



DGL

For personal use only

ANNUAL REPORT

2023

DGL GROUP LIMITED AND CONTROLLED ENTITIES

ABN: 71 002 802 646

For The Year Ended 30 June 2023

dglgroup.com

DGL GROUP LIMITED AND CONTROLLED ENTITIES

ABN: 71 002 802 646

FOR THE YEAR ENDED 30 JUNE 2023



CONTENTS	PAGE
Joint letter from Chairman and Chief Executive Officer	1
Directors' Report	2
Remuneration Report	14
Auditor's Independence Declaration	18
Consolidated Statement of Profit or Loss and Other Comprehensive Income	19
Consolidated Statement of Financial Position	20
Consolidated Statement of Changes in Equity	21
Consolidated Statement of Cash Flows	22
Notes to the Financial Statements	23
Directors' Declaration	63
Independent Auditor's Report	64
Additional Information for Listed Public Companies	68

For personal use only

INTRODUCTION

Twelve months after the disruption and dislocation experienced during the global pandemic, the 2023 financial year saw DGL deliver sound results. Despite macro-economic challenges, volatile pricing, labour shortages, and rising inflation, we experienced strong customer demand, resulting in growth in revenue, an increase in our underlying earnings before interest, tax, depreciation & amortisation (EBITDA) and improved cash conversion.

FINANCIAL ACHIEVEMENTS

In the 12 months to June 30, 2023, revenue increased by 26 per cent to a record \$466.0 million, resulting in underlying EBITDA of \$64.1 million.

At the same time, we experienced a strong underlying operating cashflow conversion rate of 118 per cent, up 41 per cent on the previous year.

Overall, our indicative inventory days fell from 75 days in financial year 2022 (FY22) to 46 days in financial year 2023 (FY23), as operations and supply chains normalised following DGL's strategic decision during the pandemic to leverage our strong balance sheet and undertake a deliberate strategy of procuring higher levels of inventory.

INTEGRATION

DGL's central focus is to provide a safe and inclusive workplace for all its employees, and we are pleased to report that there were no major safety and environmental incidents in FY23 - a testament to the dedication and focus of everyone in the business. Our staff's health and wellbeing is important for DGL, which is why we have continued to invest in our people and culture and improve internal processes and compliance.

We have also continued to update and modify our environmental, social and governance credentials and certification, including climate risks and greenhouse emissions.

THE YEAR AHEAD

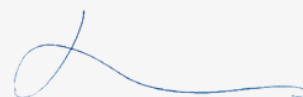
We are positive about the year ahead, with significant opportunities to drive organic growth and deliver further integration benefits from our acquisitions.

We are well structured, have a strong balance sheet and ample liquidity and are confident of further growth in the years to come.

Thank you to everyone at DGL for your hard work and your commitment to the business and thank you to our shareholders for your continuing support.



Peter Lowe
Chairman



Simon Henry
Chief Executive Officer

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 2023.

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 and 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 - resigned 14 October 2020
Robert Sushames Executive Director, Director of Manufacturing 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.

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 2023	
	Ordinary Shares	Share Options	Ordinary Shares	Share Options
Peter Lowe	50,000	-	50,000	-
Simon Henry	151,290,229	-	151,290,229	-
Denise Brotherton	35,614	-	35,614	-
Robert McKinnon	50,000	-	50,000	-
Robert Sushames	1,150,000	-	1,150,000	-

Meetings of directors

During the financial year, 19 meetings of directors were held.

Attendances by each director during the year were as follows:

	Full meetings of directors		Meetings of Committees			
			Audit and Risk		Remuneration	
	A	B	A	B	A	B
Peter Lowe	18	19	7	7	2	2
Simon Henry	16	19	*	*	*	*
Denise Brotherton	18	19	7	7	2	2
Robert McKinnon	19	19	7	7	2	2
Robert Sushames	18	19	*	*	*	*

A = Number of meetings attended

B = Number of meetings held during the time the director held office or was a member of the committee during the year

* Not a member of the relevant committee

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 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 & manufacturing, warehousing & distribution, and waste management & recycling. The Group'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 segments:

(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 to circa \$41 billion by 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 to circa \$112 billion by 2026. Within this market, it is estimated that dangerous goods logistics will account for approximately \$1.2 billion 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.

Review of Operations

The Group comprises three operating segments: Chemical Manufacturing, Warehousing & Distribution and Environmental Solutions. A description of each operating segment 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. The largest manufacturing customer represents 4.4% of the Group's FY23 pro-forma revenue, down from 8.5% in FY22, as the number of, and value contributed by, other customers has increased.

Key activities

Statutory sales revenue of the Chemical Manufacturing segment has increased from \$235 million in FY22 to \$282 million in FY23 (includes intercompany transactions). The statutory Chemical Manufacturing segment result from continuing operations before tax and interest decreased from \$46.5 million in FY22 to \$41.7 million in FY23 (includes intercompany transactions). Excluding \$15.0m contribution from one off supply imbalance in FY 22, this represents a \$10.2m increase.

A focus on consolidation of acquisitions has enhanced the segment's ability to provide a full service offering across all Australian states setting the platform for future revenue and volume growth. DGL's own brand product portfolio has been enhanced through additional product registrations and further automotive offerings. The segment is continuing to explore further expansion of the established Australian product offerings into the NZ market.

Investment in new formulation and blending plants at existing Chemical Manufacturing sites has continued, notably the additional herbicide plant commissioned in Victoria in FY23.

Strengthening relationships with utility services across the eastern seaboard of Australia were reflected in the extension of several key contracts and continuing to explore further opportunities for co-location of treatment plants and other services.

The opportunities for Chemical Manufacturing to have cross-selling opportunities into the Logistics segment vastly increased during FY23, through services of freight forwarding and clearance and 3PL storage of finished products manufactured by segment operations. Volume growth in the segment has supported additions to the Logistics fleet to support segment customers, increasing value-add and full-service offering.

Operationally, a focus on reducing manufacturing timeframes has helped to reduce inventory levels and provide more timely customer delivery performance and flexibility.

In FY23, DGL acquired and integrated three businesses into the Chemical Manufacturing segment (Flexichem, Chempac (NZ) and Triox). This has expanded the segment's capabilities further into the agricultural, automotive, construction and industrial sectors and the ability to service those sectors from a single site in all Australian states.

Overview of acquisitions

Flexichem was acquired on 1 September 2022. Flexichem specialises in complex silicone-based manufacturing targeted at industrial, water treatment and specialty product applications for both domestic and export customers. The Flexichem acquisition gives DGL a strategic chemical manufacturing base in Adelaide with a strong technical base in chemical development and 1,200 tonnes of additional chemical manufacturing capacity.

Chempac (NZ) was acquired on 1 December 2022. Chempac (NZ) is engaged in chemical manufacturing, packaging and distribution of finished goods. There are strong synergies with the wider DGL Group around chemical manufacturing, which bring efficiencies coupled with the opportunity to expand further into the industrial chemical sector plus integration efficiencies with the nearby Bondlast operation.

Triox was acquired on 1 June 2023. Triox is a niche manufacturer and supplier of pest control products for the agriculture sector with strong competitive positioning. The acquisition enhances Chemical Manufacturing's capabilities and expands the product offering with further opportunities to leverage existing customer relationships and expand sales to the Agrichemical sector.

Throughout much of FY23, the segment continued to experience supply chain disruption and a tight labour market. In the final stages of FY23, signs emerged of these constraints starting to ease.

Logistics

Segment description

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

DGL has capacity to store approximately 200,000 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 FY23 period, the warehouses continued to be highly utilised.

DGL also provides national and international logistics through its own fleet and transport via partners across Australia and New Zealand. The segment's fleet includes more than 330 owned trucks, trailers and road tankers across Australia and New Zealand, licensed to carry dangerous goods. The segment can provide solutions for wharf cartage, bulk tankers, local, interstate and line haul transport.

DGL's Logistics services both the Chemical Manufacturing and Environmental Solutions segments. This provides a significant advantage for customers as it allows for greater assurances over supply and a significant growth opportunity for DGL.

Key activities

Statutory sales revenue of the Logistics segment has increased from \$62.8 million in FY22 to \$103.1 million in FY23. The statutory Logistics segment result from continuing operations increased from \$13.8 million in FY22 to \$20.5 million in FY23 (includes intercompany transactions).

High utilisation of DGL's logistics network and continued demand for the company's warehousing and distribution services supported strong growth of this segment.

Logistics acquired four businesses during FY23 contributing to the segment's revenue growth and service offering (Clarkson, Nightingale, NLW and DLF).

Overview of acquisitions

Clarkson & Connolly Transport (Clarkson) was acquired on 1 September 2022. Clarkson focuses on providing general freight services for the agricultural and building sectors in the mid-West and wheatbelt regions of Australia. Clarkson offers an opportunity to grow DGL's freight services to DGL Manufacturing customers and opens up more organic growth opportunities in the WA agricultural chemical sector.

Nightingale Transport (Nightingale) was acquired on 7 February 2023. Nightingale provides a national logistics service to blue-chip clients in the mining, agricultural and infrastructure sectors. The acquisition of Nightingale gives DGL the opportunity to consolidate Environmental Solutions collections and expand the Group's transport capabilities nationally.

NLW Group (NLW) was acquired on 1 March 2023. NLW specialises in providing warehousing, transport and logistics services for a variety of industries, including mining, agriculture and manufacturing. The acquisition of NLW increases DGL's storage and service capabilities in North QLD for Chemical Manufacturing, Environmental Solutions and the Group customer base. NLW also helps reduce the number of service providers for DGL's customers and strengthens DGL's partnerships with them.

DLF Global Logistics (DLF) was acquired on 1 March 2023. DLF is a full-function international logistics business that solidifies DGL's presence in freight forwarding and expands its influence in the Australasian market. DLF provides access to the highly attractive manufacturing and construction verticals and plentiful opportunities for cross-selling between segments.

In FY23, DGL accomplished significant milestones, driving growth and enhancing its service offerings. Notably, the Logistics segment broadened its freight forwarding capabilities. This expansion was complemented by the establishment of a customs clearing unit, further strengthening DGL's service portfolio. These strategic moves have amplified DGL's capacity to cater to a wider array of customer needs within the Group.

The Logistics segment is actively exploring opportunities for growth and diversification. Considerations encompass the augmentation of the fleet, expansion into new geographical areas and the incorporation of varied service types, such as port services, container transport and bulk tanker operations. Noteworthy is the potential internal utilisation of DGL's fleet, supplanting the use of any subcontractors across the Group. This comprehensive approach aligns with the overarching goal of delivering an integrated service, delivering heightened value to clients spanning all three segments. By streamlining their supplier base, clients can optimise cost-efficiency and supply chain effectiveness.

An additional driver of revenue growth stemmed from cross-segment customer referrals, with intercompany revenue experiencing strong growth. This growth underscores the progressively pivotal role of Logistics in bridging DGL sites with our customer base.

Despite these achievements, operational challenges were encountered. The interplay of rapidly escalating operational costs and supply chain disruptions impacted the earnings of the segment. While fuel cost escalations were largely offset through sensible use of fuel levies, a concerted emphasis will be placed on re-evaluation of pricing structures and cultivation of margin expansion in FY24. Heightened utilisation rates were balanced by disruptions in the workforce, similar to experience in FY22. A notable operational metric is the efficiency of storage facilities, which tend to peak within the 90-95% utilisation range. Most warehousing sites consistently surpassed this optimal range, indicative of robust operational activity.

In summation, FY23 has been marked by strategic expansion, robust revenue growth and a diligent response to operational challenges. The orchestrated initiatives have bolstered DGL's service offerings, positioning the company for sustained growth and resilience in a dynamic business landscape.

Environmental Solutions

Segment description

The Environmental Solutions segment 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.

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 highly, automated recycling facilities. The segment 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 safely 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, 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") segment has increased from \$88.4 million in FY22 to \$110.4 million in FY23 (includes intercompany transactions). The statutory Environmental Solutions segment result from continuing operations before tax and interest decreased from \$13.4 million in FY22 to \$12.4 million in FY23.

Earnings growth is attributable to both the scaling of the Environmental Solutions segment but also exclusion of corporate costs in the FY23 figures.

Supply chain disruptions impacted the Environmental Solutions segment.

During FY23, DGL acquired and integrated four businesses into the Environmental Solutions segment, contributing to the segment's revenue growth and service offering (Aquadex, BTX, Acacia Ridge and Envirostore). This expanded the segment's presence in the growing water treatment and waste sectors and its reach in those sectors across Australia.

Overview of acquisitions

Aquadex was acquired on 1 October 2022. Aquadex specialises in the manufacturing and distribution of chemicals for chlorine products and water treatment. The acquisition enhanced DGL's existing water treatment chemical business and provided access to a list of customers including large utilities and blue-chip mining groups.

BTX was acquired on 1 October 2022. BTX provides bespoke chemistry and innovative technologies to the municipal, mining, environmental and industrial sectors throughout Australia. The acquisition enhances the existing service offering of both the Environmental Solutions and Chemical Manufacturing segments and significantly widens the accessible market. BTX also increases the breadth of intellectual property within both segments.

Acacia Ridge was acquired on 1 November 2022. Acacia Ridge has wide experience in handling ISO tank containers & road tankers and provides a range of services to meet customer needs. Acacia Ridge enjoys a strong and successful reputation within the industry and provides DGL pivotal access to the bulk chemical and materials sector.

Envirostore was acquired on 8 May 2023. Envirostore is an environmental services business offering advice and consulting on chemical waste disposal, dangerous goods and hazardous substances, with an in-house training centre and dangerous goods warehouse facilities. The Envirostore acquisition provides DGL with an entry point into the expanding Victoria waste management sector.

Environmental Solutions has invested in new machinery to increase our processing capability in FY24. Upgrades to the polypropylene stream from its battery recycling operation are now in operation. This converts the plastic to a more marketable end product.

Progress on the new liquid waste treatment plant has been further delayed by consents and regulatory approvals. Plant commissioning is now planned for Q3 FY24. Customer interest in this capability remains high and there is a strong pipeline of opportunities for management to pursue.

Segment management are actively diversifying the customer base domestically and internationally, which de-risks reliance on key customers and regulatory complexity. In particular, significant revenue and volume potential exists for water treatment with local mining operations. Reducing the reliance on lead-acid battery recycling continues to be a major focus and the Envirostore acquisition demonstrates the commitment to diversify and further opportunities are being explored in all major Australian states.

There are several examples of Environmental Solutions working closer with the other two operating segments. Environmental Solutions has integrated Logistics 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. The acquisition of Nightingale Transport, which is located close to the Unanderra site, has enhanced cross-selling and integration opportunities within the group.

Manufacturing 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 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 \$19.2 million. (2022: \$27.9 million). On an underlying basis, adjusting for one off items (including acquisition costs, impairment expenses, and the tax impact of these items) the underlying profit of the Group after providing for income tax amounted to \$22.6m (2022: \$33.6 million).

Financial Position

The net assets of the Group have increased by \$27.8 million from \$305.8 million as at 30 June 2022 to \$333.6 million as at 30 June 2023.

There was a significant decrease in the current assets and current liabilities of DGL Group from 30 June 2022 to 30 June 2023. Current assets decreased from \$144.6 million to \$135.5 million and current liabilities decreased from \$88.9 million to \$67.6 million.

The decrease in current assets was primarily attributable to the sale of elevated inventory levels held as at 30 June 2022 as a result of a strategic management decision aimed at assuring supply to customers. In addition, Group Management has driven improvements in working capital management with focus on cash collection efforts reducing trade receivables and focus on inventory management, as well as price reductions, reducing inventory levels.

The decrease in current liabilities is reflective of a circa \$22.1 million reduction of secured trade payables owing to the restructure of the group's funding arrangements in August 2022. The overall decrease in working capital is net of increases of circa \$5 million, following the acquisition of eleven businesses in FY23. The overall net decrease in current assets and liabilities has been reflected in increased operating cash flows.

Total assets increased from \$502.3 million to \$509.8 million. Along with the noted increase in current assets, goodwill has increased by \$45.8 million following the acquisition of 11 businesses in FY23, right of use assets have increased by \$3.4 million with several additional leased sites and property plant & equipment has increased by \$27.6 million from \$218.8 million to \$246.4 million. The increase in property, plant & equipment is primarily attributable to businesses acquired during FY23 plus additions to the Logistics segment transport fleet.

Total liabilities increased from \$196.6 million to \$236.2 million. Apart from the noted decrease in trade and other payables, borrowings increased by \$58.4 million (in part due to the reclassification from secured payables to borrowings under new funding arrangements) and lease liabilities increased by \$3.4 million. The total bank facility (Borrowings and other ancillaries) is \$145.7 million (excluding facilities such as credit cards and bank guarantees). The total amount of the bank facility drawn at 30 June 2023 is \$125.4 million. Most of the debt has a maturity date of August 2024. As at 30 June 2023, DGL remains well within covenant limits (capitalisation ratio, fixed charge cover ratio, leverage 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 free cash flows in the business to maximise growth.

Matters Subsequent to the End of the Financial Year

On 3 July 2023, the Company acquired the business and assets of Qblend Pty Ltd. Qblend provides a powder blending and repacking service to customers in the mining, agriculture and industrial sectors.

On 1 August 2023, the Company acquired the business and assets of Kinnear Transport. Kinnear provides chemical and distribution service to customers in Western Australia.

On 14 August 2023 the Company announced its intention to conduct an on-market share buy-back program of up to 10% of its issued shares. The program will commence on the 30 August 2023 for up to a 12-month period.

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.

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 FY23, DGL continued to invest in expanding its network and services, notably establishing new manufacturing facilities, with the successful commissioning of new plant at Derrimut in Victoria. The planned commissioning of a liquid waste treatment plant (LWTP) in FY24 and additional processing capacity will support diversification of the Environmental Solutions service offering.

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 Group 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

1. Risk Management Policy

DGL's Board and management recognise risk management as an integral aspect of all of the Group's business operations. Risk Management is the responsibility and duty of all staff at DGL. The process of identifying, reporting and managing risk remains at the core of all processes to ensure that DGL achieves its strategic goals and objectives in pursuit of its vision.

Strategic context

DGL's vision is to build a diverse international business capable of delivering a wide range of industrial solutions across the chemical industry. In doing so, we are continuously looking for ways to encourage business process improvement, identify challenges, determine key solutions and measure the results.

Risk Management is an important tool to create and protect value, thereby helping to improve performance, encourage innovation and support the achievement of DGL's vision. It is therefore important that our core values are kept front of mind when day-to-day tasks are undertaken at DGL, across all the Logistics, Chemical Manufacturing and Environmental Solutions segments.

Management across the three segments have highlighted that the key objectives of the Group are:

- To provide a safe working environment for employees and stakeholders
- To adhere to environmental best practice and regulated guidelines
- To achieve sustainable growth and be a market leader
- To boost efficiency and collaboration as an integrated team; and
- To deliver innovative and value-added solutions to our customers

Purpose

The purpose of the Risk Management Policy is to provide guidance to all stakeholders in identifying, reporting, and managing risk. It is important that we promote a culture of risk awareness among staff to understand, assume responsibilities and proactively manage risks. Everyone at DGL is empowered to identify risk and have the tools available to be able to bring these to the attention of management and the Board. This helps to increase the confidence that any identified risks associated with the key decisions made are managed in a way that achieves our desired outcomes.

This Risk Management Policy is designed to:

- Define clear roles and responsibilities for staff, management, the Audit & Risk Committee and the Board
- Follow a structured risk management approach with decision-making and reporting lines
- Establish a comprehensive risk management framework based on DGL's risk appetite

This policy is supported by the Risk Management Framework guided by ISO 31000:2018 Risk Management – Guidelines

Risk Appetite

The Board is ultimately responsible for DGL's Risk Management Framework. It has considered the nature and extent of risks it is willing to take in pursuit of DGL's strategic objectives and vision. The Board has assessed DGL's risk appetite, which is set at a level that balances opportunities for business development and growth in areas of potentially higher risk, whilst maintaining the continuity of DGL's operations, reputation and stakeholder satisfaction.

DGL's overall risk appetite profile represents a balanced perspective on the management of risk. It takes into account both the value protection and value creation elements of risk and demonstrates the level of risk DGL is willing to accept across nine categories.

Risk Appetite Statements

Through consultation and collaboration within the Group, it was identified that the categories below represent the areas of key risk to DGL. For this reason, it is important that DGL articulates its appetite for risk across each of the categories to enable better risk-informed decision-making as DGL pursues its objectives. This document considers DGL's appetite for risk across the following categories:

- **Strategic:** responsiveness to industry and technology changes; entering new markets; expanding existing services; mergers and acquisitions
- **Financial:** returns to shareholders and long-term financial sustainability; cash flow and financial management; balance sheet strength
- **Operations & Infrastructure:** efficient, commercial and resilient internal processes; asset integrity and reliability; business continuity management
- **Competition & Markets:** customer engagement; pricing; growth and service offering; monitoring competitor actions
- **Legal, Regulatory & Compliance:** legal and compliance management
- **Health, Safety & Wellbeing:** worker health and safety; public safety
- **People & Culture:** talent and culture management; fraud and ethical conduct; employee engagement and change management; supplier management
- **Reputation & Ethics:** trust of our customers shareholders and other stakeholders to operate
- **Environmental:** probability and consequence of an adverse environmental event

2. Risk Management Framework

DGL's risk management methodology is outlined in 5 key steps:

Step 1: Scope, Context and Criteria – It is important to start with a clear understanding of what we are trying to achieve and the current operating environment. This will help to identify risks that stand in the way of achieving our objectives, assist in defining the scope and purpose of the risk assessment and who is the right person to determine the risk rating criteria for the assessment of risks. The context of the risk management process should be established by considering internal and external factors, in conjunction with the organisation's objectives, plans, projects, processes and activities.

Step 2: Risk Assessment – Consider the threats and uncertainties (the risks) associated with achieving our objectives. Identifying risks should be part of our day-to-day operations as well as conducted systematically. This is an iterative and collaborative process, drawing on the knowledge and views of various stakeholders.

Step 3: Risk Treatment – This refers to the process of selecting and implementing control measures to address the risk identified. Risk treatment is based on the assessment of the residual risk and its corresponding control effectiveness.

Step 4: Recording and Reporting – DGL uses a Risk Register to record and maintain its risks, controls and treatments. Risks should follow the organisational escalation process.

Step 5: Monitor and Review - The purpose of monitoring and review is to assure and improve the quality and effectiveness of process design, implementation and outcomes. Monitoring and review should take place in all stages of the process. Monitoring and review includes planning, gathering and analysing information, recording results and providing feedback.

To ensure ongoing overview of the Risk Management process, risk reviews are part of standing meetings at the Audit & Risk Committee and Board meetings. At least twice a year, the Audit & Risk Committee does a deep dive / detailed review on a key risk to ensure a good understanding of the key risks and how they are managed.

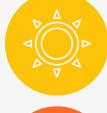
3. Business Assurance Plan

Based on discussions between external advisers and management, the ARC have approved a business assurance plan for the next three years, with FY24 reviews already underway or planned.

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. DGL's approach to ESG is guided by the United Nations Sustainability Development Goals:

Our Environmental, Social and Government approach centres on the following United Nations Sustainability Development Goals:

	05	GENDER EQUALITY
	06	CLEAN WATER AND SANITATION
	07	AFFORDABLE AND CLEAN ENERGY
	09	INDUSTRY, INNOVATION AND INFRASTRUCTURE
	12	RESPONSIBLE CONSUMPTION AND PRODUCTION
	13	CLIMATE ACTION
	16	PEACE, JUSTICE AND STRONG INSTITUTIONS

In our role as an end-to-end supply chain service, with ever-growing reach into critical industries such as agriculture, automotive, transport, manufacturing, home and garden, food, and pharmaceutical, we play a role in managing ESG risks and impacts.

DGL Group is committed to implementing a company-wide environmental, social and corporate governance framework that encompasses all its business units, evidenced by notable achievements and initiatives.

Our ESG Framework targets six priority areas:

1. Clean Water

- Volume of potable water produced estimated at 125,000 megalitres per annum
- 60,000 megalitres per annum will be disinfected with Green Chlorine by end FY25
- 5,000,000 litres of mine wastewater processed

2. Waste minimisation & recycling

- 30,000 tonnes of liquid waste processed in FY23
- Cross-segment support from Environmental Solutions team to Chemical Manufacturing to minimise all waste and effluent streams
- Liquid Waste Treatment Plant to be commissioned in FY24

3. Energy management

- Four sites with solar energy providing a major source of electrical power and a further three under review. Two sites provided a combined \$100k saving in FY23

4. Carbon footprint

- Particulate reduction through use of AUSblue products is estimated at 2,500MT of NOx per annum
- On-site Green Chlorine modules to save in excess of 350,000km per annum of transportation
- Strategic acquisitions such as Nightingale Transport, enable DGL to provide sustainable supply chains for our customers
- Customer use of DGL coagulant products reduces their carbon footprint by up to 25%

5. Diversity

- Community support through employment in regional locations
- New group payroll system implementation to support reporting and targeting of diversity measures

6. Modern slavery

- Board ratification of Modern Slavery Statement, published on the DGL website
- Development of group Procurement function, alongside ISO certified processes, will help ensure compliance of DGL's
- supplier base Standardised supplier survey in place

Since IPO in 2021, DGL recognises it is maturing and in the early stages of its ESG journey, but the Board and management are committed through FY24 and beyond, to achieving best practise outcomes that will be supported by robust systems and targeted key measures.

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

ISO 9001: 2015 quality management system

ISO 14001 Environmental Certification

ISO 45001 WHS Certification

EPA Environmental Protection Licenses

Dangerous Goods Storage Licenses

VDA AdBlue Brand Certification

Trade Waste Discharge Consents

Australian Pesticides and Veterinary Medicines Authority

Kosher Accreditation

UL/NSF Certification

Poisons Licenses

AgSafe Premises Accreditation

Australian Organic Certified Operation

ensures products and services are consistently maintained at a high level of quality
 promotes environmental performance through more efficient use of resources and reduction of waste

promotes reduction of occupational injuries and diseases

required under Australian regulations

required under Australian regulations

ensures products and services are consistently maintained at the high level of quality

enables discharge of treated wastewater from site

Australian law requires veterinary chemical products to be registered by APVMA

Verifies that the ingredients, production process including all machinery, and/or foodservice process complies with the standards of kashrut

Ensures certified products, materials, components or services complies with the technical requirements of the referenced standard

licence to sell or supply by wholesale schedule 7 Poisons

ensures that stores are compliant with all jurisdictional regulations

licence to supply or direct the application of the Australian Organic trademark

Australian Pesticides and Veterinary Medicines Authority Registrations (APVMA)

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.

Hazardous Location Certificate

required under New Zealand regulations to store high risk dangerous goods

MPI Transitional Facility

required under New Zealand regulations to unpack imported sea containers

Logistics

ISO 9001:2015 quality management system

ensures products and services are consistently maintained at a high level of quality

Dangerous Goods Storage Licenses

required under Australian regulations

National Heavy Vehicle Accreditation Scheme

demonstrates compliance with general duty requirements under road transport law

HACCP CODEX: 2003

customers who store food grade products at warehouses require this quality

Biosecurity Approved

required under Australian regulations to handle quarantined goods

Major Hazard Facility, Upper and Lower tier

required under New Zealand regulations to store high risk dangerous goods

MPI NZ (Storage and handling of dangerous goods)

required under New Zealand regulations to store and handle dangerous goods

Poisons Licenses

required under Australian regulations to store poisonous goods

EPA Waste Management & Transport Licenses

required under Australian regulations to transport waste products

Bulk Dangerous Goods Transport

required under Australian regulations to transport dangerous goods

MPI NZ

required under New Zealand regulations to unpack imported sea containers

VDA approval

allows for the diesel exhaust fluid produced to be sold under the AdBlue brand

USEPA import licence

U.S. Environmental Protection Agency (USEPA) Licence to import Dangerous Goods and Hazardous Substances into the USA

Environmental Solutions

EPA Environmental Protection Licenses

waste management and recycling authorisation

Dangerous Goods Storage Licenses

required under Australian regulations to store dangerous goods

Environmental Export Licenses

required under Australian regulations to export certain products

Trade Waste Discharge Consents

permits discharge of wastewater generated into the sewer network

Poisons Licenses

licence to sell or supply by wholesale schedule 7 Poisons

ARCP

licence to use explosives (Security Sensitive Ammonium Nitrate)

Reportable Priority Waste

permit to transport

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 Group 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 Group or a related body corporate.

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

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

Capital Raising and Capital Structure

As at 30 June 2023, the Company has 284,911,205 fully paid ordinary shares. During the year, a total of 5,718,657 fully paid ordinary shares were issued. Please refer to note 23 for further details.

For personal use only

Summary of Options

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

Proceedings on Behalf of Group

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

The Group currently has no open litigation matters.

The previously reported matter re alleged breach of vendor warranties and associated counterclaim involving DGL Manufacturing Limited and Simon Henry (personally), concluded when all parties agreed a 'walk away' settlement.

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=corporate-governance> 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 18.

For personal use only

REMUNERATION REPORT - AUDITED

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

Remuneration Policies

The Group'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 additional discretionary employment benefits. 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 Group has a Nomination and Remuneration Committee to assist the Board achieve its objective to ensure the Group:

- 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.

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 Group.

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.

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

Key Management Personnel (KMP)

During FY23, a reorganisation of the leadership team and promotions into the leadership team resulted in four additional roles meeting the definition of KMP in AASB 124. Full year remuneration for these executives is disclosed below.

Employment Contracts

Remuneration and other terms of employment for Executive Directors and KMP are formalised in written agreements, the major provisions of which are as follows as at 30 June 2023.

Simon Henry - Chief Executive Officer

(a)	Employment Contract	- Permanent ongoing
(b)	Remuneration	- A\$630,000 (opted out of KiwiSaver contributions), A\$20,000 car allowance
(c)	Executive's notice period	- 6 months ¹

Robert Sushames - Executive Director, Director of Manufacturing

- (a) Employment Contract - Permanent ongoing
- (b) Remuneration - A\$350,000 exclusive of superannuation contributions, fully expensed company vehicle
- (c) Executive's (and Company's) notice period - 6 months¹

Ryan Aisher - Chief Operating Officer

- (a) Employment Contract - Permanent ongoing
- (b) Remuneration - NZ\$250,000 exclusive of compulsory contributions to KiwiSaver, fully expensed company vehicle
- (c) KMP (and Company's) notice period - 2 months¹

Ben Halsey (resigned 23 December 2022) - Chief Financial Officer

- (a) Employment Contract - Permanent ongoing
- (b) Remuneration - NZ\$285,000 exclusive of compulsory contributions to KiwiSaver.
- (c) KMP (and Company's) notice period - 6 weeks¹

Rob Perkins (appointed 24 January 2023) - Chief Financial Officer

- (a) Employment Contract - Permanent ongoing
- (b) Remuneration - NZ\$350,000 exclusive of compulsory contributions to KiwiSaver, fully expensed car park space
- (c) KMP (and Company's) notice period - 3 months¹

Aaron Bardell - Director, DGL Warehousing & Distribution

- (a) Employment Contract - Permanent ongoing
- (b) Remuneration - A\$250,000 exclusive of superannuation contributions, \$18,000 vehicle allowance
- (c) KMP (and Company's) notice period - 8 weeks¹

Bill Say - Commercial Manager, DGL Group

- (a) Employment Contract - Permanent ongoing
- (b) Remuneration - A\$250,000 exclusive of superannuation contributions, \$18,000 vehicle allowance
- (c) KMP (and Company's) notice period - 8 weeks¹

Keith Mau - GM Environmental Solutions

- (a) Employment Contract - Permanent ongoing
- (b) Remuneration - A\$250,000 exclusive of superannuation contributions, fully expensed company vehicle
- (c) KMP (and Company's) notice period - 2 months¹

Alex Wing (appointed 20 February 2023) - GM Operations, Manufacturing

- (a) Employment Contract - Permanent ongoing
- (b) Remuneration - A\$165,000 exclusive of superannuation contributions. A\$17,500 vehicle allowance
- (c) KMP (and Company's) notice period - 8 weeks¹

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.

	Position held as at 30 June 2023 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 Director of Manufacturing (previously 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 2023

	Short-term Benefits Salaries, fees, allowances	Post employment Benefits Superannuation/KiwiSaver	Share based benefits Shares	Total
2023	\$	\$	\$	\$
Peter Lowe	110,000	-	-	110,000
Simon Henry	623,713	-	-	623,713
Denise Brotherton	60,000	-	-	60,000
Robert McKinnon	73,059	7,671	-	80,730
Robert Sushames	350,000	36,750	-	386,750
Ryan Aisher	227,979	6,839	-	234,818
Ben Halsey (resigned 23 December 2022)	160,907	9,068	141,385	311,360
Rob Perkins (appointed 24 January 2023)	128,111	3,843	-	131,954
Aaron Bardell	343,769	43,901	94,339	482,009
Bill Say	259,667	27,265	-	286,932
Keith Mau	250,000	26,250	-	276,250
Alex Wing (appointed 20 February 2023)	45,625	4,791	-	50,416
	2,632,830	166,378	235,724	3,034,932

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

	Short-term Benefits Salaries, fees, allowances	Post employment Benefits Superannuation	Share based benefits Shares	Total
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

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	150,917,729	-	-	372,500	151,290,229
Denise Brotherton	25,000	-	-	10,614	35,614
Robert McKinnon	50,000	-	-	-	50,000
Robert Sushames	1,000,000	-	-	150,000	1,150,000
Ryan Aisher	45,000	-	-	-	45,000
Ben Halsey (resigned 23 December 2022)	17,033	48,280	-	34,687	100,000*
Rob Perkins (appointed 24 January 2023)	-	-	-	-	-
Aaron Bardell	108,872	18,382	-	-	127,254
Bill Say	366,666	-	-	16,800	383,466
Keith Mau	5,000	-	-	-	5,000
Alex Wing (appointed 20 February 2023)	-	-	-	-	-

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

*Balance as at 23 December 2022.

For personal use only

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

For personal use only

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 2023, 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
28 August 2023



Kenneth Weldin
Partner

For personal use only

DGL GROUP LIMITED AND CONTROLLED ENTITIES



ABN: 71 002 802 646

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2023

		Group	
	Note	2023 \$000	2022 \$000
Sales revenue	3	465,994	369,789
Cost of sales		(294,302)	(231,914)
		171,692	137,875
Other income	3	2,644	869
Acquisition costs relating to business combinations		(3,056)	(3,622)
Employee benefits expense	4	(75,188)	(47,387)
Administration and general expenses		(23,342)	(16,937)
Legal and professional fees		(2,841)	(2,702)
Occupancy expense		(9,396)	(6,152)
Depreciation & amortisation expense		(22,395)	(17,126)
Impairment expense		-	(969)
Finance costs	4	(7,636)	(2,100)
Profit before income tax		30,482	41,749
Tax expense	5	(11,240)	(13,851)
Net profit from continuing operations		19,242	27,898
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, net of tax		76	196
Exchange differences on translating foreign operations, net of tax		368	(1,855)
Items that will not be reclassified subsequently to profit or loss:			
Hedging gains reclassified to profit and loss, net of tax		(196)	-
Revaluation gain on land and buildings, net of tax		111	26,409
Total other comprehensive income/(loss) for the year		359	24,750
Total comprehensive income for the year		19,601	52,648
Net profit attributable to:			
Owners of the parent entity		19,242	27,898
		19,242	27,898
Total comprehensive income attributable to:			
Owners of the parent entity		19,601	52,648
		19,601	52,648
Earnings per share			
Basic and diluted earnings per share (cents)	8	6.79	10.31

The accompanying notes form part of these financial statements.

DGL GROUP LIMITED AND CONTROLLED ENTITIES

ABN: 71 002 802 646

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023



		Group	
	Note	2023 \$'000	2022 \$'000
Assets			
Current Assets			
Cash & cash equivalents	9	36,919	25,448
Trade & other receivables	10	52,445	56,568
Inventories	11	37,444	48,153
Asset held for sale	12	-	6,629
Other financial assets	13	108	262
Other assets	17	8,538	7,527
Total Current Assets		135,454	144,587
Non-Current Assets			
Property, plant & equipment	15	246,419	218,830
Intangible assets	16	144,101	98,472
Right-of-use assets	18	43,871	40,457
Total Non-Current Assets		434,391	357,759
Total Assets		569,845	502,346
Liabilities			
Current Liabilities			
Lease liabilities	18	14,206	10,904
Trade & other payables	19	33,480	62,274
Borrowings	20	6,409	3,423
Current tax liabilities	21	3,996	5,333
Provisions	22	9,499	6,977
Total Current Liabilities		67,590	88,911
Non-Current Liabilities			
Lease liabilities	18	32,047	30,983
Borrowings	20	121,525	66,057
Deferred tax liabilities	21	13,387	9,770
Provisions	22	1,661	837
Total Non-Current Liabilities		168,620	107,647
Total Liabilities		236,210	196,558
Net Assets		333,635	305,788
Equity			
Issued capital	23	258,364	250,118
Reserves	30	(7,615)	(6,982)
Retained earnings		82,886	62,652
Total Equity		333,635	305,788

The accompanying notes form part of these financial statements.

DGL GROUP LIMITED AND CONTROLLED ENTITIES

ABN: 71 002 802 646

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2023



	Share Capital	Retained Earnings	Reserves				Total
			Asset Revaluation 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 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
Balance at 1 July 2022	250,118	62,652	48,886	262	(54,230)	(1,900)	305,788
Comprehensive income							
Profit for the year	-	19,242	-	-	-	-	19,242
Other comprehensive income for the year	-	-	111	(120)	-	368	359
Total comprehensive income for the year	-	19,242	111	(120)	-	368	19,601
Transactions with owners, in their capacity as owners, and other transactions							
Shares issued during the year	8,662	-	-	-	-	-	8,662
Transaction costs net of tax	(416)	-	-	-	-	-	(416)
Sale of Shands Road	-	992	(992)	-	-	-	-
Total transactions with owners and other transactions	8,246	992	(992)	-	-	-	8,246
Balance at 30 June 2023	258,364	82,886	48,005	142	(54,230)	(1,532)	333,635

The accompanying notes form part of these financial statements.

DGL GROUP LIMITED AND CONTROLLED ENTITIES

ABN: 71 002 802 646

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2023



		Group	
	Note	2023 \$000	2022 0000
Cash flows from operating activities			
Receipts from customers		514,820	339,831
Payments to suppliers and employees		(441,687)	(305,906)
Interest received/ other income		2,644	695
Finance costs		(6,133)	(1,317)
Income tax paid		(10,384)	(5,401)
Net cash generated by operating activities	25	59,260	27,902
Cash flows from investing activities			
Purchase of property, plant & equipment		(24,892)	(47,871)
Receipts from sale of property, plant & equipment		15,984	451
Payments for acquisition costs		(3,056)	(3,622)
Purchase of intangibles		(896)	(2,024)
Purchase of subsidiary		(28,244)	(25,321)
Purchase of business and assets		(31,422)	(30,862)
Release of term deposits for bank guarantees		-	1,368
Cash acquired from acquisition of subsidiary		2,495	2,289
Net cash used in by investing activities		(70,031)	(105,592)
Cash flows from financing activities			
Payments of capital raising costs		(41)	(153)
Loan repayments made to related parties		-	(1,498)
Net proceeds from short-term financing activities		(22,092)	22,092
Proceeds from borrowings		57,664	48,342
Repayment of lease liabilities		(13,374)	(9,480)
Net cash provided by (used in) financing activities		22,157	59,303
Net increase/(decrease) in cash held		11,386	(18,387)
Cash and cash equivalents at beginning of financial year		25,448	43,830
Effect of exchange rates on cash holdings in foreign currencies		85	5
Cash and cash equivalents at end of financial year	9	36,919	25,448

The accompanying notes form part of these financial statements.

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 2023. 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 28 August 2023 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 statements are presented below and have been consistently applied unless stated otherwise.

The financial information except for cashflow 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. Controlled entities are entities the Parent controls. The Parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

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 14 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 & Equipment

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

Property

Freehold land & buildings are carried at their fair value, based on periodic 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 & equipment

Plant & 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 & 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 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.

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% - 25.0%	-
Motor vehicles	10.0% - 40.0%	5.0% - 25.0%

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.

Note 1 Summary of Significant Accounting Policies (continued)

(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 adopts the simplified approach to impairment as applicable under AASB9.

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 1 Summary of Significant Accounting Policies (continued)

(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 entities within the Group are currencies of the primary economic environment in which that entity operates. The financial statements are presented in Australian dollars, which is DGL Group Limited'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.

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.

Note 1 Summary of Significant Accounting Policies (continued)

Retirement benefit obligations

All employees of the Group receive defined contribution superannuation entitlements, for which the Group pays the fixed superannuation guarantee contribution 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 measure 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 & 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 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.

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:

Segment	Main revenue streams and performance obligations	Revenue recognition pattern
<i>Environmental solutions</i>	Processing of used lead batteries to recover lead Liquid Waste Treatment	Point in time (on transfer of control, usually upon container being loaded onto ship at port of departure) Overtime
<i>Chemical manufacturing</i>	Formulation and packaging of chemical and material products	Point in time (on transfer of control, usually on delivery)
<i>Logistics</i>	Warehousing - storage of customer goods Distribution - delivery of dangerous goods for customers	Overtime (related to the period of storage) Point in time (on completion of delivery)
<i>Corporate</i>	Rental income	Overtime (related to the period of tenancy)

Note 1 Summary of Significant Accounting Policies (continued)

(p) Trade & Other Receivables

Trade & 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 & 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 & Other Payables

Trade & 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 & 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.

(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 2023.

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 and 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.

Note 1 Summary of Significant Accounting Policies (continued)**(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.

Impairment

In assessing potential 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.

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.

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 payable 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.

Business Combinations

On the acquisition of a company or business, a determination of the fair value of assets and liabilities is performed, which requires the application of judgement. Future events could cause the assumptions used by the Group to change which could have an impact on the results and net position of the Group.

Valuation of land and buildings

Land and buildings are stated at fair value. Formal valuations were last performed in FY22 based on a combination of valuation performed by an independent professional valuer and directors' valuations. Observable market prices adjusted as necessary for any difference in the future, location or condition of the specific asset are used in performing the valuation. The directors reviewed the value of land and buildings as at 30 June 2023 and deemed them to remain appropriate. Assessing the fair value of land and buildings requires significant judgment and estimates.

DGL GROUP LIMITED AND CONTROLLED ENTITIES

ABN: 71 002 802 646

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023



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.

	2023 \$000	2022 \$000
Statement of Financial Position		
Assets		
Current Assets	24,650	19,371
Non-current Assets	386,143	321,436
Total Assets	410,793	340,807
Liabilities		
Current Liabilities	15,963	24,104
Non-current Liabilities	129,848	53,964
Total Liabilities	145,811	78,068
Net Assets	264,982	262,739
Equity		
Issued Capital	258,364	250,118
Retained earnings	(19,742)	(13,739)
Reserves	26,360	26,360
Total Equity	264,982	262,739
Statement of Profit or Loss and Other Comprehensive Income		
Profit/(Loss) for the year	(6,003)	(3,192)
Other comprehensive income	-	20,790
Total comprehensive income	(6,003)	17,598

The parent entity has no contingent liabilities as at 30 June 2023 (30 June 2022: nil).

The parent entity had contractual commitments of \$618,000 as at 30 June 2023 (30 June 2022: nil)

The parent entity had bank guarantees totalling \$2,602,000 (30 June 2022: \$1,868,000) covering rental leases, environmental protections, and export licenses. The parent entities assets are pledged as collateral against the groups borrowings. In addition there are cross guarantees entered into by DGL Group Limited as identified in note 32.

Note 3 Revenue and Other Income

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

	Group	
	2023 \$000	2022 \$000
Continuing operations		
Revenue from contracts with customers	460,415	363,294
Other sources of revenue	5,579	6,495
Total sales revenue	465,994	369,789
Other income		
- Miscellaneous income	68	66
- Interest received	460	15
- Administration revenue	196	271
- Fuel tax credits income	599	419
- Gain on sale of fixed assets	1,308	-
- Covid-19 stimulus	13	29
- Gain on bargain purchase	-	69
Total other income	2,644	869

(a) Revenue disaggregation

The revenue is disaggregated by the following segments:

	Group	
	2023 \$000	2022 \$000
- Environmental Solutions	109,785	87,166
- Chemical Manufacturing	271,225	229,859
- Logistics	84,259	52,605
- Corporate - rental income	725	159
	465,994	369,789

For personal use only

Note 4 Profit for the Year

Profit before income tax from continuing operations includes the following specific expenses:

(a) Expenses	Group	
	2023 \$000	2022 \$000
Interest expense on financial liabilities not classified as fair value through profit or loss:		
- related party loan	-	72
Interest expense on lease liabilities	1,503	783
Employee benefits expense		
- defined contribution superannuation expense	5,348	3,043
Bad debts expense	340	155
Loss on disposal on sale of property, plant and equipment	-	394

Note 5 Tax Expense

	Note	Group	
		2023 \$000	2022 \$000
(a) The components of tax (expense) income comprise:			
Current tax		(7,304)	(6,740)
Deferred tax	21	(3,211)	(5,669)
Prior period adjustment		(725)	(1,442)
		<u>(11,240)</u>	<u>(13,851)</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 applicable underlying rate:			
- consolidated group		9,091	12,525
Add:			
Tax effect of:			
- non-deductible expenses		896	1,086
- under-provision for income tax in prior years		725	1,442
- unrecognised tax losses		648	-
- other		198	-
		<u>11,558</u>	<u>15,053</u>
Less:			
Tax effect of:			
- non-taxable income		(318)	-
- utilisation of previously recognised tax losses		-	(612)
- other		-	(590)
Income tax attributable to entity		<u>11,240</u>	<u>13,851</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 2023.

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

	2023 \$	2022 \$
Short-term employee benefits	2,632,830	1,600,439
Post-employment benefits	166,378	57,506
Other short-term benefits	235,724	116,704
Total KMP compensation	3,034,932	1,774,649

During FY23, a reorganisation of the leadership team and promotions into the leadership team resulted in four additional roles meeting the definition of KMP in AASB 124.

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 costs of providing for the KMP's superannuation contributions made during the year and postemployment life insurance benefits.

Other short term benefits

For details of other transactions with KMP, refer to note 27.

Note 7 Auditor's Remuneration

	Group	
	2023 \$	2022 \$
Remuneration of the auditor for:		
- auditing or reviewing the financial statements of the Group	329,000	143,000
- auditing or reviewing the financial statements of subsidiaries	20,131	92,121
	349,131	235,121
Non-audit services - PKF Melbourne		
- Corporate finance and transactional services	188,810	295,000
- Tax planning and GST advice	282,680	60,000
	471,490	355,000

Note 7 Earnings per Share

	Group	
	2023 \$000	2022 \$000
(a) Reconciliation of earnings to profit or loss from continuing operations		
Profit	19,242	27,898
Earnings used in the calculation of dilutive EPS	19,242	27,898
	No.	No.
(b) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	283,431	270,671
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	283,431	270,671
Basic and diluted earnings per share from continuing operations (cents)	6.79	10.31

DGL GROUP LIMITED AND CONTROLLED ENTITIES

ABN: 71 002 802 646

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023



Note 9 Cash & Cash Equivalents

	Note	Group 2023 \$000	Group 2022 \$000
Cash at bank and on hand		36,919	25,448
	25	36,919	25,448

The Group has bank guarantees in place totalling \$4,341,000 with Australia and New Zealand Banking Group Limited. 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.

Note 10 Trade & Other Receivables

	Group 2023 \$000	Group 2022 \$000
Current		
Trade receivables	51,210	55,956
Provision for impairment	(543)	(212)
	50,667	55,744
Other receivables	1,778	824
Total current trade & other receivables	52,445	56,568

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 this note. The main source of credit risk to the Company is considered to relate to the class of assets described as 'trade & 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.

Days past due	< 30	30 - 60	60 - 90	> 90	Total
2023	\$000	\$000	\$000	\$000	\$000
Expected loss rate			16.9%	100.0%	1.1%
Gross carrying amount	48,981	1,041	776	412	51,210
Loss allowance	-	-	(131)	(412)	(543)
2022					
Expected loss rate				20.9%	0.4%
Gross carrying amount	53,143	1,299	498	1,016	55,956
Loss allowance	-	-	-	(212)	(212)

	Note	Group 2023 \$000	Group 2022 \$000
(a) Financial Assets Measured at Amortised Cost			
Trade & other Receivables			
- Total current		52,445	56,568
Total financial assets measured at amortised cost less provision for impairment	28	52,445	56,568

(b) Collateral Pledged

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

For personal use only

DGL GROUP LIMITED AND CONTROLLED ENTITIES

ABN: 71 002 802 646

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023



Note 11 Inventories

	Group	
	2023 \$000	2022 \$000
Current		
At cost:		
Raw materials and spares	27,877	35,308
Work in progress	527	590
Finished goods	9,040	12,255
	<u>37,444</u>	<u>48,153</u>

Note 12 Asset held for sale

	Group	
	2023 \$000	2022 \$000
Property held for sale		
64 Broad Street	-	6,629
	<u>-</u>	<u>6,629</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 \$969,000 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 13 Other Financial Assets

	Group	
	2023 \$000	2022 \$000
Current		
Derivative cashflow hedge	108	262
	<u>108</u>	<u>262</u>

For personal use only

Note 14 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	
		2023	2022
DGL Manufacturing Pty Ltd	Australia	100%	100%
Flexichem Australia Pty Ltd	Australia	100%	-
DGL Warehousing & Distribution Pty Ltd	Australia	100%	100%
DGL Industries Pty Ltd	Australia	100%	100%
DGL Global Logistics Pty Ltd	Australia	100%	-
NLW Group Pty Ltd	Australia	100%	-
DGL Manufacturing Australia Pty Ltd	Australia	100%	100%
Labels Connect Pty Ltd	Australia	100%	100%
TrioX 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%	100%
Opal Australasia Pty Ltd	Australia	100%	100%
AusTech Chemicals Pty Ltd	Australia	100%	100%
Total Bio Group Pty Ltd	Australia	100%	100%
Total Coolant Management Solutions Pty Ltd	Australia	100%	100%
Aquadex Pty Ltd	Australia	100%	-
BTX Group Pty Ltd	Australia	100%	-
Acacia Ridge Container Park Pty Ltd	Australia	100%	-
DGL North America Pty Ltd	Australia	100%	-
DGL Group Inc	United States of America	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.

DGL GROUP LIMITED AND CONTROLLED ENTITIES

ABN: 71 002 802 646

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023



Note 15 Property, Plant & Equipment

	Group	
	2023 \$000	2022 \$000
Land & Buildings		
Freehold land at:		
Fair value	99,151	104,692
Total land	99,151	104,692
Buildings at:		
Fair value	56,195	57,319
Accumulated depreciation	(3,321)	(2,243)
Total buildings	52,874	55,076
Total land & buildings	152,025	159,768
Plant & equipment:		
Leasehold improvements		
At cost	1,383	754
Accumulated depreciation	(166)	(90)
	1,217	664
Plant and equipment		
At cost	68,419	59,389
Accumulated depreciation	(30,326)	(25,542)
	38,093	33,847
Motor Vehicles		
At cost	41,028	16,074
Accumulated depreciation	(5,036)	(2,366)
	35,992	13,708
Plant under construction		
At cost	19,092	10,847
Accumulated amortisation	-	(4)
	19,092	10,843
Total plant & equipment	94,394	59,062
Total property, plant & equipment	246,419	218,830

For personal use only

Note 15 Property, Plant & 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	Buildings	Leasehold Improvements	Plant & Equipment	Motor Vehicles	Plant Under Construction	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Group							
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 and impairment 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
Balance at 1 July 2022	104,692	55,076	664	33,847	13,708	10,843	218,830
Additions	12	285	468	5,856	8,989	9,282	24,892
Disposals	(6,108)	(1,359)	-	(195)	(385)	-	(8,047)
Acquisitions through business combinations	-	-	138	1,744	16,316	-	18,198
Depreciation expense	-	(1,502)	(53)	(5,130)	(2,643)	(2)	(9,330)
Reclassification	-	387	-	1,912	-	(1,046)	1,253
Movement in foreign currency	555	(13)	-	59	7	15	623
Balance at 30 June 2023	99,151	52,874	1,217	38,093	35,992	19,092	246,419

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

DGL GROUP LIMITED AND CONTROLLED ENTITIES

ABN: 71 002 802 646

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023



Note 16 Intangible Assets

	Group	
	2023 \$000	2022 \$000
Goodwill		
Cost	139,931	94,128
Accumulated impairment losses	(844)	(844)
	139,087	93,284
Trademarks and certification		
Cost	438	437
Accumulated amortisation	(189)	(162)
	249	275
Software		
Cost	1,764	1,309
Accumulated amortisation	(1,311)	(829)
	453	480
Software under development		
Cost	1,479	1,917
	1,479	1,917
Hydroproc Process		
Cost	2,217	2,217
Accumulated amortisation	(1,554)	(1,554)
	663	663
Registrations and brands		
Cost	2,207	1,853
Accumulated amortisation	(37)	-
	2,170	1,853
Total intangible assets	144,101	98,472

Consolidated Group:

	Goodwill	Trademarks and Certification	Software	Software under development	Hydroproc Process	Registration and Brands	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$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 31)	67,756	32	20	-	-	700	68,508
Amortisation charge	-	(22)	(255)	-	-	-	(277)
Reclassification	(765)	-	-	-	-	765	-
Movement in foreign currency	(93)	-	4	-	-	-	(89)
Reclassification to profit and loss	-	-	(61)	-	-	-	(61)
Tax impact	-	-	-	-	-	388	388
	93,284	275	480	1,917	663	1,853	98,472

For personal use only

DGL GROUP LIMITED AND CONTROLLED ENTITIES

ABN: 71 002 802 646

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023



Note 16 Intangible Assets (continued)

	Goodwill	Trademarks and Certification	Software	Software under development	Hydroproc Process	Registration and Brands	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Year ended 30 June 2023							
Balance at the beginning of the year	93,284	275	480	1,917	663	1,853	98,472
Additions	-	-	56	840	-	-	896
Acquisitions through business combinations (see note 31)	45,760	-	-	-	-	255	46,015
Amortisation charge	-	(26)	(85)	-	-	(38)	(149)
Reclassification	-	-	-	(1,253)	-	-	(1,253)
Movement in foreign currency	43	-	2	(25)	-	-	20
Tax impact	-	-	-	-	-	100	100
Closing value at 30 June 2023	139,087	249	453	1,479	663	2,170	144,101

Impairment disclosures

Goodwill impairment assessment

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

	2023 \$000	2022 \$000
Environmental Solutions	19,347	-
Manufacturing	101,208	89,168
Logistics	18,532	4,116
Total	139,087	93,284

The value in use calculations use cash flow forecasts based on financial budgets approved by management covering a five-year period. The FY24 budget takes into account the full year impact of acquisitions undertaken in FY23 as well as growth expected from capital investments in existing businesses and the current market trading conditions. Budgeted growth beyond FY24 is based on cumulative past performance and management's expectations of market development.

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

	Growth Rate	Discount Rate	Terminal Growth Rate
Environmental Solutions	5.00%	10.15%	2.50%
Manufacturing	5.00%	10.15%	2.50%
Logistics	6.00%	8.85%	2.50%

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.

Note 17 Other Assets

	Group	
	2023 \$000	2022 \$000
Current		
Prepayments	6,503	6,346
Bond and security deposits	1,986	1,107
Others	49	74
	8,538	7,527

For personal use only

Note 18 Right-of-use Assets and Lease Liabilities

The Group's lease portfolio predominantly relates to land & buildings. These leases have an average of 7 years remaining in their lease term (if all available options are taken up).

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 reasonably certain to be exercised have been included in the calculation of the lease liability and by extension, the right of use asset.

(i) AASB 16 related amounts recognised in the Consolidated Statement of Financial Position

	Group	
	2023 \$000	2022 \$000
Right-of-use assets		
Cost	76,528	61,638
Accumulated depreciation	(32,657)	(21,181)
Total right-of-use asset	43,871	40,457

	Group	
	2023 \$000	2022 \$000
Lease Liabilities		
Current	14,206	10,904
Non-current	32,047	30,983
Total lease liabilities	46,253	41,887

Movements in carrying amounts of Right-of-use assets

Opening net carrying amount	40,457	22,719
Acquisitions through business combinations ⁽ⁱ⁾	7,565	5,809
Additions	7,852	19,639
Depreciation expense	(12,822)	(9,064)
Movement in foreign exchange	819	1,354
Net carrying amount	43,871	40,457

⁽ⁱ⁾ Refer to Note 31: Business Combinations for further information.

(ii) AASB 16 related amounts recognised in the statement of profit or loss

	2023 \$000	2022 \$000
Depreciation charge related to right-of-use assets	12,822	9,064
Interest expense on lease liabilities	1,503	783

	Group	
	2023 \$000	2022 \$000
Total cash outflows for leases	13,374	9,480

DGL GROUP LIMITED AND CONTROLLED ENTITIES

ABN: 71 002 802 646

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023



Note 19 Trade & Other Payables

	Group	
	2023	2022
	\$000	\$000
Current		
<i>Unsecured liabilities</i>		
Trade payables	25,966	32,071
Sundry payables and accrued expenses	6,514	8,111
Contingent consideration	1,000	-
<i>Secured liabilities</i>		
Trade payables	-	22,092
	<u>33,480</u>	<u>62,274</u>

In the prior year, DGL had a secured trade finance facility provided by ANZ. The utilised amount was classified as secured trade payables. The facility involved providing security over the future cash flows of specific trade receivables and inventories, which met certain criteria, in return for cash finance on a contracted percentage of the security provided. The facility was restructured into a long-term working capital facility on 30 August 2022.

Note 20 Borrowings

	Notes	Group	
		2023	2022
		\$000	\$000
Current			
Secured liabilities - amortised cost:			
Bank loans		3,901	1,772
Other loans		2,508	1,651
Total current borrowings		<u>6,409</u>	<u>3,423</u>
Non-current			
Secured liabilities - amortised cost:			
Bank loans		121,518	66,018
Other loans		7	39
Total non-current borrowings		<u>121,525</u>	<u>66,057</u>
Total borrowings	28	<u>127,934</u>	<u>69,480</u>
		Group	
		2023	2022
		\$000	\$000
(a) Total current and non-current secured liabilities:			
Bank loans		125,419	67,790
Other loans		2,515	1,690
		<u>127,934</u>	<u>69,480</u>
(b) Collateral provided			

The Group holds loans related to equipment finance that are secured against the equipment purchased. On 30 August 2022, the Group entered into a long-term multi-option facility agreement with ANZ Banking Group Limited ("ANZ") under which it had availability of two separate facilities that are secured by a first ranking security charge over the Groups assets and property excluding those covered by finance leases.

Facility A, purpose to refinance existing Financial Indebtedness of the Group and to fund acquisitions

Facility B, purpose to provide financing of working capital and general corporate purposes

Facilities drawn as at 30 June 2023

For personal use only

DGL GROUP LIMITED AND CONTROLLED ENTITIES

ABN: 71 002 802 646

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023



Note 20 Borrowings (continued)

	Amount Drawn \$000	Total facility \$000
Facility A - effective blended rate 6.44% p.a.	72,208	75,000
Facility B - effective rate 5.99% p.a.	25,709	37,000
Equipment finance facilities - effective interest rate 6.4% p.a.	27,502	30,736
Overdraft facility	-	3,000
Total Bank loans	125,419	145,736

The bank loans carried an effective blended interest rate of 3.20% p.a. as at 30 June 2022

Under the terms of the agreement for Facility A and Facility B, the group is required to comply with the following financial covenants:

- The Leverage Ratio of the Group is no more than 3:1
- The Fixed Charge Cover Ratio of the Group is at least 2:1; and
- The Debt to Capitalisation Ratio of the Group is no more than 0.5:1

The Group complied with all of its debt covenants during the year.

Note 21 Tax

	Group				
	2023 \$000	2022 \$000			
Current					
Income tax payable	3,996	5,333			
	3,996	5,333			
Non-Current					
	Opening Balance	Recognised in Profit & Loss	Charged directly to Equity	Exchange Differences	Closing Balance
Group	\$000	\$000	\$000	\$000	\$000
Deferred tax liabilities					
Property, plant & equipment					
- tax allowance	1,300	3,639	-	-	4,939
Land & buildings revaluation	4,311	-	5,064	-	9,375
Other	253	241	-	-	494
Balance at 30 June 2022	5,864	3,880	5,064	-	14,808
Property, plant & equipment					
- tax allowance	4,939	2,889	-	-	7,828
Land & buildings revaluation	9,375	-	111	-	9,486
Other	494	774	(80)	-	1,188
Balance at 30 June 2023	14,808	3,663	31	-	18,502
Deferred tax assets					
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	7,270	(1,789)	(443)	-	5,038
Provisions and accruals	3,343	239	-	-	3,582
Transaction costs on equity issue	1,130	-	(375)	-	755
Other	565	213	-	-	778
Balance at 30 June 2023	5,038	452	(375)	-	5,115

For personal use only

DGL GROUP LIMITED AND CONTROLLED ENTITIES

ABN: 71 002 802 646

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023



Note 22 Provisions

	Group	
	2023 \$000	2022 \$000
Current		
Employee Benefits	8,280	6,253
Site cleanup and disposal of battery acid and other chemicals	1,219	724
Total	9,499	6,977
Non-Current		
Employee Benefits	1,661	837
Total	1,661	837
Analysis of Total Provisions		
Current	9,499	6,977
Non-current	1,661	837
	11,160	7,814

	Group	
	2023 \$000	2022 \$000
Site cleanup and disposal of battery acid and other chemicals		
Opening Balance	724	44
Net movement in provisions	495	680
Total	1,219	724

The net \$495,000 movement in site clean up provision includes \$500,000 in relation to the estimated remediation costs for the Tomago, NSW site to comply with EPA requirements.

Note 23 Issued Capital

	Group	
	2023 \$000	2022 \$000
284,911,205 fully paid ordinary shares (2022: 279,192,548 fully paid ordinary shares)	258,364	250,118
	258,364	250,118

(a) Ordinary Shares	Group			
	2023		2022	
	No.	\$'000	No.	\$'000
At the beginning of the reporting period	279,192,548	250,118	257,000,000	192,249
Shares issued during the year	5,718,657	8,662	22,192,548	57,579
Less: capital raising costs	-	(41)	-	(153)
Add: DTL effect of capital raising costs	-	(375)	-	443
At the end of the reporting period	284,911,205	258,364	279,192,548	250,118

On 11 July 2022, 53,324 fully paid ordinary shares were issued at \$2.72 per share. The share issuance was to certain members of the executive management team following a remuneration review. No cash was raised.

On 2 September 2022, 725,689 fully paid ordinary shares were issued at \$1.59 per share. The share issuance was to settle the share acquisition of Flexichem Australia Pty Ltd. No cash was raised.

On 6 September 2022, 278,149 fully paid ordinary shares issued at \$1.46 per share. The share issuance was to settle the acquisition of the business and assets of Clarkson Freightlines Pty Ltd. No cash was raised.

On 4 October 2022, 2,943,925 fully paid ordinary shares were issued at \$1.49 per share. The share issuance was to settle the share acquisition of Aquadex Pty Ltd. No cash was raised.

On 4 October 2022, 677,570 fully paid ordinary shares were issued at \$1.49 per share. The share issuance was to settle the share acquisition of BTX Group Pty Ltd. No cash was raised.

Note 23 Issued capital (continued)

On 2 November 2022, 1,000,000 fully paid ordinary shares were issued at \$1.51 per share. The share issuance was to settle the share acquisition of Acacia Ridge Container Park Pty Ltd. No cash was raised.

On 28 December 2022, 40,000 fully paid ordinary shares were issued at \$1.50 per share. The share issuance was to the former CFO as a payment for extension of employment past the contractual notice period to 23 December 2022. 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.

	Note	Group	
		2023 \$000	2022 \$000
Total borrowings and lease liabilities		174,187	131,754
Trade & other payables		32,480	62,274
Less cash & cash equivalents	9	(36,919)	(25,448)
Net debt		169,748	168,580
Total equity		333,635	305,788
Total net debt and equity		503,383	474,368
Gearing ratio		34%	36%

Note 24 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.

DGL GROUP LIMITED AND CONTROLLED ENTITIES

ABN: 71 002 802 646

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023



Note 24 Operating segment (continued)

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) Logistics

The Group's Logistics 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 Logistics 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.

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. This price is reset biannually and is based on what would be realised in the event the sale was made to an external party at arm's length. 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	Logistics	Corporate Costs	Eliminations	Total
Year ended 30 June 2023	\$000	\$000	\$000	\$000	\$000	\$000
REVENUE						
External sales	109,785	271,225	84,259	725	-	465,994
Inter-company revenue	593	10,633	18,840	5,731	(35,797)	-
Total segment revenue	110,378	281,858	103,099	6,456	(35,797)	465,994
Underlying EBITDA	12,438	41,732	20,538	(7,987)	(2,652)	64,069
Depreciation & amortisation	(3,116)	(8,743)	(12,222)	(928)	2,614	(22,395)
Underlying EBIT	9,322	32,989	8,316	(8,915)	(38)	41,674
<i>Reconciliation of segment result to group net profit/loss before tax</i>						
Finance costs						(7,636)
Acquisition costs						(3,056)
Site rectification expense						(500)
Net profit before tax from continuing operations						30,482

For personal use only

DGL GROUP LIMITED AND CONTROLLED ENTITIES

ABN: 71 002 802 646

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023



Note 24 Operating segment (continued)

	Environmental Solutions	Chemical Manufacturing	Logistics	Corporate Costs	Eliminations	Total
	\$000	\$000	\$000	\$000	\$000	\$000
Year ended 30 June 2022						
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)	-
Total segment revenue	88,442	234,719	62,762	3,650	(19,784)	369,789
Underlying EBITDA	13,437	46,524	13,779	(5,318)	(2,856)	65,566
Depreciation & amortisation	(2,726)	(6,258)	(9,618)	(955)	2,431	(17,126)
Underlying EBIT	10,711	40,266	4,161	(6,273)	(425)	48,440
<i>Reconciliation of segment result to group net profit/loss before tax</i>						
Finance costs						(2,100)
Acquisition costs						(3,622)
Impairment expenses						(969)
Net profit before tax from continuing operations						41,749

(ii) Segment assets and liabilities

	Environmental Solutions	Chemical Manufacturing	Logistics	Corporate Costs	Eliminations	Total
	\$000	\$000	\$000	\$000	\$000	\$000
30 June 2023						
Segment assets	78,803	245,416	112,244	152,174	(18,792)	569,845
Segment liabilities	(24,143)	(46,214)	(38,926)	(144,359)	17,432	(236,210)
Segment assets include:						
- Additions to non-current assets (other than financial assets and deferred tax)	37,895	20,094	44,711	296	-	102,996
30 June 2022						
Segment assets	42,274	245,548	69,850	159,768	(15,094)	502,346
Segment liabilities	(19,261)	(72,688)	(36,778)	(84,181)	16,350	(196,558)
Segment assets include:						
- Additions to non-current assets (other than financial assets and deferred tax)	502	61,487	21,837	47,085	-	130,911

(iii) Revenue by geographical region

Revenue, including revenue from discontinued operations, attributable to external customers is disclosed below, based on the location of the selling entity.

	30 June 2023 \$000	30 June 2022 \$000
Australia	438,295	352,929
New Zealand	27,303	16,860
United States of America	396	-
Total revenue	465,994	369,789

(iv) Assets by geographical region

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

	30 June 2023 \$000	30 June 2022 \$000
Australia	492,734	411,633
New Zealand	76,289	90,713
United States of America	822	-
Total revenue	569,845	502,346

For personal use only

Note 25 Cash Flow Information

	Group	
	2023	2022
	\$000	\$000
Reconciliation of Cash Flows from Operating Activities with Profit after Income Tax		
Profit after income tax	19,242	27,898
Non-cash flows in profit		
Depreciation and amortisation	22,395	17,126
Impairment	-	969
Non-operating cash flows in profit		
Acquisition costs	3,056	3,622
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:		
Decrease/(Increase) in trade and term receivables	9,333	(30,016)
(Increase) in prepayments	(899)	(1,173)
Decrease/(Increase) in inventories	16,907	(22,671)
Increase/(Decrease) in trade payables and accruals	(11,444)	21,347
Increase/(Decrease) in income taxes payable	(2,761)	2,988
Increase in deferred taxes payable	3,617	6,656
Increase/(Decrease) in provisions	(186)	1,156
Net cash generated by operating activities	59,260	27,902

Note 26 Events After the Reporting Period

On 3 July 2023, the Group acquired the business and assets of QBlend Pty Ltd. QBlend provides a powder blending and repacking service to customers in the mining, agriculture and industrial sectors.

On 1 August 2023, the Group acquired the business and assets of Kinnear Transport. Kinnear provides a chemical storage and distribution service to customers in Western Australia.

On 14 August 2023 the Company announced its intention to conduct an on-market share buy-back program of up to 10% of its issued shares. The program will commence on the 30 August 2023 for up to a 12-month period.

Note 27 Related Party Transactions

Related Parties

(a) The Group's main related parties are as follows:

i. Key Management Personnel:

The Board, the Chief Executive Officer, Chief Operating Officer, Chief Financial Officer and Executive Managers 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	
	2023	2022
	\$	\$
i. Loans from Other Related Parties		
Beginning of the year	-	8,481,371
Loan and interest repayment made	-	(1,498,134)
Interest charged	-	72,113
Loan converted to shares (See note 23)	-	(7,055,350)
Non-operating cash flows in profit	-	-

Note 27 Related Party Transactions (continued)

ii. Transactions with Simon Henry & his controlled entities

Administration revenue charged to Simon Henry and his controlled entities	255,363	270,928
Rental and related expenses charged by Simon Henry and his controlled entities	210,204	98,542

iii. Transactions with other related parties

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.	151,733	165,186
Due diligence and professional training fees paid to BDO Australia, of which Denise Brotherton is a Partner	709,878	157,955
Rental and related expenses charged by entities that Mr Robert Sushames or his close family members have an interest in.	1,525,084	1,318,943
Cleaning services provided by D&A Enterprise in which a close relative of Aaron Bardell has an interest	4,160	-
Purchase consideration of 120 Fulton Drive acquired from Belbrae Investments	-	5,806,432

All transactions noted above have been carried out on an arms-length basis.

Note 28 Financial Risk Management

The Group's financial instruments consist mainly of cash and cash equivalents, leases, borrowings, trade and other receivables and trade and other payables.

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:

	Note	Group	
		2023 \$000	2022 \$000
Financial Assets			
Financial assets at amortised cost			
- cash & cash equivalents	9	36,919	25,448
- trade & other receivables	10	52,445	56,568
Financial assets at fair value			
- other financial assets	13	108	262
Total Financial Assets		<u>89,472</u>	<u>82,278</u>
Financial Liabilities			
Financial liabilities at amortised cost			
- lease liabilities	18	46,253	41,887
- trade & other payables	19	32,480	62,274
- borrowings	20	127,934	69,480
Financial liabilities at fair value			
- contingent consideration	19	1,000	-
Total Financial Liabilities		<u>207,667</u>	<u>173,641</u>

Financial Risk Management Policies

The Audit & Risk 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.

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.

Note 28 Financial risk management (continued)

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 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 reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward.

Financial liability and financial asset maturity analysis

	Within 1 Year		1 to 5 years		Over 5 years		Total	
Consolidated Group	2023 \$000	2022 \$000	2023 \$000	2022 \$000	2023 \$000	2022 \$000	2023 \$000	2022 \$000
Financial liabilities due for payment								
Bank overdrafts and loans	6,409	3,423	121,525	66,057	-	-	127,934	69,480
Trade & other payables	33,480	62,274	-	-	-	-	33,480	62,274
Lease liabilities	14,206	10,904	32,047	25,464	-	5,519	46,253	41,887
Total expected outflows	54,095	76,601	153,572	91,521	-	5,519	207,667	173,641

Note 28 Financial risk management (continued)

Consolidated Group	Within 1 Year		1 to 5 years		Over 5 years		Total	
	2023 \$000	2022 \$000	2023 \$000	2022 \$000	2023 \$000	2022 \$000	2023 \$000	2022 \$000
Financial Assets - cash flows realisable								
Cash & cash equivalents	36,919	25,448	-	-	-	-	36,919	25,448
Trade, term and loan receivables	52,445	56,568	-	-	-	-	52,445	56,568
Total anticipated inflows	89,364	82,016	-	-	-	-	89,364	82,016
Net (outflow) / inflow on financial instruments	35,269	5,415	(153,572)	(91,521)	-	(5,519)	(118,303)	(91,625)

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 and earnings volatility on floating rate instruments. The Group does not hold any financial liabilities at fair value through profit and loss, as such any reasonable change in interest rates as at 30 June would not impact the results of the Group.

The financial instruments that primarily expose the Group to interest rate risk are borrowings 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 overseas operations in New Zealand, fluctuations in the NZ Dollar to AU Dollar exchange rate impact on the Group's will impact on the Group's equity.

Sensitivity Analysis

The following 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 as at 30 June.

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

	Group	
	Profit \$'000	Equity \$'000
Year ended 30 June 2023		
AUD strengthens 10% against the USD	(37)	(238)
AUD weakens 10% against the USD	131	296
AUD strengthens 10% against the NZD	(502)	(4,438)
AUD weakens 10% against the NZD	613	5,424
	Group	
	Profit \$'000	Equity \$'000
Year ended 30 June 2022		
AUD strengthens 10% against the USD	26	(37)
AUD weakens 10% against the USD	(26)	37

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.

The price of lead affects the Group's environmental segment. The Group held no financial instruments at 30 June 2023 (30 June 2022: nil) that would be impacted by a change in the price of lead.

Note 28 Financial risk management (continued)

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 29 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.

Management do not believe there are any material differences between carrying values of financial assets and their fair value.

Note 29 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.
- contingent consideration

(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 asset or liability.

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

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 2023

	Note	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total 4000
Recurring fair value measurements					
Non-financial assets					
Freehold land	15	-	99,151	-	99,151
Buildings	15	-	52,874	-	52,874
Total non-financial assets recognised at fair value on a recurring basis		-	152,025	-	152,025

30 June 2022

	Note	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total 4000
Recurring fair value measurements					
Non-financial assets					
Freehold land	15	-	104,692	-	104,692
Buildings	15	-	55,076	-	55,076
Total non-financial assets recognised at fair value on a recurring basis		-	159,768	-	159,768

Note 29 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 periodically 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 30 Reserves

a. Foreign Currency Translation Reserve

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

	Group	
	2023 \$000	2022 \$000
Balance at the beginning of the period	(1,900)	(45)
Exchange differences on translating foreign operations, net of tax	368	(1,855)
	(1,532)	(1,900)

b. Asset Revaluation Reserve

The asset revaluation reserve records revaluations of land and buildings.

	Group	
	2023 \$000	2022 \$000
Balance at the beginning of the period	48,886	22,477
Revaluation gain on land and buildings, net of tax	-	31,473
Transfer on asset disposal	(992)	-
Tax effect	111	(5,064)
	48,005	48,886

c. Cash Flow Hedge Reserve

The asset revaluation reserve records revaluations of hedging instruments

	Group	
	2023 \$000	2022 \$000
Balance at the beginning of the period	262	66
Gain on derivative contract held as hedging instruments, net of tax	76	196
Hedging gains reclassified to profit and loss, net of tax	(196)	-
	142	262

d. Merger Acquisition Reserve

When the Company acquired DGL Manufacturing Pty Ltd, DGL Warehousing & Distribution Pty Ltd, DGL (NZ) Limited, DGL Manufacturing Limited and DGL Warehousing NZ Limited, the transactions were assessed as a transaction involving entities under common control.

In accordance with the accounting policy adopted, all assets and liabilities will be recorded at their book value at the date of acquisition. The remaining difference between the fair value of the consideration paid and the book value of the net assets acquired is allocated to equity.

	Group	
	2023 \$000	2022 \$000
Balance at the beginning of the period	(54,230)	(54,230)
Movements during the year	-	-
	(54,230)	(54,230)

Total Reserves

	Group	
	2023 \$000	2022 \$000
Foreign Currency Translation Reserve	(1,532)	(1,900)
Asset Revaluation Reserve	48,005	48,886
Cash Flow Hedge Reserve	142	262
Merger Acquisition Reserve	(54,230)	(54,230)
	(7,615)	(6,982)

Note 31 Business Combinations

Summary of Business Combinations during the financial year

During the financial reporting period, the Group acquired 100% of the share capital of six companies as well as the business and assets of a further five companies. A summary of the combinations is as follows:

	Fair Value \$'000
Purchase consideration	
- Cash	59,666
- Contingent consideration	1,000
- Ordinary Shares	8,457
	<u>69,123</u>
Less:	
- Cash & cash equivalents	2,495
- Receivables	5,214
- Other assets	105
- Inventories	6,198
- Intangibles	255
- Right-of-use assets	7,822
- Property, plant & equipment	18,357
- Trade & other payables	(5,458)
- Income tax liabilities	(1,521)
- Lease liabilities	(7,549)
- Borrowings	(790)
- Provisions	(1,765)
Identifiable assets acquired and liabilities assumed	<u>23,363</u>
Goodwill provisionally accounted for	<u>45,760</u>

(a) Acquisition of business & assets from Clarkson & Connolly Transport

On 1 September 2022, DGL Warehousing & Distribution Pty Ltd acquired the business and assets of Clarkson & Connolly Transport Trust (Trading as Clarkson Freightlines). Clarkson's focuses on providing general freight services for the agricultural and building industries in the Midwest and Wheatbelt regions of Western Australia.

The total acquisition price was \$6,656,000, of which \$6,250,000 was settled by cash and \$406,000 settled via the issue of fully paid ordinary shares.

	Fair Value \$'000
Purchase consideration	
- Cash	6,250
- Ordinary Shares ⁽ⁱ⁾	406
	<u>6,656</u>
Less:	
- Property, plant & equipment	2,962
- Provisions	(52)
Identifiable assets acquired & liabilities assumed	<u>2,910</u>
Goodwill ⁽ⁱⁱ⁾ provisionally accounted for	<u>3,746</u>

(i) The consideration paid to acquire the business and assets of Clarkson & Connolly Transport Trust includes 278,149 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 Clarkson & Connolly Transport Trust. No amount of goodwill is deductible for tax purposes.

(b) Acquisition of Flexichem Australia Pty Ltd

On 1 September 2022, DGL Manufacturing Pty Ltd acquired 100% of Flexichem Australia Pty Ltd. Flexichem 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 was \$8,419,000, of which \$7,269,000 was settled by cash and \$1,150,000 settled via the issue of fully paid ordinary shares.

Note 31 Business Combinations (continued)

	Fair Value \$'000
Purchase consideration	
- Cash	7,269
- Ordinary Shares ⁽ⁱ⁾	1,150
	<u>8,419</u>
Less:	
- Cash & cash equivalents	400
- Receivables ⁽ⁱⁱⁱ⁾	1,447
- Inventories	1,872
- Right-of-use assets	1,482
- Property, plant & equipment	215
- Trade & other payables	(500)
- Income tax liabilities	(270)
- Lease liabilities	(1,209)
- Provisions	(218)
Identifiable assets acquired & liabilities assumed	<u>3,219</u>
Goodwill⁽ⁱⁱⁱ⁾ provisionally accounted for	<u>5,200</u>

- (i) The consideration paid to acquire Flexichem Australia Pty Ltd includes 725,689 fully paid ordinary shares issued in the Group. The fair value of the shares in the Group was determined based on the current market price of the shares at the date of acquisition.
- (ii) The directors believe the receivables were fully recoverable and the fair value recognised represents the gross contractual amounts receivable.
- (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 Flexichem Australia Pty Ltd.
No amount of goodwill is deductible for tax purposes.

(c) Acquisition of Aquadex Pty Ltd

On 1 October 2022, the Company acquired 100% of Aquadex Pty Ltd. Aquadex specialises in the manufacturing and distribution of chemicals for chlorine products and water treatment.

The total acquisition price was \$5,484,000, of which \$98,000 was settled by cash, \$4,386,000 settled via the issue of fully paid ordinary shares and \$1,000,000 as contingent consideration

	Fair Value \$'000
Purchase consideration	
- Cash	98
- Contingent consideration	1,000
- Ordinary Shares ⁽ⁱ⁾	4,386
	<u>5,484</u>
Less:	
- Cash & cash equivalents	161
- Receivables ⁽ⁱⁱⁱ⁾	151
- Other assets	17
- Inventories	619
- Right-of-use assets	76
- Property, plant & equipment	854
- Trade & other payables	(603)
- Income tax liabilities	(48)
- Lease liabilities	(76)
- Borrowings	(786)
- Provisions	(51)
Identifiable assets acquired & liabilities assumed	<u>314</u>
Goodwill⁽ⁱⁱⁱ⁾ provisionally accounted for	<u>5,170</u>

- (i) The consideration paid to acquire Aquadex Pty Ltd includes 2,943,925 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 directors believe the receivables were fully recoverable and the fair value recognised represents the gross contractual amounts receivable.
- (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 Aquadex Pty Ltd.
No amount of goodwill is deductible for tax purposes.

Note 31 Business Combinations (continued)

(d) Acquisition of BTX Group Pty Ltd

On 1 October 2022, the Company acquired 100% of BTX Group Pty Ltd. BTX Group provides bespoke chemistries and innovative technologies to the municipal, mining, environmental and industrial sectors throughout Australia.

The total acquisition price was \$9,707,000, of which \$8,697,000 was settled by cash and \$1,010,000 settled via the issue of fully paid ordinary shares.

	Fair Value \$'000
Purchase consideration	
- Cash	8,697
- Ordinary Shares ⁽ⁱ⁾	1,010
	<u>9,707</u>
Less:	
- Cash & cash equivalents	1,281
- Receivables ⁽ⁱⁱ⁾	1,844
- Inventories	1,587
- Right-of-use assets	192
- Property, plant & equipment	55
- Trade & other payables	(2,267)
- Income tax liabilities	(678)
- Lease liabilities	(192)
- Provisions	(18)
	<u>1,804</u>
Identifiable assets acquired & liabilities assumed	<u>7,903</u>
Goodwill⁽ⁱⁱⁱ⁾ provisionally accounted for	<u>1,804</u>

(i) The consideration paid to acquire BTX Group Pty Ltd includes 677,570 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 directors believe the receivables were fully recoverable and the fair value recognised represents the gross contractual amounts receivable.

(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 BTX Group Pty Ltd.
No amount of goodwill is deductible for tax purposes.

(e) Acquisition of Acacia Ridge Container Park Pty Ltd

On 1 November 2022, the Company acquired 100% of Acacia Ridge Container Park Pty Ltd. Acacia Ridge has a number of years' experience in handling ISO Tank Containers and Road Tankers, whilst providing a range of services to meet all customer needs.

The total acquisition price was \$5,271,000, of which \$3,766,000 was settled by cash and \$1,505,000 settled via the issue of fully paid ordinary shares.

	Fair Value \$'000
Purchase consideration	
- Cash	3,766
- Ordinary Shares ⁽ⁱ⁾	1,505
	<u>5,271</u>
Less:	
- Cash & cash equivalents	617
- Receivables ⁽ⁱⁱ⁾	600
- Right-of-use assets	5,815
- Property, plant & equipment	499
- Trade & other payables	(653)
- Income tax liabilities	(29)
- Lease liabilities	(5,815)
- Provisions	(289)
	<u>745</u>
Identifiable assets acquired & liabilities assumed	<u>4,526</u>
Goodwill⁽ⁱⁱⁱ⁾ provisionally accounted for	<u>745</u>

(i) The consideration paid to acquire Acacia Ridge Container Park Pty Ltd includes 1,000,000 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 directors believe the receivables were fully recoverable and the fair value recognised represents the gross contractual amounts receivable.

(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 Acacia Ridge Container Park Pty Ltd.
No amount of goodwill is deductible for tax purposes.

Note 31 Business Combinations (continued)

(f) Acquisition of business and assets from Chempac (NZ) 2016 Limited

On 1 December 2022, DGL Manufacturing Limited acquired the business and assets of Chempac (NZ) 2016 Limited. Chempac (NZ) is a business engaged in chemical manufacturing, packaging and distribution of finished goods based in East Tamaki, Auckland.

The total acquisition price was \$3,155,000, which was settled by cash.

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

	Fair Value \$'000
Purchase consideration	
- Cash	3,155
	<u>3,155</u>
Less:	
- Other assets	3
- Inventories	250
- Property, plant & equipment	359
- Provisions	(24)
	<u>588</u>
Identifiable assets acquired & liabilities assumed	<u>588</u>
Goodwill⁽ⁱ⁾ provisionally accounted for	<u>2,567</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 Chempac (NZ) 2016 Limited.
No amount of goodwill is deductible for tax purposes.

(g) Acquisition of business and assets from Nightingale Transport

On 7 February 2023, DGL Warehousing & Distribution Pty Ltd acquired the business and assets of Nightingale Transport. Nightingale Transport provides national logistics services for the steel, agricultural and infrastructure industries and is based in Queensland.

The total acquisition price was \$18,500,000, which was settled by cash.

	Fair Value \$'000
Purchase consideration	
- Cash	18,500
	<u>18,500</u>
Less:	
- Property, plant & equipment	12,962
- Inventories	490
- Provisions	(466)
	<u>12,986</u>
Identifiable assets acquired & liabilities assumed	<u>12,986</u>
Goodwill⁽ⁱ⁾ provisionally accounted for	<u>5,514</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 Nightingale Transport.
No amount of goodwill is deductible for tax purposes.

Note 31 Business Combinations (continued)

(h) Acquisition of NLW Group Pty Ltd

On 1 March 2023, DGL Warehousing & Distribution Pty Ltd acquired 100% of NLW Global Pty Ltd. NLW is a logistics and warehousing company based in Townsville, Queensland.

The total acquisition price was \$3,130,000, which was settled by cash.

	Fair Value \$'000
Purchase consideration	
- Cash	3,130
	<u>3,130</u>
Less:	
- Cash & cash equivalents	34
- Receivables ⁽ⁱ⁾	297
- Other assets	30
- Property, plant & equipment	206
- Trade & other payables	(191)
- Income tax liabilities	(480)
- Provisions	(118)
- Borrowings	(4)
	<u>(226)</u>
Identifiable assets acquired & liabilities assumed	<u>(226)</u>
Goodwill⁽ⁱⁱ⁾ provisionally accounted for	<u>3,356</u>

(i) The directors believe the receivables were fully recoverable and the fair value recognised represents the gross contractual amounts receivable.

(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 NLW Group Pty Ltd.

No amount of goodwill is deductible for tax purposes.

(i) Acquisition of business and assets from DLF Global Logistics

On 1 March 2023,, DGL Global Logistics Pty Ltd acquired the business and assets of DLF Global Logistics. DLF Global Logistics provides international air and ocean freight forwarding services and is based in Melbourne, Australia.

The total acquisition price was \$1,793,000, which was settled by cash.

	Fair Value \$'000
Purchase consideration	
- Cash	1,793
	<u>1,793</u>
Less:	
- Income tax liabilities	4
- Provisions	(11)
	<u>(7)</u>
Identifiable assets acquired & liabilities assumed	<u>(7)</u>
Goodwill⁽ⁱ⁾ provisionally accounted for	<u>1,800</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 DLF Global Logistics.

No amount of goodwill is deductible for tax purposes.

Note 31 Business Combinations (continued)

(j) Acquisition of business and assets from Envirostore

On 8 May 2023, the company acquired the business and assets of Envirostore Chemical Consulting Limited. Envirostore is an Environmental services business offering advice and consulting services.

The total acquisition price was \$1,724,000, which was settled by cash.

	Fair Value \$'000
Purchase consideration	
- Cash	1,724
	<u>1,724</u>
Less:	
- Inventories	22
- Property, plant & equipment	49
- Provisions	(97)
	<u>(26)</u>
Identifiable assets acquired & liabilities assumed	<u>(26)</u>
Goodwill⁽ⁱ⁾ provisionally accounted for	<u>1,750</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 Envirostore Chemical Consulting Limited.

No amount of goodwill is deductible for tax purposes.

(k) Acquisition of Triox Pty Ltd

On 1 June 2023, DGL Manufacturing Australia Pty Ltd acquired 100% of Triox Pty Ltd. Triox supplies high-quality products for the home garden and agricultural markets.

The total acquisition price was \$5,284,000, which was settled by cash.

	Fair Value \$'000
Purchase consideration	
- Cash	5,284
	<u>5,284</u>
Less:	
- Cash & cash equivalents	2
- Receivables ⁽ⁱ⁾	875
- Other assets	55
- Intangibles	255
- Property, plant & equipment	196
- Right-of-use assets	257
- Inventories	1,358
- Trade & other payables	(1,244)
- Lease liabilities	(257)
- Income tax liabilities	(20)
- Provisions	(421)
	<u>1,056</u>
Identifiable assets acquired & liabilities assumed	<u>1,056</u>
Goodwill⁽ⁱⁱ⁾ provisionally accounted for	<u>4,228</u>

(i) The directors believe the receivables were fully recoverable and the fair value recognised represents the gross contractual amounts receivable.

(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 Triox Pty Ltd.

No amount of goodwill is deductible for tax purposes.

DGL GROUP LIMITED AND CONTROLLED ENTITIES

ABN: 71 002 802 646

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023



Note 32 Deed of Cross Guarantee

On the 5 June 2023 DGL Group Limited entered into a Deed of Cross Guarantee with the following wholly owned entities:

- DGL Manufacturing Pty Ltd
- Flexichem Australia Pty Ltd
- DGL Warehousing & Distribution Pty Ltd
- DGL Industries Pty Ltd
- DGL Global Logistics Pty Ltd
- NLW Group Pty Ltd
- DGL Manufacturing Australia Pty Ltd
- Labels Connect Pty Ltd
- DGL AusBlue Pty Ltd
- Opal Australasia Pty Ltd
- AusTech Chemicals Pty Ltd
- Total Bio Group Pty Ltd
- Total Coolant Management Solutions Pty Ltd
- Aquadex Pty Ltd
- BTX Group Pty Ltd
- Acacia Ridge Container Park Pty Ltd

Under the deed each company guarantees the debts of the others. By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and directors' report under ASIC Corporations (Wholly-owned Companies) Instrument 2016/785.

The above companies represent a 'closed group' for the purposes of the instrument and as there are no other parties to the deed of cross guarantee that are controlled by DGL Group Limited, they also represent the 'extended closed group'.

Set out below are a consolidated statement of financial positions, a consolidated statement of profit or loss and other comprehensive income and a summary of movements in consolidated retained earnings for the year ended 30 June 2023 of the closed group assuming all members of the group were members from 1 July 2022 or, if at a later date, from the date DGL Group Limited gained control of the entity.

Statement of Profit or Loss and Other Comprehensive Income

	2023 \$000
Sales revenue	437,722
Cost of sales	(279,651)
	<u>158,071</u>
Other income	1,509
Acquisition costs relating to business combinations	(2,952)
Employee benefits expense	(67,647)
Administration and general expenses	(21,092)
Legal and professional fees	(2,016)
Occupancy expense	(8,110)
Depreciation and amortisation expense	(19,480)
Finance costs	(7,246)
Profit before income tax	<u>31,037</u>
Tax expense	(10,886)
Net profit from continuing operations	<u>20,151</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, net of tax	76
Items that will not be reclassified subsequently to profit or loss:	
Hedging gains reclassified to profit or loss, net of tax	(196)
Revaluation gain on land and buildings, net of tax	111
Total other comprehensive income/(loss) for the year	<u>(9)</u>
Total comprehensive income for the year	<u>2 0,142</u>

For personal use only

DGL GROUP LIMITED AND CONTROLLED ENTITIES

ABN: 71 002 802 646

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023



Note 32 Deed of Cross Guarantee (continued)

Consolidated Statement of Financial Position

	2023 \$000
Assets	
Current Assets	
Cash & cash equivalents	34,379
Trade & other receivables	48,710
Inventories	32,574
Other assets	5,742
Total Current Assets	121,405
Non-Current Assets	
Investments in subsidiaries	44,480
Inter-company receivables	23,057
Property, plant & equipment	191,235
Intangible assets	134,340
Right-of-use assets	38,007
Total Non-Current Assets	431,119
Total Assets	552,524
Liabilities	
Current Liabilities	
Lease liabilities	17,229
Trade & other payables	29,032
Borrowings	3,902
Current tax liabilities	3,976
Provisions	8,527
Total Current Liabilities	62,666
Non-Current Liabilities	
Lease liabilities	22,853
Borrowings	121,526
Deferred tax liabilities	13,240
Provisions	1,648
Total Non-Current Liabilities	159,267
Total Liabilities	221,933
Net Assets	330,591
Equity	
Issued capital	258,354
Reserves	23,442
Retained earnings	48,795
Total Equity	330,591
Summary of Movements in Consolidated Retained Earnings	
Opening retained earnings	28,644
Profit for the year	20,151
Closing retained earnings	48,795

Note 33 Contingent Liabilities

The Group currently has no open litigation matters.

For personal use only

DGL GROUP LIMITED AND CONTROLLED ENTITIES

ABN: 71 002 802 646

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023



Note 34 Capital Commitment

The table below reflects the capital commitments the Group had entered into as at the end of the financial year.

	Group	
	2023 \$000	2022 \$000
Acquisition of business and assets of Qblend		
- cash consideration	750	-
	<u>750</u>	<u>-</u>
Acquisition of business and assets of Kinnear		
- cash consideration	7,750	-
	<u>7,750</u>	<u>-</u>
Acquisition of Flexichem Pty Ltd		
- cash consideration	-	4,650
- consideration shares	-	1,550
	<u>-</u>	<u>6,200</u>
Acquisition of Clarkson Freightlines		
- cash consideration	-	6,250
- consideration shares	-	500
	<u>-</u>	<u>6,750</u>
Acquisition of BTX Pty Ltd		
- cash consideration	-	5,800
- consideration shares	-	1,450
	<u>-</u>	<u>7,250</u>
Acquisition of Aquadex Pty Ltd		
- cash consideration	-	700
- consideration shares	-	6,300
	<u>-</u>	<u>7,000</u>
Acquisition of Acacia Ridge Container Park Pty Ltd		
- cash consideration	-	3,500
- consideration shares	-	1,500
	<u>-</u>	<u>5,000</u>
Purchase of land in Queensland, Australia	-	3,800
Purchase of Property, Plant & Equipment	618	-
	<u>9,118</u>	<u>53,000</u>

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

For personal use only

DGL GROUP LIMITED AND CONTROLLED ENTITIES

ABN: 71 002 802 646

DIRECTORS' DECLARATION

DGL

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 19 to 62, 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 2023 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.
4. At the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in note 32 will be able to meet any liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 32.

Director



Dated this

28 August 2023

For personal use only

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 2023, 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 to the financial statements, including material accounting policy information, and the Directors' Declaration of the Company and the consolidated entity (the Group) 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:

- giving a true and fair view of the consolidated entity's financial position as at 30 June 2023 and of its financial performance for the year ended on that date; and
- 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 31, the Group entered into agreements to acquire 100% of the equity in the following entities: - Acacia Ridge Container Park Pty Ltd - Aquadex Pty Ltd - BTX Group Pty Ltd - Flexichem Australia Pty Ltd - NLW Group Pty Ltd - Triox Pty Ltd The Group also entered into agreements to acquire the business and assets of the following entities: - Chempac (NZ) 2016 Limited - Clarkson & Connolly Transport Trust - Nightingale Transport - DLF Global Logistics - Envirostore Chemical Consulting 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 \$69.1m. 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.	Our procedures included, but were not limited to, the following: - evaluating the Group's accounting treatment against the requirements of AASB 3, key transaction agreements, and our understanding of the acquisitions and respective industries. - assessing the methodology applied to recognise the fair value of identifiable assets acquired and liabilities assumed. - validating inputs of the components of the business combinations to underlying support including settlement contracts. - performing an assessment based on the guidance provided in AASB 3, paragraph B7-B12, to determine whether the acquisitions are classified as share purchase or business asset acquisitions. - assessing Management's determination of the point at which control was gained of each acquiree. - assessing the provisional allocation of purchase price for each entity acquired to the significant identifiable assets acquired – including any intangibles other than goodwill – and liabilities assumed. - reviewing the accounting entries associated with each business combination. - reviewing the related financial statement disclosures for the acquisitions for consistency with the relevant financial reporting standards.

PKF Melbourne Audit & Assurance Pty Ltd ABN 75 600 749 184

Level 12, 440 Collins Street, Melbourne, Victoria 3000

T: +61 3 9679 2222 F: +61 3 9679 2288 www.pkf.com.au

Liability limited by a scheme approved under Professional Standards Legislation

PKF Melbourne Audit & Assurance Pty Ltd is a member firm of the PKF International Limited family of separately owned firms and does not accept any responsibility or liability for the actions or inactions of any individual member or correspondent firm or firms.

Key audit matter – Impairment of goodwill and other intangible assets

How our audit addressed this matter

As of 30 June 2023, the carrying value of goodwill and other intangibles was \$144.1m (2022: \$98.5m), as disclosed in note 16 of the financial report. The accounting policy in respect of these assets is outlined in note 1 (j) *Intangible Assets*. Goodwill of \$45.7m was recognised on the acquisitions during the year as noted above.

An annual impairment test of goodwill and other indefinite life intangibles is required under AASB 136 *Impairment of Assets*. 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 Group to exercise significant judgement in determining key assumptions, which include:

- 5-year cash flow forecast
- growth rate and terminal growth factor
- 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 *Impairment of Assets* 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 2024 budget approved by the Directors, comparing to current actual results, and considering trends, strategies and the current economic climate.
- the 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.
- the appropriateness of the disclosures including those relating to sensitivities in assumptions used in note 16.

Key audit matter – Revenue recognition	How our audit addressed this matter
The Group's sales revenue amounted to \$466m during the year (2022: \$369.8m). Note 3 provides a breakdown of this revenue. Note 1 (o) Revenue and Other Income describes the accounting policies applicable to the following distinct revenue streams in accordance with AASB 15 <i>Revenue from Contracts with Customers</i>: • Formulation and packaging of chemical and material products • Processing of used lead acid batteries to recover lead • Liquid waste treatment • Storage of customer goods • Delivery of dangerous goods for customers • Rental income 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.	Our procedures included, but were not limited to, the following: • 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. • 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. • for a sample of contracts across each revenue stream - with emphasis on new revenue streams acquired during the period - 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. • assessing the consistency of design of the Group's accounting policies in respect of revenue recognition against the criteria prescribed by AASB15.

Key audit matter – Inventory Valuation and Existence	How our audit addressed this matter
The Group held inventory with a carrying value of \$37.4m as at 30 June 2023 (2022: \$48.2m), as disclosed in note 11 of the financial report. AASB 102 <i>Inventories</i> requires entities to value inventory at the lower of cost and net realisable value. In considering the valuation and existence of inventories across the Group we had regard to: • The changing mix and profile of inventory held across the Group's diverse operating businesses. • A range of inventory management and accounting practices across the various business combinations and efforts required to apply a consistent approach at year end. • Judgement applied in estimating future selling prices and provisions for quality or obsolescence issues in a changing economic environment. Due to these factors, we consider valuation and existence of Inventory to be a Key Audit Matter.	Our procedures included, but were not limited to, the following: • attending multiple stock counts across each business and cash generating unit to observe the controls in place and investigate any weaknesses in place. • performing sample stock counts to confirm both existence and completeness, including reperforming a count of a sample of items and verifying against the final inventory listings. • performing cut off procedures to verify that inventory has been recorded in the correct accounting period. • performing analytical procedures in relation to inventory turnover, ageing and margin yield. • testing a sample of inventory additions during the year to assess the accuracy of costing by validating these transactions to supporting invoices and other appropriate documentation. • testing the valuation methods applied to closing inventory and validating that inventory was recorded at the lower of cost and net realisable in line with AASB 102 <i>Inventories</i>. • performing net realisable value testing and reviewing the adequacy of any inventory provisions.

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 2023 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 2023.

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.

PKF

PKF
Melbourne, 28 August 2023

Kenneth Weldin

Kenneth Weldin
Partner

DGL GROUP LIMITED AND CONTROLLED ENTITIES

ABN: 71 002 802 646

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES



The following information is current as at 25th September 2023:

1. **Shareholding**

a. **Distribution of Shareholders**

Category (size of holding)	No. of Holders	No. of Ordinary Shares
1 – 1,000	2,029	1,056,030
1,001 – 5,000	1,969	5,239,228
5,001 – 10,000	698	5,387,594
10,001 – 100,000	908	25,111,288
100,001 – and over	119	243,495,570
	5,723	280,289,710

b. The number of shareholdings held in less than marketable parcels is nil (2022: 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	151,290,229	53.98%
Citicorp Nominees Pty Limited	16,878,375	6.02%

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	151,290,229	53.98%
2. Citicorp Nominees Pty Limited	16,878,375	6.02%
3. National Nominees Limited	11,038,282	3.94%
4. Aveley Investments Pty Ltd - <ORYX A/C>	6,317,312	2.25%
5. Spalding Holdings Pty Ltd - <Sushames Family No 2 A/C>	8,164,000	2.92%
6. HSBC Custody Nominees (Australia) Limited	4,367,236	1.56%
7. Mr Kenneth Joseph Hall - <Hall Park A/C>	3,703,813	1.32%
8. 4TIGES Capital Pty Ltd	3,355,355	1.20%
9. JP Morgan Nominees Australia Pty Limited	3,075,421	1.10%
10. Bond Street Custodians Limited - <Salter - D79836 A/C>	1,632,000	0.58%
11. Sharesies Nominee Limited - <Child A/C>	1,602,367	0.57%
12. BNP Paribas Nominees Pty Ltd HUB24 Custodial Serv Ltd - <DRP A/C>	1,429,558	0.51%
13. Aquapac Pty Ltd	1,100,000	0.39%
14. WJ & GF Shaw Ltd - The Shaw Family	1,059,205	0.38%
15. Mr Raymond James Allan	1,016,105	0.36%
16. Nine Lions Pty Ltd - <Park Family A/C>	1,007,194	0.36%
17. Mr Robert William Sushames - Sushames Family	1,000,000	0.36%
18. Lightbrass Pty Ltd - <The PM Investments A/C>	947,374	0.34%
19. Spalding Holdings Pty Ltd - <Sushames Family No 2 A/C>	848,420	0.30%
20. ASB Nominess Limited - <184200 A/C>	845,263	0.30%
	217,913,509	77.75%

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.

For personal use only

For personal use only

Automotive
Agriculture
Building & Trade
Chemical
Construction
Government
Manufacturing
Mining
Water

Manufacturing
Industrial Services
International Logistics
Product Management
Warehousing
Distribution
Labels & Packaging
Waste Treatment
Recycling

DGL

Australia | New Zealand | International

dglgroup.com