



NEXION GROUP LTD
APPENDIX 4D – HALF YEAR REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

26 February 2021

DETAILS OF THE REPORTING PERIOD

This report details the consolidated results of Nexion Group Ltd, ABN: 48 628 415 887 ("NNG" or "Company") and its controlled entities ("Group") for the half-year ended 31 December 2020. Comparatives are for the half-year ended 31 December 2019.

RESULTS FOR ANNOUNCEMENT TO THE MARKET

				2020	2019
				\$'000	\$'000
2.1	Revenue from ordinary activities	Down	52%	1,018	2,113
2.2	Profit/(Loss) from ordinary activities after tax attributable to members	Down	341%	(1,287)	(292)
2.3	Net profit/(loss) for the year attributable to members	Down	341%	(1,287)	(292)
				Cents	Cents
2.4	Net Tangible assets per share – at the end of the period			(0.845)	(2,510.7)

OPERATING RESULTS

For commentary on the financial results please refer to the information provided in the Directors Report in the attached interim financial report. The half-year report should be read in conjunction with the most recent annual report.

DIVIDENDS

No dividends have been paid or declared since the start of the financial half-year by the Company. The directors do not propose to pay either a final nor an interim dividend. The Company does not have a dividend reinvestment plan.

DETAILS OF ENTITIES OVER WHICH CONTROL HAS BEEN GAINED OR LOST DURING THE PERIOD

The Group did not gain or lose control over any entities during the half-year ended 31 December 2020.

DETAILS OF ASSOCIATES AND JOINT VENTURE ENTITIES

The Group did not have any associates or participate in any joint ventures during the half-year ended 31 December 2020.

AUDIT OF FINANCIAL STATEMENTS

This report is based on the attached half-year financial report which has been reviewed by our auditors.

This announcement has been authorized by the Board of NEXION Group Ltd.

NEXION GROUP LTD

ACN 628 415 887

Consolidated Half-Year Financial Report to 31 December 2020

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NEXION GROUP LTD
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DIRECTORS' REPORT

Directors' report

Your Directors present their report, together with the financial statements, on Nexion Group Ltd ("Company" or "Nexion") and the entities it controlled ("Consolidated Entity" or "Group") at the end of, or during, the half-year ended 31 December 2020.

Directors

The following persons were Directors of the company during the whole of the financial half-year and up to the date of this report:

- Mr Peter Christie – Non-Executive Chairman
- Mr Paul Glass – Managing Director and Chief Executive Officer
- Mr Chris Daly – Non-Executive Director
- Mr Kevin Read - Alternate Director for Paul Glass (appointed 16 September 2020)

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.

Review of operations

The Group's net loss for the half-year ended 31 December 2020 was \$1,287,756 (31 December 2019: \$291,766 loss).

The results were impacted by the Coronavirus (COVID-19) pandemic up to 31 December 2020. The Group observed a general slow-down in capital expenditure on new IT projects being started by its existing and prospective customer base throughout 2020. While recurring revenues for existing services remained strong, new project revenue was below-trend.

Nexion's team continued to focus on building hybrid cloud solutions for its Australian client base, and looking for opportunities to expand both in Australia and overseas during the financial half-year.

Significant events and transactions during the half year

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.

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.

On 27 November 2020, the Company changed its status from a Pty Ltd company to a public company.

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DIRECTORS' REPORT

Events occurring after the reporting period

On 2 February 2021, Nexion Group Ltd issued 40,000,000 shares at 20 cents each and issued 6,038,702 options. Nexion Group was admitted to the Official List of ASX, which took effect on and from 16 February 2021 (ASX code 'NNG').

On 2 February 2021, Nexion Group Ltd issued 7,596,888 ordinary shares pursuant to the conversion of 6,500 convertible notes of \$187 each on the basis of 1,168.75 ordinary shares for each convertible note.

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has not had a material impact on the Group up to 31 December 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date.

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after the Directors' report.

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



Director

23 February 2021

23 February 2021

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

Dear Sirs

RE: NEXION GROUP LTD

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 Ltd.

As Audit Director for the review of the financial statements of Nexion Group Ltd for the period ended 31 December 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours faithfully

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LIMITED

Martin Michalik
Director

NEXION GROUP LTD
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CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

	Notes	31 Dec 2020 \$	31 Dec 2019 \$
Revenue from contracts with customers	5	1,018,317	2,113,295
Cost of goods sold		(640,278)	(1,058,579)
Gross Profit		378,039	1,054,716
Other income	6	125,748	3,034
Expenses			
Consulting and accounting expenses		(461,881)	(351,380)
Employee benefits expenses		(511,534)	(569,860)
Occupancy expenses		(49,523)	(95,505)
Share based payments	8	(39,514)	-
Finance costs		(67,200)	(49,965)
Depreciation and amortisation		(143,629)	(59,441)
Other expenses		(518,262)	(223,365)
Loss before income tax		(1,287,756)	(291,766)
Income tax expense		-	-
Loss for the half-year		(1,287,756)	(291,766)
Other comprehensive Income		-	-
Total comprehensive loss for the half-year attributable to members		(1,287,756)	(291,766)
The total comprehensive loss attributable to: Owners of Nexion Group Ltd		(1,287,756)	(291,766)
Loss per share			
- Basic loss per share	7	(0.022)	(0.005)
- Diluted loss per share	7	(0.022)	(0.005)

NEXION GROUP LTD
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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Notes	31 Dec 2020 \$	30 Jun 2020 \$
Current assets			
Cash and cash equivalents		223,910	138,576
Trade and other receivables		477,006	1,073,445
Total current assets		700,916	1,212,021
Non-current assets			
Property, plant and equipment		779,663	864,414
Right-of-use asset	9	1,217,253	1,276,631
Total non-current assets		1,996,916	2,141,045
Total assets		2,697,832	3,353,066
Current liabilities			
Trade and other payables		1,236,408	1,872,709
Lease liability	9	89,115	124,527
Provision for employee entitlements		48,706	41,762
Loans payable	10	155,280	872,313
Convertible notes		8,473	-
Total current liabilities		1,537,982	2,911,311
Non-current liabilities			
Lease liability	9	1,214,611	1,176,022
Loans payable	10	483,740	499,460
Total non-current liabilities		1,698,351	1,675,482
Total liabilities		3,236,333	4,586,793
Net liabilities		(538,501)	(1,233,727)
Equity			
Contributed equity	11	2,122,446	1,354,746
Convertible note reserve	12	1,175,768	-
Share based payment reserve	8	39,514	-
Accumulated losses		(3,876,229)	(2,588,473)
Capital and reserves attributable to members		(538,501)	(1,233,727)
Total Equity		(538,501)	(1,233,727)

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

	Contributed Equity	Convertible Note reserve	Share based payment reserve	Accumulated Losses	Total
	\$	\$	\$	\$	\$
Balance as at 1 July 2019	1,334,746	-	-	(1,361,191)	(26,445)
Loss for the half-year	-	-	-	(291,766)	(291,766)
Total comprehensive loss for the half-year	-	-	-	(291,766)	(291,766)
Issue of shares (net of costs)	20,000	-	-	-	20,000
Balance as at 31 December 2019	1,354,746			(1,652,957)	(298,211)
Balance as at 1 July 2020	1,354,746	-	-	(2,588,473)	(1,233,727)
Loss for the half-year	-	-	-	(1,287,756)	(1,287,756)
Total comprehensive loss for the half-year	-	-	-	(1,287,756)	(1,287,756)
Share based payment	-	-	39,514	-	39,514
Convertible notes	-	1,175,768	-	-	1,175,768
Issue of shares (net of costs)	767,700	-	-	-	767,700
Balance as at 31 December 2020	2,122,446	1,175,768	39,514	(3,876,229)	(538,501)

NEXION GROUP LTD
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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

	Notes	31 Dec 2020 \$	31 Dec 2019 \$
Cash flow from operating activities			
Receipts from customers		1,464,293	2,254,673
Payments to suppliers and employees		(2,814,206)	(2,393,601)
R&D rebate & government subsidies received		355,368	238,043
Interest received		2	10
Interest paid		(66,490)	(53,721)
Net cash (outflow)/inflow from operating activities		<u>(1,061,033)</u>	45,404
Cash flow from investing activities			
Proceeds from sale of property, plant and equipment		500	-
Payment for property, plant and equipment			(59,329)
Net cash inflow / (outflow) from investing activities		<u>500</u>	(59,329)
Cash flow from financing activities			
Receipts from borrowings		-	213,054
Payments for loans to third parties (equipment loan)		(69,633)	(50,616)
Issue of shares (net of issue costs)		-	20,000
Proceeds from issue of convertible notes		1,215,500	-
Net cash inflow from financing activities		<u>1,145,867</u>	182,438
Net increase in cash and cash equivalents		85,334	168,513
Cash and cash equivalents at beginning of half-year		138,576	84,874
Cash and cash equivalents at end of the half-year		<u>223,910</u>	<u>253,387</u>

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

Note 1: Basis of preparation

These general purpose financial statements for the interim half-year reporting period ended 31 December 2020 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2020 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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 31 December, the Group had net liabilities of \$538,501 and net current liabilities of \$837,066, and in the half-year then ended incurred a loss of \$1,287,756 and net operating cash outflows of \$1,061,033.

During the half-year to 31 December 2020, management has mitigated the going concern risk 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.

Subsequent to the half-year ended 31 December 2020, Nexion Group Ltd issued 40,000,000 shares at 20 cents each to raise \$8,000,000 (before costs) and became a listed company on 16 February 2021.

The Directors have a reasonable expectation that the company will continue as a going concern, and therefore have adopted the going concern basis in preparing this financial report.

Note 2: Significant accounting policies

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for amendments to AASB16: Covid-19-Related Rent Concessions, which were adopted on 1 June 2020. Details of the impact this amendment has had are given below. Other new and amended standards and Interpretations issued by the AASB that will apply for the first time in the next annual financial statements are not expected to impact the Group as they are either not relevant to the Group's activities or require accounting which is consistent with the Group's current accounting policies.

(a) Amendments to AASB 16: COVID-19-Related Rent Concessions

Effective 1 June 2020, AASB 16 was amended to provide a practical expedient for lessees accounting for rent concessions that arise as a direct consequence of the COVID-19 pandemic and satisfy the following criteria:

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- a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- b) The reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- c) There is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with the practical expedient, which means the lessee does not need to assess whether the rent concession meets the definition of a lease modification. Lessees apply other requirements in AASB 16 in accounting for the concession.

The Group has elected to utilise the practical expedient for all rent concessions that meet the criteria. The practical expedient has been applied retrospectively, meaning it has been applied to all rent concessions that satisfy the criteria.

Accounting for the rent concessions as lease modifications would have resulted in the Group remeasuring the lease liability to reflect the revised consideration using a revised discount rate, with the effect of the change in the lease liability recorded against the right-of-use asset. By applying the practical expedient, the Group is not required to determine a revised discount rate and the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

The effect of applying the practical expedient is disclosed in Note 3.

(b) Use of estimates and judgements

There have been no material revisions to the nature and amount of estimates of amounts reported in prior periods. However, as discussed in Note 3, the effects of COVID-19 have required significant judgments and estimates to be made, including:

- a) Whether rent concessions satisfy the criteria to be accounted for using the practical expedient introduced by the amendments to AASB 16;
- b) Assessing whether the Group has reasonable assurance as to whether it will comply with the conditions attached to government grants.

(c) 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

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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.

(d) 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.

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.

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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 re-assesses 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
- 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.

New or amended Accounting Standards and Interpretations adopted

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

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Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Note 3: Significant events and transactions

In addition to the events and transactions disclosed in the Director's report, the Group received rent concessions from Lessors for the half year due to the impact of COVID-19. As discussed in Note 2, the Group has elected to apply the practical expedient introduced by the amendments to AASB 16 to all rent concessions that satisfy the criteria. The rent concessions entered into satisfy the criteria to apply the practical expedient.

The application of the practical expedient has resulted in a change of the total lease liabilities which has been recorded in profit or loss.

Note 4: Operating segments

Identification of reportable operating segments

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 31 December 2020, all revenues and material assets are considered to be derived and held in one geographical area being Australia.

Note 5: 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.

	31 December 2020	31 December 2019
	\$	\$
Product Categories:		
Networking	176,667	141,076
Security	45,780	750,873
Data Centre	419,805	555,433
Consulting	43,572	618,626
Cloud	332,493	47,287
	1,018,317	2,113,295

(b) Operating segments

The Group operates in one geographic segment, being Australia.

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Note 6: Other income

	31 December 2020	31 December 2019
	\$	\$
Other Income		
• Interest received	2	10
• Government cashflow incentives	118,500	-
• Other	7,246	3,024
	125,748	3,034

Note 7: Loss per share

	31 December 2020	31 December 2019
	\$	\$
(a) Reconciliation of loss used in calculating loss per share		
Loss attributable to the ordinary equity holders used in calculating basic loss per share	(1,287,756)	(291,766)
(b) Weighted average number of shares		
Ordinary shares used as the denominator in calculating basic loss per share	59,569,781	54,671,302
	\$	\$
(c) Loss per share		
Basic loss per share	(0.022)	(0.005)
Diluted loss per share	(0.022)	(0.005)

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

Note 8: Classes A and B Performance Rights

On 20 November 2020, the Company issued 4,383,664 Class A Performance Rights and 5,096,908 Class B Performance Rights (together "Performance Rights"). All Class A Performance Rights expire on 29 January 2025 and all Class B Performance Rights expire on 30 January 2025. On vesting, each Performance Right converts into one ordinary share in the Company.

Class A Performance Rights will vest on the Company achieving a Total Pro-forma Revenue of \$15,000,000 for a financial year ending on or before 30 June 2022 ("Class A Deadline"). Class B Performance Rights will vest on the Company achieving a Total Pro-forma Revenue of \$30,000,000 for a financial year ending on or before 30 June 2023 ("Class B Deadline"). Where

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FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

the Total Pro-forma Revenue achieved by the Class A and B Deadlines as a percentage of the respective Total Pro-forma Revenue targets is less than 50% then no Performance Rights will vest; or 50% or more then the relevant Performance Rights will vest pro-rata equal to the percentage of Total Pro-forma Revenue achieved by the respective Class A and B Deadlines.

Total Pro-forma Revenue for a financial year means the total consolidated revenue for that financial year of the Company plus the pre-acquisition revenue for that financial year of any subsidiaries acquired during that financial year. Any Performance Rights not vested before their expiry date, will lapse.

The Performance Rights have remained on issue since their date of issue. No Performance Rights have been vested, converted or cancelled since their date of issue. None of the Performance Rights vesting conditions have been met since their date of issue.

Share based payments expense recognised for the half year ended 31 December 2020 amounted to \$39,514 (31 December 2019: \$Nil).

Note 9: 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

	31 December 2020 \$	30 June 2020 \$
Right-of-use asset		
Leased premises	1,425,076	1,425,076
Accumulated depreciation	(207,823)	(148,445)
	1,217,253	1,276,631
	31 December 2020 \$	30 June 2020 \$
Lease liability		
Current	89,115	124,527
Non-current	1,214,611	1,176,022
Lease liability	1,303,726	1,300,549

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

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

31 December 2020	< 1 year	1 – 5 years	>5 years	Total undiscounted lease liabilities	Lease liabilities included in the Consolidated Statement of Financial Position
	\$	\$	\$	\$	\$
Lease liabilities	119,245	711,836	693,045	1,574,604	1,303,726

30 June 2020					
Lease liabilities	128,263	701,394	769,051	1,598,708	1,300,549

- ii) **AASB 16 related amounts recognised in the consolidated statement of profit or loss and other comprehensive income for the half-year were:**

	31 December 2020 \$	31 December 2019 \$
Depreciation charge	59,378	-
Interest	21,312	-
	80,690	-

- iii) **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.

Note 10: Loans payable

	31 December 2020 \$	30 June 2020 \$
<i>Current</i>		
Loans payable to related parties (i)	-	659,942
Loans payable to third parties (ii)	131,326	126,771
Hire purchase - vehicles	23,954	85,600
	155,280	872,313
<i>Non Current</i>		
Loans payable to third parties (ii)	433,059	499,460
Hire purchase - vehicles	50,681	-
	483,740	499,460
	639,020	1,371,773

**NEXION GROUP LTD
ACN 628 415 887**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020**

i) The following loans were provided by related parties of the Group;

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

NEXION GROUP LTD
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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

Note 11: Contributed equity

	31 Dec 2020 Shares	30 Jun 2020 Shares	31 Dec 2020 \$	30 Jun 2020 \$
Fully paid Ordinary Shares	63,696,568	49,137	2,122,446	1,354,746

Movement in Share Capital

Details	Date	Shares	\$
Balance	1 July 2020	49,137	1,354,746
Shares issued	17 Aug 2020	310	-
Share split (on the basis of 1,168.75 to 1 ordinary share)	19 Oct 2020	57,741,734	-
Issue of shares on related party loan conversion	3 Nov 2020	5,905,387	767,700
Balance	31 Dec 2020	63,696,568	2,122,446

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.

Note 12: Convertible notes

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 is payable quarterly in arrears. The convertible notes are unsecured.

The liability component of convertible notes is initially recognised at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognised at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured. Interest related to the financial liability is recognised in profit or loss. On conversion at maturity, the financial liability is reclassified to equity and no gain or loss is recognised.

The liability and equity components of the convertible notes at the issue date were as follows:

	\$
Liability component	39,732
Equity component	1,175,768
	1,215,500

As at 31 December 2020, the outstanding liability component amounted to \$8,473.

NEXION GROUP LTD
ACN 628 415 887
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

Note 13: Related Party Transactions

Key Management Personnel Compensation

The aggregate compensation paid or payable to Directors and Key Management Personnel of the Group for the half-year is as follows:

	2020	2019
	\$	\$
Short-term employee benefits	356,083	269,319
Share-based payments	39,514	-
	395,597	269,319

Other related party transactions

On 3 November 2020, related party loans of \$767,700 were extinguished through the issuance of 5,905,387 ordinary shares in the capital of the parent company.

Note 14: Events occurring after the reporting period

On 2 February 2021, Nexion Group Ltd issued 40,000,000 shares at 20 cents each and issued 6,038,702 options with an exercise price of \$0.40 each and expiring on 31 January 2024 to its lead manager. Nexion Group was admitted to the Official List of ASX, which took effect on and from 16 February 2021 (ASX code 'NNG').

On 2 February 2021, the company issued 7,596,888 ordinary shares pursuant to the conversion of 6,500 convertible notes of \$187 each on the basis of 1,168.75 ordinary shares for each convertible note.

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has not had a material impact on the Group up to 31 December 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date.

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

DIRECTORS' DECLARATION

In the directors' opinion:

1. The condensed consolidated financial statements and notes, as set out on pages 4 to 18, are in accordance with the Corporations Act 2001 including:
 - a. giving a true and fair view of the Group's consolidated financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
 - b. complying with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Regulations 2001.
2. In the directors' opinion, there are reasonable grounds to believe that the Company 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.



Director

Dated this the 23 February 2021

**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
NEXION GROUP LTD**

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Nexion Group Ltd (the "Company") and the entities it controlled (the "Group"), which comprises the condensed consolidated statement of financial position as at 31 December 2020, the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

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

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review 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 (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* has been given to the directors of the Company on 23 February 2021.

Responsibility of the Directors for the Financial Report

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

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 December 2020 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

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

Stantons International Audit & Consulting Pty Ltd



Martin Michalik

Director

23 February 2021
West Perth, Western Australia