14 February 2020

ASX Announcement

Impairment of Intangible Assets

Pre-fabricated modular data centre specialist, DXN Limited (ASX:DXN) (DXN or the Company) announces that its financial statements for the half year ended 31 December 2019 will recognise a $1.97 million impairment to its Lease - Right of Use Asset in relation to the Melbourne data centre facility.

In line with all companies in Australia that have long term operating leases in place DXN is required to recognise these operating leases on balance sheet consistent with AASB16 Leases which came into effect 1 July 2019 and in line with the Company's half yearly reporting requirements. This requires that DXN recognises any lease liability and a right-of-use ("ROU") asset based on the future lease payments for substantially all lease contract terms. The expected asset impairment relates to the carrying value of the right-of-use asset raised under AASB 16 for the Melbourne data centre facility. This is a point in time assessment and DXN is looking at the following alternatives to improve this impairment position by the full financial year end:

- Sub-lease
- Reassignment of the lease
- Alternate use for the site

The impairment is non-cash in nature and has no impact on DXN's ability to undertake capital management initiatives.

To show the impact on DXN's EBITDA of the impairment charge on DXN's half yearly unaudited profit and loss statements for the 6 months ended 31 December 2019, please refer to Annexure A.

-ends-

About DXN Limited

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

for more information please contact:

Matthew Madden, CEO

T +61 1300 328 239

E: Matthew.Madden@dxn.solutions

ASX Release authorised by the Board of Directors

Annexure A

UNAUDITED STATEMENT OF PROFIT OR LOSS
For the 6 months ended 31 December 2019

	With AASB16 Impairment	*Without AASB16 Impairment*
	$	*$*
Revenue		
Sales to Customers	2,503,634	2,503,634
Cost of Sales	(1,950,052)	(1,950,052)
Gross Profit	553,582	553,582
Once off Income	927,548	927,548
Less Other operating expenses	(4,235,201)	(4,235,201)
EBITDA	**(2,754,071)**	**(2,754,071)**
Depreciation	(310,954)	(310,954)
Amortisation - intangibles	(10,339)	(10,339)
Lease amortisation	(588,415)	(588,415)
Impairment on assets *	(1,969,000)	
EBIT	**(5,632,779)**	**(3,663,779)**

** Impairment charge on the Melbourne facility ROU asset*