

ASX RELEASE

2 September 2022

Amended FY22 Annual Report

DGL Group Limited (ASX:DGL), has become aware of an inadvertent error within Note 26 – Cash Flow Information of the FY22 Annual Report. Note 26 – Cash Flow Information has been corrected. No other changes have been made.

An amended FY22 Annual Report rectifying the error follows this announcement.

- ENDS -

Approved for release by the Board of DGL.

CONTACT

Barbara Furci
DGL Group Limited
+64 9 309 9254 or info@dglgroup.com



DGL GROUP LIMITED AND CONTROLLED ENTITIES

ABN: 71 002 802 646

Financial Report For The Year Ended 30 June 2022



CONTENTS	Page
Message from the Chairman	1
Letter from the CEO	2
Directors' Report	3
Remuneration Report	12
Auditor's Independence Declaration	16
Consolidated Statement of Profit or Loss and Other Comprehensive Income	17
Consolidated Statement of Financial Position	18
Consolidated Statement of Changes in Equity	19
Consolidated Statement of Cash Flows	20
Notes to the Financial Statements	21
Directors' Declaration	65
Independent Auditor's Report	66
Additional Information for Listed Public Companies	70

MESSAGE FROM THE CHAIRMAN

During the financial year ended 30 June 2022 (FY22), DGL Group ("DGL") made significant strides on delivering its strategy to become a diversified industrial group.

DGL delivered another strong financial performance this financial year, exceeding prospectus forecasts and upgrading earnings guidance forecasts in April 2022 when it became apparent earnings would be stronger than expected.

FY22 FINANCIAL RESULTS AND HIGHLIGHTS

In FY22, DGL Group reported underlying earnings before interest, tax, depreciation and amortisation (EBITDA) of \$65.6 million, up 167% on underlying EBITDA of FY21 and ahead of the revised FY22 forecast of \$65.0 million. Underlying net profit before tax nearly trebled, to \$46.3 million in FY22 up from underlying net profit before tax of \$11.9 million in the prior year.

It is a credit to the entire DGL team that this result was delivered in the face of a uniquely challenging set of market conditions.

FY22 was marked by acute disruption to global supply chains from the COVID-19 pandemic and the events in Ukraine after February 2022. Securing cargo ships became difficult, freight rates trebled, supply of key materials tightened and chronic labour shortages and wage pressures made managing growth challenging. On the other hand, the supply chain challenges have meant customers are, increasingly, onshoring their chemical supply chain and holding more stock on site, causing a structural shift to reliable providers such as DGL. Fortunately, our strong leadership team was able to manage these conditions and deliver strong earnings growth.

DGL's acquisition strategy is also evident in the result with 11 successful acquisitions during the year. Each one was integrated successfully into the DGL structure, comfortably generating the forecast levels of profit factored into their purchase prices. DGL now has a well-established model for integrating newly acquired businesses, with alignment on financial accounting, workplace safety and other operational areas a particular focus.

Per our existing policy, we have not declared a dividend for the 2022 financial year. Our current dividend policy is to reinvest all cashflows into growing the business.

A MATURING BUSINESS

The strong growth achieved during FY22 is even more remarkable given DGL has only been listed for a little over 18 months. In that time the Board, has seen the transition from a private, founder-led business to a sizeable ASX-listed enterprise.

This evolution comes with the challenge of ensuring structures in and around the business keep pace with both rapid growth and the expectations of investors of a public company. To this end, the Board and leadership have been focused on measures to embed consistency across the organisation in key financial and operational areas.

The management structure has been streamlined, with a smaller number of senior leaders reporting directly to the CEO and newly acquired business units falling under one of three divisional leaders.

For the first time, a People and Culture lead has been appointed to DGL's senior leadership team, responsible for establishing a consistent workplace culture and set of behaviours across DGL.

The enhanced People and Culture function will build on a solid platform; an independent review of DGL's culture completed in August 2022 found it to be largely positive and constructive, while also recommending some areas where the strong platform could be further enhanced. We have already begun implementing recommendations from the report in the new financial year.

In June 2022, DGL announced it would delist from the New Zealand Exchange (NZX), choosing to maintain its sole listing on the Australian Securities Exchange (ASX). This decision had been under consideration for many months and simply reflected the lack of liquidity in DGL shares on the NZX.

STRATEGY & OUTLOOK

On behalf of the Board, I want to commend DGL's leadership and workforce for their hard work and dedication in steering the company to such a strong result amid a challenging operating environment. I would also like to thank you, our loyal shareholders, for your continued support of the company.

With a robust balance sheet and ample liquidity in place, the company is in an excellent position to build on the result in the current year while taking advantage of new inorganic opportunities that emerge in the current market.

I look forward to working with the Board and management to enhance our commitment to our customers and continue maximising growth and value to shareholders in FY23.



A handwritten signature in blue ink, appearing to read 'Peter Lowe', written over a light blue circular stamp or watermark.

Peter Lowe
Chairman

LETTER FROM THE CEO

To the shareholders, employees, and wider stakeholders of DGL Group ("DGL"),

Last year, in my first letter as the Chief Executive Officer of DGL, I wrote that 2021 had been a particularly transformative year as we successfully listed as a public company, raised \$100 million of new capital, and greeted new shareholders to our business.

I am very pleased to write that in 2022, DGL is progressing well towards becoming a fully integrated end-to-end diversified industrial group.

BUSINESS HIGHLIGHTS & ACHIEVEMENTS

Despite the challenging circumstances posed by the COVID-19 pandemic, DGL performed strongly in FY22 exceeding the prospectus and meeting the upgraded earnings forecasts. We benefited from the strong customer relationships built over many years, our market-leading products, and favourable market conditions. Demand for our products significantly increased as customers continued to onshore their chemical supply chain and hold more inventory in case of unpredictable demand and supply conditions.

We achieved sales revenue of \$369.8 million, a remarkable increase of 139 per cent from the previous year revenue, demonstrating continued demand for our products and services. Additionally, we achieved underlying net profit after tax of \$33.6 million, a significant increase on what was initially forecast for 2022 in our prospectus. All three of our divisions performed exceedingly well, delivering solid revenue growth. The \$100 million raised in the IPO in May 2021 has been used to acquire new businesses and invest in strategic properties in Australia and New Zealand, as well as in existing operations. With record earnings, a \$64 million increase in our property portfolio, and the new scrip issued to vendors, our net assets have risen to more than \$300 million.

During the past year, we welcomed 11 new businesses and their employees into the DGL fold. I am pleased to note that each of the businesses have been successfully integrated. We have worked extremely hard to ensure that the transition of the acquired companies to DGL was seamless for both customers and suppliers. These acquisitions have enabled us to leverage rising demand from our customers across all divisions, as well as significantly increase our size, production capability and geographical spread. The experience, workforce and intellectual property gained from these acquisitions have expanded our reach to offer our services across more markets.

This has been particularly true for our chemicals manufacturing division, which made an exciting entry into the automotive industry with the acquisition of AUSblue Group and Austech Chemicals. Overall, the division made a total of eight acquisitions during the year, as well as Flexichem early in the FY23 financial year, providing DGL a stronger share of the chemical manufacturing market. DGL now operates from 54 sites across Australia and New Zealand, employs more than 550 people, and substantial manufacturing and waste processing capacity. As a result of our increased scale, we are pleased to offer our 3,200 customers safe and compliant industrial services on one platform, across multiple geographies - a key differentiator from our competition.

OUR COMMITMENT TO SAFETY & ESG

As our Group grows and matures, so too do our processes and operating procedures. The health and safety of our team remains at the forefront of everything we do, and we strive to ensure that DGL always meets best practices and continues to operate a safe and compliant business. I am very pleased to report that we have had no significant health, safety or environment issues during the year, which continues to be the goal moving forward.

We have increased our environmental, social and governance (ESG) commitment. Together with an external consultant, we have begun developing our ESG strategy to reflect the maturity of our business. So far in the project, we have identified several key ESG issues material to DGL such as climate risks and greenhouse emissions, and employee health, safety and engagement and look forward to further embedding our ESG strategy during FY23.

LOOKING AHEAD

Looking to FY23 and beyond, we are excited about the ongoing expansion that we have planned. Our strategic priorities remain the same: focusing on driving organic growth by providing more services to a greater number of customers across multiple geographies. We are working hard to rebrand our recently acquired companies and use our increasing business size to achieve further economies of scale in areas such as procurement and supply chain. We continue to seek, assess, and invest in new capital projects to expand our suite of products and services for our customers. Finally, we remain committed to finding new partners to work with, through acquisitions or otherwise, to expand our capacity.

It is our intention to reinvest our earnings back into the Group, and we will continue to do this while we see attractive returns through investing in existing assets or acquiring new companies. At this time, we see endless potential to expand DGL and its range of services.

Our strong supplier relationships, and capabilities across the supply chain, together with our continued commitment to our strategy, positions DGL to continue to perform well. We expect demand for our products and services to remain strong, enabling DGL to have another successful year in FY23.

In closing, I would like to take the opportunity to thank our shareholders, suppliers and customers for their continuing support throughout the past 12 months.

We acknowledge that 2022 has been a challenging year for all, yet through the determination, resilience, and willpower of our extraordinary team, DGL has prospered. I am proud to lead this team and I see a bright future for the Group and its unique service offering across Australia and New Zealand.



A blue ink handwritten signature, appearing to read 'Simon Henry', written in a cursive style.

Simon Henry
Chief Executive Officer

DIRECTORS' REPORT

The directors present their report on the consolidated entity (referred to herein as the Group) consisting of DGL Group Limited and its controlled entities for the financial year ended 30 June 2022.

General Information

Directors

The following persons were directors of DGL Group Limited during the whole of the financial year and up to the date of this report, unless otherwise stated.

Peter Lowe

Chairman and Non-Executive Director
Member of the Audit and Risk Committee
Member of the Remuneration Committee
Appointed 1 April 2021

Peter has over 30 years' experience in CEO and CFO roles. He is an experienced director who has held numerous non-executive directorships on listed, private and government owned organisations.

Peter is currently the Chair of United Energy Distribution Holdings Pty Ltd, Multinet Group Holdings Pty Ltd, Lochard Energy Pty Ltd and DBNGP Holdings Pty Ltd. He is also a director of Australian Gas Networks Limited.

Peter has previously held roles at PwC, Fosters Brewing Group and Utilicorp United Inc.

Other current directorships of listed companies

N/A

Former directorships of other listed companies (last 3 years)

Mayfield Childcare Limited - resigned 22 August 2022

Simon Henry

Founder, Executive Director and Chief Executive Officer
Appointed 22 May 2012

Simon has been the CEO of the Company since 1999. He has over 35 years' experience in industrial property development, logistics, international trading, manufacturing, and production in Australia, New Zealand and Asia-Pacific.

Other current directorships of listed companies

N/A

Former directorships of other listed companies (last 3 years)

N/A

Denise Brotherton

Non-Executive Director
Chair of Audit and Risk Committee
Member of Remuneration Committee
Appointed 1 April 2021

Denise is a highly experienced business leader and adviser with more than 27 years' experience working with high growth companies, including privately-owned and ASX-listed companies.

Denise is currently a tax partner with professional services firm, BDO. Denise was previously a tax partner at EY.

Other current directorships of listed companies

N/A

Former directorships of other listed companies (last 3 years)

N/A

Robert McKinnon

Non-Executive Director
Chair of Remuneration Committee
Member of Audit and Risk Committee
Appointed 1 April 2021

Robert has over 40 years' finance and management experience in light manufacturing and industrial sectors in Australia, New Zealand, and Canada. Robert has extensive executive and board experience across a diverse range of ASX-listed companies. This includes executive roles in Capral, Austal and Fleetwood.

Other current directorships of listed companies

Peet Limited

Former directorships of other listed companies (last 3 years)

M8 Sustainable

Robert Sushames

Executive Director, General Manager - DGL Manufacturing (Australia) Pty Ltd
Appointed 1 April 2021

Robert has over 20 years' experience in the manufacturing and agricultural chemical industry. He has experience in international procurement, chemical processing plants, contract manufacturing, and warehousing. Robert has diverse operational experience in medium-sized enterprises as a second generation family business owner.

Other current directorships of listed companies

N/A

Former directorships of other listed companies (last 3 years)

N/A

Andrew Draffin

Company Secretary
Appointed 11 January 2021

Andrew is an experienced ASX company secretary with a strong focus on governance and financial reporting. Andrew is currently a Partner at DW Accounting & Advisory Pty Ltd.

DIRECTORS' REPORT

Shareholdings of directors and other key management personnel

The interests of each Director and other key management personnel, directly and indirectly, in the shares and options of the Company at the date of this report are as follows:

	Date of this report		30 June 2022	
	Ordinary Shares	Share Options	Ordinary Shares	Share Options
Peter Lowe	50,000	-	50,000	-
Simon Henry	150,917,729	-	150,917,729	-
Denise Brotherton	25,000	-	25,000	-
Robert McKinnon	50,000	-	50,000	-
Robert Sushames	1,000,000	-	1,000,000	-

Meetings of directors

During the financial year, 26 meetings of directors were held.

Attendances by each director during the year were as follows:

	Directors' Meetings	
	Number eligible to attend	Number attended
Peter Lowe	26	26
Simon Henry	26	26
Denise Brotherton	26	23
Robert McKinnon	26	22
Robert Sushames	26	26

Principal Activities and Significant Changes in Nature of Activities

DGL Group was established in 1999 by current CEO and Founder, Simon Henry. Mr Henry's vision for the DGL was to address a gap in the market for a fully integrated end-to end specialty chemicals and dangerous goods business.

DGL has now established itself as an integrated business that can offer a wide range of products and services to its diverse customer base. Its service offering includes chemical formulation and manufacturing, warehousing and distribution, and waste management and recycling. The Company's vision is to leverage its asset base, customer relationships, and trusted brand to further expand the products and services offered across the full chemical lifecycle and, ultimately, develop itself as a one stop shop for its customers.

DGL operates in three interconnected industries:

(a) Procurement, manufacturing, formulation, and packing of specialised chemical and materials product

- The chemical manufacturing industry is large and diverse. It provides materials and formulations to a range of industry sectors, as well as supplying products to end-use consumer and industrial companies. It is common for chemical suppliers to outsource manufacturing for reasons including to reduce risk, minimise capital expenditure and focus on their core activities such as innovation and marketing. Specialised manufacturers can offer procurement, formulation, compliance, production, labelling, packaging and logistics services.
- The total basic chemical and chemical products manufacturing sector in Australia and New Zealand is projected to grow from \$37.26 billion in 2016 to \$40.82 billion in 2026.¹

(b) Logistics and storage of dangerous and specialised goods

- Services include logistics, transportation and freight management, inventory management, packaging and warehousing of dangerous and specialised goods.
- Dangerous goods, being substances that potentially pose a risk to life and health, require specialist skills and appropriate licences as incorrect storage and handling of dangerous goods and chemicals can result in spills, contamination, explosions, fires, burns, corrosive action and release of toxic fumes/gases.
- The integrated general logistics (excluding postal and courier services) service market in Australia and New Zealand is projected to grow from \$90.39 billion in 2016 to \$111.65 billion in 2026. Within this market, it is estimated that dangerous goods logistics accounted for approximately \$880 million of the Australian and New Zealand market value in 2019 (approximately 10% of the total market) and that this will grow to \$1,238 million by 2026.¹

(c) Hazardous waste management market in Australia

- The waste management industry provides services across multiple sectors including waste collection, waste transport, processing, recycling, recovery and disposal.
- Hazardous waste comprises approximately 10% of the total \$15 billion waste management industry and are classified as wastes deemed to be potentially harmful to human health or the environment.¹

¹ Frost & Sullivan, Market report on Dangerous Goods Logistics, Contract Manufacturing of Chemicals and Hazardous Waste Management/Recycling Services Markets in Australia and New Zealand, 29 March 2021, commissioned by the Company, as disclosed in the IPO Prospectus.

DIRECTORS' REPORT**Review of Operations**

The Group comprises three operating segments: Chemical Manufacturing, Warehousing and Distribution and Environmental Solutions.

A description of each of the operating segments is set out below.

Chemical Manufacturing

Segment description

DGL provides materials and formulations to a range of industries, as well as supplying products to end-user consumer and industrial companies. Related services provided also include procurement, full-service formulation and packing services, formulation development, and contract manufacturing.

The Chemical Manufacturing segment holds a high level of process and product intellectual property. These processes often involve reaction chemistry of dangerous raw materials and are highly automated according to individual customer requirements.

DGL supplies a diverse range of customers primarily in Australia (~95% of sales revenue) and New Zealand (~5%) in several different sectors including agriculture, automotive, construction, mining, and utilities. Through acquisitions and the growth of DGL over the past year, the Group has reduced its reliance on key manufacturing customers with the largest Group customer (a manufacturing customer) now reduced to 10% of FY22 pro-forma revenue (down from 19% in May 2021) as the number of, and value contributed by, other customers has grown.

Key activities

Statutory sales revenue of the Chemical Manufacturing division has increased from \$55 million in FY21 to \$235 million in FY22 (does not exclude intercompany transactions). The statutory Chemical Manufacturing division result from continuing operations before tax and interest increased from \$5 million in FY21 to \$40 million in FY22 (does not exclude intercompany transactions).

Revenue growth can be attributed to higher selling prices, growth in volumes, and the contribution of sales revenue from acquired businesses. Similarly, earnings growth can be attributed to the accretive earnings of the businesses acquired, organic growth of underlying group, and the organic growth of the acquisitions under DGL's ownership.

Strong customer demand continued to drive revenue growth in this division as customers onshore their chemical manufacturing amid supply chain challenges, continuing the trend observed in FY21. In addition, DGL maximised manufacturing plant utilisation and realised synergies from acquired businesses, further supporting margins. Some opportunistic growth in earnings was achieved because of stock holdings, capabilities, balance sheet strength and the Group's execution which may not be replicated to the same extent in financial year 2023. Finally, several new manufacturing plants are being established (Regional Victoria and Townsville) and the Company is also investing in new formulation and blending plants at existing Chemical Manufacturing sites.

Since June 2021, DGL has acquired and integrated eight businesses into the Chemical Manufacturing existing division (Labels Connect, Opal Australasia, Aquapac, Profill, AUSblue, Austech Chemicals, RLA Polymers and Total Coolants). This has expanded the division's capabilities further into the agricultural, automotive and industrial sectors. The acquisitions have also increased DGL's geographical presence across Australia and New Zealand. The knowledge, experience, workforce, and intellectual property gained from these acquisitions has expanded the company's reach to offer its products and services across more industries, sectors, and geographies.

Overview of acquisitions:

Labels Connect was acquired on 1 July 2021. Labels Connect is the primary supplier directly to many of DGL's customers as well as internally strengthening our portfolio of manufacturing service offerings. The Labels Connects acquisition removes a bottleneck in the delivery of chemical products to our customers and allows us to improve turnaround times by being in control of this part of the packaging supply chain.

Opal Australasia was acquired on 1 September 2021. Opal is a specialist contract formulator and packing business based in the Western Australia. The company has been operating profitably for nearly 20 years, and is one of only two independent agricultural chemical toll manufacturing companies in the state. The acquisition provides DGL with additional capabilities, capacity, and a Western Australian manufacturing presence.

Aquapac was acquired on 1 October 2021. Aquapac is a water solutions company which formulates, trials and provides technical support to its customers across Australia's east coast. It supplies a wide range of water treatment chemicals to industry and local government customers across Australia, as well as exporting chemicals to international markets. The acquisition enhances DGL's existing water treatment chemical business and provided access to an extensive list of mining, industrial and government customers across Queensland and New South Wales.

Profill was acquired on 1 October 2021. The operations of Profill have been transitioned into our DGL Manufacturing business very quickly and continue to operate from the facility in Wangara, Western Australia. The operations provide chemical manufacturing, blending and packing services servicing the home and garden, fertiliser, agricultural and industrial chemicals markets. Other offerings include formulation development and registration services for the agricultural chemical and crop protection markets. The acquisition enhances and strengthened our existing contract manufacturing business in Western Australia by providing further formulation, repacking and contract filling capabilities.

AUSblue was acquired by DGL on 1 November 2021. AUSblue is a market leader in the manufacturing and distribution of AdBlue®, a diesel exhaust fluid that removes harmful nitrous oxides and helps reduce emissions. AUSblue is required by customers in the mining, transport and government sectors, as well as major fuel retailers across Australia. Acquiring the leading manufacturer and distributor of AdBlue® gave DGL a significant foothold in the automotive industry, with access to almost all meaningful customers that require the formulation of this chemical.

Austech Chemicals was acquired on 1 December 2021. Austech specialises in the manufacturing of non-oil automotive chemicals, such as coolant, brake fluids, solvents, flammables and aerosols. It is widely recognised that as Australia moves into more sustainable vehicles that more advanced fluids will be required. As such, DGL sees this as a unique opportunity to access the sustainable vehicle market.

RLA Polymers was acquired on 1 April 2022. RLA Polymers is a New Zealand manufacturer and distributor of quality products into the building and construction industries. Primary activities include the manufacturing of synthetic latex compounds, flooring adhesives, waterproofing sealants, ceramic tile adhesives and self-levelling cements for the building and construction industry. RLA Polymers has a strong domestic and international customer base, including major construction companies and retail blue chips. The acquisition enhances the capabilities of DGL's Chemical Manufacturing segment in New Zealand, reinforcing our objective to become a leading full-service chemical management company across Australia and New Zealand.

DIRECTORS' REPORT

Total Coolants was acquired on 1 May 2022. Total Coolants is a manufacturer and distributor of quality maintenance prevention products into the mining, marine, wind farms, power generation, agriculture sectors. Primary activities include the manufacturing of non-toxic coolant for all engine types, used to maintain engine temperature and alleviate corrosion. Total Coolants provides valuable coolant expertise to add to the product offering to the automotive industry.

During FY22, the chemical manufacturing division faced a number of disruptions to its business. These included COVID-19 and illness related disruptions, lack of simple materials and products such as pallets, delays (or cancellations) in receipt of technical materials from onshore and offshore suppliers, and multiple re-pricing discussions due to escalation of raw material costs. Despite these disruptions, the chemical manufacturing division was able to operate at high utilisation rates during the period (with some sites recording an increase in volumes produced).

*Warehousing and Distribution**Segment description*

The Warehousing and Distribution division offers transport, logistics and warehousing services focusing on hazardous goods across Australia and New Zealand. Key components of the services provided by the division include freight forwarding, inventory management, warehousing, and transport.

DGL has capacity to store approximately 170,000 tonnes of chemical and general products across Australia and New Zealand. DGL employs specially trained staff and fully accredited processes to provide safe and secure handling and storage of goods across multiple product types. All sites cater for racked, and/or block stacked pallet storage. DGL also caters for toxic gases with its upper and lower tier major hazard facility licences. During the FY22 period, the warehouses were highly utilised.

DGL also provides national and international logistics through its own fleet and transport via partners across Australia and New Zealand. The division's fleet includes more than 185 owned trucks, trailers and road tankers across Australia and New Zealand, licensed to carry dangerous goods. The division can provide solutions for wharf cartage, bulk tankers, local, interstate and line haul transport.

DGL's Warehousing and Distribution services both the Chemical Manufacturing and Environmental Services divisions with logistics. This provides a significant advantage for customers as it allows for greater assurances over supply.

Key activities

Statutory sales revenue of the Warehousing and Distribution division has increased from \$41 million in FY21 to \$63 million in FY22. The statutory Warehousing and Distribution division result from continuing operations before tax and interest increased from \$3.9 million in FY21 to \$4.2 million in FY22.

High utilisation of DGL's logistics network and continued demand for the company's warehousing and distribution services supported strong growth of this division. Customers forward-ordering and holding more inventory in storage in response to unpredictable supply chain disruptions was a significant contributor to the increase in revenue in the division.

Warehousing and Distribution acquired three businesses during FY22 contributing to the division's revenue growth and service offering.

Overview of acquisitions:

Shackell Transport was acquired on 1 December 2021. Shackell Transport is a freight carrier service that specialises in bulk liquid haulage. The company offers regional and interstate distribution and linehaul services across Australia to customers in the food, mining, chemical, agricultural, building and construction industries. The acquisition complements DGL's existing fleet, bringing synergies and greater control over the distribution of chemicals, while also enhancing the Company's visibility and access to the bulk chemical industry.

ALM was acquired on 1 March 2022. ALM offers safe and reliable transport for dangerous and hazardous materials, focusing on sampling, specialised packing, compliance, and freight service of product samples. ALM packs and sends over 7,000 product samples per year for some of the world's largest chemical and agriculture companies. The acquisition of ALM expands DGL Group's service offering to all customers, providing them with additional services and capabilities to align with their needs.

Temples was acquired by DGL on 1 June 2022. Temples added chemical storage capacity to DGL's WA operations and strategic operational space for transport equipment and shipping container work.

During FY22, DGL expanded its freight forwarding division was expanded and a customs clearing unit was established. The expansion further increases the service offering DGL can provide to customers of the Group.

Warehousing and Distribution is continuing to assess other opportunities regarding expansion of the fleet in addition geographies and service types such as port services, container transport, and bulk tanker work. There are several examples within the Group where DGL's own fleet could be used instead of customers using subcontractors. This full-service offering would again be beneficial to customers across all three divisions, who may be inclined to focus on consolidating their suppliers to find cost benefit and supply chain efficiencies.

Other contributions to revenue growth included the cross-referral of customers across divisions. Intercompany revenue increased from \$3m to \$10m highlighting the increasing role of Warehousing and Distribution to link DGL sites to our customers.

Operational cost pressures and COVID disruptions impacted the Warehousing and Distribution earnings. While fuel cost pressures are generally offset through fuel levies, there will be a focus on repricing and margin growth in FY23. High utilisation rates and employee disruptions also impacted DGL Warehousing and Distribution's margin in FY22. Storage facilities are more efficient when utilisation is in the 90-95% range. Utilisation across most warehousing sites were consistently higher than that range in FY22.

*Environmental Solutions**Segment description*

The Environmental Solutions division undertakes resource recovery and hazardous waste management activities. Its core activities comprise liquid waste treatment, end-of-life lead acid batteries (ULAB) recycling, lead smelting and refining.

DIRECTORS' REPORT

ULAB recycling is undertaken at two EPA licensed recycling facilities located in New South Wales and Victoria. ULABs are recycled in state-of-the-art recycling highly automated facilities. The division relies on an established and mature collection network of suppliers located throughout Australia. The primary outputs from the ULAB recycling process are lead products, scrap plastic and waste. Lead products are sold to overseas smelters, scrap plastic is sold to a local recycler and the waste streams are further processed and disposed in landfill.

The segment's site in Laverton North, Victoria has lead smelting and refining capabilities. This is to allow the conversion of intermediate lead material into more refined products, which are sold to a wider global market.

DGL operates a wastewater treatment plant to process liquid waste generated from its end-of-life lead acid batteries recycling plant in New South Wales. The plant also treats liquid waste from industrial customers, who include aluminium extruders and galvanisers and wastewater customers. Material progress has been made towards the development and construction a state-of-the-art liquid waste treatment plant on the same site capable of treating significantly greater volumes of liquid waste.

Key activities

Statutory sales revenue of the Environmental Solutions ("Environmental") division has increased from \$63 million in FY21 to \$88 million in FY22. The statutory Environmental Solutions division result from continuing operations before tax and interest increased from \$3 million in FY21 to \$11 million in FY22.

Revenue growth is attributable to both a high throughput of recycled and treated materials, strong sales conversions, and an increase to the lead price during the FY22 period (compared to prior periods).

Earnings growth is attributable to both the scaling of the Environmental Solutions division but also exclusion of corporate costs in the FY22 figures. From FY22 corporate costs have been separately classified and no reclassification of prior year results was undertaken.

Supply chain disruptions impacted the Environmental Solutions division albeit at a relatively lower level compared to the other two operating divisions.

Environmental Solutions has invested in new machinery to upgrade the generated Polypropylene stream from its battery recycling operation. This value add converts the plastic to a more marketable end product.

Progress on the new liquid waste treatment plant has been delayed, pending final consents and regulatory approvals. Plant commissioning now planned for Q4 FY23.

There are several examples of Environmental Solutions working closer with the other two operating divisions.

Environmental Solutions has integrated Warehousing and Distribution staff onsite at Unanderra to handle container and bulk transport internally. This move has provided a cost saving and more efficient service for the finished goods and liquid waste transportation. These staff are also liaising with other Warehousing and Distribution staff to identify bulk transport and long distance haulage opportunities within the group.

Manufacturing & Distribution technical services are working with Environmental Solutions operational staff to explore water treatment chemicals that can be formulated and supplied internally to be tailored to DGL's specific requirements and reduce costs. Reciprocating, Environmental Solutions is working with Manufacturing & Distribution to treat liquid waste generated from various formulation processes to reduce external waste disposal costs and assessments are being undertaken to potentially expand this capability within the group.

Group Operating Results

The consolidated profit of the Group after providing for income tax amounted to \$27.9 million. (2021: \$47.2 million). On an underlying basis, adjusting for one off items (including acquisition costs, impairment expenses, debt forgiven, and the tax impact of these items) the underlying profit of the Group after providing for income tax amounted to \$33.6m (2021: \$9.6 million).

The consolidated profit includes interest expenses, corporate costs, and intercompany eliminations.

Out of the \$47.2 million profit in the FY21, income of \$40.275 million relates to a debt forgiveness by DGL Commercial Limited now known as Rapaki Property Group Limited (an entity that is not part of the DGL consolidated group and a related party of Simon Henry). All rights to call for repayment were unconditionally rescinded by Rapaki Property Group Limited and Simon Henry.

Total comprehensive income for the year amounted to \$52.6 million (2021: \$68.4 million). Total comprehensive income includes income of \$24.7 million (2021: \$21.3 million) primarily due to the revaluation of DGL Group's strategic property portfolio and the accompanying tax impact.

Financial Position

The net assets of the Group have increased by \$110.5 million from \$195.3 million as at 30 June 2021 to \$305.8 million as at 30 June 2022.

There was a significant increase in the current assets and current liabilities of DGL Group from 30 June 2021 to 30 June 2022. Current assets increased from \$86 million to \$145 million and current liabilities increased from \$51 million to \$89 million.

The increase was attributable to three factors: contributions of working capital following the acquisitions of businesses in FY22, an increase to underlying value of current assets and liabilities following increases to prices and volumes, and finally, a deliberate strategy to hold more inventory to assure supply to our customers. The current inventory position puts DGL in a strong position ahead of the FY23 period where supply chain disruptions are expected to continue, albeit to a lesser extent. The net increase in current assets and liabilities has primarily been funded through operating cash flows and a secured payables facility provided by the bank.

Total assets increased from \$278 million to \$507 million. Along with the noted increase in current assets, goodwill has increased by \$67 million following the acquisition of the 11 businesses during FY22, right of use assets have increased by \$18 million with several additional leased sites, and property plant and equipment has increased by \$86 million from \$133 million to \$219 million. The increase in property, plant and equipment is primarily attributable to key several factors, a \$38 million increase due to strategic property acquisitions (primarily Australian located property), a \$31 million revaluation increase to the Group's property portfolio, as well as \$23 million of property, plant and equipment added from businesses acquired during FY22.

DIRECTORS' REPORT

Total liabilities increased from \$82 million to \$202 million. Along with the noted increase in trade and other payables, non-current borrowings increased by \$66 million and non-current lease liabilities increased by \$14 million. The total bank facility (Borrowing, secured payables, and other ancillaries) is \$135 million (excluding ancillary facilities such as credit cards and bank guarantees). The total amount of the bank facility drawn at June 2022 is \$90m. Most of the debt has a maturity date of September 2024. As at 30 June 2022, DGL remains well within covenant limits (capitalisation ratio, fixed charge cover ratio, debt to EBITDA ratio) set by its financiers.

Dividend Paid or Recommended

It is not recommended that a dividend be declared and no dividends were paid or declared during and since the end of the financial year.

The Company does not intend, or expect, to declare nor pay any dividends. The current dividend policy of the Company is to reinvest all cash flows in the business to maximise its growth.

Matters Subsequent to the End of the Financial Year

On 7 July 2022, the Company announced the acquisition of Flexichem Australia Pty Ltd, a company that specialises in complex silicone-based manufacturing targeted for water treatment, industrial and specialty product applications for both domestic and export customers.

The total acquisition price is \$6.2m. Consideration is \$4.65m in cash and \$1.55m in DGL Group's shares at a 5-day VWAP calculated at the date of completion.

On 11 July 2022, the Company issued 53,324 fully paid ordinary shares to certain members of the executive management team following a remuneration review. The shares were issued at \$2.72 per share and are subjected to a 12 month escrow period from the date of issue. The total value of shares issued was \$145,045.

On 30 August 2022, the Company announced the acquisition of Clarkson Freightlines. Clarkson's provides specialised freight services to the mining, infrastructure and agricultural sectors in Western Australia.

The total acquisition price is \$6.75m. Consideration is \$6.25m in cash and \$0.5m in DGL Group's shares priced at a 5-day VWAP up to settlement date. The acquisition is subject to contractual conditions being met by the Vendors prior to settlement. Settlement date is expected to be around 5 September 2022.

On 30 August 2022, the Company announced the acquisition of BTX Pty Ltd. BTX are a Queensland based chemical solutions provider for the municipal, industrial and mining sectors. BTX's success nationally in waste management solutions has been achieved through its extensive intellectual property in water treatment products and services.

The total acquisition price is \$7.25m. Consideration is \$5.8m in cash and \$1.45m in DGL Group's shares priced at a 5-day VWAP up to 31 August 2022. The acquisition is subject to contractual conditions being met by the Vendors prior to settlement. Settlement date is expected to be around 1 October 2022.

On 30 August 2022, the Company announced the acquisition of Aquadex Pty Ltd. Aquadex's award winning chlorine manufacturing process reduces the environmental impact by utilising clean technology that can be co-located on municipal and mining sites.

The total acquisition price is \$7.0m. Consideration is \$0.7m in cash and \$6.3m in DGL Group's shares priced at a 5-day VWAP up to 31 August 2022. The acquisition is subject to contractual conditions being met by the Vendors prior to settlement. Settlement date is expected to be around 1 October 2022.

On 30 August 2022, the Company announced the acquisition of Acacia Ridge Container Park Pty Ltd. Acacia Ridge Container Park is the leading Queensland ISO bulk tank container and bulk liquid tanker waste management facility. Providing full treatment and management services for bulk chemical transport equipment.

The total acquisition price is \$5.0m. Consideration is \$3.5m in cash and \$1.5m in DGL Group's shares priced at a 5-day VWAP up to settlement date. The acquisition is subject to contractual conditions being met by the Vendors prior to settlement. Settlement date is expected to be around 1 November 2022.

Outlook and Key Business Strategies and Prospects

DGL's vision is to be Australasia's leading fully integrated, end-to-end chemicals and materials business. To achieve this, the Company has four strategic priorities to drive growth;

- Drive cross-selling of DGL's services to its customers
- Achieve further economies of scale
- Investment in capital projects
- Identified acquisitions

These are explained further as follows:

1. Drive cross-selling of DGL's services to its customers

A core component of DGL's growth strategy is to create greater cross usage of services by customers across DGL's three core divisions. DGL's three divisions encompass all stages of the chemical and hazardous good lifecycle, from formulation through to disposal and recycling. This allows for a significant level of cross-sell to provide DGL's customer base with a one stop shop approach to chemical supply chain solutions. This is further supported by the trend towards consolidation of suppliers which DGL is well positioned to benefit from.

As a demonstration of this strategy in FY22, newly acquired businesses continue to provide opportunities to expand DGL's product and service offerings to its customers, geographies, and new sectors. Greater product offerings will allow our customers to rationalise suppliers, benefiting DGL.

DGL expects to continue to assess the best way to align the growing business units to facilitate cross-selling capabilities. It also expects to continue redeploying staff from acquisitions to Group wide roles. DGL also plans to improve the collection and dissemination of data and information across the Group, which will facilitate the spread of intellectual property and promote cross-selling opportunities.

DIRECTORS' REPORT**2. Achieve further economies of scale**

To achieve further economies of scale, DGL is focused on the increased buying opportunities as well as increasing utilisation and leveraging Group assets and infrastructure. DGL has experienced significant earnings improvement in recent years through operating efficiencies and more effective utilisation of assets.

In line with this strategic priority, there has been material growth in the intercompany sales of Warehousing and Distribution, a significant link between sites and customers of DGL establishing distribution relationships to support growth. In addition to redeploying employees Group wide to drive cross-selling, there has been more effective utilisation of DGL's extensive workforce between divisions, sharing skills and resources (e.g. sharing engineering and procurement expertise across Group). Utilising balance sheet strength and scale plus the capabilities of DGL's teams across divisions, DGL was able to achieve procurement and supply chain margin benefits, highlighting the benefits of Group expertise, buying power, and balance sheet strength that accompanies our growing scale.

We will continue to assess procurement and supply chain opportunities from the recent business acquisitions. We are planning a move to increase production and batch sizes to increase efficiency of runs and rationalising some customer requirements to the most efficient operations (balancing proximity to customers with more efficient plant and production runs).

3. Investment in capital projects

Investing in capital projects is key to driving growth through organic opportunities and growing DGL's asset base. This is primarily achieved through expanding existing sites and investing long-term in strategic property, plant and equipment.

In FY22, DGL continued to invest in expanding its network and services, establishing new manufacturing facilities in Northern Queensland and Regional Victoria as well as the successful commissioning of new plant at existing manufacturing sites across Australia. Development of chemical manufacturing capability in New Zealand was progressed alongside the completion of warehousing development in Auckland, New Zealand. DGL continued to increase utilisation of the lead smelter in Victoria and expanded battery processing capacity and capability.

DGL will continue to assess operating focused capital projects to increase capacity and capabilities. DGL is continuing to work on new opportunities with new and existing customers, new products, and new geographies which may require capital investment. These opportunities will be assessed on a case-by-case basis as will projects relating to strategic property.

4. Identified acquisitions

DGL has undertaken a number of successful business acquisitions since its formation. The Company sees significant consolidation opportunities in Australia and New Zealand in each of its divisions, with opportunities to add capabilities and customers and continues to assess potential acquisitions.

DGL has stringent criteria for assessing acquisitions, including:

- Compatibility with DGL's existing operations;
- Bringing a diverse customer base;
- Adding to DGL's geographical spread; or,
- Bringing new products to DGL's suite of chemicals products.

Key Business Risks

There are several factors that could impact DGL's future financial performance which are outside of its control. Along with the risks detailed in the DGL Group prospectus, issued in May 2021, DGL's financial performance and growth continues to be exposed to global supply chain disruptions, COVID disruptions, and geopolitical issues. Work continues across the Group to mitigate these risks.

Environmental Social and Corporate Governance

A Company's Environmental, social, and corporate governance (ESG) framework evaluates the extent to which an organisation works on behalf of social goals, beyond profit maximisation on behalf of shareholders. As ESG is an ongoing process of performance evaluation supported by a company's evolving philosophy, the initial phase of ESG implementation generally relates to benchmarking and objective setting.

DGL has commenced developing an ESG Framework, which will support the business to better understand and manage its ESG risks and opportunities. The process being undertaken to develop the Framework is outlined below.



DIRECTORS' REPORT

An externally supported materiality assessment has been prepared. Stakeholder engagement has informed the process, having undertaken external and internal interviews, alongside external analysis of peers and DGL. The materiality assessment is detailed below.

ENVIRONMENTAL	SOCIAL	GOVERNANCE
• Climate risks and resilience • Energy and GHG emissions • Environmental and quality management of operations (air quality, water, waste water, waste and hazardous materials) • Packaging • Transport and logistics	• Community engagement, health and safety • Customer satisfaction • Employee health, safety and engagement • Ethical and sustainable procurement • Diversity, equity and inclusion • Meaningful employee, engagement and development • Supporting customer sustainability outcomes	• ESG management, transparency and reporting • Ethics and integrity • Innovation and technology (including circular economy) • Responding to the regulatory environment • Product design and lifecycle management

One of the pillars of ESG are the social considerations. In line with our plans to continue the rapid scaling of the business while providing good opportunity for all, the Board initiated a competitive tender process to engage a suitably qualified firm to undertake an independent culture review of DGL Group. After a rigorous process, the Board engaged culture expert Rhonda Brighton-Hall and her firm MWAH, to conduct the independent culture review of the company concurrently with the development of the ESG framework.

The culture review found DGL has a diverse workforce and a positive and inclusive culture that is both hard-working and ambitious. Trust and respect were found to be consistent across the business.

Given DGL's rapid pace of acquisitions and integration, the review recommended introducing a more consistent approach to people and culture, ensuring the organisational structure and leadership capability continues to evolve and mature in line with growth, and that more gender diversity be introduced into senior management and leadership positions. Supporting the recommendations of the review, DGL appointed people and culture leader, Tracy Swinley, as Chief People Officer and a member of DGL's senior leadership team.

Climate-related risks

Climate-related risks means the actual or potential negative impacts of climate-related conditions and events on a company's consolidated financial statements, business operations, or value chains (including both upstream and downstream activities) as a whole, and includes both physical and transition risks. There are several climate-related factors that may affect DGL's business. Climate change or prolonged periods of adverse weather and climatic conditions (including rising sea levels, floods, hail, drought, water, scarcity, temperature extremes, frosts, earthquakes and pestilences) may have an adverse effect on DGL's customers' ability to access and utilise their tenements and therefore DGL's ability to carry out services.

Other climate change related risks which the Company is exposed to include:

- increases in operating costs of assets due to carbon pricing policies or other market mechanisms;
- impact on demand from customers for agricultural chemicals as a result of climate changes and extreme weather events; and
- interruption to operations or supply chain from climate changes and extreme weather events.

Environmental Issues

The Group's operations are subject to licence requirements issued under the Protection of the Environment Operations Act 1997 (NSW) ("POEO Act") in relation to its business of processing used lead acid battery and industrial residues and manufacturing chemical products including treatment processes, immobilisation of by-products, disposal of effluent streams and transportation of materials that are subject to specific approvals from and close scrutiny by the Commonwealth and State departments.

The Group operates in highly regulated industries where there are stringent regulatory and compliance measures in place to ensure safety in operations, and environmental and quality standards.

Licence or Accreditation

Chemical Manufacturing

<i>ISO 9001: 2015 quality management system</i>	ensures products and services are consistently maintained at a high level of quality
<i>ISO 14001 Environmental Certification</i>	promotes environmental performance through more efficient use of resources and reduction of waste
<i>ISO 45001 WHS Certification</i>	promotes reduction of occupational injuries and diseases
<i>EPA Environmental Protection Licenses</i>	required under Australian regulations
<i>Dangerous Goods Storage Licenses</i>	required under Australian regulations
<i>VDA AdBlue Brand Certification</i>	ensures products and services are consistently maintained at the high level of quality
<i>Trade Waste Discharge Consents</i>	enables discharge of treated wastewater from site
<i>Australian Pesticides and Veterinary Medicines Authority</i>	Australian law requires veterinary chemical products to be registered by APVMA
<i>Kosher Accreditation</i>	Verifies that the ingredients, production process including all machinery, and/or food-service process complies with the standards of kashrut
<i>UL/NSF Certification</i>	Ensures certified products, materials, components or services complies with the technical requirements of the referenced standard

DIRECTORS' REPORT

<i>Poisons Licenses</i>	licence to sell or supply by wholesale schedule 7 Poisons
<i>AgSafe Premises Accreditation</i>	ensures that stores are compliant with all jurisdictional regulations
<i>Australian Organic Certified Operation</i>	licence to supply or direct the application of the Australian Organic trademark
<i>Australian Pesticides and Veterinary Medicines Authority Registrations (APVMA)</i>	The Australian Pesticides and Veterinary Medicines Authority has a defined role as the regulator of agricultural and veterinary chemicals in Australia. APVMA are the independent statutory authority responsible for assessing and registering pesticides and veterinary medicines proposed for supply in Australia.
<i>Hazardous Location Certificate</i>	required under New Zealand regulations to store high risk dangerous goods
<i>MPI Transitional Facility</i>	required under New Zealand regulations to unpack imported sea containers
Warehousing and Distribution	
<i>ISO 9001:2015 quality management system</i>	ensures products and services are consistently maintained at a high level of quality
<i>Dangerous Goods Storage Licenses</i>	required under Australian regulations
<i>National Heavy Vehicle Accreditation Scheme</i>	demonstrates compliance with general duty requirements under road transport law
<i>HACCP CODEX: 2003</i>	customers who store food grade products at warehouses require this quality accreditation
<i>Biosecurity Approved</i>	required under Australian regulations to handle quarantined goods
<i>Major Hazard Facility, Upper and Lower tier</i>	required under New Zealand regulations to store high risk dangerous goods
<i>MPI NZ (Storage and handling of dangerous goods)</i>	required under New Zealand regulations to store and handle dangerous goods
<i>Poisons Licenses</i>	required under Australian regulations to store poisonous goods
<i>EPA Waste Management & Transport Licenses</i>	required under Australian regulations to transport waste products
<i>Bulk Dangerous Goods Transport</i>	required under Australian regulations to transport dangerous goods
<i>MPI NZ</i>	required under New Zealand regulations to unpack imported sea containers
<i>VDA approval</i>	allows for the diesel exhaust fluid produced to be sold under the AdBlue brand
<i>USEPA import licence</i>	U.S. Environmental Protection Agency (USEPA) Licence to import Dangerous Goods and Hazardous Substances into the USA

Environmental Solutions

<i>EPA Environmental Protection Licenses</i>	waste management and recycling authorisation
<i>Dangerous Goods Storage Licenses</i>	required under Australian regulations to store dangerous goods
<i>Environmental Export Licenses</i>	required under Australian regulations to export certain products
<i>Trade Waste Discharge Consents</i>	permits discharge of wastewater generated into the sewer network
<i>Poisons Licenses</i>	licence to sell or supply by wholesale schedule 7 Poisons

Audit/Non-Audit Services

Auditors' remuneration is disclosed in Note 7. In addition, PKF Melbourne also provided corporate finance and transactional services and tax planning and GST advice. Refer to Note 7 for further details. The directors are satisfied that the provision of non-audit services during the year are compatible with the general standard of independence for auditors and did not compromise the independence requirements of the Corporations Act 2001.

Indemnifying Officers or Auditor

During the year, the Group entered into an insurance policy to insure certain officers of the Company and its controlled entities. The officers of the Company covered by the insurance policy include the Directors named in this report.

The Directors' and Officers' Liability Insurance provides cover against all costs and expenses that may be incurred in defending civil or criminal proceedings that fall within the scope of indemnity and that may be brought against the officers in their capacity as officers of the Company or a related body corporate.

The insurance policy does not contain details of the premium paid in respect of individual officers of the Company. Disclosure of the nature of the liability cover and the premium paid is subject to a confidentiality clause under the insurance policy.

The Company has entered into an agreement with the Directors and certain officers to indemnify these individuals against any claims and related expenses which arise as a result of work completed in their respective capabilities.

The Company nor any of its related bodies corporate have provided any insurance for any auditor of the Company or a related body corporate.

Capital Raising and Capital Structure

As at 30 June 2022, the Company has 279,192,548 fully paid ordinary shares. During the year, a total of 22,192,548 fully paid ordinary shares were issued. Please refer to Note 24 - Issued capital for further details.

Summary of Options

There are no options on issue at the date of this report.

DIRECTORS' REPORT**Proceedings on Behalf of Company**

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings other than listed below.

The Group currently has one open litigation matter in relation to the 100% owned subsidiary, DGL Manufacturing Limited. Refer to Note 34 for further information.

DGL Manufacturing Limited has sued a vendor for breach of vendor warranties in respect of the sale of chemical tanks which it is claimed do not comply with the Weights and Measurements Act (if used in public trade). The relief sought is approximately \$590,000, being the estimated costs of bringing the tanks to a compliance standard.

In response, the defendant has counterclaimed against DGL Manufacturing Limited and Simon Henry personally alleging breaches of a wider business acquisition agreement. The counter-claim is denied. A court hearing is scheduled for September 2023.

Rounding of amounts

The Company is a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Corporate Governance Statements

In accordance with Australian Securities Exchange ("ASX") Listing Rules, the Company's Annual Corporate Governance Statement is available on the Company's website at <https://www.dglinvestors.com/investor-centre/?page=asx-announcements> and released separately to the ASX Announcements in the form of an Appendix 4G.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required by section 307c of the Corporations Act 2001 is attached on page 16.

REMUNERATION REPORT - AUDITED

This remuneration report sets out remuneration information for non-executive directors, executive directors and other key management personnel.

Remuneration Policies

The Company's remuneration policy aligns Director and Executive objectives with shareholder and business objectives by providing appropriate remuneration packages comprising of a fixed remuneration component and discretionary incentive bonus. The Board believes the remuneration policy for its Directors and Executives to be appropriate and effective. However, the remuneration framework for all DGL Group senior executives is being reviewed by the Board's Remuneration Committee, with a plan to implement a balanced scorecard approach for assessing at-risk remuneration to greater attract and retain people with necessary qualifications, skills and experience to assist the company in achieving its desired results.

The Company has a Nomination and Remuneration Committee to assist the Board achieve its objective to ensure the Company:

- has a Board with effective composition, size and commitment to adequately discharge its responsibilities and duties, having regard to the Board skills matrix;
- has coherent remuneration policies and practices to attract and retain executives and directors who can reasonably be expected to create value for shareholders;
- observes those remuneration policies and practices; and
- fairly and responsibly rewards executives having regard to the performance of the Group, the performance of the executives and the general external pay environment.

The Group's key financial metrics for the last 3 years are:

	30 June 2022	30 June 2021	30 June 2020
Revenue and other income (\$'000)	370,658	195,378	103,969
Net profit before tax(\$'000)	41,749	49,502	2,931
Net profit after tax (\$'000)	27,898	47,165	4,007
Share price at start of year	\$1.28	-	-
Share price at end of year	\$2.76	\$1.28	-
Dividends paid	-	-	-
Basic earnings per share	10.31	77.51	-

Key metrics for FY18 and FY19 are not applicable as the Group was not consolidated until FY20.

DIRECTORS' REPORT**Remuneration Structure**

In accordance with best practice corporate governance, the structure of Executive Director and Non-Executive Director remuneration is separate and distinct.

Remuneration of Executive Directors and Key Management Personnel*Objective*

The Board aims to reward Executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company.

Structure

In determining the level of Executive remuneration, the Board considers external reports on market levels of remuneration for comparable executive roles.

The Executive directors and key management personnel have entered into employment contracts with the Company.

Remuneration of Non-Executive Directors*Objective*

The Board seeks to set an aggregate remuneration at a level which provides the Group with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

Structure

Under the Constitution, the Directors decide the total amount paid to all Directors as remuneration for their services as a Director. However, subject to ASX Listing Rules, the total amount paid to all Non-Executive Directors for their services must not exceed an aggregate maximum amount of \$800,000 per annum or such maximum amount determined by the Company at a general meeting of shareholders.

Non-Executive Directors may be reimbursed for all business related expenses properly incurred by them in connection with the Company's business.

Non-Executive Directors may be paid such additional or special remuneration if they, at the request of the Board, perform any extra services.

For the initial year of Listing, the annual base Non-Executive Director fees currently agreed to be paid by the Company to each Non-Executive Director (except Peter Lowe) are \$80,000 per year. The Chair, Peter Lowe, will receive an annual base fee of \$110,000 per year.

There are no retirement benefit schemes for Non-Executive Directors, other than statutory superannuation contributions.

Employment Contracts

Remuneration and other terms of employment for Executive Directors and Key Management Personnel ("KMP") are formalised in written agreements, the major provisions of which are as follows as at 30 June 2022.

Simon Henry - Chief Executive Officer

- | | | | |
|-----|---------------------------|---|---|
| (a) | Employment Contract | - | Permanent ongoing |
| (b) | Remuneration | - | A\$600,000 (opted out of KiwiSaver contributions) |
| (c) | Executive's notice period | - | 6 months ¹ |

Robert Sushames - Executive Director, General Manager - DGL Manufacturing Australia

- | | | | |
|-----|---|---|--|
| (a) | Employment Contract | - | Permanent ongoing |
| (b) | Remuneration | - | A\$350,000 exclusive of superannuation contributions |
| (c) | Executive's (and Company's) notice period | - | Agreement may not be terminated by either party without cause for a period of 2 years from 1 January 2021. |
| | | - | 6 months ¹ |

Ryan Aisher - Chief Operating Officer

- | | | | |
|-----|-----------------------------------|---|--|
| (a) | Employment Contract | - | Permanent ongoing |
| (b) | Remuneration | - | N\$170,000 exclusive of compulsory contributions to KiwiSaver. |
| (c) | KMP (and Company's) notice period | - | 2 months ¹ |

Ben Halsey - Chief Financial Officer

- | | | | |
|-----|-----------------------------------|---|--|
| (a) | Employment Contract | - | Permanent ongoing |
| (b) | Remuneration | - | N\$250,000 exclusive of compulsory contributions to KiwiSaver. |
| (c) | KMP (and Company's) notice period | - | 6 weeks ¹ |

¹ In the event of fraud or other serious misconduct, the Company may terminate Executive Directors' and KMP employment agreements at any time without notice.

DIRECTORS' REPORT

	Position held as at 30 June 2022 and any changes during the year	Contract details (duration & termination)
Peter Lowe	Chairman and Non-Executive Director	No fixed term
Simon Henry	Founder, Executive Director and Chief Executive Officer	No fixed term
Denise Brotherton	Non-Executive Director	No fixed term
Robert McKinnon	Non-Executive Director	No fixed term
Robert Sushames	Executive Director and General Manager of DGL Manufacturing (Australia) Pty Ltd	No fixed term

Remuneration of Directors and other Key Management Personnel (KMP) for the Year Ended 30 June 2022

	Short-term Benefits	Post employment Benefits	Share based benefits	Total
	Salaries, fees	Superannuation/ KiwiSaver	Shares, Options (Post tax)	
2022	\$	\$	\$	\$
Peter Lowe	110,002	-	-	110,002
Simon Henry	598,601	-	-	598,601
Denise Brotherton	80,000	-	-	80,000
Robert McKinnon	73,059	7,306	-	80,365
Robert Sushames	350,000	35,000	-	385,000
Ryan Aisher	209,372	6,281	-	215,653
Ben Halsey - appointed 14 September 2021	179,405	8,919	116,704	305,028
	1,600,439	57,506	116,704	1,774,649

Remuneration of Directors and other Key Management Personnel (KMP) for the Year Ended 30 June 2021

	Short-term Benefits	Post employment Benefits	Share based benefits	Total
	Salaries, fees	Superannuation	Shares, Options	
2021	\$	\$	\$	\$
Peter Lowe - appointed 1 April 2021	55,000	-	-	55,000
Simon Henry	131,876	-	-	131,876
Denise Brotherton - 1 April 2021	40,000	-	-	40,000
Robert McKinnon - 1 April 2021	36,530	3,470	-	40,000
Robert Sushames - Appointed 1 April 2021	326,667	31,033	-	357,700
Jeremy Perera - Resigned as a director on 1 April 2021	357,436	33,957	-	391,393
Isaac Gatt - Resigned as a director on 1 April 2021	217,000	20,615	-	237,615
Aaron Bardell - Resigned as a director on 1 April 2021	251,885	23,929	-	275,814
	1,416,394	113,004	-	1,529,398

Directors' and KMP Shareholdings

The number of ordinary shares in DGL Group Limited held by each Director and KMP of the Group during the financial year are as follows:

	Balance at beginning of Year	Granted as Remuneration during the year	Issued on Exercise of Options during the Year	Other changes during the year	Balance at End of year
Peter Lowe	50,000	-	-	-	50,000
Simon Henry	147,300,000	-	-	*3,617,729	150,917,729
Denise Brotherton	25,000	-	-	-	25,000
Robert McKinnon	50,000	-	-	-	50,000
Robert Sushames	1,000,000	-	-	-	1,000,000
Ben Halsey	-	**17,033	-	-	17,033

*2,939,729 shares were issued to Simon Henry following shareholder approval to complete satisfaction of the Company's obligation to repay \$7m to Simon Henry. The remaining 678,000 shares were acquired on market.

**17,033 shares were issued to Ben Halsey in relation to his employment as CFO.

DIRECTORS' REPORT

Shares and options granted to directors and executives

During the year, 17,033 fully paid ordinary shares were issued to Ben Halsey in relation to his employment as CFO.

No other options were granted to Directors or KMPs during the year.

The Directors' Report, incorporating the Remuneration Report, is signed in accordance with a resolution of the Board of Directors made pursuant to s.298(2) of the Corporations Act 2001.



Peter Lowe
Chairman



Simon Henry
Chief Executive Officer

**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE *CORPORATIONS ACT 2001*
TO THE DIRECTORS OF DGL GROUP LIMITED**

In relation to our audit of the financial report of DGL Group Limited for the year ended 30 June 2022, I declare to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
- (b) no contraventions of any applicable code of professional conduct.



PKF
Melbourne, 30 August 2022



Kenneth Weldin
Partner

		Group	
	Note	2022 \$000	2021 \$000
Sales revenue	3	369,789	154,477
Cost of sales	4	(231,914)	(93,682)
		<u>137,875</u>	<u>60,795</u>
Other income	3	840	40,826
Covid-19 Stimulus		29	75
IPO Costs		-	(2,067)
Acquisition costs relating to business combinations		(3,622)	(344)
Employee benefits expense	4	(47,387)	(24,835)
Administration and general expenses		(16,937)	(6,111)
Legal and professional fees		(2,702)	(1,676)
Occupancy expense		(6,152)	(4,254)
Depreciation and amortisation expense		(17,126)	(10,467)
Impairment expense		(969)	(271)
Finance costs	4	(2,100)	(2,169)
Profit before income tax		<u>41,749</u>	<u>49,502</u>
Tax expense	5	(13,851)	(2,337)
Net profit from continuing operations		<u><u>27,898</u></u>	<u><u>47,165</u></u>
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss when specific conditions are met:			
Gain on derivative contract held as hedging instruments		196	66
Exchange differences on translating foreign operations, net of tax		(1,855)	(352)
Items that will not be reclassified subsequently to profit or loss:			
Revaluation gain on land and buildings, net of tax		26,409	21,544
Total other comprehensive income for the year		<u>24,750</u>	<u>21,258</u>
Total comprehensive income for the year		<u><u>52,648</u></u>	<u><u>68,423</u></u>
Net profit attributable to:			
Owners of the Parent Entity		27,898	47,165
		<u>27,898</u>	<u>47,165</u>
Total comprehensive income attributable to:			
Owners of the Parent Entity		52,648	68,423
		<u>52,648</u>	<u>68,423</u>
Earnings per share			
Basic earnings per share (cents)	8	10.31	77.51

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022

		Group	
	Note	2022 \$'000	2021 \$'000
Assets			
Current Assets			
Cash and cash equivalents	9	25,448	43,830
Trade and other receivables	10	56,568	22,528
Inventories	11	48,153	14,420
Other financial assets	12	262	1,634
Asset held for sale	13	6,629	-
Other assets	14	7,527	3,937
Total Current Assets		144,587	86,349
Non-Current Assets			
Property, plant and equipment	16	218,830	133,221
Intangible assets	17	98,472	27,979
Right-of-use assets	18	40,457	22,719
Deferred tax assets	22	5,038	7,270
Total Non-Current Assets		362,797	191,189
Total Assets		507,384	277,538
Liabilities			
Current Liabilities			
Lease liabilities	18	10,904	7,105
Trade and other payables	19	62,274	17,139
Borrowings	20	3,423	21,062
Other financial liabilities	21	-	100
Current tax liabilities	22	5,333	2,345
Provisions	23	6,977	3,051
Total Current Liabilities		88,911	50,802
Non-Current Liabilities			
Lease liabilities	18	30,983	16,754
Other financial liabilities	21	-	8,481
Borrowings	20	66,057	-
Deferred tax liabilities	22	14,808	5,864
Provisions	23	837	366
Total Non-Current Liabilities		112,685	31,465
Total Liabilities		201,596	82,267
Net Assets		305,788	195,271
Equity			
Issued capital	24	250,118	192,249
Reserves	31	(6,982)	(31,732)
Retained earnings		62,652	34,754
Total Equity		305,788	195,271

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2022

	Share Capital	Retained Earnings	Reserves				Total
			Asset Realisation Reserve	Cash Flow Hedge Reserve	Merger Acquisition Reserve	Foreign Currency Translation Reserve	
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Consolidated Group							
Balance at 1 July 2020	130,615	(56,466)	933	-	(54,230)	307	21,159
Comprehensive income							
Profit for the year	-	47,165	-	-	-	-	47,165
Other comprehensive income for the year	-	-	21,544	66	-	(352)	21,258
Total comprehensive income for the year	-	47,165	21,544	66	-	(352)	68,423
Transactions with owners, in their capacity as owners, and other transfers							
Shares issued during the year	109,800	-	-	-	-	-	109,800
Transaction costs net of tax	(4,111)	-	-	-	-	-	(4,111)
Capital reduction as per Section 258F of the Corporations Act 2001	(44,055)	44,055	-	-	-	-	-
Total transactions with owners and other transfers	61,634	44,055	-	-	-	-	105,689
Balance at 30 June 2021	192,249	34,754	22,477	66	(54,230)	(45)	195,271
Balance at 1 July 2021	192,249	34,754	22,477	66	(54,230)	(45)	195,271
Comprehensive income							
Profit for the year	-	27,898	-	-	-	-	27,898
Other comprehensive income for the year	-	-	26,409	196	-	(1,855)	24,750
Total comprehensive income for the year	-	27,898	26,409	196	-	(1,855)	52,648
Transactions with owners, in their capacity as owners, and other transfers							
Shares issued during the year	57,579	-	-	-	-	-	57,579
Transaction costs net of tax	290	-	-	-	-	-	290
Total transactions with owners and other transfers	57,869	-	-	-	-	-	57,869
Balance at 30 June 2022	250,118	62,652	48,886	262	(54,230)	(1,900)	305,788

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2022

		Group	
	Note	2022 \$000	2021 \$000
Cash flows from operating activities			
Receipts from customers		339,831	156,456
Payments to suppliers and employees		(310,304)	(135,890)
Interest received/ other income		695	51
Finance costs		(1,317)	(1,570)
GST paid/(refunded)		776	62
Income tax paid		(5,401)	(80)
Net cash generated by operating activities	26a	<u>24,280</u>	<u>19,029</u>
Cash flows from investing activities			
Purchase of property, plant and equipment		(47,871)	(19,318)
Receipts from sale of property, plant and equipment		451	-
Purchase of intangibles		(2,024)	(18)
Purchase of subsidiary		(25,321)	(28,635)
Purchase of business and assets		(30,862)	-
Release of term deposits for bank guarantees		1,368	-
Cash acquired from acquisition of subsidiary		2,289	2,090
Net cash (used in) investing activities		<u>(101,970)</u>	<u>(45,881)</u>
Cash flows from financing activities			
Proceeds from issue of shares		-	100,000
Payments of capital raising costs		(153)	(5,410)
Repayment of borrowings - other		-	(19,585)
Loan repayments made to related parties		(1,498)	-
Net proceeds from short-term financing activities		22,092	-
Proceeds from borrowings		48,342	-
Repayment of lease liabilities		(9,480)	(6,044)
Net cash provided by financing activities		<u>59,303</u>	<u>68,961</u>
Net (decrease)/increase in cash held		(18,387)	42,109
Cash and cash equivalents at beginning of financial year		43,830	1,719
Effect of exchange rates on cash holdings in foreign currencies		5	2
Cash and cash equivalents at end of financial year	9	<u><u>25,448</u></u>	<u><u>43,830</u></u>

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

The Directors of DGL Group Limited and its subsidiaries ("the Group") submit herewith the annual report of the Group for the financial year ended 30 June 2022. The separate financial statements of the parent entity, DGL Group Limited, have not been presented within this financial report as permitted by the Corporations Act 2001.

The financial statements were authorised for issue on 31 August 2022 by the directors of the company.

Note 1 Summary of Significant Accounting Policies**Basis of Preparation**

The general purpose financial statements on which the Financial Information has been based have been prepared in accordance with the Corporations Act, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The Company is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Material accounting policies adopted in the preparation of the Financial Information are presented below and have been consistently applied unless stated otherwise.

The Financial information except for cash flow information, has been prepared on an accrual basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

(a) Principles of Consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by DGL Group Limited at the end of the reporting period. A controlled entity is any entity over which DGL Group Limited has the ability and right to govern the financial and operating policies so as to obtain benefits from the entity's activities.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities are included only for the period of the year that they were controlled. A list of controlled entities are contained in Note 15 to the financial statements.

In preparing the consolidated financial statements, all intragroup balances and transactions between entities in the consolidated group have been eliminated in full on consolidation.

Business Combinations

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is obtained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to business combinations, other than those associated with the issue of a financial instrument, are recognised as expenses in profit or loss when incurred.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

Goodwill

Goodwill is carried at cost less any accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

- (i) the consideration transferred at fair value;
- (ii) any non-controlling interest (determined under either fair value or proportionate interest method); and
- (iii) the acquisition date fair value of any previously held equity interest;

over the acquisition date fair value of any identifiable assets acquired and liabilities assumed.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements.

Goodwill on acquisitions of subsidiaries is included in intangible assets.

Goodwill is tested for impairment annually and is allocated to the Group's cash-generating units or groups of cash-generating units, representing the lowest level at which goodwill is monitored and not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity disposed of.

(b) Accounting for Common Control

Where the acquisition of entities that are deemed to be under common control occurs, the pooling of interest method is adopted for business combinations under common control.

Existing book values for assets and liabilities at the date of acquisition will be recognised and fair value adjustments including new intangibles or goodwill will not be recognised. Any premium between the fair value of consideration paid and the book value of net assets is debited to a separate category of equity.

Note 1: Summary of Significant Accounting Policies (continued)**(c) Income Tax**

The income tax expense (income) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to profit or loss is the tax payable on taxable income for the current period. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss or arising from a business combination.

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

A deferred tax liability shall be recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from:

- the initial recognition of goodwill; or
- the initial recognition of an asset or liability in a transaction which:
 - is not a business combination; and
 - at the time of the transaction, affects neither accounting profit nor taxable profit.

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.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (i) a legally enforceable right of set-off exists; and (ii) the deferred tax assets and liabilities relate to 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.

Tax consolidation

The company and its wholly-owned Australian resident entities have formed a tax-consolidated group and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is DGL Group Limited.

Due to the existence of a tax funding arrangement between the entities in the tax-consolidated group, amounts are recognised as payable to or receivable by the company and each member of the group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated group in accordance with the arrangement.

Any current tax liabilities (assets) and deferred tax assets arising from unused tax losses of the subsidiaries are assumed by the head entity in the tax consolidated group and are recognised as amounts payable (receivable) to (from) other entities in the tax consolidated group. Any difference between these amounts and amounts payable (receivable) under the tax funding agreement is recognised by the head entity as an equity injection or distribution.

(d) 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 (i.e. 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.

Note 1: Summary of Significant Accounting Policies (continued)

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. 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 (i.e. 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.

(e) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate proportion of variable and fixed overheads.

Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs.

(f) Property, Plant and Equipment

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

Property

Freehold land and buildings are carried at their fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction), based on periodic, but at least biennial, valuations by external independent valuers, less accumulated impairment losses and accumulated depreciation for buildings.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation surplus in equity. Decreases that offset previous increases of the same asset are recognised against revaluation surplus directly in equity; all other decreases are recognised in profit or loss.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Plant and equipment

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss. A formal assessment of recoverable amount is made when impairment indicators are present.

The cost of fixed assets constructed within the consolidated group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, is depreciated on a straight-line or diminishing value basis over the asset's useful life to the Consolidated Group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired term of the lease or the estimated useful lives of the improvements.

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

Class of Fixed Asset	Depreciation Rate	
	Straight line	Diminishing value
Buildings	2.0% - 25.0%	2.0% - 25.0%
Plant and equipment	4.0% - 67.0%	2.5% - 67.0%
Office equipment	10.0% - 67.0%	5.0% - 67.0%
Leasehold improvements	2.0% - 2.5%	-
Motor vehicles	10.0% - 40.0%	5.0% - 25.0%

Note 1: Summary of Significant Accounting Policies (continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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 and losses are recognised in profit or loss in the period in which they arise. Gains shall not be classified as revenue. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

(g) Leases (the Group as lessee)

At inception of a contract, the Group assesses if the contract contains or is a lease. If there is a lease present, a right-of-use asset and a corresponding lease liability is recognised by the Group where the Group is a lessee. However, all contracts that are classified as short-term leases (lease with remaining lease term of 12 months or less) and leases of low-value assets are recognised as an operating expense on a straight-line basis over the term of the lease.

Initially, the lease liability is measured at the present value of the lease payments still to be paid at commencement date. The lease payments are discounted at the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses the incremental borrowing rate.

Lease payments included in the measurement of the lease liability are as follows:

- fixed lease payments less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options;
- lease payments under extension options, if lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

Subsequently, the lease liability is measured by a reduction to the carrying amount of any payments made and an increase to reflect any interest on the lease liability.

The right-of-use asset is an initial measurement of the corresponding lease liability less any incentives and initial direct costs. Subsequently, the measurement is the loss less accumulated depreciation (and impairment if applicable).

Right-of-use assets are depreciated over the lease term or useful life of the underlying asset, whichever is the shortest. Where a lease transfers ownership of the underlying asset, or the cost of the right-of-use asset reflects that the Group anticipates to exercise a purchase option, the specific asset is depreciated over the useful life of the underlying asset.

(h) Financial Instruments**Recognition and Initial Measurement**

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions to the instrument. For financial assets, this is the date that the Group commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments (except for trade receivables) are initially measured at fair value plus transactions costs except where the instrument is classified 'at fair value through profit or loss' in which case transaction costs are expensed to profit or loss immediately. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Trade receivables are initially measured at the transaction price if the trade receivables do not contain a significant financing component or if the practical expedient was applied as specified in AASB 15.63.

Classification and Subsequent Measurement**Financial liabilities**

The Group's financial liabilities are trade and other payables, leases and borrowings. They are recognised at the amount payable.

Financial asset

The Group's financial assets are cash and cash equivalents and trade and other receivables. They are measured at the amount expected to be recovered.

Impairment of Trade Receivables

The Group recognises a loss allowance for expected credit losses on trade receivables. The Group uses the general approach to impairment as applicable under AASB 9.

Note 1: Summary of Significant Accounting Policies (continued)**General Approach**

Under the general approach, at each reporting period, the entity would assess whether the financial instruments are credit impaired and if:

- the credit risk of the financial instrument increased significantly since initial recognition, the entity measures the loss allowance of the financial instrument at an amount equal to the lifetime expected credit losses; and
- there was no significant increase in credit risk since initial recognition, the entity measures the loss allowance of the financial instrument at an amount equal to 12-month expected credit losses.

(i) Impairment of Assets

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information, including dividends received from subsidiaries, associates or joint ventures deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (e.g. in accordance with the revaluation model in AASB 116: *Property, Plant and Equipment*). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill, intangible assets with indefinite lives and intangible assets not yet available for use.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(j) Intangible Assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains and losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The useful lives of finite intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

(k) Foreign Currency Transactions and Balances**Functional and presentation currency**

The functional currency of the Group is the currency of the primary economic environment in which that entity operates. The financial statements are presented in Australian dollars, which is the Group's functional currency.

Transaction and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss, except exchange differences that arise from net investment hedges.

(l) Employee Benefits**Short-term employee benefits**

Provision is made for the Group's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The Group's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as part of current trade and other payables in the statement of financial position. The Group's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

Note 1: Summary of Significant Accounting Policies (continued)**Other long-term employee benefits**

Provision is made for employee's long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on corporate bonds that have maturity dates that approximate the terms of the obligations. Upon the measurement of obligations for other long-term employee benefits, the net change in the obligation is recognised in profit or loss as part of employee benefits expense.

The Group's obligation for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Group does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

Retirement benefit obligations**Defined contribution superannuation benefits & Kiwisaver**

All employees of the Group receive defined contribution superannuation entitlements, for which the Group pays the fixed superannuation guarantee contribution (currently 10.5% of the employee's average ordinary salary and 3% for Kiwisaver) to the employee's superannuation fund of choice. All contributions in respect of employee's defined contribution entitlements are recognised as an expense when they become payable. The Group's obligation with respect to employees' entitlements are recognised as an expense when they become payable. The Group's obligation with respect to employees' defined contribution entitlements is limited to its obligation for any unpaid superannuation guarantee contributions at the end of the reporting period. All obligations for unpaid superannuation guarantee contributions are measured at undiscounted amounts expected to be paid when the obligation is settled and are presented as current liabilities in the Group's statement of financial position.

(m) Provisions

Provisions are recognised when the Group 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.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

(n) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of 3 months or less, and bank overdrafts. Bank overdrafts are reported within borrowings in current liabilities on the statement of financial position.

(o) Revenue and Other Income

The Group has the following revenue streams:

1. Formulation, packaging, storage and cartage of chemical and material products
2. Processing of used lead acid batteries to recover lead metals and oxide and treatment of liquid waste
3. Warehouse rental

The core principle of AASB 15 is that revenue is recognised on the basis that reflects the transfer of promised goods or services to customers at an amount that reflects the consideration the Group expects to receive in exchange for those goods and services.

Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the transaction at the end of the reporting period and where outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed.

Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable.

Revenue is recognised by applying a five-step model as follows:

1. Identify the contract with the customer
2. Identify the performance of obligations
3. Determine a transaction price. Quotes are based on scope of work, price of input materials (if any) and the estimated resources required to complete the goods or services.
4. Allocate the transaction price to the performance obligations.
5. Recognise revenue as and when control of the performance obligations is transferred.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

Note 1: Summary of Significant Accounting Policies (continued)

Revenue is recognised when control of the products has been transferred to the customer. For such transactions, this is when the products are delivered to the customer or other location as directed by the customer and as stated in the contract or purchase order. Revenue from these sales are based on the price stipulated in the purchase order or contract as negotiated by the sales team. Revenue is then only recognised to the extent that there is a high probability that a significant reversal of revenue will not occur.

A receivable will be recognised on recognition of revenue. The Group's right to consideration is deemed unconditional at this time as only the passage of time is required before payment of that consideration is due. There is no significant financing component because sales are generally made within a credit term of 7 to 90 days.

Generally the timing of the payment for rendering of services corresponds closely to the timing of satisfaction of the performance obligations. However, where there is a difference, it will result in the recognition of a receivable, contract asset or contract liability.

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

The timing of revenue recognition for the Group's key revenue streams as they relate to specific performance obligations are outlined in the table below:

Revenue stream	Revenue recognition pattern
Formulation, packaging, storage and cartage of chemical and material products	
Performance obligation 1 - Formulation, packaging and cartage	Point in time (upon completion and/or transfer of control)
Performance obligation 2 - storage of customer goods	Overtime which relates to the period of storage
Processing of used lead acid batteries to recover lead	
Performance obligation 1 - production and delivery of product meeting contractual specifications	Point in time (upon container being loaded onto ship at port of departure)
Warehouse rental	
Performance obligation 1 - storage of customer goods	Overtime which relates to the period of storage

(p) Trade and Other Receivables

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

(q) Trade and Other Payables

Trade and other payables represent the liabilities for goods and services received by the Group that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability. Trade and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

(r) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable or payable is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a net basis. The GST components of cash flows arising from investing or financing activities which are recoverable or payable are presented as operating cash flows included in receipts from customers or payments to suppliers.

(s) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Where the Group retrospectively applies an accounting policy, makes a retrospective restatement or reclassifies items in its financial statements, an additional (third) statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statements is presented.

(t) Rounding of Amounts

The Parent Entity has applied the relief available to it under *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*. Accordingly, amounts in the financial statements have been rounded to the nearest \$1,000.

Note 1: Summary of Significant Accounting Policies (continued)**(u) New and Amended Accounting Policies Adopted by the Group**

The Group 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. There has been no material impact on the Group's financial statements for the year ended 30 June 2022.

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

(v) Hedge accounting

At the inception of a hedge relationship, the Group identifies the appropriate risks to be managed by documenting the relationship between the hedging instrument and the hedged item, along with risk management objectives and the strategy for undertaking various hedge transactions.

The Group documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk. That is, whether the hedging relationships meet all of the following hedge effective requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedged ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group uses to hedge the quantity of hedged item.

When the hedging relationship ceases to meet the hedging ratio requirement, the Group rebalances the hedge so that it meets the qualifying criteria again.

Cash flow hedges

The effective portion of the changes in fair value of the hedging instrument is not recognised directly in profit or loss, but to the extent the hedging relationship is effective, it is recognised in other comprehensive income and accumulated under the heading Cash Flow Hedging Reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion (balancing figure) is recognised immediately in profit or loss.

Hedge accounting on cash flow hedge instruments is discontinued prospectively when the hedge relationship no longer meets the qualifying criteria. Amounts recognised in the cash flow hedging reserve that are related to the discontinued hedging instrument will immediately be reclassified to profit or loss.

(w) Critical Accounting Estimates and Judgements

The directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Key Estimates and Judgements**Performance obligations under AASB 15**

To identify a performance obligation under AASB 15, the promise must be sufficiently specific to be able to determine when the obligation is satisfied. Management exercises judgement to determine whether the promise is sufficiently specific by taking into account any conditions specified in the arrangement, explicit or implicit, regarding the promised goods or services. In making this assessment, Management includes the nature/ type, cost/ value, quantity and the period of transfer related to the goods or services promised.

Lease term and option to extend under AASB 16

The lease term is defined as the non-cancellable period of a lease together with both periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and also periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option. The options that are reasonably certain of being exercised is a key Management judgement that the Group will make. The Group determines the likelihood to exercise on a lease-by-lease basis, looking at various factors such as which assets are strategic and which are key to the future strategy of the Group.

Impairment

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

All impairment losses are recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, Management estimates expected future cash flows from each cash-generating unit and determines a suitable discount rate in order to calculate the present value of operating results. These assumptions relate to future events and circumstances. The actual results may vary, and may cause significant adjustments to the Group's assets within the next financial year.

In most cases, determining the applicable discount rate involves estimating the appropriate adjustments to market risk and the appropriate adjustment to asset-specific risk factors.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

Note 1: Summary of Significant Accounting Policies (continued)**Useful lives of depreciable assets**

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Actual results, however, may vary due to technical obsolescence, particularly relating to software and IT equipment.

Long service leave

The liability for long service leave is recognised and measured as the present value of the estimated cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, attrition rates and pay increases through promotion and inflation have been taken into account.

Income tax

The Group is subject to income taxes in which jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on the Group's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the Group considers it is probable that future taxable amounts will be available.

Provisions

Provisions are recognised when DGL Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

Expected credit losses

In line with AASB 9, trade debtors are reviewed in accordance with the simplified approach to measuring expected credit losses based on the payment profile of sales over a period of four years and the corresponding historical credit losses experienced within this period, which is reassessed annually. DGL Group's assessment of trade receivables and loss allowances did not indicate a material change to trade receivables and loss allowances.

Note 2 Parent Information

The following information has been extracted from the books and records of the financial information of the parent entity set out below and has been prepared in accordance with Australian Accounting Standards.

2022	2021
\$000	\$000

Statement of Financial Position**Assets**

Current Assets	19,197	46,446
Non-current Assets	320,516	165,242
Total Assets	339,713	211,688

Liabilities

Current Liabilities	62,710	7,434
Non-current Liabilities	14,264	12,093
Total Liabilities	76,974	19,527
Net Assets	262,739	192,161

Equity

Issued Capital	250,118	192,249
Retained Earnings	(13,739)	(10,547)
Reserves	26,360	10,459
Total Equity	262,739	192,161

Statement of Profit or Loss and Other Comprehensive Income

Profit for the year	(3,192)	1,604
Other comprehensive income	20,790	9,525
Total comprehensive income	17,598	11,129

Contingent liabilities

As at 30 June 2022, the parent company had 11 bank guarantees totaling \$1,868,398 and 1 standby letter of credit of \$1,248,000.

The parent entity did not have any other contingent liabilities as at 30 June 2022.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**Note 3 Revenue and Other Income**

The Group has recognised the following amounts relating to revenue in the statement of profit or loss.

	Note	Group	
		2022 \$000	2021 \$000
Continuing Operations			
Revenue from contracts with customers		363,294	153,038
Other sources of revenue		6,495	1,439
Total sales revenue	3a	<u>369,789</u>	<u>154,477</u>
Other income			
- Miscellaneous income		66	500
- Interest received		15	51
- Administration revenue - Rapaki Group		271	-
- Fuel tax credits income		419	-
- Discount on Purchase		69	-
- Debt forgiveness ¹		-	40,275
Total other income		<u>840</u>	<u>40,826</u>

¹On 15 March 2021, a debt amounting to \$40.275 million to DGL Commercial Limited now known as Rapaki Property Group Limited (an entity that is not part of the DGL consolidated group and a related party of Simon Henry) was forgiven and all rights to call for repayment were unconditionally rescinded by Rapaki Property Group Limited and Simon Henry.

(a) Revenue disaggregation

The revenue is disaggregated by the following divisions:

- Environmental Solutions	87,166	61,471
- Chemical Manufacturing	229,859	55,066
- Warehousing & Distribution	52,605	37,940
- Corporate - rental income	159	-
	<u>369,789</u>	<u>154,477</u>

Note 4 Profit for the Year

	Note	Group	
		2022 \$000	2021 \$000
Profit before income tax from continuing operations includes the following specific expenses:			
(a) Expenses			
Cost of sales		231,914	93,682
Interest expense on financial liabilities not classified as fair value through profit or loss:			
— related party loan	28	72	380
Interest expense on lease liabilities		783	599
Total finance cost		<u>855</u>	<u>979</u>
Employee benefits expense			
— defined contribution superannuation expense		3,043	1,410
Bad debts expense		155	-
Loss on disposal or sale of property, plant and equipment		394	64

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**Note 5 Tax Expense**

	Note	Group	
		2022 \$000	2021 \$000
(a) The components of tax (expense) income comprise:			
Current tax		(11,760)	(1,582)
Deferred tax	22	(2,091)	(755)
		<u>(13,851)</u>	<u>(2,337)</u>
(b) The prima facie tax on profit from ordinary activities before income tax is reconciled to income tax as follows:			
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2021: 30%)			
— consolidated group		12,525	17,433
Add:			
Tax effect of:			
— non-allowable items		1,086	4,042
		<u>13,611</u>	<u>21,475</u>
Less:			
Tax effect of:			
— non taxable income		-	(14,765)
— other deductible expenses		(2,681)	(3,937)
— utilisation of tax losses		(612)	-
— prior period adjustments		1,442	-
— recognition of and movement in temporary differences		2,091	755
— current year tax loss recognised as deferred tax asset		-	(1,191)
Income tax attributable to entity		<u>13,851</u>	<u>2,337</u>

Note 6 Key Management Personnel Compensation

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Group's key management personnel (KMP) for the year ended 30 June 2022.

The totals of remuneration paid to KMP of the company and the Group during the year are as follows:

	2022 \$000	2021 \$000
Short-term employee benefits	1,600	1,416
Post-employment benefits	58	113
Other short-term benefits	117	-
Total KMP compensation	<u>1,775</u>	<u>1,529</u>

Short-term employee benefits

These amounts include fees and benefits paid to the non-executive chair and non-executive directors as well as all salary, paid leave benefits, fringe benefits and cash bonuses awarded to executive directors and other key management personnel.

Post-employment benefits

These amounts are the current year's estimated costs of providing for the Group's defined benefits scheme post-retirement, superannuation contributions made during the year and post-employment life insurance benefits.

Other short term benefits

For details of other transactions with KMP, refer to Note 28 - Related Party Transactions

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

Note 7 Auditor's Remuneration

	Group	
	2022	2021
	\$000	\$000
Remuneration of the auditor for:		
PKF Melbourne Audit & Assurance Pty Limited		
— auditing or reviewing the financial statements	227	158
HLB Mann Judd Wollongong (resigned)		
— auditing or reviewing the financial statements	-	71
	<u>227</u>	<u>229</u>
Remuneration of other auditors of subsidiaries for:		
— auditing or reviewing the financial statements of subsidiaries	12	128
<i>Non-audit services - PKF Melbourne</i>		
— Corporate finance and transactional services	295	275
— Tax planning and GST advice	60	30
	<u>355</u>	<u>305</u>

Note 8 Earnings per Share

	Group	
	2022	2021
	\$000	\$000
(a) Reconciliation of earnings to profit or loss from continuing operations		
Profit	27,898	47,165
Earnings used in the calculation of dilutive EPS from continuing operations	<u>27,898</u>	<u>47,165</u>
	No.	No.
(b) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	270,671	60,848
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	<u>270,671</u>	<u>60,848</u>
Basic earnings per share from continuing operations	<u>10.31</u>	<u>77.51</u>

Note 9 Cash and Cash Equivalents

	Note	Group	
		2022	2021
		\$000	\$000
Cash at bank and on hand		25,448	43,830
	26	<u>25,448</u>	<u>43,830</u>

Reconciliation of cash

Cash and cash equivalents at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

Cash and cash equivalents	25,448	43,830
	<u>25,448</u>	<u>43,830</u>

The Group has 16 bank guarantees in place with total exposure of \$3,113,087 with Australia and New Zealand Banking Group Limited and Westpac Banking Corporation. These guarantees are in place covering the rental leases, environmental protections, and export licenses. The Australia and New Zealand Banking Group Limited guarantees are secured against the assets of the Group pledged with the Australia and New Zealand Banking Group Limited. The Westpac Banking Corporation guarantees are secured with a standby letter of credit (\$1,248,000) from Australia and New Zealand Banking Group Limited.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

Note 10 Trade and Other Receivables

	Group	
	2022 \$000	2021 \$000
CURRENT		
Trade receivables	55,956	22,368
Provision for impairment	(212)	-
	<u>55,744</u>	<u>22,368</u>
Other receivables	824	160
Total current trade and other receivables	<u><u>56,568</u></u>	<u><u>22,528</u></u>

Credit risk

The Group has no significant concentration of credit risk with respect to any single counterparty or group of counterparties other than those receivables specifically provided for and mentioned within Note 10. The main source of credit risk to the Company is considered to relate to the class of assets described as 'trade and other receivables'.

The following table details the Group's trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as "past due" when the debt has not been settled within the terms and conditions agreed between the Company and the customer or counterparty to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the Group.

The balances of receivables that remain within initial trade terms (as detailed in the table below) are considered to be of high credit quality.

	Current	>30 days past due	>60 days past due	>90 days past due	Total
	\$000	\$000	\$000	\$000	\$000
2022					
Expected loss rate	-	-	-	20.9%	0.4%
Gross carrying amount	53,143	1,299	498	1,016	55,956
Loss allowing provision	-	-	-	(212)	(212)
2021					
Expected loss rate	-	-	-	-	-
Gross carrying amount	15,757	6,292	188	131	22,368
Loss allowing provision	-	-	-	-	-

	Note	Group	
		2022 \$000	2021 \$000
(a) Financial Assets Measured at Amortised Cost			
Trade and other Receivables			
— Total current		56,568	22,528
Total financial assets measured at amortised cost	29	<u><u>56,568</u></u>	<u><u>22,528</u></u>

(b) Collateral Pledged

Bank loans are secured over registered fixed and floating charges over all assets of the Group.

Note 11 Inventories

	Group	
	2022 \$000	2021 \$000
Current		
At cost:		
Raw materials and stores	35,308	11,193
Work in progress	590	492
Finished goods	12,255	2,735
	<u><u>48,153</u></u>	<u><u>14,420</u></u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**Note 12 Other Financial Assets**

	Group	
	2022 \$000	2021 \$000
Current		
Bank term deposit	-	1,138
Bank guarantees	-	230
Derivative cashflow hedge	262	66
Bonds	-	200
Total current assets	<u>262</u>	<u>1,634</u>

The Group has no short-term deposits at 30 June 2022. The effective interest rate on short-term bank deposits for 30 June 2021 was 0.41%. Those deposits had an average maturity of 180 days.

Note 13 Asset held for sale

	Group	
	2022 \$000	2021 \$000
Property held for sale		
64 Broad Street	6,629	-
	<u>6,629</u>	<u>-</u>

The held for sale asset in 2022 relates to a property in Christchurch, New Zealand which was sold in July 2022. An impairment expense of \$968,845 was recognised in the 2022 financial period as the fair value less costs to sell were lower than the carrying amount. The fair value less costs to sell represents the actual value received by DGL Group for the property.

Note 14 Other Assets

	Group	
	2022 \$000	2021 \$000
CURRENT		
Prepayments	6,346	3,937
Bond and security deposits	1,107	-
Others	74	-
	<u>7,527</u>	<u>3,937</u>

Note 15 Interests in Subsidiaries**(a) Information about Principal Subsidiaries**

The subsidiaries listed below have share capital consisting solely of ordinary shares or ordinary units which are held directly by the Group. The proportion of ownership interests held equals the voting rights held by Group. Each subsidiary's principal place of business is also its country of incorporation.

Name of subsidiary	Principal place of business	Ownership interest held by the Group	
		2022	2021
DGL Manufacturing Pty Ltd	Australia	100%	100%
DGL Warehousing & Distribution Pty Ltd	Australia	100%	100%
DGL Industries Pty Ltd	Australia	100%	100%
DGL Manufacturing Australia Pty Ltd (formerly Chem Pack Pty Ltd)	Australia	100%	100%
Labels Connect Pty Ltd	Australia	100%	-
DGL (NZ) Limited	New Zealand	100%	100%
DGL Manufacturing Limited	New Zealand	100%	100%
DGL Warehousing NZ Limited	New Zealand	100%	100%
DGL Ausblue Pty Ltd	Australia	100%	-
Opal Australasia Pty Ltd	Australia	100%	-
Austech Chemicals Australasia Pty Ltd	Australia	100%	-
Total Bio Group Pty Ltd	Australia	100%	-
Total Coolant Management Solutions Pty Ltd	Australia	100%	-

Subsidiary financial statements used in the preparation of these consolidated financial statements have also been prepared as at the same reporting date as the Group's financial statements.

(b) Significant Restrictions

Other than the following, there are no significant restrictions over the Group's ability to access or use assets, and settle liabilities, of the Group.

All borrowings are secured by a charge over the assets of DGL Group. DGL Group is in full compliance with the financial covenants set by its lenders.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**Note 16 Property, Plant and Equipment**

	Group	
	2022	2021
	\$000	\$000
Land and Buildings		
Freehold land at:		
— independent valuation 2021	-	17,746
— independent valuation 2022	79,160	-
— at cost	25,532	13,513
Accumulated depreciation	-	-
Total land	104,692	31,259
Buildings at:		
— independent valuation 2021	-	65,267
— independent valuation 2022	41,381	-
— at cost	15,938	-
Accumulated depreciation	(2,243)	(1,158)
Total buildings	55,076	64,109
Total land and buildings	159,768	95,368
Plant and equipment:		
Leasehold Improvements		
At cost	754	589
Accumulated depreciation	(90)	(38)
Plant and equipment	664	551
At cost	59,389	43,968
Accumulated depreciation	(25,542)	(18,731)
Motor Vehicles		
At cost	16,074	4,016
Accumulated amortisation	(2,366)	(1,340)
Plant under construction		
At cost	10,847	9,391
Accumulated amortisation	(4)	(2)
Total plant and equipment	59,062	37,853
Total property, plant and equipment	218,830	133,221

The Group's land and buildings were revalued at 30 June 2022 by independent valuers. At the date of this report, The Environmental Protection Authority ("EPA") is reviewing DGL Group's environmental assessment of the Tomago site with a view to progressing to remediation works as required by an EPA Prevention Notice. A prospective purchaser is occupying the site with an option to purchase once the Prevention Notice is lifted. Refer to Note 30 for detailed disclosures regarding the fair value measurement of the Group's freehold land and buildings.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

Note 16: Property, plant and equipment (continued)

(a) Movements in Carrying Amounts

Movements in carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year.

	Land \$000	Buildings \$000	Leasehold Improvements \$000	Plant and Equipment \$000	Motor Vehicles \$000	Plant under construction \$000	Total \$000
Consolidated Group:							
Balance at 1 July 2020	24,133	41,308	276	20,408	471	8,918	95,514
Additions	34	5,371	31	3,567	1,276	749	11,028
Disposals	-	5	-	(104)	(70)	-	(169)
Acquisitions through business combinations	-	-	-	3,928	281	-	4,209
Transfer (to)/from Right-of-use	-	-	-	(93)	1,053	-	960
Reclassification	-	-	263	-	-	(263)	-
Revaluation and impairment increments/(decrements)	7,092	17,969	-	(289)	(67)	-	24,705
Depreciation expense	-	(399)	(19)	(2,171)	(266)	(1)	(2,856)
Movement in foreign currency	-	(145)	-	(9)	(2)	(14)	(170)
Balance at 30 June 2021	31,259	64,109	551	25,237	2,676	9,389	133,221
Balance at 1 July 2021	31,259	64,109	551	25,237	2,676	9,389	133,221
Additions	20,356	17,493	56	4,763	3,546	2,339	48,553
Disposals	-	(5)	-	(691)	(149)	(109)	(954)
Acquisitions through business combinations	2,465	1,835	87	10,134	8,674	-	23,195
Revaluation increments / (decrements)	23,612	7,468	-	-	-	-	31,080
Depreciation expense	-	(1,201)	(30)	(5,523)	(1,029)	(2)	(7,785)
Reclassification ⁽ⁱ⁾	27,000	(32,869)	-	-	-	(760)	(6,629)
Impairment expense	-	(969)	-	-	-	-	(969)
Movement in foreign currency	-	(785)	-	(73)	(10)	(14)	(882)
Balance at 30 June 2022	104,692	55,076	664	33,847	13,708	10,843	218,830

⁽ⁱ⁾ The reclassification between Land and Buildings relates to the land element of the Group's New Zealand properties that was recorded under Buildings in the previous reporting period.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**Note 17 Intangible Assets**

	Group	
	2022 \$000	2021 \$000
Goodwill		
Cost	94,128	27,231
Accumulated impairment losses	(844)	(845)
Net carrying amount	<u>93,284</u>	<u>26,386</u>
Trademarks and certification		
Cost	437	345
Accumulated amortisation and impairment losses	(162)	(80)
Net carrying amount	<u>275</u>	<u>265</u>
Software		
Cost	1,309	1,303
Accumulated amortisation and impairment losses	(829)	(638)
Net carrying amount	<u>480</u>	<u>665</u>
Software under development		
Cost	1,917	-
Net carrying amount	<u>1,917</u>	<u>-</u>
Hydroproc Process		
Cost	2,217	2,217
Accumulated amortisation and impairment losses	(1,554)	(1,554)
Net carrying amount	<u>663</u>	<u>663</u>
Registrations and Brands		
Cost	1,853	-
Net carrying amount	<u>1,853</u>	<u>-</u>
Total intangible assets	<u>98,472</u>	<u>27,979</u>

Consolidated Group:

	Goodwill \$000	Trademarks and Certification \$000	Software \$000	Software under development \$000	Hydroproc Process \$000	Registration and Brands \$000	Total \$000
Year ended 30 June 2021							
Balance at the beginning of the year	2,302	267	770	-	663	-	4,002
Disposals	-	-	(8)	-	-	-	(8)
Additions	-	19	190	-	-	-	209
Acquisitions through business combinations	24,084	-	-	-	-	-	24,084
Amortisation charge	-	(21)	(285)	-	-	-	(306)
Movement in foreign currency	-	-	(2)	-	-	-	(2)
	<u>26,386</u>	<u>265</u>	<u>665</u>	<u>-</u>	<u>663</u>	<u>-</u>	<u>27,979</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

Note 17: Intangible Assets (continued)

	Goodwill \$000	Trademarks and Certification \$000	Software \$000	Software under development \$000	Hydroproc Process \$000	Registration and Brands \$000	Total \$000
Year ended 30 June 2022							
Balance at the beginning of the year	26,386	265	665	-	663	-	27,979
Additions	-	-	107	1,917	-	-	2,024
Acquisitions through business combinations (see note 33)	67,756	32	20	-	-	700	68,508
Reclassification	(765)	-	-	-	-	765	-
Reclassification to profit and loss	-	-	(61)	-	-	-	(61)
Tax impact	-	-	-	-	-	388	388
Amortisation charge	-	(22)	(255)	-	-	-	(277)
Movement in foreign currency	(93)	-	4	-	-	-	(89)
Closing value at 30 June 2022	93,284	275	480	1,917	663	1,853	98,472

Impairment disclosures**Goodwill intangible assessment**

Goodwill is allocated to cash-generating units which are based on the group's reporting segments.

	2022 \$000	2021 \$000
Manufacturing segment	89,168	26,386
Distribution segment	4,116	-
Total	93,284	26,386

The following key assumptions were used in the value-in-use calculations:

	Growth Rate	Discount Rate	Terminal Growth Rate
Manufacturing segment	4% - 5%	11.6% - 13.6%	2.5%
Warehousing and Distribution Segment	4%	11.8%	2.5%

Management has based the value-in-use calculations on budgets for each cash generating unit. These budgets use historical weighted average growth rates to project revenue. Costs are calculated taking into account historical gross margins as well as estimated weighted average inflation rates over the period which are consistent with inflation rates applicable to the locations in which the segments operate. Discount rates are pre-tax and are adjusted to incorporate risks associated with a particular segment.

Management has carried out a sensitivity analysis and believe that any reasonably possible change in the key assumptions would not cause the book value of any of the cash generating units, or groups of cash generating units to exceed their recoverable amount.

Indefinite life intangible assessment

The fair value of indefinite life intangibles including the Hydroproc Process and Registrations and Brands, has been calculated using the relief from royalty method.

The following key assumptions were used in the value-in-use calculations:

Growth rate	3% - 5%
Royalty rate	3%
Terminal value	2.5%
Discount rate	15%

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**Note 18 Right-of-use Assets and Lease Liabilities**

The Group's lease portfolio relates to buildings only. These leases have an average of 7 years remaining in their lease term (if all available options are taken up). Lease terms ranges between 0 to 20 years.

Options to extend or terminate

The option to extend or terminate is contained in several of the property leases of the Group. There were no extension options for equipment leases. These clauses provide the Group opportunities to manage leases in order to align with its strategies. All of the extension or termination options are only exercisable by the Group. The extension options or termination options which were probable to be exercised have been included in the calculation of the right-of-use asset.

(i) AASB 16 related amounts recognised in the balance sheet

	Group	
	2022	2021
	\$000	\$000
Right-of-use assets		
Leased building	61,638	36,191
Accumulated depreciation	(21,181)	(13,472)
	<u>40,457</u>	<u>22,719</u>
Total right-of-use asset	<u>40,457</u>	<u>22,719</u>
	Group	
	2022	2021
	\$000	\$000
Lease Liabilities		
Current	10,904	7,105
Non-Current	30,983	16,754
Total lease liabilities	<u>41,887</u>	<u>23,859</u>
Movements in carrying amounts		
Leased buildings:		
Opening net carrying amount	22,719	25,166
Acquisitions through business combinations	5,809	-
Addition to right-of-use asset	19,639	4,450
Depreciation expense	(9,064)	(6,894)
Movement in foreign exchange	1,354	(3)
Net carrying amount	<u>40,457</u>	<u>22,719</u>

	Group	
	2022	2021
	\$000	\$000
(ii) AASB 16 related amounts recognised in the statement of profit or loss		
Depreciation charge related to right-of-use assets	9,064	6,894
Interest expense on lease liabilities	783	599
	Group	
	2022	2021
	\$000	\$000
Total cash outflows for leases	9,480	6,044

Note 19 Trade and Other Payables

	Group	
	2022	2021
	\$000	\$000
Current		
<i>Unsecured liabilities</i>		
Trade payables	32,071	12,692
Sundry payables and accrued expenses	8,111	4,447
<i>Secured liabilities</i>		
Trade payables	22,092	-
	<u>62,274</u>	<u>17,139</u>

DGL has a secured trade finance facility in place provided by ANZ. The drawn down amount under the facility is classified as secured trade payables above. The facility involves providing security over the future cash flows of specific trade receivables and inventories, which meet certain criteria, in return for cash finance on a contracted percentage of the security provided.

	Group	
	2022	2021
	\$000	\$000
(a) Financial liabilities at amortised cost classified as trade and other payables		
Trade and other payables		
— Total current	62,274	17,139
— Total non-current	-	-
	<u>62,274</u>	<u>17,139</u>

Note 20 Borrowings

	Note	Group	
		2022 \$000	2021 \$000
Current			
Secured liabilities - amortised cost:			
Bank loans	20a,b	1,772	16,130
Other loans	20a,b	1,651	4,932
Total current borrowings		3,423	21,062
Non-Current			
Secured liabilities - amortised cost:			
Bank loans	20a,b	66,018	-
Other loans	20a,b	39	-
Total non-current borrowings		66,057	-
Total borrowings	29	69,480	21,062
		Group	
		2022 \$000	2021 \$000
(a) Total current and non-current secured liabilities:			
Bank loan		67,790	16,130
Other loans		1,690	4,932
		69,480	21,062

The bank loan carries an effective interest rate of 3.30% p.a as at 30 June 2022. (2021: 2.97% p.a)

(b) Collateral provided

ANZ Bank Limited has a charge over all assets of the Group.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

Note 21 Other Financial Liabilities

	Note	Group	
		2022	2021
		\$000	\$000
Current			
Related party loans - Simon Henry		-	100
	28	<u>-</u>	<u>100</u>
Non-Current			
Related party loans - Simon Henry		-	8,481
	28	<u>-</u>	<u>8,481</u>

On 3 December 2021, 2,939,729 fully paid ordinary shares were issued at \$2.40 per share. The share issuance was to settle the loan of Simon Henry post shareholders approval. Please refer to Note 24 - Issued capital and Note 28 - Related Party Transactions for further details)

Note 22 Tax

	Group				
	2022	2021			
	\$000	\$000			
Current					
Income tax payable	5,333	2,345			
	<u>5,333</u>	<u>2,345</u>			
Non-Current					
	Opening Balance	Recognised in Profit and Loss	Charged directly to Equity	Exchange Differences	Closing Balance
	\$000	\$000	\$000	\$000	\$000
Consolidated Group					
Deferred tax liabilities					
Property, plant and equipment					
- tax allowance	79	700	526	(5)	1,300
Land and buildings revaluation	401	-	3,910	-	4,311
Other	153	100	-	-	253
Balance at 30 June 2021	<u>633</u>	<u>800</u>	<u>4,436</u>	<u>(5)</u>	<u>5,864</u>
Property, Plant and Equipment					
- tax allowance	1,300	3,639	-	-	4,939
Land and buildings revaluation	4,311	-	5,064	-	9,375
Other	253	241	-	-	494
Balance at 30 June 2022	<u>5,864</u>	<u>3,880</u>	<u>5,064</u>	<u>-</u>	<u>14,808</u>
Deferred tax assets					
Provisions and accruals	783	730	333	-	1,846
Tax losses	4,235	(1,170)	-	-	3,065
Transaction costs on equity issue	-	-	1,573	-	1,573
Other	338	395	53	-	786
Balance at 30 June 2021	<u>5,356</u>	<u>(45)</u>	<u>1,959</u>	<u>-</u>	<u>7,270</u>
Provisions and accruals	1,846	1,497	-	-	3,343
Tax losses	3,065	(3,065)	-	-	-
Transaction costs on equity issue	1,573	-	(443)	-	1,130
Other	786	(221)	-	-	565
Balance at 30 June 2022	<u>7,270</u>	<u>(1,789)</u>	<u>(443)</u>	<u>-</u>	<u>5,038</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**Note 23 Provisions**

	Group	
	2022	2021
	\$000	\$000
Current		
Employee Benefits		
Opening Balance	3,007	1,391
Net movement in provisions	921	396
Additions through business combinations	2,325	1,220
Balance at 30 June 2022	<u>6,253</u>	<u>3,007</u>
Site cleanup and disposal of battery acid and other chemicals		
Opening Balance	44	503
Net movement in provisions	680	(459)
Balance at 30 June 2022	<u>724</u>	<u>44</u>
Total	<u><u>6,977</u></u>	<u><u>3,051</u></u>
Non-Current		
Employee Benefits		
Opening Balance	366	231
Net movement in provisions	321	58
Additions through business combinations	150	77
Balance at 30 June 2022	<u>837</u>	<u>366</u>
Total	<u><u>837</u></u>	<u><u>366</u></u>
Analysis of Total Provisions		
	Group	
	2022	2021
	\$000	\$000
Current	6,977	3,051
Non-current	837	366
	<u><u>7,814</u></u>	<u><u>3,417</u></u>

Provision for Employee Benefits

Provision for employee benefits represents amounts accrued for annual leave and long service leave.

The current portion for this provision includes the total amount accrued for annual leave entitlements and the amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience, the Group does not expect the full amount of annual leave or long service leave balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the Group does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

The non-current portion for this provision includes amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.

The probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits have been included in Note 1(l).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

Note 24 Issued Capital

	Group	
	2022 \$'000	2021 \$'000
279,192,548 fully paid ordinary shares (2021: 257,000,000 fully paid ordinary shares)	250,118	192,249
	<u>250,118</u>	<u>192,249</u>

The

(a) Ordinary Shares	Group			
	2022 No.	\$'000	2021 No.	\$'000
At the beginning of the reporting period	257,000,000	192,249	52,037,860	130,615
Shares issued during the year	22,192,548	57,579	109,800,000	109,800
Less: capital raising costs	-	290	-	(4,111)
Share split during the year	-	-	95,162,140	-
Capital reduction as per Section 258F of Corporations Act 2001	-	-	-	(44,055)
At the end of the reporting period	<u>279,192,548</u>	<u>250,118</u>	<u>257,000,000</u>	<u>192,249</u>

On 1 September 2021, 1,366,906 fully paid ordinary shares were issued at \$2.30 per share. The share issuance was to settle the share acquisition of Opal Australasia Pty Ltd. No cash was raised.

On 1 October 2021, 909,090 fully paid ordinary shares were issued at \$1.34 per share. The share issuance was to settle the acquisition of the business and assets of AA Hitech Printers Pty Ltd. No cash was raised.

On 1 October 2021, 1,428,571 fully paid ordinary shares were issued at \$2.84 per share. The share issuance was to settle the acquisition of the business and assets of Aquapac Pty Ltd. No cash was raised.

On 1 October 2021, 164,688 fully paid ordinary shares were issued at \$1.80 per share. The share issuance was to settle a sign on bonus and employee bonus for staff of the Company. No cash was raised.

On 1 November 2021, 3,928,571 fully paid ordinary shares were issued at \$2.93 per share. The share issuance was to settle the acquisition of the business and assets of Profill Industries Pty Ltd. No cash was raised.

On 1 November 2021, 4,539,470 fully paid ordinary shares were issued at \$2.93 per share. The share issuance was to settle the acquisition of the business and assets of AUSblue Group Pty Ltd. No cash was raised.

On 29 November 2021, 506,912 fully paid ordinary shares were issued at \$2.38 per share. The share issuance was to settle the acquisition of the business and assets of Shackell Transport Pty Ltd. No cash was raised.

On 1 December 2021, 5,306,122 fully paid ordinary shares were issued at \$2.35 per share. The share issuance was to settle the share acquisition of Austech Chemicals Australasia Pty Ltd. No cash was raised.

On 3 December 2021, 2,939,729 fully paid ordinary shares were issued at \$2.40 per share. The share issuance was to settle the loan of Simon Henry post shareholders approval. No cash was raised. See Notes 21 and 28 for further details.

On 9 February 2022, 511,190 fully paid ordinary shares were issued at \$2.74 per share. The share issuance was to settle of the final working capital adjustment for the acquisition of Austech Chemicals Australasia Pty Ltd in accordance with the Share Purchase Agreement. No cash was raised.

On 1 March 2022, 153,186 fully paid ordinary shares were issued at \$2.75 per share. The share issuance was to settle the acquisition of the business and assets of Australian Logistics Management. No cash was raised.

On 1 April 2022, 363,924 fully paid ordinary shares were issued at \$3.32 per share. The share issuance was to settle the acquisition of the business and assets of RLA Polymers NZ Limited. No cash was raised.

On 3 May 2022, 74,189 fully paid ordinary shares were issued at \$3.90 per share. The share issuance was to settle the share acquisition of Total Coolant Management Solutions Pty Ltd. No cash was raised.

(b) Capital Management

Management controls the capital of the Group in order to maintain a sustainable debt to equity ratio, generate long-term shareholder value and ensure that the Group can fund its operations and continue as a going concern.

The Group's debt and capital include ordinary share capital and financial liabilities, supported by financial assets.

The Group is not subject to any externally imposed capital requirements other than bank covenants by funding partners.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

Note 24: Issued Capital (continued)

	Note	Group	
		2022 \$000	2021 \$000
Total borrowings and lease liabilities		131,754	38,201
Trade and other payables		62,274	17,139
Less cash and cash equivalents	9	(25,448)	(43,830)
Net debt		168,580	11,510
Total equity		305,788	195,271
Total net debt and equity		474,368	206,781
Gearing ratio		36%	6%

Note 25 Operating Segments

General Information

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and in determining the allocation of resources.

The Group is managed primarily on the basis of product category and service offerings as the diversification of the Group's operations inherently have notably different risk profiles and performance assessment criteria. Operating segments are therefore determined on the same basis.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and are also similar with respect to the following:

- the products sold and/or services provided by the segment; and
- the type or class of customer for the products or service.

Types of products and services by segment

(i) Environmental Solutions

The Group's Environmental Solutions segment is focused on resource recovery and waste management. Its core activities comprise liquid waste treatment, end-of-life lead acid battery ("ULAB") recycling and lead smelting and refining.

ULAB recycling is undertaken at two EPA licensed recycling facilities located in New South Wales and Victoria. The division relies on an established and mature collection network of suppliers located throughout Australia. ULABs are recycled in state-of-the-art recycling facilities which are highly automated. The primary outputs from the ULAB recycling process are lead products, scrap plastic and waste.

The segment's lead smelter in Laverton North, Victoria has lead smelting and refining capabilities. This is to allow the conversion of intermediate lead material into valuable end products, which are sold to a wider global market.

The segment operates a waste water treatment plant at its New South Wales ULAB recycling plant to process liquid waste generated from its own plant and from external customers.

(ii) Chemical Manufacturing

The Group's Chemical Manufacturing segment produces its own range of speciality chemicals and undertaken advanced formulation and contract manufacturing on behalf of third parties. The Group believes the segment provides a versatile, end to end solution for its customers.

Operations are focused on deriving chemicals from complex reactions in controlled environments. Using internally developed intellectual property, the division also manufactures DGL branded goods.

(iii) Warehousing and Distribution

The Group's Warehousing and Distribution segment offers transport, logistics and warehousing services focusing on dangerous and hazardous goods across Australia and New Zealand. The segment also manages logistics and distribution for other goods including food, pharmaceutical products, agricultural products, security sensitive goods and temperature-controlled products.

Key components of the services provided by the Warehousing and Distribution segment include freight forwarding, inventory management, warehousing, and transport.

(iv) Corporate costs

The Group's Corporate Costs segment represents costs incurred by the Group not allocated to the operating segments. This classification was created as of 1 July 2021. Prior year comparatives have not been reclassified.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

Note 25: Operating Segments (continued)

Basis of accounting for purposes of reporting by operating segments

(a) Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors, being the chief operating decision makers with respect to operating segments, are determined in accordance with accounting policies that are consistent with those adopted in the annual financial statements of the Group.

(b) Intersegment transactions

An internally determined transfer price is set for all intersegment sales of non-inventory items. This price is reset periodically and is based on what would be realised in the event the sale was made to an external party at arm's length. Inventory items are transferred at inventory value. All such transactions are eliminated on consolidation of the Group's financial statements.

Intersegment loans payable and receivable are initially recognised at the consideration received/to be received net of transaction costs. If intersegment loans receivable and payable are not on commercial terms, these are not adjusted to fair value based on market interest rates. This policy represents a departure from that applied to the statutory financial statements.

(c) Segment assets

Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of the economic value from the asset. In most instances, segment assets are clearly identifiable on the basis of their nature and physical location.

(d) Segment liabilities

Liabilities are allocated to segments where there is direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings.

(e) Segment information

(i) Segment performance

	Environmental Solutions	Chemical Manufacturing	Warehousing and Distribution	Corporate Costs	Total
Year ended 30 June 2022	\$000	\$000	\$000	\$000	\$000
REVENUE					
External sales	87,166	229,894	52,569	160	369,789
Inter-company revenue	1,276	4,825	10,193	3,490	19,784
Intersegment elimination	-	-	-	-	(19,784)
Total segment revenue	88,442	234,719	62,762	3,650	369,789
Depreciation and amortisation	(2,726)	(6,258)	(9,618)	(955)	(19,557)
Segment result from continuing operations before tax and interest	10,711	40,266	4,161	8,194	63,332
<i>Reconciliation of segment result to group net profit/loss before tax</i>					
Interest expense					(2,607)
Intersegment elimination					(18,976)
Net profit before tax from continuing operations					<u>41,749</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

Note 25: Operating Segments (continued)

	Environmental Solutions	Chemical Manufacturing	Warehousing and Distribution	Corporate Costs	Total
Year ended 30 June 2021	\$000	\$000	\$000	\$000	\$000
REVENUE					
External sales	61,471	55,066	37,940	-	154,477
Inter-company revenue	1,937	58	2,935	-	4,930
Intersegment elimination	-	-	-	-	(4,930)
Total segment revenue	63,408	55,124	40,875	-	154,477
Depreciation and amortisation	(1,430)	(2,379)	(8,427)	-	(12,236)
Segment result from continuing operations before tax and interest	2,881	5,206	3,876	-	11,962
<i>Reconciliation of segment result to group net profit/loss before tax</i>					
Interest expense					(2,861)
Intersegment elimination					126
i. Amounts not included in segment result but reviewed by Board					
- Debt forgiveness					40,275
Net profit before tax from continuing operations					<u>49,502</u>

(ii) Segment assets

	Environmental Solutions	Chemical Manufacturing	Warehousing and Distribution	Corporate Costs	Total
30 June 2022	\$000	\$000	\$000	\$000	\$000
Segment assets	66,501	191,425	120,199	295,570	673,695
Segment assets include:					
— Additions to non-current assets (other than financial assets and deferred tax)	502	61,487	21,837	47,085	130,911
Reconciliation of segment assets to group assets					
Intersegment eliminations					(219,118)
Unallocated assets:					
— Goodwill on consolidation					52,807
Total group assets					<u>507,384</u>
	Environmental Solutions	Chemical Manufacturing	Warehousing and Distribution	Corporate Costs	Total
30 June 2021	\$000	\$000	\$000	\$000	\$000
Segment assets	211,688	50,638	92,586	-	354,912
Segment assets include:					
— Additions to non-current assets (other than financial assets and deferred tax)	1,914	1,425	7,748	-	11,087
Reconciliation of segment assets to group assets					
Intersegment eliminations					(101,285)
Unallocated assets:					
— Goodwill on consolidation					23,911
Total group assets					<u>277,538</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

Note 25: Operating Segments (continued)

(iii) Segment liabilities

	Environmental Solutions	Chemical Manufacturing	Warehousing and Distribution	Corporate Costs	Total
30 June 2022	\$000	\$000	\$000	\$000	\$000
Segment liabilities	30,320	56,580	52,727	147,637	287,264
Reconciliation of segment liabilities to group liabilities					
Intersegment eliminations					(85,668)
Total group liabilities					201,596
30 June 2021	\$000	\$000	\$000	\$000	\$000
Segment liabilities	36,277	24,646	26,861	-	87,784
Reconciliation of segment liabilities to group liabilities					
Intersegment eliminations					(5,517)
Total group liabilities					82,267

(iv) Revenue by geographical region

Revenue, including revenue from discontinued operations, attributable to external customers is disclosed below, based on the location of the external customer:

	30 June 2022 \$000	30 June 2021 \$000
Australia	352,929	140,867
New Zealand	16,860	13,610
Total revenue	369,789	154,477

(v) Assets by geographical region

The location of segment assets by geographical location of the assets is disclosed below:

	30 June 2022 \$000	30 June 2021 \$000
Australia	582,982	296,229
New Zealand	90,713	58,683
Total Assets	673,695	354,912

Note 26 Cash Flow Information

	Group	
	2022 \$000	2021 \$000
(a) Reconciliation of Cash Flows from Operating Activities with Profit after Income Tax		
Profit after income tax	27,898	47,165
Non-cash flows in profit		
Depreciation	17,126	10,467
Impairment	969	-
Debt forgiveness	-	(40,275)
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:		
(Increase) in trade and term receivables	(30,016)	(657)
(Increase) in prepayments	(1,173)	(1,709)
(Increase) in inventories	(22,671)	(3,434)
Increase in trade payables and accruals	21,347	2,002
Increase in income taxes payable	2,988	1,616
Increase in deferred taxes payable	8,747	5,231
Increase in provisions	1,156	76
(Increase) in deferred taxes receivable	(2,091)	(1,453)
Net cash generated by operating activities	24,280	19,029

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**Note 27 Events After the Reporting Period**

Other than the following, the directors are not aware of any significant events since the end of the reporting period.

On 7 July 2022, the Company announced the acquisition of Flexichem Australia Pty Ltd, a company that specialises in complex silicone-based manufacturing targeted for water treatment, industrial and specialty product applications for both domestic and export customers.

The total acquisition price is \$6.2m. Consideration is \$4.65m in cash and \$1.55m in DGL Group's shares at a 5-day VWAP calculated at the date of completion.

On 11 July 2022, the Company issued 53,324 fully paid ordinary shares to certain members of the executive management team following a remuneration review. The shares were issued at \$2.72 per share and are subjected to a 12 month escrow period from the date of issue. The total value of shares issued was \$145,045.

On 30 August 2022, the Company announced the acquisition of Clarkson Freightlines. Clarkson's provides specialised freight services to the mining, infrastructure and agricultural sectors in Western Australia.

The total acquisition price is \$6.75m. Consideration is \$6.25m in cash and \$0.5m in DGL Group's shares priced at a 5-day VWAP up to settlement date. The acquisition is subject to contractual conditions being met by the Vendors prior to settlement. Settlement date is expected to be around 5 September 2022.

On 30 August 2022, the Company announced the acquisition of BTX Pty Ltd. BTX are a Queensland based chemical solutions provider for the municipal, industrial and mining sectors. BTX's success nationally in waste management solutions has been achieved through its extensive intellectual property in water treatment products and services.

The total acquisition price is \$7.25m. Consideration is \$5.8m in cash and \$1.45m in DGL Group's shares priced at a 5-day VWAP up to 31 August 2022. The acquisition is subject to contractual conditions being met by the Vendors prior to settlement. Settlement date is expected to be around 1 October 2022.

On 30 August 2022, the Company announced the acquisition of Aquadex Pty Ltd. Aquadex's award winning chlorine manufacturing process reduces the environmental impact by utilising clean technology that can be co-located on municipal and mining sites.

The total acquisition price is \$7.0m. Consideration is \$0.7m in cash and \$6.3m in DGL Group's shares priced at a 5-day VWAP up to 31 August 2022. The acquisition is subject to contractual conditions being met by the Vendors prior to settlement. Settlement date is expected to be around 1 October 2022.

On 30 August 2022, the Company announced the acquisition of Acacia Ridge Container Park Pty Ltd. Acacia Ridge Container Park is the leading Queensland ISO bulk tank container and bulk liquid tanker waste management facility. Providing full treatment and management services for bulk chemical transport equipment.

The total acquisition price is \$5.0m. Consideration is \$3.5m in cash and \$1.5m in DGL Group's shares priced at a 5-day VWAP up to settlement date. The acquisition is subject to contractual conditions being met by the Vendors prior to settlement. Settlement date is expected to be around 1 November 2022.

Note 28 Related Party Transactions**Related Parties****(a) The Group's main related parties are as follows:****i. Key Management Personnel:**

The Chief Executive Officer, Chief Operating Officer, Chief Financial Officer and Executive Directors who have authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of that entity are considered key management personnel.

For details of disclosures relating to key management personnel, refer to Note 6.

ii. Other Related Parties

Other related parties include entities controlled by the ultimate parent entity and entities over which key management personnel have joint control.

(b) Transactions with related parties:

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The following transactions occurred with related parties:

	Group	
	2022	2021
	\$000	\$000
i. Loans from Simon Henry and his controlled entities		
Beginning of the year	-	64,089
Loans advanced	-	3,405
Loan repayment made	-	(27,138)
Loan forgiven (refer to Note 3 for further details)	-	(40,104)
Foreign exchange movement	-	(252)
End of the year	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

Note 28: Related Party Transactions (continued)**ii. Loans from Other Related Parties**

Beginning of the year	8,481	4,646
Loans advanced	-	3,543
Loan and interest repayment made	(1,498)	(88)
Interest charged	72	380
Loan converted to shares (See Note 24 - Issued capital)	(7,055)	-
End of the year	-	8,481

iii. Transactions with Other Related Parties

Administration revenue charged to Simon Henry and his controlled entities	271	-
Rental and related expenses charged by Simon Henry and his controlled entities	99	-
Company secretarial fees and reimbursement of expenses, paid to DW Accounting & Advisory Pty Ltd, of which Mr Andrew Draffin is a director and shareholder. DW Accounting & Advisory Pty Ltd is a shareholder of DGL Group Limited.	165	184
Rental and related expenses charged by Spalding Holdings Pty Ltd, of which Mr Robert Sushames parents have an interest in.	1,028	508
Acquisition of 120 Fulton Drive from Belbrae Investments Pty Ltd, of which Mr Robert Sushames parents have an interest in.	5,806	-
All transactions noted above have been carried out on an arms-length basis.		

Note 29 Financial Risk Management

The Group's financial instruments consist mainly of cash and cash equivalents, leases, borrowings, derivatives and financial guarantees.

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:

		Group	
	Note	2022 \$000	2021 \$000
Financial Assets			
Financial assets at amortised cost			
— cash and cash equivalents	9	25,448	43,830
— trade and other receivables	10	56,568	22,528
Total Financial Assets		82,016	66,358
Financial Liabilities			
Financial liabilities at amortised cost			
— lease liabilities	18	41,887	23,859
— trade and other payables	19	62,274	17,139
— borrowings	20	69,480	21,062
— other financial liabilities	21	-	8,581
Total Financial Liabilities		173,641	70,641

Financial Risk Management Policies

The Audit, Risk and Compliance Management Committee (ARC) has been delegated responsibility by the Board of Directors for, among other issues, managing financial risk exposures of the Group. The ARC monitors the Group's financial risk management policies and exposures and approves financial transactions within the scope of its authority. It also reviews the effectiveness of internal controls relating to financial risk. The ARC will meet on a quarterly basis and minutes of the ARC are reviewed by the Board.

The ARC's overall risk management strategy seeks to assist the consolidated group in meeting its financial targets, while minimising potential adverse effects on financial performance. Its functions include the review of the use of hedging derivative instruments, credit risk policies and future cash flow requirements.

Note 29: Financial Risk Management (continued)**Specific Financial Risk Exposures and Management**

The main risks the Group is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk, foreign currency risk and other price risk (commodity and equity price 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.

a. Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group.

Credit risk is managed through the maintenance of procedures (such as the utilisation of systems for the approval, granting and renewal of credit limits, regular monitoring of exposures against such limits and monitoring of the financial stability of significant customers and counterparties), ensuring to the extent possible that customers and counterparties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment. Depending on the division within the Group, credit terms are generally 7 to 90 days from the invoice date.

Risk is also minimised through investing surplus funds in financial institutions that maintain a high credit rating or in entities that the ARC has otherwise assessed as being financially sound. Where the Group is unable to ascertain a satisfactory credit risk profile in relation to a customer or counterparty, the risk may be further managed through title retention clauses over goods or obtaining security by way of personal or commercial guarantees over assets of sufficient value which can be claimed against in the event of any default.

Significant increase in credit risk for financial instruments

The Group evaluates and compares the risk of a default on a financial instrument at the reporting date with the risk of a default on the financial instrument at the date of initial recognition. To support the evaluation process, the Group takes into consideration both quantitative and qualitative information that is reasonable and justifiable, including past experience and prospective information that is publicly available. Prospective information taken into consideration includes the future volatility of the industries in which the Group's debtors are in, obtained from industry expert reports, financial news report, governmental bodies, as well as taking into consideration multiple external sources of current and future economic information that Group's core operations can relate to.

Credit Risk Exposures

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period, excluding the value of any collateral or other security held is equivalent to the carrying amount and classification of those financial assets (net of any provisions) as presented in the statement of financial position. Credit risk also arises through the provision of financial guarantees given to third parties in relation to obligations under its bank facility.

The Group has no significant concentration of credit risk with any single counterparty or group of counterparties. However, on a geographic basis, the Group has significant credit risk exposures to Australia and New Zealand given the substantial operations in those regions. Details with respect to credit risk of trade and other receivables is provided in Note 10.

Trade and other receivables that are neither past due or impaired are considered to be of high credit quality. Aggregates of such amounts are as detailed at Note 10.

b. 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 financial liabilities. The Group manages this risk through the following mechanisms:

- preparing forward-looking cash flow analyses in relation to its operating, investing and financing activities;
- using derivatives that are only traded in highly liquid markets;
- monitoring undrawn credit facilities;
- obtaining funding from a variety of sources;
- maintaining a reputable credit profile;
- managing credit risk related to financial assets;
- only investing surplus cash with major financial institutions; and
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets

The table below reflects an undiscounted contractual maturity analysis for financial assets and financial liabilities. Financial guarantee liabilities are treated as payable on demand since the Group has no control over the timing of any potential settlement of the liabilities.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflect the earliest contractual settlement dates and do not reflect management's expectations that banking facilities will be rolled forward.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

Note 29: Financial Risk Management (continued)

Financial liability and financial asset maturity analysis

Consolidated Group	Within 1 Year		1 to 5 years		Over 5 years		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Financial liabilities due for payment								
Bank overdrafts and loans	3,423	21,062	66,057	-	-	-	69,480	21,062
Trade and other payables	62,274	17,139	-	-	-	-	62,274	17,139
Amounts payable to related parties	-	100	-	8,481	-	-	-	8,581
Lease liabilities	10,904	7,105	25,464	16,754	5,519	-	41,887	23,859
Total expected outflows	76,601	45,406	91,521	25,235	5,519	-	173,641	70,641
Financial Assets - cash flows realisable								
Cash and cash equivalents	25,448	43,830	-	-	-	-	25,448	43,830
Trade, term and loan receivables	56,568	22,528	-	-	-	-	56,568	22,528
Total anticipated inflows	82,016	66,358	-	-	-	-	82,016	66,358
Net (outflow) / inflow on financial instruments	5,415	20,952	(91,521)	(25,235)	(5,519)	-	(91,625)	(4,283)

Certain financial assets have been pledged as security for debt and their realisation into cash may be restricted subject to terms and conditions attached to the relevant debt contracts. Refer to Note 20(b) for further details.

c. Market Risk

i. Interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The Group is also exposed to earnings volatility on floating rate instruments.

The financial instruments that primarily expose the Group to interest rate risk are borrowings, foreign exchange forward contracts, fixed interest securities, and cash and cash equivalents.

The Group does not currently enter into interest rate hedges. Management regularly assesses funding arrangements to ensure it maintains access to necessary liquidity and manages cashflow volatility arising from interest rate changes.

ii. Foreign currency risk

Exposure to foreign currency risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the Group holds financial instruments which are held in other currencies than the AUD functional currency of the Group.

The Group has entered into foreign exchange forward contracts to manage a portion of the foreign currency risk associated with booked purchase transactions in USD.

With instruments being held by overseas operations, fluctuations in the NZ Dollar may impact on the Group's financial results unless those exposures are appropriately hedged.

The following significant exchange rates were applied during the year

	Average Rate		Spot Rate	
	2022	2021	2022	2021
\$1 AUD				
New Zealand	1.0666	1.0700	1.1088	1.0745

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

Note 29: Financial Risk Management (continued)

Interest rate Sensitivity Analysis

The following table illustrates sensitivities to the Group's exposures to changes in interest rates and exchange rates. The table indicates the impact of how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible.

These sensitivities assume that the movement in a particular variable is independent of other variables.

Year ended 30 June 2022	Group	
	Profit \$'000	Equity \$'000
+100 basis points to interest rate	(463)	(463)
-100 basis points to interest rate	463	463
+10% to the USD foreign exchange rate	26	(37)
-10% to the USD foreign exchange rate	(26)	37

Year ended 30 June 2021	Group	
	Profit \$'000	Equity \$'000
+100 basis points to interest rate	148	148
-100 basis points to interest rate	(148)	(148)

Due to a change in the Group's exposure to USD, a sensitivity to changes in USD foreign exchange rate has been added.

iii. Other price risk

Other price risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices largely due to demand and supply factors (other than those arising from interest rate risk or foreign currency risk) for commodities.

Fair Values**Fair value estimation**

The fair values of financial assets and financial liabilities are presented in the following table and can be compared to their carrying amounts as presented in the statement of financial position. Refer to Note 30 for detailed disclosures regarding the fair value measurement of the Group's financial assets and financial liabilities.

Differences between fair values and carrying amounts of financial instruments with fixed interest rates are due to the change in discount rates being applied by the market since their initial recognition by the Group.

	Note	2022		2021	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
Consolidated Group		\$000	\$000	\$000	\$000
Financial assets					
Financial assets at amortised cost:					
Cash and cash equivalents	9	25,448	25,448	43,830	43,830
Trade and other receivables	10	56,568	56,568	22,528	22,528
Total financial assets		82,016	82,016	66,358	66,358
Financial liabilities at amortised cost					
Lease liabilities	18	41,887	41,887	23,859	23,859
Trade and other payables	19	62,274	62,274	17,139	17,139
Borrowings	20	69,480	69,480	21,062	21,062
Total financial liabilities		173,641	173,641	62,060	62,060

- (i) Cash and cash equivalents, trade and other receivables, and trade and other payables are short-term instruments in nature whose carrying amounts are equivalent to their fair values.
- (ii) Term receivables reprice to market interest rates every three months, ensuring carrying amounts approximate fair value.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

Note 30 Fair Value Measurements

The Group measures and recognises the following assets and liabilities at fair value on a recurring basis after initial recognition:

- financial assets at fair value through other comprehensive income; and
- freehold land and buildings.

The Group does not subsequently measure any liabilities at fair value on a non-recurring basis.

(a) Fair value hierarchy

AASB 13: *Fair Value Measurement* 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	Level 2	Level 3
Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.	Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.	Measurements based on unobservable inputs for the

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.

Valuation techniques

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 are not available and therefore are developed using the best information available about such assumptions are considered unobservable.

The following tables provide the fair values of the Group's assets and liabilities measured and recognised on a recurring basis after initial recognition and their categorisation within the fair value hierarchy.

		30 June 2022			
Recurring fair value measurements	Note	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
Non-financial assets					
Freehold land	16	-	104,692	-	104,692
Buildings	16	-	55,076	-	55,076
Total non-financial assets recognised at fair value on a recurring basis		-	159,768	-	159,768
		30 June 2021			
Recurring fair value measurements	Note	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
Non-financial assets					
Freehold land	16	-	31,259	-	31,259
Buildings	16	-	64,109	-	64,109
Total non-financial assets recognised at fair value on a recurring basis		-	95,368	-	95,368

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

Note 30: Fair Value Measurements (continued)*(b) Valuation techniques and inputs used to measure Level 2 fair values***Non-financial assets**

Freehold land (i)	Market approach using recent observable market data for similar properties; income approach using discounted cash flow methodology
Buildings (i)	Market approach using recent observable market data for similar properties; income approach using discounted cash flow methodology

- (i) The fair value of freehold land and buildings is determined at least every two years based on valuations by an independent valuer. At the end of each intervening period, the directors will review the independent valuation and, when appropriate, update the fair value measurement to reflect current market conditions using a range of valuation techniques, including recent observable market data and discounted cash flow methodologies or seek updated independent valuations.

There were no changes during the period in the valuation techniques used by the Group to determine Level 2 fair values.

Note 31 Reserves**a. Foreign Currency Translation Reserve**

The foreign currency translation reserve records exchange differences arising on translation of a foreign controlled subsidiary.

	Group	
	2022 \$000	2021 \$000
Balance at the beginning of the period	(45)	307
Foreign currency movements during the year	(1,855)	(352)
	<u>(1,900)</u>	<u>(45)</u>

b. Asset Revaluation Reserve

The asset revaluation reserve records revaluations of land and buildings.

	Group	
	2022 \$000	2021 \$000
Balance at the beginning of the period	22,477	933
Asset revaluation movement during the year	31,473	25,454
Tax effect	(5,064)	(3,910)
	<u>48,886</u>	<u>22,477</u>

c. Cash Flow Hedge Reserve

The asset revaluation reserve records revaluations of hedging instruments

	Group	
	2022 \$000	2021 \$000
Balance at the beginning of the period	66	-
Asset revaluation movement during the reporting period	196	66
	<u>262</u>	<u>66</u>

d. Merger Acquisition Reserve

	Group	
	2022 \$000	2021 \$000
Balance at the beginning of the period	(54,230)	(54,230)
Movements during the year	-	-
	<u>(54,230)</u>	<u>(54,230)</u>

	Group	
	2022 \$000	2021 \$000
Total Reserves		
Foreign Currency Translation Reserve	(1,900)	(45)
Asset Revaluation Reserve	48,886	22,477
Cash Flow Hedge Reserve	262	66
Merger Acquisition Reserve	(54,230)	(54,230)
	<u>(6,982)</u>	<u>(31,732)</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**Note 32 Capital Commitments**

The table below reflects the capital commitments the Group has entered into as at 30 June 2022.

	Group	
	2022	2021
	\$'000	\$'000
Acquisition of Labels Connect		
- cash consideration	-	550
- consideration shares	-	1,000
	-	1,550
Acquisition of Flexichem Pty Ltd		
- cash consideration	4,650	-
- consideration shares	1,550	-
	6,200	-
Acquisition of Clarkson Freightlines		
- cash consideration	6,250	-
- consideration shares	500	-
	6,750	-
Acquisition of BTX Pty Ltd		
- cash consideration	5,800	-
- consideration shares	1,450	-
	7,250	-
Acquisition of Aquadex Pty Ltd		
- cash consideration	700	-
- consideration shares	6,300	-
	7,000	-
Acquisition of Acacia Ridge Container Park Pty Ltd		
- cash consideration	3,500	-
- consideration shares	1,500	-
	5,000	-
Acquisition of Class Plastics Pty Ltd		
- cash consideration	13,600	-
- consideration shares	3,400	-
	17,000	-
Purchase of land in Queensland, Australia*	3,800	-
Development of new warehouse in Mount Wellington, New Zealand	-	4,188
Construction of warehouse in Hawke's Bay, New Zealand	-	4,653
	<u>53,000</u>	<u>10,391</u>

*The purchase is contingent on certain works being completed and land titles being transferred to the Group prior to the proposed completion date.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**Note 33 Business Combinations****Finalisation of acquisition of DGL Manufacturing Australia Pty Ltd (formerly known as Chem Pack Pty Ltd)**

At 30 June 2021, provisionally determined values were reported. Subsequent to 30 June 2021, the final fair values for the business combination were determined. The final fair value of the identifiable assets and liabilities as at the date of acquisition were:

	Provisional Fair Value at 30 June 2021 \$'000	Adjustment to Provisional Fair Value \$'000	Final Fair Value \$'000
Purchase consideration:			
- Cash	28,635	-	28,635
- Ordinary shares	9,800	-	9,800
	<u>38,435</u>	<u>-</u>	<u>38,435</u>
Assets			
Cash and cash equivalents	2,090	-	2,090
Receivables	12,536	-	12,536
Inventories	6,233	-	6,233
Other current assets	180	-	180
Property, plant and equipment	4,474	-	4,474
Deferred tax assets	461	-	461
Right-of-use assets	4,970	-	4,970
Intangible assets	174	592	766
	<u>31,118</u>	<u>592</u>	<u>31,710</u>
Liabilities			
Trade and other payables	8,846	-	8,846
Borrowings	5,407	-	5,407
Current tax liabilities	517	-	517
Deferred tax liabilities	526	-	526
Provisions	1,298	-	1,298
	<u>16,594</u>	<u>-</u>	<u>16,594</u>
Total identifiable net assets at fair value	14,524	592	15,116
Goodwill arising on acquisition	23,911	(592)	23,319

Summary of Business Combinations during the financial year

During the financial reporting period, the Group acquired 100% of the share capital of 3 companies as well as the business and assets of a further 8 companies.

	Fair Value \$'000
Purchase consideration	
- Cash	56,183
- Ordinary Shares	50,226
	<u>106,409</u>
Less:	
- Cash and cash equivalents	2,288
- Receivables	4,024
- Inventories	10,664
- Other current assets	304
- Prepayments	1,236
- Consumables	398
- Other assets	459
- Bond deposit	224
- Right-of-use assets (see note 18)	5,809
- Property, plant and equipment (see note 16)	23,195
- Deferred tax assets	141
- Intangible assets (see note 17)	752
- Trade and other payables	(1,519)
- Provisions	(3,241)
- Deferred tax liabilities	(196)
- Income in advance	(7)
- Lease liabilities	(5,809)
Identifiable assets acquired and liabilities assumed	<u>38,722</u>
Goodwill/(bargain purchase) accounted for	<u>67,687</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**Note 33: Business Combinations (continued)**

Goodwill/ (bargain purchase) made up of:

- Goodwill (see note 17)	64,832
- Goodwill provisionally accounted for (see note 17)	2,924
- Bargain purchase recognised in profit or loss	(69)
	<u>67,687</u>

(a) Acquisition of Opal Australasia Pty Ltd

On 1 September 2021, the Company acquired 100% of Opal Australasia Pty Ltd. Opal is a well-regarded independent chemical manufacturer operating in Western Australia.

The total acquisition price was \$11,409,886, of which \$8,266,002 was settled with cash and \$3,143,884 settled via shares.

	Fair Value \$'000
Purchase consideration	
- Cash	8,266
- Ordinary Shares ⁽ⁱ⁾	3,144
	<u>11,410</u>
Less:	
- Cash and cash equivalents	1,548
- Receivables ⁽ⁱⁱ⁾	40
- Inventories	167
- Other current assets	90
- Property, plant and equipment	5,289
- Deferred tax assets	80
- Intangible assets	280
- Trade and other payables	(206)
- Provisions	(208)
Identifiable assets acquired and liabilities assumed	<u>7,080</u>
Goodwill ⁽ⁱⁱⁱ⁾ accounted for	<u>4,330</u>

(i) The consideration paid to acquire Opal Australasia Pty Ltd includes 1,366,906 fully paid ordinary shares issued in the Group. The fair value of the shares in the Group has been determined based on the current market price of the shares at the date of acquisition.

At 30 June 2022, there were no outstanding amounts to the vendors of Opal Australasia Pty Ltd.

(ii) The directors believe the receivables are fully recoverable and no provision for impairment is required.

(iii) The goodwill is attributable to the high profitability of the acquired business and the significant synergies expected to arise after the Group's acquisition of Opal Australasia Pty Ltd.

No amount of goodwill is deductible for tax purposes.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

Note 33: Business Combinations (continued)**(b) Acquisition of Austech**

On 1 December 2021, the Company acquired 100% of Austech Chemicals Australasia Pty Ltd. Austech supplies an extensive range of non-oil automotive chemicals and the company also offers toll blending and chemical manufacturing services to industrial, agricultural, water treatment chemical customers.

The total acquisition price was \$28,272,837, of which \$14,401,767 was settled with cash and \$13,871,250 settled via shares.

	Fair Value \$'000
Purchase consideration	
- Cash	14,402
- Ordinary Shares ⁽ⁱ⁾	13,871
	<u>28,273</u>
Less:	
- Cash and cash equivalents	534
- Receivables ⁽ⁱⁱ⁾	3,523
- Inventories	2,509
- Other current assets	183
- Property, plant and equipment	1,599
- Deferred tax assets	61
- Intangible assets	420
- Right-of-use assets	5,655
- Lease liabilities	(5,655)
- Trade and other payables	(1,149)
- Provisions	(896)
- Deferred tax liabilities	(101)
Identifiable assets acquired and liabilities assumed	<u>6,683</u>
Goodwill ⁽ⁱⁱⁱ⁾ accounted for	<u>21,590</u>

(i) The consideration paid to acquire Austech Chemicals Pty Ltd includes 5,306,122 fully paid ordinary shares issued in the Group on 1 December 2021 and a further 511,190 fully paid ordinary shares issued in the Group on 9 February 2022.

At 30 June 2022, there were no outstanding amounts to the vendors of Austech Chemicals Australasia Pty Ltd.

(ii) The directors believe the receivables are fully recoverable and no provision for impairment is required.

(iii) The goodwill is attributable to the high profitability of the acquired business and the significant synergies expected to arise after the Group's acquisition of Austech Chemicals Australasia Pty Ltd.

No amount of goodwill is deductible for tax purposes.

(c) Acquisition of Total Bio Group, holding Company which owns 100% of Total Coolants Management Solutions Pty Ltd

On 1 May 2022, the Austech Chemicals Australasia Pty Ltd acquired 100% of Total Bio Group Pty Ltd, a holding company which owns 100% of the shares in the operating company, Total Coolants Management Solutions Pty Ltd ("Total Coolants"). Total Coolant supplies engine coolants, wind farm converter coolants, rim and tyre protectant and detergent and degreasers.

The total acquisition price was \$2,942,734, of which \$2,653,397 has been settled with cash and \$289,337 settled via shares.

	Fair Value \$'000
Purchase consideration	
- Cash	2,653
- Ordinary Shares ⁽ⁱ⁾	289
	<u>2,942</u>
Less:	
- Cash and cash equivalents	206
- Receivables ⁽ⁱⁱ⁾	461
- Inventories	181
- Other current assets	31
- Property, plant and equipment	399
- Intangibles	22
- Right-of-use assets	154
- Lease liabilities	(154)
- Trade and other payables	(161)
- Provisions	(92)
- Deferred tax liabilities	(95)
Identifiable assets acquired and liabilities assumed	<u>952</u>
Goodwill ^(iv) accounted for	<u>1,990</u>

Note 33: Business Combinations (continued)

- (i) The consideration paid to acquire Total Coolants Management Solutions Pty Ltd includes 74,189 fully paid ordinary shares issued in the Group on 3 May 2022.

At 30 June 2022, there were no outstanding amounts to the vendors of Total Bio Group Pty Ltd.

- (ii) The directors believe the receivables are fully recoverable and no provision for impairment is required.
- (iii) The goodwill is attributable to the high profitability of the acquired business and the significant synergies expected to arise after the Group's acquisition of Total Coolants Management Solutions Pty Ltd.
- No amount of goodwill is deductible for tax purposes.

(d) Acquisition of business and assets from AA Hitech Printers Pty Ltd

On 1 July 2021, DGL Manufacturing Australia Pty Ltd acquired the business and assets of AA Hitech Printers Pty Ltd (Labels Connect). Labels Connect has a history in labels and design providing services covering procurement, licenses, design, customer requirements and production.

The total acquisition price was \$1,765,213, of which \$547,032 was settled with cash and \$1,218,181 settled via shares.

	Fair Value \$'000
Purchase consideration	
- Cash	547
- Ordinary Shares ⁽ⁱ⁾	1,218
	<u>1,765</u>
Less:	
Assets	
Inventories	10
Prepayments	8
Property, plant and equipment	120
Intangible assets	20
Right-of-use assets	55
	<u>213</u>
Liabilities	
Lease liabilities	(55)
Provisions	(15)
	<u>(70)</u>
Goodwill ⁽ⁱⁱⁱ⁾ accounted for	<u><u>1,622</u></u>

- (i) The consideration paid to acquire the business and assets of AA Hitech Printers Pty Ltd includes 909,090 fully paid ordinary shares issued in the Group. The fair value of the shares in the Group has been determined based on the current market price of the shares at the date of acquisition.
- (ii) The goodwill is attributable to the high profitability of the acquired business and the significant synergies expected to arise after the Group's acquisition of the business and assets of AA Hitech Printers Pty Ltd.
- No amount of goodwill is deductible for tax purposes.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

Note 33: Business Combinations (continued)

(e) Acquisition of business and assets from Aquapac Pty Ltd

On 1 October 2021, DGL Manufacturing Pty Limited acquired the business and assets of Aquapac Pty Ltd (Aquapac). Aquapac manufactures and supplies a wide range of quality chemicals to Australian as well as broader international markets, with specific focus on water treatment chemicals to Australian as well as broader international markets. Aquapac has manufacturing facilities in both Queensland and New South Wales and offers a full chemical blending and packing service for many of its clients, they also manufacture a wide range of products to customer specifications.

The total acquisition price was \$7,935,920, of which \$3,878,778 was settled with cash and \$4,057,142 settled via shares.

	Fair Value \$'000
Purchase consideration	
- Cash	3,879
- Ordinary Shares ⁽ⁱ⁾	4,057
	<u>7,936</u>
Less:	
Assets	
Inventories	1,416
Prepayments	11
Property, plant and equipment	891
	<u>2,318</u>
Liabilities	
Payables	(3)
Provisions	(279)
	<u>(282)</u>
Goodwill ⁽ⁱⁱⁱ⁾ accounted for	<u>5,900</u>

(i) The consideration paid to acquire the business and assets of Aquapac Pty Ltd includes 1,428,571 fully paid ordinary shares issued in the Group. The fair value of the shares in the Group has been determined based on the current market price of the shares at the date of acquisition.

(ii) The goodwill is attributable to the high profitability of the acquired business and the significant synergies expected to arise after the Group's acquisition of the business and assets of Aquapac Pty Ltd.

No amount of goodwill is deductible for tax purposes.

(f) Acquisition of business and assets from AUSblue Group Pty Ltd, AUSblue Pty Ltd and AdBlue Transport Pty Ltd (AUSblue)

On 1 November 2021, DGL AUSblue Pty Ltd acquired the business and assets of AUSblue Group Pty Ltd, AUSblue Pty Ltd and AdBlue Transport Pty Ltd, collectively known as AUSblue. AUSblue is the market leader in AdBlue distribution in Australia and is currently expanding into the coolant market.

The total acquisition price was \$19,956,080, of which \$6,655,433 was settled with cash and \$13,300,647 settled via shares.

	Fair Value \$'000
Purchase consideration	
- Cash	6,655
- Ordinary Shares ⁽ⁱ⁾	13,301
	<u>19,956</u>
Less:	
Assets	
Inventories	3,106
Consumables	363
Prepayments	1,217
Bond deposits	224
Other assets	90
Property, plant and equipment	3,331
Intangible assets	10
	<u>8,341</u>
Liabilities	
Income in advance	(7)
Provisions	(610)
	<u>(617)</u>
Goodwill ⁽ⁱⁱⁱ⁾ accounted for	<u>12,232</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**Note 33: Business Combinations (continued)**

- (i) The consideration paid to acquire the business and assets of AUSblue includes 4,539,470 fully paid ordinary shares issued in the Group. The fair value of the shares in the Group has been determined based on the current market price of the shares at the date of acquisition.
- (ii) The goodwill is attributable to the high profitability of the acquired business and the significant synergies expected to arise after the Group's acquisition of the business and assets of AUSblue Group Pty Ltd, AUSblue Pty Ltd and AdBlue Transport Pty Ltd.

No amount of goodwill is deductible for tax purposes.

(g) Acquisition of business and assets from Profill Industries Pty Ltd

On 1 November 2021, DGL Manufacturing Australia Pty Ltd (formerly known as Chem Pack Pty Ltd) acquired the business and assets of Profill Industries Pty Ltd (Profill). Profill deals in chemical manufacturing with specific focus on contract manufacturing, blending and packing of home & garden, fertiliser, agricultural and industrial chemicals to both International and Australian markets.

The total acquisition price was \$14,616,530, of which \$3,105,817 was settled with cash and \$11,510,713 settled via shares. \$500,000 of deferred consideration was paid, following the vendor meeting conditions as stipulated in the agreement.

	Fair Value \$'000
Purchase consideration	
- Cash	3,106
- Ordinary Shares ⁽ⁱ⁾	11,511
	<u>14,617</u>
Less:	
Assets	
Inventories	1,411
Property, plant and equipment	1,408
	<u>2,819</u>
Liabilities	
Provisions	(385)
	<u>(385)</u>
Goodwill ⁽ⁱⁱ⁾ accounted for	<u>12,183</u>

- (i) The consideration paid to acquire the business and assets of Profill Industries Pty Ltd includes 3,928,571 fully paid ordinary shares issued in the Group. The fair value of the shares in the Group has been determined based on the current market price of the shares at the date of acquisition.
- (ii) The goodwill is attributable to the high profitability of the acquired business and the significant synergies expected to arise after the Group's acquisition of the business and assets of Profill Industries Pty Ltd.

No amount of goodwill is deductible for tax purposes.

(h) Acquisition of business and assets from Shackell

On 29 November 2021, DGL Warehousing and Distribution Pty Ltd acquired the business and assets of Shackell Transport Pty Ltd (Shackell). Shackell operates a fleet of 28 Kenworth & Volvo prime movers, 22 bulk liquid tankers and 31 trailers.

The total acquisition price was \$9,233,196, of which \$8,026,745 was settled with cash and \$1,206,451 settled via shares.

	Fair Value \$'000
Purchase consideration	
- Cash	8,027
- Ordinary Shares ⁽ⁱ⁾	1,206
	<u>9,233</u>
Less:	
Assets	
Inventories	483
Other assets	369
Property, plant and equipment	8,943
	<u>9,795</u>
Liabilities	
Provisions	(493)
	<u>(493)</u>
Bargain Purchase accounted for	<u>(69)</u>

- (i) The consideration paid to acquire the business and assets of Shackell Transport Pty Ltd includes 506,912 fully paid ordinary shares issued in the Group. The fair value of the shares in the Group has been determined based on the current market price of the shares at the date of acquisition.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**Note 33: Business Combinations (continued)****(i) Acquisition of business and assets from ALM**

On 28 February 2022, DGL Warehousing and Distribution Pty Ltd acquired the business and assets of Australian Logistics Management Pty Ltd, as trustee for ALM Unit Trust. ALM offers safe and reliable transport for dangerous and hazardous materials, focusing on sampling, specialised packing, compliance, and freight service of product samples.

The total acquisition price was \$1,214,063, of which \$792,801 was settled with cash and \$421,262 settled via shares.

	Fair Value \$'000
Purchase consideration	
- Cash	793
- Ordinary Shares ⁽ⁱ⁾	421
	<u>1,214</u>
Less:	
Assets	
Consumables	35
Property, plant and equipment	<u>63</u>
	<u>98</u>
Liabilities	
Provisions	<u>(75)</u>
	<u>(75)</u>
	<u>1,191</u>

Goodwill ⁽ⁱⁱ⁾ accounted for

(i) The consideration paid to acquire the business and assets of Australian Logistics Management Pty Ltd, ATF ALM Unit Trust includes 153,186 fully paid ordinary shares issued in the Group. The fair value of the shares in the Group has been determined based on the current market price of the shares at the date of acquisition.

(ii) The goodwill is attributable to the high profitability of the acquired business and the significant synergies expected to arise after the Group's acquisition of the business and assets of Australian Logistics Management Pty Ltd ATF ALM Unit Trust.

No amount of goodwill is deductible for tax purposes.

(j) Acquisition of business and assets from RLA Polymers Limited

On 1 April 2022, DGL Manufacturing Limited, a New Zealand subsidiary of DGL Group Limited, acquired the business and assets of RLA Polymers Limited ("RLA"). RLA is a NZ-based manufacturer and distributor of a wide range of high quality products for the construction industry. Its primary activity is the manufacturing of synthetic latex based compounds for the carpet and roading industries, flooring adhesives, or the supply of key raw materials to this market.

The total acquisition price was \$5,661,280, of which \$4,453,052 was settled with cash and \$1,208,228 settled via shares.

The figures below have been converted using the spot rate at 1 April 2022.

	Fair Value \$'000
Purchase consideration	
- Cash	4,453
- Ordinary Shares ⁽ⁱ⁾	1,208
	<u>5,661</u>
Less:	
Assets	
Inventories	1,381
Property, plant and equipment	<u>580</u>
	<u>1,961</u>
Liabilities	
Provisions	<u>(94)</u>
	<u>(94)</u>
	<u>3,794</u>

Goodwill ⁽ⁱⁱ⁾ provisionally accounted for

(i) The consideration paid to acquire the business and assets of RLA Polymers Limited includes 363,924 fully paid ordinary shares issued in the Group. The fair value of the shares in the Group has been determined based on the current market price of the shares at the date of acquisition.

(ii) The goodwill is attributable to the high profitability of the acquired business and the significant synergies expected to arise after the Group's acquisition of the business and assets of RLA Polymers Limited.

No amount of goodwill is deductible for tax purposes.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**Note 33: Business Combinations (continued)****(k) Acquisition of business and assets from Temples (WA) Pty Ltd**

On 10 May 2022, DGL Warehousing and Distribution Pty Ltd acquired the business and assets of Temples (WA) Pty Ltd. Temples Pty Ltd specialises in the transportation of livestock, stockfeed, waste, and warehousing and distribution predominately to agricultural customers.

The total acquisition price was \$3,402,022 which was settled in cash.

	Fair Value \$'000
Purchase consideration	
- Cash	3,402
	<u>3,402</u>
Less:	
Assets	
Property, plant and equipment	572
	<u>572</u>
Liabilities	
Provisions	(94)
	<u>(94)</u>
Goodwill ⁽ⁱ⁾ provisionally accounted for	<u>2,924</u>

- (i) The goodwill is attributable to the high profitability of the acquired business and the significant synergies expected to arise after the Group's acquisition of the business and assets of Temples (WA) Pty Ltd.

No amount of goodwill is deductible for tax purposes.

Note 34 Contingent Liabilities

The Group currently has one open litigation matter in relation to the 100% owned subsidiary, DGL Manufacturing Limited.

DGL Manufacturing Limited has sued a vendor for breach of vendor warranties in respect of the sale of chemical tanks which it is claimed do not comply with the Weights and Measurements Act (if used in public trade). The relief sought is approximately \$590,000, being the estimated costs of bringing the tanks to a compliance standard.

In response, the defendant has counterclaimed against DGL Manufacturing Limited and Simon Henry personally alleging breaches of a wider business acquisition agreement. The counter-claim is denied. A court hearing is scheduled for September 2023.

DGL Group has \$3.1m of bank guarantees given to third parties as detailed in Note 9.

Note 35 Company Details**The registered office of the company is:**

DGL Group Limited
Level 4, 91 William Street
Melbourne Vic 3000

The principal places of business are:

DGL Warehousing and Distribution
739 Progress Road
Wacol, QLD 4076
Brisbane, Australia

DGL Environmental Solutions
201 Five Islands Road
Unanderra NSW 2526
Wollongong, Australia

DGL Chemical Manufacturing
120 Fulton Drive
Derrimut VIC 3026
Melbourne, Australia

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of DGL Group Limited, the directors of the company declare that:

1. the financial statements and notes, as set out on pages 17 to 64, are in accordance with the *Corporations Act 2001* and:
 - (a) comply with Australian Accounting Standards applicable to the entity, which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards; and
 - (b) give a true and fair view of the financial position as at 30 June 2022 and of the performance for the year ended on that date of the consolidated group;
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; and
3. the directors have been given the declarations required by section 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer.



Director **Mr. Peter Lowe**

Dated this 30th of August, 2022

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DGL GROUP LIMITED

Report on the Financial Report

Auditor's Opinion

We have audited the accompanying financial report of DGL Group Limited (the Company), which comprises the consolidated statement of financial position as at 30 June 2022, 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, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' Declaration of the Company and the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2022 and of its financial performance for the year ended on that date; and
- (b) 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 consolidated entity 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 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.

Key Audit Matters

A Key Audit Matter is a matter that, in our professional judgement, was of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

Key audit matter – Business combinations	How our audit addressed this matter
As described in note 33, the Group entered into agreements to acquire 100% of the equity in the following entities: - Opal Australasia Pty Ltd - Austech Chemical Australasia Pty Ltd - Total Bio Group Pty Ltd, the holding company for Total Coolants Management Solutions Pty Ltd The Group also entered into agreements to acquire the business and assets of the following entities: - Profill Industries Pty Ltd - AUSblue Group Pty Ltd and subsidiaries - Shackell Transport Pty Ltd - AA Hitech Printers Pty Ltd - Aquapac Pty Ltd - Australian Logistics Management Pty Ltd - RLA Polymers (NZ) Ltd - Temples (WA) Pty Ltd	Our procedures included, but were not limited to, the following: - evaluating the consolidated entity's accounting treatment against the requirements of AASB 3, key transaction agreements, and our understanding of the acquisitions. This includes an assessment based on the guidance provided in paragraphs B7-B12, to determine whether the acquisition is classified as a share purchase or business asset acquisition; - assessing the methodology applied to recognise the fair value of identifiable assets and liabilities; - validating inputs of the components of the business combinations to underlying support including settlement contracts; - assessing Management's determination of the point at which control was gained of each acquiree;

(continued)

Key audit matter – Business combinations (continued)	How our audit addressed this matter (continued)
All acquisitions were accounted in accordance with AASB 3 <i>Business Combinations</i>. The acquisition date fair value of the total consideration transferred in respect of these acquisitions was \$106.4m. Significant judgements were formed by Management in valuing the acquired identifiable assets and allocation to goodwill with respect to these acquisitions. On this basis we have considered these business combinations to be a Key Audit Matter.	• assessing the provisional allocation of purchase price for each share purchase or business asset acquisition to the significant identifiable assets acquired – including any intangibles other than goodwill – and liabilities assumed; • reviewing the accounting entries associated with each business combination; and • reviewing the related financial statement disclosures for the acquisitions for consistency with the relevant financial reporting standards.

Key audit matter – Assessment of carrying value of goodwill and other intangible assets	How our audit addressed this matter
As of 30 June 2022, the carrying value of goodwill and intangibles was \$98.5m (2021: \$28.0m), as disclosed in note 17 of the financial report. The accounting policy in respect of these assets is outlined in note 1 (j) <i>Intangible Assets</i>. Goodwill and intangible assets of \$68.5m were recognised as part of the business combinations during the year, with another \$2m acquired separately. An annual impairment test for goodwill and other indefinite life intangibles is required under AASB 136 <i>Impairment of Assets</i>. Management's testing has been performed using a discounted cash flow model (impairment model) to estimate the value-in-use of the Cash Generating Unit (CGU) to which the intangible assets have been allocated. The evaluation of the recoverable amount requires the consolidated entity to exercise significant judgement in determining key assumptions, which include: • 5-year cash flow forecast; • growth rate and terminal growth factor; and • discount rate. The outcome of the impairment assessment could vary if different assumptions were applied. As a result, the evaluation of the recoverable amount of intangibles in accordance with the requirement of AASB 136 <i>Impairment of Assets</i> is a Key Audit Matter.	Our procedures included, but were not limited to, assessing and challenging: • the appropriateness of Management's determination of the CGU to which goodwill and indefinite life intangibles are allocated; • the application of an indefinite useful life to these intangible assets; • the reasonableness of the financial year 2023 budget approved by the Directors, comparing to current actual results, and considering trends, strategies and the current economic climate; • the testing of inputs used in the impairment model, including the approved budget; • the determination of the discount rate applied in the impairment model, comparing to available industry data; • the short to medium term growth rates applied in the forecast cash flow, considering historical results and available industry data; • the arithmetic accuracy of the impairment model; • Management's sensitivity analysis around the key drivers of the cash flow projections, to consider the likelihood of such movements occurring sufficient to give rise to an impairment; and • the appropriateness of the disclosures including those relating to sensitivities in assumptions used in note 17.

Key audit matter – Revenue recognition	How our audit addressed this matter
The consolidated entity's sales revenue amounted to \$369.8m during the year (2021: \$154.5m). Note 3 provides a breakdown of this revenue. Note 1 (o) <i>Revenue and Other Income</i> describes accounting policies applicable to the following distinct revenue streams in accordance with AASB 15 <i>Revenue from Contracts with Customers</i>: • Formulation, packaging, storage and cartage of chemical and material products	Our procedures included, but were not limited to, the following: • assessing the consistency of design of the consolidated entity's accounting policies in respect of revenue recognition against the criteria prescribed by AASB 15; • assessing the reasonableness against expectation of recognised revenue through each of the revenue streams, using data analytics and comparison to prior year and budgeted results;

(continued)

Key audit matter – Revenue recognition (continued)	How our audit addressed this matter (continued)
• Processing of used lead acid batteries to recover lead • Warehouse rental The recognition of revenue and associated unearned revenue is considered a Key Audit Matter due to the varied timing of revenue recognition relative to the different revenue streams, consideration of business combinations, and the relative complexity of processes supporting the accounting for each.	• for a sample of contracts across each revenue stream - with emphasis on revenue from the acquisitions - evaluating the contracts and agreeing revenue amounts to the records accumulated as inputs to the financial statements, including supporting billing systems and bank records; these procedures enabled our assessing the values recorded and the timing of revenue recognition as appropriate to the completion of performance obligations and the timeframe of product delivery; and • assessing the accuracy of revenue cut-off and completeness of revenue deferred in accordance with the principles of AASB 15 as of the year-end.

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the consolidated entity's annual report for the year ended 30 June 2022 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 an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report.

In connection with our audit of the financial report, our responsibility is to read the other information and in doing so, we 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 information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of 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 consolidated entity's ability 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 consolidated entity or cease operations, or have 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 the 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 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 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. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. 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.

- Obtain an understanding of internal control relevant to the audit 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 consolidated entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and other related disclosures made by the Directors.
- 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 consolidated entity'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 consolidated entity to cease to continue as a going concern.
- 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the consolidated entity to express an opinion on the group 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.

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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Auditor's Opinion

We have audited the Remuneration Report included in the Directors' Report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of DGL Group Limited for the year then ended complies with Section 300A of the *Corporations Act 2001*.

Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

The following information is current as at 30 August 2022:

1. **Shareholding**

a. **Distribution of Shareholders**

Category (size of holding)	No. of Holders	No. of Ordinary Shares
1 – 1,000	2,371	1,186,804
1,001 – 5,000	1,884	4,863,811
5,001 – 10,000	530	4,106,088
10,001 – 100,000	538	13,985,964
100,001 – and over	66	255,103,205
	5,389	279,245,872

b. The number of shareholdings held in less than marketable parcels is nil (2021: nil)

c. The names of the substantial shareholders listed in the holding company's register are:

	No. of Fully Paid Ordinary Shares	% Held of Issued Ordinary Capital
Mr Simon Henry	150,917,279	54.04%
Citicorp Nominees Pty Limited	25,041,954	8.97%
HSBC Custody Nominees (Australia) Limited	16,338,900	5.85%
National Nominees Limited	15,860,095	5.68%

d. **Voting Rights**

The voting rights attached to each class of equity security are as follows:

Ordinary shares

- Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

e. **20 Largest Shareholders — Ordinary Shares**

Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1. Mr Simon Henry	150,917,279	54.04%
2. Citicorp Nominees Pty Limited	25,041,954	8.97%
3. HSBC Custody Nominees (Australia) Limited	16,338,900	5.85%
4. National Nominees Limited	15,860,095	5.68%
5. Spalding Holdings Pty Ltd <Sushames Family No 2 A/C>	8,164,000	2.92%
6. Aveley Investments Pty Ltd	5,817,312	2.08%
7. J P Morgan Nominees Australia Pty Limited	4,269,960	1.53%
8. 4tiges Capital Pty Ltd	3,813,355	1.37%
9. BNP Paribas Nominees Pty Ltd <Agency Lending Drp A/C>	2,518,471	0.90%
10. Mr Kenneth Joseph Hall <Hall Park A/C>	2,230,000	0.80%
11. Aquapac Pty Ltd	1,100,000	0.39%
12. Lightbrass Pty Ltd <The PM Investments A/C>	1,079,205	0.39%
13. WJ & GF Shaw Ltd <The Shaw Family>	1,059,205	0.38%
14. Nine Lions Pty Ltd <Park Family>	1,007,194	0.36%
15. Mr Robert William Sushames <Sushames Family>	1,000,000	0.36%
16. A & S Morrell Pty Ltd <The Morrell A/C>	879,799	0.32%
17. AA Hitech Printers Pty Ltd	860,090	0.31%
18. ASB Nominess Limited <184200 A/C>	845,263	0.30%
19. Sharesies Nominee Limited <Child A/C>	843,749	0.30%
20. BNP Paribas Nominees Pty Ltd <IB AU Noms Retail client DRP>	680,536	0.24%
	244,326,367	87.50%

2. The name of the company secretary is Andrew John Draffin.
3. The address of the principal registered office in Australia is Level 4, 91 William Street, Melbourne Vic 3000. Telephone is +61 3 8611 5333.
4. Registers of securities are held at the following addresses
Link Market Services Limited
Level 12, 680 George Street
Sydney NSW 2000
5. **Stock Exchange Listing**
Quotation has been granted for all the ordinary shares of the company on all Member Exchanges of the Australian Securities Exchange Limited.