128	927,548	25%
Less Other operating expenses	(2,813,221)	(4,233,922)	34%
EBITDA	(225,814)	(2,752,792)	92%
Depreciation & amortisation	(1,726,598)	(909,708)	(90%)
Foreign exchange gains/(loss)	(79,756)	(16,279)	(390%)
Equity-settled employee costs	(88,438)	(336,084)	74%
Finance expenses	(254,310)	(131,052)	(94%)
Non-operating income / (expenses) *	-	(1,969,000)	
Net Loss After Tax	(2,374,916)	(6,114,915)	61%

* Impairment charge on the Melbourne facility Right of Use asset

CORPORATE

On 15 July 2020, the Group issued 5,000,000 fully paid ordinary shares following the exercise of options.

On 20 August 2020, the Group cancelled 150,000 performance rights and 3,750,000 options expired.

On 25 August 2020, the Group issued 159,120 fully paid ordinary shares following the exercise of options.

On 9 September 2020, the Group issued 5,000,000 fully paid ordinary shares following the exercise of options.

On 18 September 2020, the Group issued 18,850 fully paid ordinary shares following the exercise of options.

On 28 September 2020, the Group issued 65,000 fully paid ordinary shares following the exercise of options.

On 28 October 2020, 750,000 options expired.

On 11 November 2020, 105,568,130 options expired.

On 30 November 2020, 32,500,000 options expired.

On 24 December 2020, the Group issued 111,111 fully paid ordinary shares upon vesting of performance rights and cancelled 111,111 performance rights.

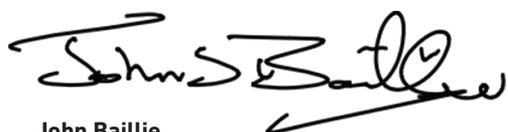
EVENTS SUBSEQUENT TO REPORTING DATE

No matter or circumstances have arisen since the end of the half year which will significantly affect, or may significantly affect, the state of affairs or operations of the reporting entity in future financial periods.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 7.

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



John Baillie
Chairman

Dated this 18th day of February 2021



Moore Australia Audit (WA)

Level 15, Exchange Tower,
2 The Esplanade, Perth, WA 6000

PO Box 5785, St Georges Terrace, WA
6831

T +61 8 9225 5355

F +61 8 9225 6181

www.moore-australia.com.au

**AUDITORS' INDEPENDENCE DECLARATION
UNDER S307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF DXN LIMITED**

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2020 there have been no contraventions of:

- i. The auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- ii. Any applicable code of professional conduct in relation to the review.

A handwritten signature in black ink, appearing to read 'SL Tan'.

SL Tan
Partner

A handwritten signature in black ink, appearing to read 'MOORE AUSTRALIA'.

Moore Australia Audit (WA)
Chartered Accountants

Signed at Perth on the 18th of February 2021

Moore Australia Audit (WA) – ABN 16 874 357 907.

An independent member of Moore Global Network Limited - members in principal cities throughout the world.

Liability limited by a scheme approved under Professional Standards Legislation

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the half year ended 31 December 2020

Note	31 December 2020 \$	31 December 2019 \$
Continuing operations		
Sales to customers	4,133,406	2,503,634
Cost of Sales	(2,706,127)	(1,950,052)
Gross Profit	1,427,279	553,582
Revenue		
R&D tax incentive claim	725,766	918,157
Export marketing development grant	100,000	-
Government Covid support	291,000	-
Other income	43,362	9,391
Interest received	8,927	63,557
Expenses		
Acquisition expenses	(15,230)	-
Administration expenses	(213,512)	(180,656)
Amortisation - intangibles	(242,103)	(10,339)
Compliance and legal expenses	(131,564)	(108,279)
Consultants and contractor expenses	(85,794)	(173,155)
Depreciation	(1,171,296)	(310,954)
Employee expenses	(1,918,585)	(3,061,513)
Finance expenses	(110,358)	(85,685)
Foreign exchange loss	(79,756)	(16,279)
Lease Amortisation	(313,199)	(588,415)
Lease Interest Charge	(152,879)	(108,924)
Marketing expenses	8,552	(144,825)
Occupancy expenses	(488,651)	(496,334)
Telecommunication and technology expenses	(50,767)	(138,719)
Travel expenses	(6,108)	(266,525)
Impairment on right of use assets	-	(1,969,000)
	(4,971,250)	(7,659,602)
Loss before income tax expense	(2,374,916)	(6,114,915)
Income tax expense	-	-
Total comprehensive loss for the period	(2,374,916)	(6,114,915)
Other comprehensive income after tax	-	-
Total comprehensive loss for the period	(2,374,916)	(6,114,915)
Basic & Diluted loss per share (cents per share)	(0.22)	(1.58)

The accompanying condensed notes form part of this financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

		31 December 2020	30 June 2020
	Note	\$	\$
CURRENT ASSETS			
Cash and cash equivalents	3	4,150,180	3,592,472
Trade & other receivables	4	306,461	389,726
Other assets		385,035	511,409
Inventory	5	1,857,715	1,204,672
Non-current assets held for sale		612,015	-
TOTAL CURRENT ASSETS		7,311,406	5,698,279
NON-CURRENT ASSETS			
Bank guarantees		1,075,713	3,087,841
Plant and equipment	6	11,455,047	13,139,787
Intangibles	7	1,630,975	1,734,707
Lease right-of-use assets	8	8,693,954	8,180,752
TOTAL NON-CURRENT ASSETS		22,855,689	26,143,087
TOTAL ASSETS		30,167,095	31,841,366
CURRENT LIABILITIES			
Trade and other payables	9	1,278,295	785,512
Income in advance		169,514	734,573
Borrowings	10	2,809,605	872,920
Provisions		139,806	143,162
Lease Liability	8	1,160,572	1,104,312
TOTAL CURRENT LIABILITIES		5,557,792	3,640,479
NON-CURRENT LIABILITIES			
Borrowings	10	789,507	2,486,586
Lease Liability	8	10,981,875	10,790,503
TOTAL NON-CURRENT LIABILITIES		11,771,382	13,277,089
TOTAL LIABILITIES		17,329,174	16,917,568
NET ASSETS		12,837,921	14,923,798
EQUITY			
Issued capital	11	39,810,542	39,604,052
Option reserve		310,302	310,302
Share based payments reserve		792,952	710,403
Accumulated losses		(28,075,875)	(25,700,959)
TOTAL EQUITY		12,837,921	14,923,798

The accompanying condensed notes form part of this financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half year ended 31 December 2020

	Issued Capital	Accumulated Losses	Option Reserve	Share Payments Reserve	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2019	29,662,628	(13,110,430)	310,302	11,621	16,874,121
Total comprehensive income for the period:					
Loss for the period	-	(6,114,915)	-	-	(6,114,915)
Other comprehensive income	-	-	-	-	-
	-	(6,114,915)	-	-	(6,114,915)
Transaction with owners in their capacity as owners:					
Issue of shares	4,981,486	-	-	-	4,981,486
Capital raising costs	(473,007)	-	-	103,617	(369,390)
Issue of share-based payments	53,000	-	-	283,085	336,085
	4,561,479	-	-	386,702	4,948,181
Balance at 31 December 2019	34,224,107	(19,225,345)	310,302	398,323	15,707,387
	Issued Capital	Accumulated Losses	Option Reserve	Share Payments Reserve	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2020	39,604,052	(25,700,959)	310,302	710,403	14,923,798
Total comprehensive income for the period:					
Loss for the period	-	(2,374,916)	-	-	(2,374,916)
Other comprehensive income	-	-	-	-	-
	-	(2,374,916)	-	-	(2,374,916)
Transaction with owners in their capacity as owners:					
Exercise of options	204,859	-	-	-	204,859
Share based payment expense	-	-	-	88,438	88,438
Reclass to equity	5,889	-	-	(5,889)	-
Costs of exercising unquoted options	(4,258)	-	-	-	(4,258)
	206,490	-	-	82,549	289,039
Balance at 31 December 2020	39,810,542	(28,075,875)	310,302	792,952	12,837,921

The accompanying condensed notes form part of this financial report.

CONSOLIDATED STATEMENT OF CASHFLOWS

For the half year ended 31 December 2020

	31 December 2020	31 December 2019
Note	\$	\$
Cash flows from operating activities		
Receipts from customers	3,029,877	1,467,431
Payments to suppliers and employees	(5,807,777)	(7,038,091)
Interest received	15,839	76,149
Interest paid	(39,940)	(85,685)
R&D tax incentive claim	725,766	918,157
Government grants	454,000	-
Other income	43,321	-
Net cash used in operating activities	<u>(1,578,914)</u>	<u>(4,662,039)</u>
Cash flows from investing activities		
Refund / (Payment) of deposits and guarantees	1,984,628	(255,658)
Purchase of plant and equipment	(100,090)	(2,937,193)
Purchase of intangible assets	(30,754)	(57,019)
Net cash used in investing activities	<u>1,853,784</u>	<u>(3,249,870)</u>
Cash flows from financing activities		
Proceeds from convertible notes	-	1,000,000
Proceeds from the issue of shares and options	204,860	3,981,486
Payment of capital raising costs	(4,259)	(369,390)
Finance facility drawdown	676,429	1,184,256
Repayment of finance facility	(507,241)	(580,443)
Repayment of loans made to employees	-	5,125
Net cash provided by financing activities	<u>369,789</u>	<u>5,221,034</u>
Net (decrease)/increase in cash held	644,659	(2,690,875)
Cash and cash equivalents at beginning of period	3,592,472	5,362,135
Effect of movement in exchange rates on cash held	(86,951)	-
Cash and cash equivalents at the end of the period	<u><u>4,150,180</u></u>	<u><u>2,671,260</u></u>

The accompanying condensed notes form part of these financial statements.

CONDENSED NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 December 2020

1. BASIS OF PREPARATION OF HALF YEAR FINANCIAL REPORT

A) REPORTING ENTITY

DXN Limited and its controlled entity (referred to as the “Consolidated Group” or “Group”) is domiciled in Australia and listed on the ASX.

The address of the Group’s registered office is 5 Parkview Drive, Sydney Olympic Park NSW 2127. The financial report for the half year ended 31 December 2020 comprises DXN Limited and its controlled entity.

The principal activities of the Group during the period was the manufacture of modular data centre solutions for other operators (Data Centre Manufacturing) and the operation of modular colocation data centres (Data Centre Operations).

B) STATEMENT OF COMPLIANCE

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 ‘Interim Financial Reporting’, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 ‘Interim Financial Reporting’. The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report, and any public announcements made by the Group during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

C) BASIS OF PREPARATION

The half-year financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial statements are consistent with those adopted and disclosed in the Group’s 2020 annual financial report for the financial year ended 30 June 2020, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

D) GOING CONCERN

The accounts have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the normal course of business. The Group incurred a loss of \$2,374,916 for the period ended 31 December 2020 (2019: \$6,114,915) and operating cash outflows of \$1,578,914 (2019: \$4,662,039).

The ability of the Group to continue to pay its debts as and when they fall due is dependent upon the Group successfully raising additional share capital, refinancing debt facilities and generating sufficient revenue.

The Group has prepared budgets and cashflow forecasts for the next 12 months from the date of this report which indicate the Group will have a positive cash balance during the period. The Directors believe it is appropriate to prepare these accounts on a going concern basis because:

CONDENSED NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 December 2020

D) GOING CONCERN (CONTINUED)

- the Directors have an appropriate plan to raise additional funds as and when it is required, and the Directors believe that the additional capital required can be raised in the market;
- the Directors have appointed a corporate advisor to assist with corporate strategy, capital raising and debt financing;
- the Directors have an appropriate plan to contain certain operating expenditure such as reducing employee and administrative costs, if appropriate funding is unavailable;
- the Directors have an appropriate plan to contain capital expenditure as the modular nature of the Group's data centres allows it to expand and incur additional capital expense when current capacity is fully utilised; and
- the Directors have an appropriate plan to increase revenues through additional modules sales and additional rack and network sales into the Group's owned data centres.

The accounts have been prepared on the basis that the Group can meet its commitments as and when they fall due and can therefore continue normal business activities, and the realisation of assets and liabilities in the ordinary course of business.

In the unlikely event that the aforementioned funding outcomes and cash flow forecasts are not achieved, the Group may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts other than as stated in the financial report.

E) ACCOUNTING POLICIES

The Group has considered the implications of new or amended Accounting Standards, but determined that their application to the financial statements is either not relevant or not material.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements, except for those as described in Note 1(f) below.

F) NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

The Group have adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current financial reporting period.

CONDENSED NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 December 2020

2. OPERATING SEGMENT INFORMATION

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, whose operating results are regularly reviewed by the Group's Chief Operating Decision Maker (CODM) in order to effectively allocate Group resources and assess performance.

The Group has identified its operating segments based on internal reports that are reviewed and used by the Chief Executive Officer (CEO) in the capacity of CODM. Two operating segments have been identified:

- Data Centre Manufacturing
- Data Centre Operations.

The following is an analysis of the Group's revenue, results and assets by reportable operating segment for the half-years under review:

Half year ended 31 Dec 2020	Data Centre Manufacturing	Data Centre Operations	Other (Corporate)	Total
Revenue from external customers	3,556,791	483,251	93,364	4,133,406
Other Income	-	43,321	1,125,734	1,169,055
Total Revenue	3,556,791	526,572	1,219,097	5,302,460
Profit / (loss) before income tax expense	705,009	(1,634,608)	(1,445,317)	(2,374,916)
Total segment assets	2,496,457	21,647,659	6,022,979	30,167,095
Total segment liabilities	1,386,231	11,869,697	4,073,246	17,329,174

Half year ended 31 Dec 2019	Data Centre Manufacturing	Data Centre Operations	Other (Corporate)	Total
Revenue from external customers	2,500,487	3,147	-	2,503,634
Other Income	-	-	991,105	991,105
Total Revenue	2,500,487	3,147	991,105	3,494,739
Profit / (loss) before income tax expense	(48,670)	(1,084,471)	(4,981,774)	(6,114,915)
Total segment assets	2,182,329	22,743,611	7,957,417	32,883,357
Total segment liabilities	937,633	11,805,414	4,432,923	17,175,970

The revenue reported above represents revenue generated from external customers. There were no intersegment sales during the half-year. 100% of the Group's revenue from external customers is recognised over individual contracted time periods.

The accounting policies of the reportable segments are the same as the Group's accounting policies.

Segment profit 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. This is the measure reported to the Group's Managing Director for the purpose of resource allocation and assessment of segment performance.

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

CONDENSED NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 December 2020

Major customers

The Group has a number of customers to which it provides services and products. The Group supplies 2 single external customers in the Data Centre Manufacturing segment which account for 47% and 22% of external revenue (2019: 4 customers; 39%, 23%, 19%, 15%). The next most significant customer accounts for 9% (2019: 2%) of external revenue. Within the Data Centre Operations segment, the Group supplies 1 single external customer which accounts for 91% of total segment revenue (2019: N/A).

3. CASH AND CASH EQUIVALENTS

	31 December 2020	30 June 2020
	\$	\$
Current		
Cash at bank and on hand	2,241,787	3,592,472
Restricted Cash ¹	1,908,393	-
	4,150,180	3,592,472

¹ Relates to refund of a \$2m bank guarantee deposit previously held by the ANZ as security for the Chattel Finance facility. This amount was used on 5 January 2021 to pay down the facility as part of the restructure agreed with the ANZ.

4. TRADE & OTHER RECEIVABLES

	31 December 2020	30 June 2020
	\$	\$
Current		
Trade receivables	228,394	330,878
Less: Allowance for credit loss impairment	-	-
	228,394	330,878
GST receivable	76,126	49,996
Interest receivable	1,941	8,852
	306,461	389,726

5. INVENTORIES

	31 December 2020	30 June 2020
	\$	\$
Current		
Materials and consumables	987,206	963,376
Work in progress – Customers ¹ (contract asset)	870,509	241,296
	1,857,715	1,204,672

¹ Relates to external customers

CONDENSED NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 December 2020

6. PLANT AND EQUIPMENT

	31 December 2020	30 June 2020
	\$	\$
Plant and Equipment		
At cost	776,776	2,896,793
Accumulated depreciation	(295,951)	(464,102)
	<u>480,825</u>	<u>2,432,691</u>
DC Plant and Equipment		
At cost	10,648,328	9,297,085
Accumulated depreciation	(1,951,205)	(1,114,648)
	<u>8,697,124</u>	<u>8,182,437</u>
ICT Hardware		
At cost	375,429	376,629
Accumulated depreciation	(225,292)	(139,543)
	<u>150,137</u>	<u>237,086</u>
Office Equipment		
At cost	69,092	86,104
Accumulated depreciation	(37,255)	(37,030)
	<u>31,837</u>	<u>49,074</u>
Motor Vehicles		
At cost	26,016	26,016
Accumulated depreciation	(7,154)	(5,528)
	<u>18,862</u>	<u>20,488</u>
Leasehold Improvements		
At cost	2,296,250	2,292,567
Accumulated depreciation	(236,868)	(91,436)
	<u>2,059,382</u>	<u>2,201,131</u>
Assets Under Construction		
At cost	16,880	16,880
Accumulated depreciation	-	-
	<u>16,880</u>	<u>16,880</u>
Total cost	14,208,771	14,992,074
Total accumulated depreciation	(2,753,725)	(1,852,287)
Total Written Down Value	11,455,047	13,139,787

CONDENSED NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 December 2020

7. INTANGIBLES

	31 December 2020	30 June 2020
	\$	\$
Non-Current		
Software at cost ¹	195,572	164,819
Accumulated amortisation	(66,812)	(49,368)
	<u>128,760</u>	<u>115,451</u>
Patents and Trademarks at cost ²	36,480	36,480
Accumulated amortisation	(5,455)	(4,480)
	<u>31,025</u>	<u>32,000</u>
Software Development at cost ³	380,144	272,526
Accumulated amortisation	-	-
	<u>380,144</u>	<u>272,526</u>
Customer Contracts ⁴	1,342,104	1,342,104
Accumulated amortisation	(276,599)	(52,915)
	<u>1,065,505</u>	<u>1,289,189</u>
Goodwill ⁵	25,541	25,541
Accumulated amortisation	-	-
	<u>25,541</u>	<u>25,541</u>
Total cost	1,979,841	1,841,470
Total accumulated amortisation	(348,866)	(106,763)
Total Written Down Value	<u>1,630,975</u>	<u>1,734,707</u>

¹ Relates to acquired software and is amortised over a period of 3 years.

² Relates to patents and is amortised over the estimated useful life of the patents.

³ Relates to the development costs spent to date on IoT software.

⁴ 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 is amortised over a period of 3 years.

⁵ Goodwill on the acquisition of assets and revenue of Data Centre 3 Pty Ltd from TasmaNet Pty Ltd.

CONDENSED NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 December 2020

8. RIGHT-OF-USE ASSETS / LEASE LIABILITIES

The Group's lease portfolio includes land and buildings only. These leases have varying lease terms ranging from 1 to 15 years and typically contain the option to renew the lease after that date.

Information about leases for which the Group is a lessee is presented below.

i. Right-of-use assets

2020

\$

Land & Buildings

Balance at 1 July 2020	8,180,752
Additions - new lease Tas01	826,402
Depreciation expense for the half-year	(313,199)
Balance at 31 December 2020	<u>8,693,955</u>

ii. Lease liabilities

Lease liabilities disclosed as at 1 July 2020	11,894,815
Additions	826,402
Payments	(731,649)
Interest charges during period	152,879
Balance at 31 December 2020	<u>12,142,447</u>

Lease liability recognised as at 31 December 2020

Of which are:

Current lease liabilities	1,160,572
Non-current lease liabilities	10,981,875
	<u>12,142,447</u>

9. TRADE & OTHER PAYABLES

31 December 2020

30 June 2020

\$

\$

Current

Trade creditors	981,677	467,556
Other creditors & accruals	50,937	151,050
Payroll liabilities	245,681	166,906
	<u>1,278,295</u>	<u>785,512</u>

CONDENSED NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 December 2020

10. BORROWINGS

	31 December 2020	30 June 2020
	\$	\$
Current		
Chattel mortgage ¹	2,387,248	949,296
Principal and Interest Loan ²	409,091	-
Insurance premium funding	164,296	55,026
Less: Unexpired charges	(151,030)	(131,402)
	2,809,605	872,920
Non-Current		
Chattel mortgage ¹	828,572	2,615,697
Less: Unexpired charges	(39,065)	(129,111)
	789,507	2,486,586

¹ A \$3 million secured Chattel Finance Facility (revolving) with ANZ Bank to finance generators, chillers and battery/power supply equipment.

Security

- Specific Security Agreement (Fixed Charge) over the assets financed; and
- General Security Agreement (Fixed & Floating Charge) over the assets of the Group.

Conditions & Covenants

- Provision of semi-annual Financial Statements within 30 days of the end of each financial half year;

² A \$500,000 secured Principal and Interest facility with Export Finance Australia.

Security

- General Security Agreement over the assets of the Group.

11. ISSUED CAPITAL

	31 December 2020	30 June 2020
	\$	\$
1,060,906,723 (2020: 1,050,552,642) Fully paid ordinary shares	39,810,542	39,604,052
Movements in fully paid ordinary shares on issue		
	Number of Shares	\$
At the beginning of the period	1,050,552,642	39,604,052
Issue of shares on exercise of options	10,242,970	204,859
Issue of shares on exercise of performance rights	111,111	5,889
Costs of exercising unquoted options	-	(4,258)
At the end of the period	1,060,906,723	39,810,542

CONDENSED NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 December 2020

12. SUBSEQUENT EVENTS

Please refer to Directors Report in relation to events subsequent to balance date.

13. CONTINGENT LIABILITIES

There has been no change in contingent liabilities since the last annual reporting date.

14. CAPITAL COMMITMENTS

	31 December 2020	30 June 2020
	\$	\$
Capital expenditure commitments		
No later than 1 year	30,143	53,449
Between 1 and 2 years	-	-
Greater than 2 years	-	-
	<u>30,143</u>	<u>53,449</u>
Chattel Mortgage Commitments		
Payable – minimum payments:		
– not later than 1 year	2,551,544	1,004,321
– between 1 and 5 years	828,572	2,615,697
Minimum payments	<u>3,380,116</u>	<u>3,620,018</u>
Less future finance charges	<u>(190,094)</u>	<u>(260,512)</u>
Present value of minimum payments	<u>3,190,021</u>	<u>3,359,506</u>

15. DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES

No dividends were paid during the half year. No recommendation for payment of dividends has been made.

16. RELATED PARTIES

Arrangements with the related party continue to be in place. For details of these arrangements, please refer to the 30 June 2020 financial report.

DIRECTORS' DECLARATION

The Directors of the Group declare that:

The financial statements and notes, as set out on pages 8 to 20:

1. (a) comply with the Corporations Act 2001, Australian Accounting Standard AASB 134: Interim Financial Reporting, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
(b) give a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the financial half-year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

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



John Baillie
Non-Executive Chairman

PERTH

Dated this 18th day of February 2021

**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF DXN LIMITED****Report on the Half-Year Financial Report****Conclusion**

We have reviewed the accompanying half-year financial report of DXN Limited (the company) and its controlled entities (the consolidated entity), which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the company is not in accordance with the Corporations Act 2001, including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.

Emphasis of Matter – Material Uncertainty Regarding Going Concern

Without modification to our conclusion expressed above, we draw attention to Note 1(d) "Going Concern" of the financial statements which states that the financial statements have been prepared on a going concern basis. Should the Company be unable to achieve the funding outcomes described in Note 1(d) and continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts other than as stated in the financial report.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standards on Review Engagements ASRE 2410: Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including:

- a) giving a true and fair view of the company's financial position as at 31 December 2020 and its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.

As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF DXNLIMITED (CONTINUED)****Auditor's Responsibility (continued)**

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the company, would be in the same terms if provided to the directors as at the time of this auditor's review report.



SUAN-LEE TAN
PARTNER



MOORE AUSTRALIA AUDIT (WA)
CHARTERED ACCOUNTANTS

Signed at Perth this 18th day of February 2021.



DXN

**MAKING GLOBAL
LOCAL**

