

# NEXION GROUP PTY LTD

ACN 628 415 887

Financial report for the year ended 30 June 2020

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**NEXION GROUP PTY LTD**  
**ACN 628 415 887**  
**CORPORATE DIRECTORY**

**Directors**

Peter Christie  
Non-Executive Chairman

Paul Glass  
*Managing Director & CEO*

Chris Daly  
Non-Executive Director

**Company Secretary**

Jack Toby

**Registered Office**

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25 WALTERS DRIVE  
OSBORNE PARK WA 6017

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**Auditor**

Stantons International  
Level 2, 1 Walker Avenue,  
Perth WA 6000

**NEXION GROUP PTY LTD**  
**ACN 628 415 887**  
**DIRECTORS' REPORT**

**Directors' report**

Your Directors present their report on the consolidated entity consisting of Nexion Group Pty Ltd ("the company") ("Nexion") and the entities it controlled for the year ended 30 June 2020. Throughout the report, the consolidated entity is referred to as the Group. The comparatives are for the period from 27 August 2020 to 30 June 2019.

**Directors**

The names of the Directors that held office during the year or at any time during the year:

- Mr Peter Christie – Non-Executive Chairman (appointed 8 August 2019)
- Mr Paul Glass – Managing Director and Chief Executive Officer (appointed 27 August 2018)
- Mr Chris Daly – Non-Executive Director (appointed 22 November 2019)
- Mr Ran Vaingold – Non-Executive Director (appointed 27 August 2018, resigned 25 July 2019)
- Mr Kuek Jin Low – Non-Executive Director (appointed 27 August 2018, resigned 22 November 2019)
- Mr Hamish Hughes – Non-Executive Director (appointed 27 August 2018, resigned 6 August 2019)

**Principal activities**

Nexion provides Hybrid Cloud infrastructure used by corporations to host their core business systems. Hybrid Cloud describes the combined use of dedicated private compute infrastructure with publicly available Cloud services to optimise the price and performance of corporate IT systems.

**Operating result**

The Group's net loss for the year ended 30 June 2020 was \$1,227,282 (2019: \$1,361,191 loss).

During the current year, Nexion's team focused on building hybrid cloud solutions for its Australia client base, and looking for opportunities to expand both in Australia and overseas.

**After balance date events**

During August 2020, the Company issued 6,500 convertible notes at an issue price of \$187 raising \$1,215,500 before costs of \$175. Interest is 8% per annum payable quarterly in arrears. The convertible notes are unsecured. In the event that the conversion date does not occur by 30 June 2021, the Company will at its sole discretion redeem the Convertible Notes for their face value or swap the convertible notes at the conversion price for ordinary shares.

On 19 October 2020, a share restructure occurred whereby shareholders received 1,168.75 shares for every 1 share held in the Company.

On 3 November 2020, a number of loans payable were converted to issued shares in the Company. A total amount of \$767,700 of loans was extinguished, with 5,905,387 shares issued.

The Company is currently in the process of preparing for an Initial Public Offering (IPO), with the Company aiming to raise between \$5,000,000 and \$8,000,000 and listed on the Australian Securities Exchange (ASX) in the coming months.

**NEXION GROUP PTY LTD**  
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**DIRECTORS' REPORT**

There are no other significant events have arisen since the end of the year which may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial year.

**Proceedings on behalf of Group**

No person has applied for leave of Court to bring proceedings on behalf of the Group or 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 any part of those proceedings. The Group was not a party to any such proceedings during the year.

**Options**

There are no options outstanding at the date of this report. There were no options granted which expired during or since the end of financial year.

**Environmental regulations**

No environmental regulations have an effect on the operations of the Group.

**Dividend paid or recommended**

No dividends were paid or declared since the start of the financial year. No recommendation for payment of dividends has been made at the date of this report.

**Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 can be found on page 3 and forms part of this report.

The Group has not, during or since the financial year, in respect of any person who is or has been an officer or auditor of the Group or a related body corporate:

- indemnified or made any relevant agreement for indemnifying against a liability, including costs and expenses in successfully defending legal proceedings; or
- paid or agreed to pay a premium in respect of a contract insuring against a liability for the costs or expenses to defending legal proceedings.

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



Paul Glass – Group CEO

Director

24 November 2020

24 November 2020

Board of Directors  
Nexion Group Pty Ltd  
Level 2, Building C/355 Scarborough Beach Rd  
Osborne Park, WA 6017

Dear Directors

**RE: NEXION GROUP PTY LIMITED**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Nexion Group Pty Limited.

As Audit Director for the audit of the financial statements of Nexion Group Pty Limited for the year ended 30 June 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

**STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD**

**Martin Michalik**  
Director

**NEXION GROUP PTY LTD**  
**ACN 628 415 887**  
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2020**

	Notes	2020 \$	2019* \$
Revenue from continuing operations	2	<b>3,802,843</b>	2,306,622
Cost of goods sold		<b>(2,758,643)</b>	(1,662,734)
<b>Gross Profit</b>		<b>1,044,200</b>	643,888
Other income	3	<b>531,785</b>	236,628
Consulting and accounting expenses		<b>(568,778)</b>	(399,887)
Employee benefits expenses		<b>(1,065,289)</b>	(938,726)
Occupancy expenses		<b>(36,513)</b>	(242,818)
Finance costs		<b>(266,837)</b>	(33,309)
Depreciation and amortisation		<b>(391,771)</b>	(171,747)
Impairment of goodwill	7	-	(241,985)
Other expenses		<b>(474,079)</b>	(213,235)
Loss before income tax		<b>(1,227,282)</b>	(1,361,191)
Income tax expense	4	-	-
<b>Loss for the year attributable to members</b>		<b>(1,227,282)</b>	(1,361,191)
<b>Other comprehensive Income</b>			
<i>Items that may be reclassified to profit and loss</i>			
-		-	-
<i>Items that will not be reclassified to profit or loss</i>			
-		-	-
<b>Total comprehensive loss for the year attributable to members</b>		<b>(1,227,282)</b>	(1,361,191)
The total comprehensive loss attributable to: Owners of Nexion Group Pty Ltd		<b>(1,227,282)</b>	(1,361,191)

\* For the period of incorporation from 27 August 2018 to 30 June 2019.

**NEXION GROUP PTY LTD**  
**ACN 628 415 887**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2020**

	Notes	2020 \$	2019 \$
<b>Current assets</b>			
Cash and cash equivalents	5	138,576	84,874
Trade and other receivables	6	1,073,445	470,305
Prepayments		-	5,191
Total current assets		1,212,021	560,370
<b>Non-current assets</b>			
Property, plant and equipment	8	864,414	615,646
Intangible assets	9	-	75,000
Right-of-use asset	11	1,276,631	-
Total non-current assets		2,141,045	690,646
<b>Total assets</b>		3,353,066	1,251,016
<b>Current liabilities</b>			
Trade and other payables	10	1,872,709	600,601
Lease liability	11	124,527	-
Provision for employee entitlements		41,762	25,403
Loans payable	12	872,313	400,468
Total current liabilities		2,911,311	1,026,472
<b>Non-current liabilities</b>			
Lease liability	11	1,176,022	-
Loans payable	12	499,460	250,989
Total non-current liabilities		1,675,482	250,989
Total liabilities		4,586,793	1,277,461
<b>Net liabilities</b>		(1,233,727)	(26,445)



**NEXION GROUP PTY LTD**  
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**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2020**

	Notes	2020 \$	2019 \$
<b>Equity</b>			
Contributed equity	13	<b>1,354,746</b>	1,334,746
Accumulated losses		<b>(2,588,473)</b>	(1,361,191)
Capital and reserves attributable to members		<b>(1,233,727)</b>	(26,445)
<b>Total Equity</b>		<b>(1,233,727)</b>	(26,445)

**NEXION GROUP PTY LTD**  
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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2020**

	Contributed Equity \$	Accumulated Losses \$	Total \$
<b>Balance as at date of incorporation</b>	-	-	-
Loss for the period	-	(1,361,191)	(1,361,191)
<b>Total comprehensive loss for the period</b>	-	<b>(1,361,191)</b>	<b>(1,361,191)</b>
Issue of shares (net of costs)	1,334,746	-	1,334,746
<b>Balance as at 30 June 2019</b>	<b>1,334,746</b>	<b>(1,361,191)</b>	<b>(26,445)</b>
<b>Balance as at 1 July 2019</b>	<b>1,334,746</b>	<b>(1,361,191)</b>	<b>(26,445)</b>
Loss for the year	-	(1,227,282)	(1,227,282)
<b>Total comprehensive loss for the year</b>	-	<b>(1,227,282)</b>	<b>(1,227,282)</b>
Issue of shares (net of costs)	20,000	-	20,000
<b>Balance as at 30 June 2020</b>	<b>1,354,746</b>	<b>(2,588,473)</b>	<b>(1,233,727)</b>

**NEXION GROUP PTY LTD**  
**ACN 628 415 887**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2020**

	Notes	2020 \$	2019* \$
<b>Cash flow from operating activities</b>			
Receipts from customers		<b>3,727,795</b>	2,368,759
Payments to suppliers and employees		<b>(3,953,474)</b>	(3,635,657)
R&D rebate received		<b>235,019</b>	-
Interest received		<b>846</b>	1,609
Interest paid		<b>(5,993)</b>	-
Income tax paid		-	6,449
Net cash inflow/(outflow) from operating activities	15(a)	<b>4,193</b>	(1,258,840)
<b>Cash flow from investing activities</b>			
Payments for property, plant and equipment		<b>(13,918)</b>	(267,751)
Cash acquired from acquisition of a subsidiary		-	52,665
Net cash used in investing activities		<b>(13,918)</b>	(215,086)
<b>Cash flow from financing activities</b>			
Receipts from borrowings	12	<b>519,881</b>	245,000
Repayment of borrowings	12	<b>(200,000)</b>	-
Payments for loans to third parties (equipment loan)		<b>(106,408)</b>	(6,200)
Issue of shares (net of issue costs)	13	<b>20,000</b>	1,320,000
Payment of rental lease liabilities		<b>(170,046)</b>	-
Net cash inflow from financing activities		<b>63,427</b>	1,558,800
<b>Net increase in cash and cash equivalents</b>		<b>53,702</b>	84,874
Cash and cash equivalents at beginning of year/ date of incorporation		<b>84,874</b>	-
<b>Cash and cash equivalents at end of year</b>	5	<b>138,576</b>	84,874

\* For the period of incorporation from 27 August 2018 to 30 June 2019.

**NEXION GROUP PTY LTD**  
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2020**

**1: Summary of significant accounting policies**

**a) Basis of preparation**

*(i) General-purpose financial report*

The financial report is a general-purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. The financial statements and notes also comply with International Financial Reporting Standards as issued by the International Accounting Standard Board (IASB). Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards. The consolidated financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The financial statements are presented in Australian Dollars ("AUD").

*Historical cost convention*

The financial statements have been prepared on a historical cost basis, except for the following:

- financial assets and liabilities (including derivative instruments);
- certain classes of property, plant and equipment and investment property – measured at fair value.

*(ii) New and amended standards adopted by the entity*

The Group has adopted AASB 16: Leases using modified retrospective approach with the cumulative effect of initially applying AASB 16 recognised as at 1 July 2019. In accordance with AASB 16, the comparatives for the 2019 reporting period have not been restated. The impact of the adoption of this standard and the respective account policies is disclosed below.

*Changes in accounting policy*

The Group has recognised a lease liability and right-of-use asset for all leases (with exception of short-term and low value leases) recognised as operating leases under AASB 117: Leases where the Group is a lessee.

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Lease liabilities are measured at the present value of the remaining lease payments. The Group's incremental borrowing rate as at 1 July 2019 was used to discount the lease payments.

The right-of-use assets were measured at their carrying values as if AASB 16 Leases had been applied since the commencement date but discounted using the Group's incremental borrowing rate per lease term as at 1 July 2019. The right-of-use assets have been recognised in the statement of financial position as at 1 July 2019.

The following practical expedients have been used by the Group in applying AASB 16 for the first time:

- For a portfolio of leases that have been reasonably similar characteristics, a single discount rate has been applied.
- Leases that have remaining lease term of less than 12 months as at 1 July 2019 have been accounted for in the same way as short-term lease.
- The use of hindsight to determine lease terms or contracts that have options to extend or terminate.
- The Group's weighted average incremental borrowing rate on 1 July 2019 applied to the lease liabilities was 3.50%.

*(iii) New and amended standards not yet adopted*

A number of new standards, amendments to standards and interpretations issued by AASB which are not yet mandatorily applicable to the Group have not been applied in preparing these financial statements. The Board expects no impact on the financial statements of the Group.

*(iv) Going Concern Assessment*

The financial report has been prepared on a going concern basis, which assumes the Group will be able to realise its assets and discharge its liabilities in the normal course of business. As at 30 June 2020, the Group had net liabilities of \$1,233,727 and net current liabilities of \$1,699,290, and in the year then ended incurred a loss of \$1,227,282 and net operating cash inflows of \$4,193. These conditions give rise to a material uncertainty that may cast significant doubt upon the Group's ability to continue as a going concern.

Subsequent to 30 June 2020, management have been able to lower the risk of going concern by;

- securing additional funding through the issuance of convertible notes, raising \$1,215,500 before costs of \$175;
- converting \$767,700 of loans payable to equity.

Management has considered the impacts of Government restrictions in response to the COVID-19 pandemic. Despite the measures taken impacting how the Group and its employees operate, the Group has continued to trade and has been able to meet ongoing customer contract obligations, and source new sales contracts. Management has fully considered the impact of the pandemic when considering the Group's ability to continue as a going concern.

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The ability of the Group to continue as a going concern and to pay its debts as and when they become due and payable is dependent upon the Group earning sufficient revenue, ensuring that they continue to minimise their costs, and manage working capital effectively. The Director's have a reasonable expectation that the business will be able to do this, and therefore have adopted the going concern basis in preparing this financial report.

*(v) Comparative balances*

The comparative balances are for the period from incorporation from 27 August 2018 to 30 June 2019.

*(vi) Operating segments*

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

**b) Principles of consolidation and equity accounting**

**(i) Subsidiaries**

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when 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.

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, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position.

**c) Foreign currency translation**

*Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in the Australian dollar (\$), which is the Group's functional and presentation currency.

*Transactions and balances*

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Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other income or other expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation difference on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as financial assets are recognised in other comprehensive income.

*Group companies*

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position,
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

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**d) Revenue recognition**

AASB 15 establishes principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers and requires application of a five-step process to identify the contract with the customer, identify performance obligations in the contract, determine transaction price, allocate the transaction price to the performance obligations and recognise revenue when performance obligations are satisfied.

Revenue is recognised for the major business activities as follows:

*(i) Software, subscription and virtual products*

For software, subscription and virtual products, the performance obligation is satisfied when access is facilitated.

*(ii) Data centre services*

Data centre services revenue primarily consist of recurring monthly service fees and upfront project fees. Revenue from the provision of recurring monthly service fees is recognised in the accounting period in which the services are rendered. Project fees primarily comprise installation services relating to a customer's initial deployment. As this is not considered to be a distinct service, revenue is deferred and recognised over the term of the contract with the customer, taking into account renewal options that are held by the customer.

The Group applies the practical expedient in the revenue standard and does not disclose information about the transaction price allocated to remaining performance obligations on contracts that are unsatisfied, as the Group has the right to consideration from its customers in an amount that corresponds directly with the value to the customer of the Group's services to date. This is applied to all its data centre services revenue, on the basis that the upfront project fees are not a significant portion of each contract.

The Group enters into contracts with customers that guarantee certain performance measures such as uptime and on time delivery of services. If these guarantees of service performance are not achieved, the Group reduces revenue for any credits or cash payments that may be due to customers under contract. Key areas of estimation include the amount of the service credits, the likelihood that the service credits will be claimed, and the time period over which they impact revenue.

All revenue is stated net of the amount of goods and services tax (GST).

*(iii) Interest income*

Interest income is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

*(iv) Research and development rebates, and other government incentives*

Research and development rebates and other government incentives are recognised on an accruals basis.



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**e) 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
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

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.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

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.

**f) Leases**

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a term of 12 months or less.

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Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the group's incremental borrowing rate on commencement of the lease is used.

Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the group if it is reasonable certain to assess that option;
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the group is contractually required to dismantle, remove or restore the leased asset (typically leasehold dilapidations).

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the Group revises its estimate of the term of any lease (because, for example, it reassesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

When the Group renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy
- in all other cases where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount

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- if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

For contracts that both convey a right to the group to use an identified asset and require services to be provided to the group by the lessor, the group has elected to account for the entire contract as a lease, i.e. it does allocate any amount of the contractual payments to, and account separately for, any services provided by the supplier as part of the contract.

**g) Employee benefits**

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

**h) Impairment**

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets are impaired. In the case of financial assets classified as available for sale, a significant or prolonged decline in the fair value of an asset below its cost is considered as an indicator that the assets are impaired. If any such evidence exists for financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss and other comprehensive income – is removed from equity and recognised in the profit or loss and other comprehensive income statement. Impairment losses recognised in the statement of profit and loss and other comprehensive income on equity instruments classified as available for sale are not reversed through the profit or loss and other comprehensive income.

**i) Income tax**

The income used for tax calculations is made up of current tax income and deferred tax income.

***Current Tax***

Current tax assets are measured at the amounts expected to be recovered from the Australian Taxation Office.

***Deferred Tax***

Deferred income tax expense reflects the movements in deferred tax asset and deferred tax liability balances during the year as well as unutilised tax losses.

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Except for business combination, no deferred income tax is recognised from the initial recognition of an asset or liability, where there is no effect on accounting or tax profit and loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability. With respect to non-depreciable items of property, plant and equipment measured at fair value and items of investment property measured at fair value, the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of the asset will be recovered entirely through sale.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised. Tax losses have not been recognised in the current year.

***Offsetting balances***

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement of simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where; (1) a legally enforceable right of set-off exists; and (2) the deferred tax assets and liabilities relate to the income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Nexion Group Ltd and its subsidiaries have not applied tax consolidation legislation.

**j) Good 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 balance sheet.

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.

**k) Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank

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overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

**1) Financial instruments**

*Classification and measurement*

Under AASB 9, the Group initially measures a financial asset as its fair value plus, in the case of financial asset not at fair value through profit or loss, transaction costs. Financial assets are then subsequently measured at fair value through profit or loss ("FVTPL"), amortised cost, or fair value through other comprehensive income ("FVOCI").

*Initial recognition and measurement*

Financial assets are classified at initial recognition and subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under AASB 15.

*Subsequent measurement*

The Group's financial assets at amortised cost includes trade and other receivables.

*Impairment of financial assets*

For trade receivables, the Group applies a simplified approach in calculating expected credit losses ("ECLs"). Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

Financial Liabilities

*Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, borrowings and lease liabilities.

*Subsequent measurement*

*Loans and borrowings*

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest

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rate. The effective interest rate amortisation is included as finance costs in the statement of profit or loss. This category generally applies to interest-bearing loans and borrowings.

*Derecognition*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Compound instruments

The component parts of compound instruments (convertible bonds) issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion options that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recognised as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date. The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share capital. Where the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to retained earnings. No gain or loss is recognised in profit or loss and other comprehensive income upon conversion or expiration of the conversion option. Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the lives of the convertible notes using the effective interest method.

**m) Trade and other receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. Trade receivables are generally due for settlement within 30 days.

**n) Property, plant and equipment**

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation.

*(i) Plant and Equipment*

Plant and equipment is measured on the cost basis.

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The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset is charged to the income statement and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

*(ii) Depreciation*

The depreciable amount of all fixed assets, excluding freehold land, is depreciated on a diminishing balance basis over their useful lives to the economic entity commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

<b><i>Class of Fixed Asset</i></b>	<b><i>Depreciation Rate</i></b>
Plant and equipment	25%
Vehicles	25%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

**o) Intangible assets**

*(i) Goodwill*

Goodwill is initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition. Goodwill is tested annually for impairment and 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.

*(ii) Customer contracts*

Customer contracts are initially recorded at cost. Assets deemed to have an indefinite life are tested annually for impairment and carried at cost less accumulated impairment losses. Assets

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deemed for have a finite life are amortised over their expected economic life to the Group and then recorded at cost less accumulated amortisation and impairment losses.

**p) Trade and other payables**

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

**q) 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 period 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 period of the facility to which it relates.

**r) Provisions**

Provisions are recognised when the entity has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

**s) Fair value of assets and liabilities**

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques.

These valuation techniques maximise, to the extent possible, the use of observable market data.



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To the extent possible, market information is extracted from either the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

***Valuation techniques***

In the absence of an active market for an identical asset or liability, the Group selects and uses one or more valuation techniques to measure the fair value of the asset or liability. The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Group are consistent with one or more of the following valuation approaches:

- Market approach: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.
- Income approach: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.
- Cost approach: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Group gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

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***Fair value hierarchy***

AASB 13 requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

***Level 1***

Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

***Level 2***

Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

***Level 3***

Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

The Group would change the categorisation within the fair value hierarchy only in the following circumstances:

- if a market that was previously considered active (Level 1) became inactive (Level 2 or Level 3) or vice versa; or
- if significant inputs that were previously unobservable (Level 3) became observable (Level 2) or vice versa.

When a change in the categorisation occurs, the Group recognises transfers between levels of the fair value hierarchy (i.e. transfers into and out of each level of the fair value hierarchy) on the date the event or change in circumstances occurred.

**t) Critical accounting estimates and judgements**

• ***COVID-19***

The impact of COVID-19 on the global economy and how governments, businesses and consumers will respond is uncertain. This uncertainty is reflected in the Group's assessment of expected credit losses, which is subject to a number of management estimates and judgements.

• ***Deferred taxation***

Under normal circumstances, the benefits of deferred tax losses not brought to account can only be realised in the future if:

- assessable income is derived of a nature, and of an amount sufficient to enable the benefit from the deductions to be realised
- conditions for deductibility imposed by law are complied with; and

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- no changes in tax legislation adversely affect the realisation of the benefit from the deductions.

The directors on a regular basis will assess the recognition of the deferred tax assets.

- ***Income tax***

The Group is subject to income taxes in Australia. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Diversity in practice exists around the accounting treatment of refundable R&D incentives, because the Australian Accounting Standards do not specifically address R&D incentives. The Group has decided to record R&D refundable tax incentives as other income.

- ***Leases***

On adoption of AASB 16 Leases from 1 July 2019, the Group was required to determine the measurement of lease liabilities based on the present value of remaining lease payments, discounted using the Group's incremental borrowing rate at commencement date. Judgement is required in determining an appropriate incremental borrowing rate, and the Group has determined the rate based on the effective interest rate of its most recent borrowings, adjusted to the specific term of each lease. In determining the lease term, management considered all relevant facts and circumstances that create an economic incentive to either exercise an extension option, or not exercise a termination option. Extension options are only included in the lease term if it is reasonably certain to be extended. The assessment is reviewed if a significant event or significant change in circumstances occurs which affects this assessment, and that is within the control of the lessee.

- ***Revenue from contracts with customers***

Key judgements in the recognition of revenue from contracts with customers include the identification of performance obligations within the contracts, allocation of the transaction price within the contract to the identified performance obligations, treatment of the upfront project fees and treatment of any variable consideration subsequent to initial commencement.

- ***Impairment of trade receivables***

Whilst there is an inherent uncertainty on the recoverability of trade receivables, the directors understand that the full debt is likely to be received and therefore no provision for impairment has been brought to account for the year ended 30 June 2020 (30 June 2019: nil).

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**2: Revenue from contracts with customers**

(a) Disaggregation of revenue from contracts with customers

The Group has disaggregated revenue into various categories in the following table which is intended to depict how the nature, amount, timing and uncertainty of revenue and cashflows are affected by economic data. All of the revenue for the group is derived at a point in time.

	2020 \$	2019 \$
<b>Product Categories:</b>		
Networking	981,395	252,445
Security	1,221,085	220,611
Data Centre	1,080,301	937,259
Consulting	251,603	896,307
Cloud	268,459	-
	<b>3,802,843</b>	<b>2,306,622</b>

(b) Operating segments

The Group operates in one geographic segment, being Australia.

(c) Assets and liabilities related to contracts with customers

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

	2020 \$	2019 \$
<i>Trade receivables</i>		
Trade receivables	623,857	168,525
Loss allowance	-	-
	<b>623,857</b>	<b>168,525</b>

**3: Other income**

	2020 \$	2019 \$
<b>Other Income</b>		
• Interest received	846	1,609
• R&D rebates	393,415	235,019
• Government cashflow incentives	134,500	-
• Other	3,024	-
	<b>531,785</b>	<b>236,628</b>

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**4: Income tax**

Reconciliation of income tax expense to prima facie tax payable

	<b>2020</b>	2019
	<b>\$</b>	\$
Loss before income tax	<b>(1,227,282)</b>	(1,361,191)
Tax at Australian tax rate of 27.5% (2019: 27.5%)	<b>(337,503)</b>	(374,328)
Tax effect of amounts which are not assessable in calculating taxable income:		
- R&D Claim Receivable	<b>(108,189)</b>	(64,630)
- Government Incentive - Cashflow Boost	<b>(17,188)</b>	-
Tax effect of amounts which are not deductible in calculating taxable income:		
- Costs Associated with R&D claim	<b>248,711</b>	148,575
- Impairment of goodwill and customer contracts	<b>20,625</b>	87,300
Deferred tax assets not recognised	<b>193,544</b>	203,083
Income tax expense	<b>-</b>	-

Carried forward tax losses of \$1,442,280 have not been brought to account as a deferred tax asset of \$396,627. Based on the value of tax losses incurred, the directors have formed an opinion that the business was not in a position to satisfy the criteria for recognising these losses as a deferred tax asset. The directors are of the opinion that these losses remain available for the group to use in the future.

Under normal circumstances, the benefits of deferred tax losses not brought to account can only be realised in the future if:

- assessable income is derived of a nature, and of an amount sufficient to enable the benefit from the deductions to be realised;
- conditions for deductibility imposed by law are complied with; and
- no changes in tax legislation adversely affect the realisation of the benefit from the deductions.

The directors on a regular basis will assess the recognition of the deferred tax assets.

The group undertakes eligible research and development (R&D) activities and is therefore entitled to claim an R&D offset under the R&D tax incentive as administered by The Australian Taxation Office and the Department of Industry, Innovation and Science. Refer to Note 3.

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**5: Cash and cash equivalents**

	<b>2020</b>	2019
	\$	\$
Cash at bank and on hand	<b>96,037</b>	42,335
Term deposits	<b>42,539</b>	42,539
	<b>138,576</b>	84,874

**6: Trade and other receivables**

	<b>2020</b>	2019
	\$	\$
<b>Current</b>		
Trade receivables	<b>623,857</b>	168,525
R&D receivables	<b>393,415</b>	235,019
Other receivables	<b>56,173</b>	66,761
	<b>1,073,445</b>	470,305

*i) Classification as 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 30 days and therefore are 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 to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

*ii) Fair values of trade and other receivables*

Due to the short-term nature of the trade and other receivables, their carrying amount is considered to be the same as their fair value.

*iii) Impairment and risk exposure*

Customer credit risk is managed subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit evaluations are performed on all customers. Outstanding customer receivables are monitored regularly.

The Group applies a simplified approach in providing for expected credit losses, in accordance with AASB 9.

The loss allowance provision as at 30 June 2020 is determined as follows:

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	Current	0 to 30 days past due	31 to 60 days past due	More than 60 days past due	Total
30 June 2020	\$	\$	\$	\$	\$
Expected loss rate	0%	0%	0%	0%	-
Gross carrying amount	584,396	79,894	96,212	312,943	1,073,445
Loss allowance provision	-	-	-	-	-
Net receivables	584,396	79,894	96,212	312,943	1,073,445

The expected credit losses on trade receivables are estimated using a provision matrix by reference to past defaults experience and analysis of the debtors' current financial position. There has been no change in the estimation process used during the current reporting period.

## 7: Business combinations

On 27 August 2018 Nexion Group Pty Ltd was incorporated.

On 31 August 2018, Nexion acquired W1 DC Pty Ltd and Nexion Networks Pty Ltd.

The acquisition of W1 DC Pty Ltd (W1) is considered an asset acquisition, with \$350,000 of property, plant and equipment, and \$150,000 of intangible asset, in the form of customer contracts, acquired. The customer contracts usually had a 2 year service period remaining at the time of acquisition, therefore the value of these contracts has been amortised over 2 years, with \$75,000 amortisation expense recognised in 2019 and the remaining \$75,000 amortised in 2020. As at 30 June 2020, the carrying value of the customer contracts acquired is nil. Refer to Note 9.

The shareholders of W1 were given Nexion Group shares as consideration for 100% of the share capital in W1.

Nexion Networks Pty Ltd (Networks) was a wholly owned subsidiary of W1, but on 31 August 2018, a restructure occurred, whereby Networks was transferred to become a direct subsidiary of Nexion Group. This acquisition of Networks is considered to be a business combination, as Networks was an operating business at the date of acquisition.

The fair value of net liabilities of Networks at 31 August 2018 was as follows:

	<b>Networks</b>
	<b>\$</b>
Total assets	387,450
Total liabilities	(614,688)
<b>Net liabilities</b>	<b>(227,238)</b>
Accumulated losses	(228,538)
Issued capital	1,300
<b>Equity</b>	<b>(227,238)</b>

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The consideration paid by Nexion Group for Networks was 14,746 shares in Nexion Group with a value of \$1 per share.

	\$
Net liabilities acquired	227,238
Consideration paid (shares in Nexion Group)	14,746
<b>Goodwill on acquisition</b>	<b>241,984</b>

The goodwill of \$241,984 has been fully impaired at the date of acquisition.

Analysis of cashflows on acquisition:

	\$
Cash consideration paid	-
Less: Cash of subsidiary acquired	52,665
<b>Net cash inflow on acquisition</b>	<b>52,665</b>

From the date of acquisition, the subsidiaries contributed \$113,954 profit from operations of the Group for 2019. If the combination had taken place at the beginning of the year ended 30 June 2019, loss from operations would have been \$114,584.

**8: Property, plant and equipment**

	2020 \$	2019 \$
<b>Vehicles - at cost</b>	108,899	108,899
Vehicles - accumulated depreciation	(33,318)	(22,521)
<b>Vehicles - carrying value at the end of the year</b>	<b>75,581</b>	<b>86,378</b>
 <b>Plant &amp; equipment - at cost</b>	 1,056,090	 638,996
Plant & equipment - accumulated depreciation	(267,257)	(109,728)
<b>Plant &amp; equipment - carrying value at the end of the year</b>	<b>788,833</b>	<b>529,268</b>
<b>Total property, plant &amp; equipment</b>	<b>864,414</b>	<b>615,646</b>



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	Vehicles	Plant & equipment	Total property, plant & equipment
	\$	\$	\$
<b>Movements:</b>			
<b>Balance at incorporation date</b>	-	-	-
Additions	12,278	638,996	651,274
Acquired through business combination	96,621	-	96,621
Depreciation expense	(22,521)	(109,728)	(132,249)
<b>Balance at 30 June 2019</b>	<b>86,378</b>	<b>529,268</b>	<b>615,646</b>
<b>Balance at 1 July 2019</b>	<b>86,378</b>	<b>529,268</b>	<b>615,646</b>
Additions	-	417,094	417,094
Depreciation expense	(10,797)	(157,529)	(168,326)
<b>Balance at 30 June 2020</b>	<b>75,581</b>	<b>788,833</b>	<b>864,414</b>

Included in the total additions during the year were equipment acquired through loans which amounted to \$403,177 (2019: \$208,656).

**9: Intangible assets**

	Customer Contracts \$
<b>Net book value</b>	
At date of acquisition (note 7)	150,000
Amortisation during the year	(75,000)
At 30 June 2019	75,000
<b>Net book value</b>	
At 1 July 2019	75,000
Amortisation during the year	(75,000)
At 30 June 2020	-

**10: Trade and other payables**

	2020 \$	2019 \$
<b>Current</b>		
Trade payables	1,464,554	298,042
Sundry payables and accrued expenses	408,155	302,559
	<b>1,872,709</b>	<b>600,601</b>

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Trade payables are non-interest bearing and are generally settled on 30-60 day terms. \$1,158,295 of trade and other payables are past due as at 30 June 2020 (2019: \$76,197).

**11: Right-of-use asset & lease liabilities**

A lease agreement was entered into on 29 March 2018 for a building at 37-39 Robinson Avenue, Belmont, Western Australia. The lease has a 3 year term with an option to extend for 10 years. Where the option to extend is reasonably certain, this has been included in the calculations.

**i) AASB 16 related amounts recognised in the consolidated statement of financial position**

	2020 \$
<b>Right-of-use asset</b>	
Leased premises	1,425,076
Accumulated depreciation	(148,445)
	<u>1,276,631</u>

***Lease liability***

	2020 \$
Current	124,527
Non-current	1,176,022
Lease liability	<u>1,300,549</u>

The maturity analysis of lease liabilities based on contractual undiscounted cash flows is shown in the table below:

2020	< 1 year	1 – 5 years	5 years	Total undiscounted lease liabilities	Lease liabilities included in this Consolidated Statement of Financial Position
	\$	\$	\$	\$	\$
Lease liabilities	128,263	701,394	769,051	1,598,708	1,300,549

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**ii) AASB 16 related amounts recognised in the consolidated statement of profit or loss and other comprehensive income**

	2020 \$
Depreciation charge	148,445
Interest	45,519
	<u>193,964</u>

**iii) Total financial year-end cash outflows for leases**

	2020 \$
Repayment of lease liabilities	<u>170,046</u>

**iv) Option to extend or terminate**

The Group uses hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

**12: Loans payable**

	2020 \$	2019 \$
<i>Current</i>		
Loans payable to related parties (i)	659,942	245,000
Loans payable to third parties (ii)	126,771	50,937
Hire purchase - vehicles	85,600	104,531
	<u>872,313</u>	<u>400,468</u>
<i>Non Current</i>		
Loans payable to third parties (ii)	499,460	250,989
	<u>1,371,773</u>	<u>651,457</u>

i) During 2019 and 2020 the following loans were provided by related parties of the Group;

- During 2019, \$80,000 was provided by shareholder, Abl, Vaingold and Hughes. A fixed interest amount of \$20,000 was paid on this loan. The loan and interest was repaid in full on 26 November 2019.

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- During 2019, \$100,000 was provided by an employee. No interest applied to this loan. \$50,000 was repaid on 23 March 2020 and the remaining \$50,000 was repaid by 24 April 2020.
- On 26 June 2019, \$25,000 was provided by Kingsley International Trust, a company associated with Mr Paul Glass, a Director of the Company. Interest of 2% per month applied to the loan. Interest of \$6,791 of interest was recognised for 2020 (2019: nil).
- On 27 June 2019, \$40,000 was provided by Read Tech Trust, a company associated with Mr Kevin Read, a Director in the Company. Interest of 2% per month applied to the loan. Interest of \$10,831 of interest was recognised for 2020 (2019: nil).
- On 22 November 2019, \$100,000 was provided by Mr Chris Daly, a Director of the Company. Interest of 5% per month applied to the loan. Interest of \$36,333 of interest was recognised for 2020.
- During November and December 2019, \$149,167 was provided by Wiserange Investments Pty Ltd, a company controlled by Mr Dominic Papaluca, the Group's Chief Financial Officer. Interest of 2% per month applied to the loan. Interest of \$21,106 of interest was recognised for 2020.
- During the course of 2020, a total of \$135,357 was provided by Read Tech Trust, a company associated with Mr Kevin Read, a Director in the Company. No interest applied to the loan.
- During the course of 2020, a total of \$135,357 was provided by Kingsley International Trust, a company associated with Mr Paul Glass, a Director in the Company. No interest applied to the loan.

On 3 November 2020, all of the loans payable, as detailed above, were converted to issued shares in the Company. A total amount of \$767,700 of loans and associated interest payable up to repayment date, was extinguished, with 5,905,387 shares issued.

ii) Loans payable to third parties is for equipment finance for IT property, plant and equipment used in the Data Centre and for some client contracts. The terms of the finance arrangement are as follows:

- Loan #1
  - Amount financed: \$55,745
  - Start date: 27 June 2019
  - Monthly repayments of \$1,160
  - Finance term: 5 years
  - Interest rate: 9.102%
- Loan #2
  - Amount financed: \$246,209
  - Start date: 5 June 2019
  - Monthly repayments of \$5,040
  - Finance term: 5 years
  - Interest rate: 8.408%

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- Loan #3
  - Amount financed: \$403,177
  - Start date: 28 February 2020
  - Monthly repayments of \$8,001
  - Finance term: 5 years
  - Interest rate: 7.093%

**13: Contributed equity**

	2020 \$	2019 \$
<b>Share Capital</b>		
Fully paid Ordinary Shares	1,354,746	1,334,746
<i>Movement in Share Capital</i>		
At the beginning of the year / date of incorporation	1,334,746	-
Shares issued during the year	20,000	1,507,990
Consideration paid for Networks – see note 7	-	14,746
Capital raising costs	-	(187,990)
At end of the year	1,354,746	1,334,746
	Number	Number
Shares on issue at beginning of year/ date of incorporation	45,316	-
Shares issued during the year/ period	3,821	30,570
Consideration paid for Networks – see note 7	-	14,746
Shares in issue at end of year/ period	49,137	45,316

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held.

At shareholder's meetings, each ordinary share is entitled to one vote when a poll is called.

In the previous financial period, the following shares were issued to key management personnel for services provided in relation to the capital raising during the prior period. These costs have been recognised as capital raising costs:

- 8,724 shares to Cheque Raise Pty Ltd, a Company controlled Mr Kuek Jin Low
- 1,293 shares to Mr Hamish Hughes
- 256 shares to Seed Strategic Advisory Pty Ltd, a Company controlled by Mr Ran Vaingold.

These shares were issued at \$1 per share.

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**14: Commitments and contingencies**

The Group has the following capital (hire-purchase) commitments:

- **Motor Vehicles**

The Group entered into two finance leases for two vehicles to be used in the business. The capital commitments in relation to these vehicles is as follows;

	<b>2020</b>	2019
	<b>\$</b>	\$
Not longer than 1 year	<b>32,125</b>	32,125
Longer than 1 year and not longer than 5 years	<b>71,372</b>	103,499
Longer than 5 years	-	-
Total minimum lease payments	<b>103,497</b>	135,624
Less: amounts representing finance charges	<b>(17,897)</b>	(29,682)
Present value of minimum lease payments	<b>85,600</b>	105,942

- **Equipment finance for IT property, plant and equipment**

The Group has three equipment finance loans as at 30 June 2020. The capital commitments in relation to these finance loans are as follows:

	<b>2020</b>	2019
	<b>\$</b>	\$
Not longer than 1 year/ period	<b>170,418</b>	74,404
Longer than 1 year and not longer than 5 years	<b>569,061</b>	291,415
Longer than 5 years	-	-
Total minimum lease payments	<b>739,479</b>	365,819
Less: amounts representing finance charges	<b>(113,248)</b>	(63,893)
Present value of minimum lease payments	<b>626,231</b>	301,926

The Group has no contingent liabilities.

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**15: Cash flow information**

*(a) Reconciliation of cash flow from operations with loss from ordinary activities after income tax*

	2020 \$	2019 \$
Loss for the year	(1,227,282)	(1,361,191)
Depreciation & amortisation	391,771	171,747
Interest on borrowings/lease	266,837	33,309
Impairment of goodwill	-	241,985
Accrual of R&D incentives	(393,415)	(235,019)
<i>Changes in assets &amp; liabilities</i>		
Trade and other receivables	(838,159)	(235,286)
Trade and other payables	1,782,891	105,403
Prepayments	5,191	(5,191)
Provisions	16,359	25,403
Net cash flow from operating activities	<b>4,193</b>	<b>(1,258,840)</b>

*(b) Non-cash investing activities*

Nexion Networks Pty Ltd (Networks) was a wholly owned subsidiary of W1, but on 31 August 2018, a restructure occurred, whereby Networks was transferred to become a direct subsidiary of Nexion Group. This acquisition of Networks is considered to be a business combination, as Networks was an operating business at the date of acquisition.

The consideration paid by Nexion Group for Networks was 14,746 shares in Nexion Group with a value of \$1 per share.

*(c) Changes in liabilities arising from financing activities*

	1 July 2019	New Leases	Cash Flows	Other (Non-cash)	30 June 2020
Lease liability	-	1,425,076	(170,046)	45,519	1,300,549
Loans payable	651,417	-	213,473	506,883	1,371,773
<b>Total liabilities from financing activities</b>	<b>651,417</b>	<b>1,425,076</b>	<b>43,427</b>	<b>552,402</b>	<b>2,672,322</b>

  

	1 July 2018	New Leases	Cash Flows	Other	30 June 2019
Loans payable	-	-	238,800	412,657	651,457
<b>Total liabilities from financing activities</b>	<b>-</b>	<b>-</b>	<b>238,800</b>	<b>412,657</b>	<b>651,457</b>

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**16: Parent entity**

Nexion Group Pty Ltd is a company domiciled in Australia.

(a) Summary financial information

The parent of this consolidated group is Nexion Group Pty Ltd. The individual financial statements show the following aggregate amounts:

	<b>2020</b>	2019
	<b>\$</b>	<b>\$</b>
<i>Balance Sheet</i>		
Current Assets	<b>3,992</b>	15,867
Total Assets	<b>1,257,156</b>	1,255,591
Current Liabilities	<b>91,343</b>	82,200
Total Liabilities	<b>230,154</b>	84,677
<i>Shareholders Equity</i>		
Contributed Equity	<b>1,354,746</b>	1,334,746
Accumulated losses	<b>(327,744)</b>	(163,832)
	<b>1,027,002</b>	1,170,914
Loss for the year/ period	<b>163,912</b>	163,832
Total Comprehensive Loss	<b>163,912</b>	163,832

(b) Guarantees entered into by parent company of this group

The parent entity has not entered into any guarantees in relation to the debts of its subsidiaries as at 30 June 2020.

(c) Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries:

	Country of Incorporation	Holding	
		<b>2020</b>	2019
		<b>%</b>	<b>%</b>
W1 DC Pty Ltd	Australia	<b>100</b>	100
Nexion Networks Pty Ltd	Australia	<b>100</b>	100



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**17: Loss per share**

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
(a) Reconciliation of loss used in calculating loss per share		
Loss attributable to the ordinary equity holders used in calculating basic loss per share		
(b) Weighted average number of shares	<b>(1,227,282)</b>	(1,361,191)
Ordinary shares used as the denominator in calculating basic loss per share	<b>47,965</b>	35,539
	<b>\$</b>	<b>\$</b>
(c) Loss per share		
Basic loss per share	<b>(25.59)</b>	(38.30)
Diluted loss per share	<b>(25.59)</b>	(38.30)

There is no potential ordinary shares that are dilutive, therefore not included in the calculation of diluted loss per share.

**18: Related Party Transactions**

**(a) Key Management Personnel Compensation**

The aggregate compensation paid or payable, to Directors and Key Management Personnel of the Group is as follows:

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Short-term employee benefits	538,180	328,280
	<b>538,180</b>	<b>329,280</b>

**(b) Other related party transactions**

In addition to the loans payable disclosed in Note 12, the following related party transactions occurred during the year;

- Kingsley International Trust, an entity controlled by Mr Paul Glass, was paid \$231,278 for his roles as Chief Executive Officer and his roles as a Director of the Company, NEXION Networks Pty Ltd and NEXION W1 DC Pty Ltd (2019: nil).
- Curnick Consulting Pty Ltd, an entity controlled by Mr Paul Glass, was paid \$156,768 in 2019 for his roles as a Director of the Company, NEXION Networks Pty Ltd and NEXION W1 DC Pty Ltd.
- Read Tech Trust, an entity controlled by Mr Kevin Read was paid \$250,784 for his role as a Director of Nexion Networks Pty Ltd (2019: \$157,422).

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- Herdsman Lake Capital Pte Ltd, an entity controlled by Mr Peter Christie, was paid \$35,687 for his roles as a Director of the Company, NEXION Networks Pty Ltd and NEXION W1 DC Pty Ltd.
- Chris Daly Family Trust, an entity controlled by Mr Chris Daly, was paid \$35,000 in 2020 for his role as Director of the Company.
- Carbon Group, a Company which Mr Domenico Papaluca is a Partner, was paid \$40,409 for professional fees rendered as Chief Financial Officer and taxation advice, preparation for financial statements and tax returns for the Group (2019: nil).

## **19: Financial risk management**

### **Objectives and policies and financial instruments**

The Group's financial instruments consist mainly of cash at bank, trade receivable, loans payable and trade payable.

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

	Notes	2020 \$	2019 \$
<b>Financial Assets</b>			
Cash and cash equivalents	5	138,576	84,874
Trade and other receivables	6	1,073,445	470,305
<b>Total Financial Assets</b>		<b>1,212,021</b>	555,179
<b>Financial Liabilities</b>			
Trade and other payables	10	1,872,709	600,601
Loans payable – current	12	872,313	400,468
Loans payable – non current	12	499,460	250,989
Lease liability – current	11	124,527	-
Lease liability – non current	11	1,176,022	-
<b>Total Financial Liabilities</b>		<b>4,545,031</b>	1,252,058

### **Financial Risk Management Policies**

The Board of Directors monitors the Group's financial risk management policies and exposures and approves financial transactions. It also reviews the effectiveness of internal controls relating to counterparty credit risk, liquidity risk and interest rate risk.

### **Specific Financial Risk Exposures and Management**

The main risk that the Group is exposed to through its financial instruments are liquidity risk. There have been no substantive changes in the types of risks the Group is exposed to, how these risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

### **Credit risk**

The Group has no concentrations of credit risks.

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Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to customers. The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets as summarised above of this note.

As at 30 June 2020, all cash and cash equivalents were held by either Bankwest and ANZ Bank, both with an A (Standard and Poor's) credit rating. In relation to trade receivables, management assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

The credit risk on other receivables is limited as it is comprised of GST recoverable from the Australian Taxation Office. The credit risk on liquid funds is limited because the counter party is a bank with high credit rating.

**Liquidity risk**

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to its trade and other payables. The Group manages this risk through the following mechanisms:

- preparing forward-looking cash flow analyses in relation to its operating, investing and financing activities;
- maintaining a reputable credit profile; and
- only investing surplus cash with major financial institutions.

**Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's Australian Dollar current and non-current debt obligations with floating interest rates. The Group is also exposed to interest rate risk on its cash and short term deposits.

	Floating interest rate	Fixed interest rate maturing in 1 year or less	Fixed interest rate maturing greater than 1 year	Non-interest bearing	Total
2020	\$	\$	\$	\$	\$
<b>Financial assets</b>					
Cash and cash equivalents	138,576	-	-	-	138,576
Trade and other receivables	-	-	-	1,073,445	1,073,445
	<b>138,576</b>	<b>-</b>	<b>-</b>	<b>1,073,445</b>	<b>1,212,021</b>
<b>Financial liabilities</b>					
Trade and other payables	-	-	-	1,872,709	1,872,709
Loans payables	-	872,313	499,460	-	1,371,773
Lease liabilities	-	124,527	1,176,022	-	1,300,549
	<b>-</b>	<b>996,840</b>	<b>1,675,482</b>	<b>1,872,709</b>	<b>4,545,031</b>

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	<b>Floating Interest rate</b>	<b>Fixed interest rate maturing in 1 year or less</b>	<b>Fixed interest rate maturing greater than 1 year</b>	<b>Non- interest bearing</b>	<b>Total</b>
<b>2019</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Financial assets</b>					
Cash and cash equivalents	84,874	-	-	-	84,874
Trade and other receivables	-	-	-	470,305	470,305
	<b>84,874</b>	<b>-</b>	<b>-</b>	<b>470,305</b>	<b>555,179</b>
<b>Financial liabilities</b>					
Trade and other payables	-	-	-	600,601	600,601
Loans payables	-	400,468	250,989	-	651,457
	<b>-</b>	<b>400,468</b>	<b>250,989</b>	<b>600,601</b>	<b>1,252,058</b>

## 20: Segment information

AASB 8 '*Operating Segments*' requires a "management approach" under which segment information is presented on the same basis as that useful for internal reporting purposes by the chief operating decision maker ("CODM").

For management purposes, the Group is organised into one main operating segment, being the provision of Hybrid Cloud infrastructure used by corporations to host their core business systems. The chief operating decision makers of the Group are the Executive Directors and Officers.

All the Group's activities are interconnected and all significant operating decisions are based on analysis of the Group as one segment. The financial results of the segment are the equivalent of the financial statements as a whole. At 30 June 2020, all revenues and material assets are considered to be derived and held in one geographical area being Australia.

## 21: Events occurring after the reporting period

During August 2020, the Company issued 6,500 convertible notes at an issue price of \$187 raising \$1,215,500 before costs of \$175. Interest is 8% per annum payable quarterly in arrears. The convertible notes are unsecured. In the event that the conversion date does not occur by 30 June 2021, the Company will at its sole discretion redeem the Convertible Notes for their face value or swap the convertible notes at the conversion price for ordinary shares.

On 19 October 2020, a share restructure occurred whereby shareholders received 1,168.75 shares for every 1 share held in the Company.

On 3 November 2020, a number of loans payable were converted to issued shares in the Company. A total amount of \$767,700 of loans was extinguished, with 5,905,387 shares issued.

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The Company is currently in the process of preparing for an Initial Public Offering (IPO), with the Company aiming to raise between \$5,000,000 and \$8,000,000, and listed on the Australian Securities Exchange (ASX) in the coming months.

There are no other significant events have arisen since the end of the year which may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial year.

**22: Auditor's remuneration**

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
<b>Audit services – Stantons International</b>		
Audit of financial statements	<b>15,000</b>	-

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**DIRECTORS' DECLARATION**

In accordance with a resolution of the directors of Nexion Group Pty Ltd, the directors of the Company declare that:

1. The financial statements and notes, as set out on pages 4 to 42, are in accordance with the Corporations Act 2001 and:
  - a. comply with Australian Accounting Standards as described in Note 1 to the consolidated financial statements and the Corporations Regulations 2001; constitutes compliance with International Financial Reporting Standards; and
  - b. give a true and fair view of the Group's financial position as at 30 June 2020 and of its performance for the 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.



Paul Glass – Group CEO

Director

Dated this the 24<sup>th</sup> November 2020

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF  
NEXION GROUP PTY LIMITED**

**Report on the Audit of the Financial Report**

***Opinion***

We have audited the financial report of Nexion Group Pty Limited (the "Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

***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 are independent of the Company in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110: Code of Ethics for Professional Accountants (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.

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

**Material Uncertainty Relating to Going Concern**

Without modifying our audit opinion expressed above, attention is drawn to the following matter.

As referred to in Note 1(a) (iv) to the consolidated financial statements have been prepared on a going concern basis. At 30 June 2020, the Group had cash and cash equivalents of \$138,576, net cash operating inflows of \$4,193 and a net liability position of \$1,233,727. The Group has incurred a loss after income tax of \$1,227,282 for the financial year ended 30 June 2020.

The ability of the Group to continue as a going concern and be able to pay its liabilities as and when they fall due is dependent upon the Group earning sufficient revenue from its operations, raising further capital and managing its working capital effectively. In the event that the Group is not successful in deriving cash from its operations or in raising further capital, the Group may not be able to meet its liabilities as and when they fall due and the realisable value of the Group's current and non-current assets may be significantly less than book values.

### ***Other Information***

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2020 but does not include the financial report and our auditor's report thereon.

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

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, 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 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 has 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 this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report.

The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.



We evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in Internal control that we identify during our audit.

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

**STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD**  
(Trading as Stantons International)  
(An Authorised Audit Company)

*Stantons International Audit & Consulting Pty Ltd*



**Martin Michalik**  
Director

West Perth, Western Australia  
24 November 2020