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ASX RELEASE

28 February 2023

H1 FY23 Results

DGL Group Continues to Perform Strongly

Melbourne, Australia - DGL Group Limited (**ASX: DGL**, "**DGL**" or the "**Company**"), a specialist chemicals business that manufactures, transports, stores and processes chemicals and hazardous waste, is pleased to announce its half year results for the period ended 31 December 2022.

H1 FY23 Highlights:

- **Continued growth across key financial metrics, in pursuit of enhanced capabilities and scale**
  - **Sales revenue of $217.2 million (+52% versus pcp)**
  - **Underlying EBITDA of $29.7 million (+30% versus pcp)**
  - **NPAT of $10.4 million (+22% versus pcp)**
- **6 acquisitions successfully integrated during the half**
- **Underlying operating cash flow conversion of 108%**
- **All business segments delivered safe and reliable operational performance, growing revenues**
- **Strong balance sheet with flexibility to support future growth with ~1.1x Net Debt/EBITDA[1]**

Commenting on the performance, DGL Founder and Chief Executive Officer, Simon Henry, said:

> "*The Group continues to perform strongly and we continue to experience record demand for our services.*"

Continued growth across key financial metrics

During H1 FY23, DGL is pleased to have increased its sales revenue 52% versus the prior corresponding period ("pcp") to $217.2 million. Underlying EBITDA during the half also grew to $29.7 million (+30% versus pcp) .

Encouragingly, all business segments continued to deliver safe and reliable operational performance, growing revenues, each positively contributing to EBITDA – Manufacturing (~65%), Warehousing & Distribution (~22%) and Environmental (~13%).

Effective inventory management during H1 FY23 resulted in cash flow conversion of 108%.

Operational highlights enhancing capabilities and scale

From an operational perspective, DGL continued to undertake strategic investment in pursuit of

[1] Net Debt to revised FY23 underlying EBITDA guidance.

enhanced capabilities and scale. During the half, organic contribution was 69% of Group EBITDA growth, the balance coming from the successful completion and integration of strategic acquisitions completed during the last twelve months, including in H1 FY23: Flexichem, Aquadex, BTX, Acacia Ridge Container Park, Clarkson Freightlines and Chempac NZ. Collectively, these six acquisitions totaled $37.7 million (cash plus scrip) during the half. DGL remains confident in its ability to continue to extract value within the highly fragmented industry it operates in. With numerous small-scale operators, there is an attractive and long runway of potential strategic acquisitions available to DGL.

As a result of continued growth, both organic and via strategic acquisition, further scale enhancement was observed during the half, notably DGL's strengthened and highly skilled workforce, increased network strength via addition of several strategically located assets as well as enhanced transport and logics network. Likewise, as DGL's portfolio of licenses, accreditations and regulatory approvals continue to grow, so does its active customer base, reflecting a trusted brand.

Underlying growth strategy intact, diversifying revenue streams

This continued execution against DGL's underlying strategy of expanding IP, capabilities, geographic footprint as well as products & solutions available to new and existing customers provides the Company the confidence to achieve its future growth objectives. Specifically, during H1 FY23, DGL Ausblue was successfully awarded a Commonwealth Technical Grade Urea stockpile contract in December 2022 for the supply, storage and distribution of ~7,500 tonnes of Technical Grade Urea. While not a significant contract in isolation, this win illustrates execution against strategy and also highlights the increased benefit of ongoing scale enhancements to DGL's operations.

Significant growth in DGL's capabilities and capacity has resulted in reduced reliance on specific geographies, markets, and customers – further de-risking the operations. DGL has materially diversified its agriculture exposure, now representing only ~29% of total revenues, from ~49% at the time of DGL's initial public offering ("IPO", 24 May 2021). Additionally, DGL's reliance on key customers has reduced – Top 5 customers now representing ~26% of total revenues (from ~43% at IPO).

Balance sheet flexibility to support future growth

DGL's history of generating strong free cash flows has supported its recent growth strategy, as outlined. Net working capital ($66.0 million) remained stable during H1 FY23. Movement in net working capital associated with acquisitions in H1 FY23 was +$4.7m, with inventories associated with acquisitions completed during H1 FY23 at $3.8 million, at balance date. Although taking on additional inventory from acquisitions during the half, the total inventory balance as at 31 December 2022 remained relatively stable ($47.2 million versus $48.2 million as at 30 June 2022). Indicative inventory days reduced from 75 to 62 days as a result, as the Company's operations and supply chains normalised following H2 FY22, where DGL undertook a deliberate strategy to procure higher levels of inventory, permitted by a strong balance sheet.

This disciplined investment – particularly with respect to property – provides strategic flexibility & security, another competitive advantage of DGL. During the half, property, plant & equipment grew $5.5 million, with $10.7 million and $1.7 million spent on growth and maintenance capex respectively. Further, despite $34.8 million borrowings drawn down to fund acquisitions, net debt remains at very comfortable levels of $79.8 million as at 31 December 2022 (~1.1x Net Debt / EBITDA[2]). DGL continues to proactively assess the strategic value of its property portfolio and constantly reviews all PP&E for appropriateness, disposing of assets when not required, typically replacing them.

[2] Net Debt to revised FY23 underlying EBITDA guidance.

Summary and outlook

DGL has updated its full-year FY23 EBITDA guidance as provided at the 2022 AGM to include an additional ~$1.5 million EBITDA contribution from recently announced acquisitions[1], with underlying EBITDA now expected in the range of $71.5 - $73.5 million.

As outlined at the AGM, earnings are expected to be skewed towards second half (~40% H1 / ~60% H2), while underlying operating cash flow conversion is expected to be in the range of 90 - 95%. These two metrics remain unchanged since guidance provided at AGM.

DGL's strategy continues to focus on growing organically and through acquisitions that drive earnings growth and provide strategic value to DGL.

- ENDS -

Approved for release by the Board of DGL.

CONTACT
Investor and media relations

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ABOUT DGL GROUP LIMITED

DGL is a well-established, founder-led, diversified industrial group, specializing in the manufacture, transport, storage of chemicals and processing of hazardous waste. The Company has a strong track record of revenue and earnings growth.

DGL GROUP LIMITED AND CONTROLLED ENTITIES
ABN: 71 002 802 646
APPENDIX 4D
HALF-YEAR REPORT FOR THE PERIOD ENDED 31 DECEMBER 2022

1. Details of the reporting period and the prior corresponding period

Current period:	1 July 2022 - 31 December 2022
Prior corresponding period:	1 July 2021 - 31 December 2021

2. Results for announcement to the market

	Half-year ended 31 December 2022 ($'000)	Half-year ended 31 December 2021 ($'000)	Up/Down	Change (%)
Revenue from ordinary activities	217,203	143,040	Up	52%
Profit from ordinary activities after tax attributable to members	10,403	8,546	Up	22%
Total comprehensive income for the period attributable to members	12,514	9,102	Up	37%

No dividend has been paid during the financial period or in the previous corresponding period. No dividend has been proposed or declared since the end of the reporting period.

3. Net tangible Assets

	Half-year ended 31 December 2022	30 June 2022
Net tangible assets per security	0.74	0.78

4. Details of entities over which control has been gained

Name of entity:	Flexichem Australia Pty Ltd
Date of control:	1 September 2022
Profit from ordinary activities during the period attributable to the Group	$ 308,928
Name of entity:	BTX Group Pty Ltd
Date of control:	1 October 2022
Profit from ordinary activities during the period attributable to the Group	$ 1,283,263
Name of entity:	Aquadex Pty Ltd
Date of control:	1 October 2022
Profit from ordinary activities during the period attributable to the Group	$ 528,537
Name of entity:	Acacia Ridge Container Park Pty Ltd
Date of control:	1 November 2022
Profit from ordinary activities during the period attributable to the Group	$ 77,468

5. Attachment

The Half Year Report of DGL Group Limited for the half-year ended 31 December 2022 is attached.

6. Audit qualification or review

The financial statements were subject to a review by the auditors and the review report is attached as part of the Half Year Report.

DGL GROUP LIMITED
AND CONTROLLED ENTITIES

ABN: 71 002 082 646

Financial Report For The Half-Year Ended
31 December 2022

DGL GROUP LIMITED
AND CONTROLLED ENTITIES

ABN: 71 002 802 646

Financial Report For The Half-Year Ended 31 December 2022

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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 half-year ended 31 December 2022.

Directors

The following persons were directors of DGL Group Limited during the half-year, and at the date of this report, unless otherwise stated.

Peter Lowe	Chairman and Non-Executive Director
Simon Henry	Founder, Executive Director and Chief Executive Officer
Denise Brotherton	Non-Executive Director
Robert McKinnon	Non-Executive Director
Robert Sushames	Executive Director, General Manager - DGL Manufacturing Australia Pty Ltd

Principal Activities and Significant Changes in Nature of Activities

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

DGL has now established itself as an integrated business that can offer a wide range of products and services to its diverse customer base. Its service offering includes chemical formulation and manufacturing, warehousing and distribution, and waste management and recycling. The 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 industries:

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

- 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.

(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.

(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.

Dividends Paid or Declared

No dividends have been paid or declared during the half-year ended 31 December 2022, or at the date of this report.

Review of Operations

Chemical Manufacturing

Segment description	DGL's Chemical Manufacturing segment produces its own range of specialty chemicals and undertakes advanced formulation and contract manufacturing on behalf of third parties. The segment provides a versatile, end to end solution for its customers. Operations are focused on deriving chemicals from complex reactions in controlled environments.
Key activities	Since June 2022, DGL has acquired Flexichem Australia Pty Ltd, Chempac NZ (2016) Limited, Bondlast, Aquadex Pty Ltd and BTX Group Pty Ltd to expand the Chemical Manufacturing segment's manufacturing capabilities further into Agricultural, Mining and Industrial sectors. These businesses are currently being integrated into the DGL Group and are performing in line with management's expectations. DGL continues to focus on organic growth in the manufacturing segment through the expansion of its range of products, services and geographies, cross selling to existing and acquired customers, and through the development of capital projects.

Environmental Solutions

Segment description	The Environmental Solutions segment undertakes resource recovery and hazardous waste management activities. Its core activities comprise liquid waste treatment, ULAB recycling, lead smelting and refining and ISO tank cleaning, repair, and maintenance.
Key activities	Since June 2022, DGL acquired Acacia Ridge Container Park Pty Ltd further expanding the Environmental Solutions segment. This acquisition grows our environmental solutions capabilities in Queensland. However, it also adds value and benefit to our chemical warehousing services and distribution offering. The Victorian lead smelter continues to exceed management's expectations. The other principal activities of the Environmental Solutions segment in 1H FY23 were end-of-life battery recycling and liquid waste treatment. Progress continues on the new liquid waste treatment plant in NSW.

Warehousing and Distribution

Segment description	The Warehousing and Distribution segment offers global logistics, and warehousing and transport services across Australia and New Zealand. Key components of the services provided by the segment include freight forwarding, customs clearance, inventory management, warehousing, and transport.
Key activities	DGL's Warehousing and Distribution segment has experienced significant demand for its services. In response to issues around supply chains including shipping delays, DGL's customers have been increasing their stock holdings, resulting in a high utilisation of warehousing and distribution assets. DGL has successfully integrated the acquisitions of Temples Pty Ltd and Clarkson & Connolly Transport Trust (trading as Clarkson Freightlines) into the Warehousing and Distribution segment and the acquired businesses are performing in line with management's expectations. These acquisitions bolster a robust and rapidly expanding DGL presence across Western Australia. DGL's inhouse customs clearance service continues to increase our international freight capabilities which aligns with DGL's strategy to maximise its cross-selling opportunities.

Matters Subsequent to the End of the Half-Year

On 19 January 2022, the Company announced the acquisition of the business and assets of Nightingale Transport (Qld) Pty Ltd and Nightingale Freightlines Pty Ltd (collectively, "Nightingales"). Nightingales provides a national logistics service to blue-chip clients in the mining, agricultural and infrastructure sectors.

The total acquisition price is $18.2m and will be funded by cash.

Likely Developments and Expected Results of Operations

The Group expects to continue to execute its business plan, in line with its strategic objectives as outlined in its 2022 Annual Report.

Auditor's Independence Declaration

A copy of the auditor's independence declaration, as required under section 307C of the Corporations Act 2001, is set out on page 3.

Mr Peter Lowe
Chairman
Dated: 28 February 2023

AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF DGL GROUP LIMITED

In relation to our review of the financial report of DGL Group Limited for the half-year ended 31 December 2022, I declare to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001*; and

(b) no contraventions of any applicable code of professional conduct.

This declaration is made in respect of DGL Group Limited and the entities it controlled during the financial period.

PKF
Melbourne, 28 February 2023

Kenneth Weldin
Partner

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DGL GROUP LIMITED AND CONTROLLED ENTITIES
ABN: 71 002 802 646
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

		Group	
	Note	31 December 2022 $000	31 December 2021 $000
Sales revenue	2	217,203	143,040
Cost of sales		(138,014)	(89,563)
		79,189	53,477
Other income	2	1,448	295
Covid-19 stimulus		10	19
Acquisition costs relating to business combinations		(2,027)	(2,341)
Employee benefits expense		(33,533)	(19,466)
Administration & general expenses		(11,334)	(7,125)
Legal & professional fees		(1,829)	(1,413)
Occupancy expense		(4,227)	(2,863)
Depreciation & amortisation expense		(10,516)	(7,240)
Finance costs		(2,932)	(799)
Profit before income tax		14,249	12,544
Tax expense		(3,846)	(3,998)
Net profit for the half-year		10,403	8,546
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
(Loss)/Gain on derivative contracts held as hedging instruments		(78)	63
Exchange differences on translating foreign operations, net of tax		2,189	493
Total other comprehensive income for the half-year		2,111	556
Total comprehensive income for the half-year		12,514	9,102
Net profit attributable to:			
Owners of the parent entity		10,403	8,546
		10,403	8,546
Total comprehensive income attributable to:			
Owners of the parent entity		12,514	9,102
		12,514	9,102
Earnings per share			
Basic and diluted earnings per share (cents)	4	3.69	3.25

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 31 DECEMBER 2022

	Note	Group 31 December 2022 $000	Group 30 June 2022 $000
Assets			
Current Assets			
Cash & cash equivalents		24,415	25,448
Trade & other receivables	5	61,994	56,568
Inventories	6	47,176	48,153
Other financial assets		183	262
Assets held for sale	7	1,862	6,629
Other assets		11,419	7,527
Total Current Assets		147,049	144,587
Non-Current Assets			
Property, plant & equipment	9	224,399	218,830
Intangible assets	10	127,245	98,472
Right-of-use assets	11	45,228	40,457
Deferred tax assets		4,466	5,038
Total Non-Current Assets		401,338	362,797
Total Assets		548,387	507,384
Liabilities			
Current Liabilities			
Lease liabilities	11	11,846	10,904
Trade & other payables	12	43,187	62,274
Borrowings	13	3,573	3,423
Current tax liabilities		3,241	5,333
Provisions		8,453	6,977
Total Current Liabilities		70,300	88,911
Non-Current Liabilities			
Lease liabilities	11	35,221	30,983
Borrowings	13	100,653	66,057
Deferred tax liabilities		14,247	14,808
Provisions		862	837
Total Non-Current Liabilities		150,983	112,685
Total Liabilities		221,283	201,596
Net Assets		327,104	305,788
Equity			
Issued capital	14	258,920	250,118
Reserves	18	(5,793)	(6,982)
Retained earnings		73,977	62,652
Total Equity		327,104	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 HALF-YEAR ENDED 31 DECEMBER 2022

	Share Capital	Retained Earnings	Reserves				Total
			Asset Realisation Reserve	Cash Flow Hedge Reserve	Merger Acquisition Reserve	Foreign Currency Translation Reserve	
	$000	$000	$000	$000	$000	$000	$000
Consolidated Group							
Balance at 1 July 2021	192,249	34,754	22,477	66	(54,230)	(45)	195,271
Comprehensive income							
Profit for the half-year	-	8,546	-	-	-	-	8,546
Other comprehensive income for the year	-	-	-	63	-	493	556
Total comprehensive income for the year	-	8,546	-	63	-	493	9,102
Transactions with owners, in their capacity as owners, & other transfers							
Shares issued during the half-year	54,259	-	-	-	-	-	54,259
Transaction costs net of tax	(77)	-	-	-	-	-	(77)
Total transactions with owners & other transfers	54,182	-	-	-	-	-	54,182
Balance at 31 December 2021	246,431	43,300	22,477	129	(54,230)	448	258,555
Balance at 1 July 2022	250,118	62,652	48,886	262	(54,230)	(1,900)	305,788
Comprehensive income							
Profit for the half-year	-	10,403	-	-	-	-	10,403
Other comprehensive income for the year	-	-	-	(78)	-	2,189	2,111
Total comprehensive income for the year	-	10,403	-	(78)	-	2,189	12,514
Transactions with owners, in their capacity as owners, & other transfers							
Shares issued during the half-year	8,662	-	-	-	-	-	8,662
Transaction costs net of tax	140	-	-	-	-	-	140
Sale of Shands Road	-	922	(922)	-	-	-	-
Total transactions with owners & other transfers	8,802	922	(922)	-	-	-	8,802
Balance at 31 December 2022	258,920	73,977	47,964	184	(54,230)	289	327,104

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 HALF-YEAR ENDED 31 DECEMBER 2022

	Consolidated Group	
	31 December 2022 $000	31 December 2021 $000
Cash flows from operating activities		
Receipts from customers	215,924	118,659
Payments to suppliers & employees	(185,884)	(102,141)
Interest received/ other income	1,462	249
Finance costs	(2,301)	(449)
GST refunded	38	284
Income tax paid	(6,770)	(1,536)
Net cash generated by operating activities	22,469	15,066
Cash flows from investing activities		
Proceeds from sale of property, plant & equipment	13,424	-
Purchase of property, plant & equipment	(15,857)	(25,810)
Purchase of intangibles	(26)	(73)
Purchase of subsidiary	(19,830)	(21,269)
Purchase of business & assets	(9,405)	(21,542)
Cash acquired from acquisition of subsidiary (see note 19)	2,459	2,082
Net cash used in investing activities	(29,235)	(66,612)
Cash flows from financing activities		
Payments of capital raising costs	(41)	(77)
Repayments of short-term financing loans	(22,092)	-
Loans from related parties - net amount repaid	-	(1,526)
Proceeds from borrowings	34,038	29,709
Repayment of lease liabilities	(6,169)	(4,244)
Net cash provided by financing activities	5,736	23,862
Net decrease in cash held	(1,030)	(27,684)
Cash & cash equivalents at beginning of financial year	25,448	43,830
Effect of exchange rates on cash holdings in foreign currencies	(3)	2
Cash & cash equivalents at end of financial year	24,415	16,148

The accompanying notes form part of these financial statements.

These consolidated financial statements and notes represent those of DGL Group Limited and Controlled Entities (the “consolidated group” or “group”).

The financial statements were authorised for issue on 28 February 2023 by the directors of the company.

Note 1 Summary of Significant Accounting Policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2022 have been prepared in accordance with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001, as appropriate for 'for profit' entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard (IFRS) IAS 34 Interim Financial Reporting.

The interim financial reporting does not include all the notes of the type usually included in the annual financial report. It is therefore recommended that this financial report be read in conjunction with the financial report for the year ended 30 June 2022 and any public announcements made by the Company since 30 June 2022 in accordance with continuous disclosure obligations arising under the Corporations Act 2001.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's annual financial report for the financial year ended 30 June 2022.

Basis of Preparation

The financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

Amendments to Accounting Standards and new Interpretations that are mandatory, effective from the current reporting period

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current reporting period.

New Accounting Standards and Interpretations published but not yet adopted

There have been no new standards published but not yet adopted that would have a material impact upon either the Company's reported financial performance or its financial position.

Note 2 Revenue & Other Income

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

	Group	
	31 December 2022	**31 December 2021**
Continued operations	**$000**	**$000**
Revenue from contracts with customers	213,680	140,556
Other sources of revenue	3,523	2,484
Total sales revenue	217,203	143,040
Other income		
- Miscellaneous income	25	11
- Interest received	158	8
- Administration revenue	132	144
- Fuel tax credits income	303	63
- Gain on sale of fixed assets	830	-
- Discount on Purchase	-	69
Total other income	1,448	295

(a) Revenue disaggregation

The revenue is disaggregated by the following divisions:

- Environmental Solutions	44,524	45,163
- Chemical Manufacturing	136,832	73,887
- Warehousing & Distribution	32,324	21,506
	213,680	140,556

Timing of income recognition of products and services transferred to customers is at a point in time. Warehousing & distribution revenue is recognised over time relating to the period of storage.

Note 3 Dividends

No dividends have been paid, declared or recommended for payment during the reporting period.

Note 4 Earnings per Share (EPS)

	Group 31 December 2022 $000	31 December 2021 $000
(a) Reconciliation of earnings to profit or loss		
Profit	10,403	8,546
Earnings used in the calculation of basic and diluted EPS	10,403	8,546
	No.	No.
(b) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	281,959	263,333
Weighted average number of ordinary shares outstanding during the year used in calculating diluted EPS	281,959	263,333
Basic and diluted earnings per share from continuing operations	3.69	3.25

Note 5 Trade & Other Receivables

	Group 31 December 2022 $000	30 June 2022 $000
Current		
Trade receivables	61,263	55,956
Provision for impairment	(237)	(212)
	61,026	55,744
Other receivables	968	824
Total current trade & other receivables	61,994	56,568

The Group applies the general approach to providing for expected credit losses prescribed by AASB 9. Under the general approach, at each reporting period, the entity would assess whether the financial instruments are credit impaired and if:

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

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

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

	Current	>30 days past due	>60 days past due	>90 days past due	Total
31 December 2022	**$000**	**$000**	**$000**	**$000**	**$000**
Expected loss rate	-	-	-	80.6%	0.4%
Gross carrying amount	60,248	525	196	294	61,263
Loss allowing provision	-	-	-	(237)	(237)
30 June 2022					
Expected loss rate	-	-	-	20.9%	0.4%
Gross carrying amount	53,143	1,299	498	1,016	55,956
Loss allowing provision	-	-	-	(212)	(212)

	Group 31 December 2022 $000	30 June 2022 $000
(a) **Financial Assets Measured at Amortised Cost**		
Trade & other Receivables		
— Total current	61,994	56,568
Total financial assets measured at amortised cost	61,994	56,568

(b) **Collateral Pledged**

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

Note 6 Inventories

	Group	
	31 December 2022	30 June 2022
	$000	$000
Current		
At cost:		
Raw materials & stores	38,253	35,308
Work in progress	301	590
Finished goods	8,622	12,255
	47,176	48,153

Note 7 Assets held for sale

	Group	
	31 December 2022	30 June 2022
	$000	$000
Property held for sale		
64 Broad Street	-	6,629
Lot 1, 70 Irongate Road	1,862	-
	1,862	6,629

During the financial period, Shands Road was transferred to Assets held for Sale. On 20 December 2022, the property sold for $6,795,661 (NZD $7,488,964).

The held for sale asset in 2023 relates to a property in Hawkes Bay, New Zealand. The sale process of this property is currently underway.

The held for sale asset in 2022 relates to a property in Christchurch, New Zealand which was sold in July 2022.

Note 8 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.

		Ownership interest held by the Group	
Name of subsidiary	**Principal place of business**	**31 December 2022**	**30 June 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%	-
DGL Manufacturing Australia Pty Ltd	Australia	100%	100%
Labels Connect Pty Ltd	Australia	100%	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 it's lenders.

Note 9 Property, Plant & Equipment

	Group 31 December 2022 $000	Group 30 June 2022 $000
Land & Buildings		
Freehold land at:		
— independent valuation 30 June 2022	77,166	79,160
— directors' valuation	22,430	25,532
Accumulated depreciation	-	-
Total land	99,596	104,692
Buildings at:		
— independent valuation 30 June 2022	33,432	41,381
— directors' valuation	22,667	15,938
Accumulated depreciation	(2,592)	(2,243)
Total buildings	53,507	55,076
Total land & buildings	153,103	159,768
Plant & equipment:		
Leasehold Improvements		
At cost	1,071	754
Accumulated depreciation	(111)	(90)
	960	664
Plant & equipment		
At cost	64,949	59,389
Accumulated depreciation	(28,669)	(25,542)
	36,280	33,847
Motor Vehicles		
At cost	23,948	16,074
Accumulated depreciation	(3,595)	(2,366)
	20,353	13,708
Plant under construction		
At cost	13,703	10,847
Accumulated amortisation	-	(4)
	13,703	10,843
Total plant & equipment	71,296	59,062
Total property, plant & equipment	224,399	218,830

The Group's land and buildings were revalued at 30 June 2022 and based on a mix of independent and director valuations. The directors have not noted any impairment indicators to their valuations at 31 December 2022.

At the date of this report, The Environmental Protection Authority ("EPA") is reviewing DGL Group's environmental assessment of the Tomago site with a view to progressing to remediation works as required by an EPA Prevention Notice. A prospective purchaser is occupying the site with an option to purchase once the Prevention Notice is lifted.

(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 reporting period.

Group	Land $000	Buildings $000	Leasehold Improvement $000	Plant and Equipment $000	Motor Vehicles $000	Plant under construction $000	Total $000
Balance at 1 July 2022	104,692	55,076	664	33,847	13,708	10,843	218,830
Additions	3	374	230	3,593	4,422	3,874	12,496
Disposals	(4,433)	(1,869)	-	(53)	(170)	-	(6,525)
Acquisitions through business combinations [i]	-	-	87	1,488	3,371	-	4,946
Depreciation expense	(2)	(756)	(21)	(2,704)	(990)	(1)	(4,474)
Reclassification	(1,784)	-	-	56	-	(1,029)	(2,757)
Movement in foreign currency	1,120	682	-	53	12	16	1,883
Balance at 31 December 2022	99,596	53,507	960	36,280	20,353	13,703	224,399

[i] Refer to Note 19: Business Combinations for further information.

Note 10 Intangible Assets

	Group 31 December 2022 $000	Group 30 June 2022 $000
Goodwill		
Cost	122,384	94,128
Accumulated impairment losses	(844)	(844)
Net carrying amount	121,540	93,284
Trademarks & certification		
Cost	539	437
Accumulated amortisation & impairment losses	(176)	(162)
Net carrying amount	363	275
Software		
Cost	1,336	1,309
Accumulated amortisation & impairment losses	(871)	(829)
Net carrying amount	465	480
Software under development		
Cost	2,379	1,917
Accumulated amortisation & impairment losses	-	-
Net carrying amount	2,379	1,917
Hydroproc Process		
Cost	2,217	2,217
Accumulated amortisation & impairment losses	(1,554)	(1,554)
Net carrying amount	663	663
Registrations & Brands		
Cost	1,859	1,853
Accumulated amortisation & impairment losses	(24)	-
Net carrying amount	1,835	1,853
Total intangible assets	127,245	98,472

(a) Movements in Carrying Amounts

	Goodwill $000	Trademarks & Certification $000	Software $000	Software under development $000	Hydroproc Process $000	Registration & Brands $000	Total $000
Balance at the beginning of reporting period	93,284	275	480	1,917	663	1,853	98,472
Additions	-	101	22	450	-	6	579
Acquisitions through business combinations [i]	28,113	-	1	-	-	-	28,114
Amortisation charge	-	(13)	(41)	-	-	(24)	(78)
Movement in foreign currency	143	-	3	12	-	-	158
Closing value at end of reporting period	121,540	363	465	2,379	663	1,835	127,245

[i] Refer to Note 19: Business Combinations for further information.

Goodwill impairment testing

The Board is not aware of any indicators of potential impairment, determining that no impairment is required to the carrying amount of goodwill at 31 December 2022.

Note 11 Leases

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

Options to extend or terminate

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

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

Right-of-use assets	**Group**	
	31 December 2022 $000	**30 June 2022 $000**
Leased buildings	71,672	61,638
Accumulated depreciation	(26,444)	(21,181)
Total right-of-use asset	45,228	40,457

Lease Liabilities	**Group**	
	31 December 2022 $000	**30 June 2022 $000**
Current	11,846	10,904
Non-Current	35,221	30,983
Total lease liabilities	47,067	41,887

Movements in carrying amounts		
Leased buildings:		
Opening net carrying amount	40,457	22,719
Acquisitions through business combinations [i]	7,565	5,809
Addition to right-of-use assets	2,157	19,639
Depreciation expense	(5,947)	(9,064)
Movement in foreign exchange	996	1,354
Net carrying amount	45,228	40,457

[i] Refer to Note 19: Business Combinations for further information.

	Group	
(ii) AASB 16 related amounts recognised in the statement of profit or loss	**31 December 2022 $000**	**31 December 2021 $000**
Depreciation charge related to right-of-use assets	5,947	3,937
Interest expense on lease liabilities	610	350

	Group	
	31 December 2022 $000	**31 December 2021 $000**
Total cash outflows for leases	6,169	4,244

Note 12 Trade & Other Payables

	Group	
	31 December 2022 $000	30 June 2022 $000
Current		
Unsecured liabilities		
Trade payables	36,698	32,071
Sundry payables & accrued expenses	6,489	8,111
Secured liabilities		
Trade payables	-	22,092
	43,187	62,274

DGL had a secured trade finance facility provided by ANZ. The utilised amount was classified as secured trade payables above. 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 (refer also Note 13).

	Group	
	31 December 2022 $000	30 June 2022 $000
(a) Financial liabilities at amortised cost classified as trade & other payables		
Trade & other payables		
— Total current	43,187	62,274
— Total non-current	-	-
	43,187	62,274

Note 13 Borrowings

	Group	
	31 December 2022 $000	30 June 2022 $000
Current		
Secured liabilities - amortised cost:		
Bank loans	3,323	1,772
Other loans	250	1,651
Total current borrowings	3,573	3,423
Non-Current		
Secured liabilities - amortised cost:		
Bank loans	100,247	66,018
Other loans	406	39
Total non-current borrowings	100,653	66,057
Total borrowings	104,226	69,480

	Group	
	31 December 2022 $000	30 June 2022 $000
(a) Total current & non-current secured liabilities:		
Bank loans	103,570	67,790
Other loans	656	1,690
	104,226	69,480

The bank loan carries an effective interest rate of 5.20% p.a. (30 June 2022: 3.30% p.a)

(b) **Collateral provided**

On 30 August 2022, the Group entered into a long-term multi-option facility agreement with ANZ Banking Group Limited ("ANZ"). Loans, working capital and asset finance are secured by a first ranking security charge over all Group assets and property.

Note 14 Issued Capital

	Group	
	31 December 2022	30 June 2022
	$000	$000
284,911,205 fully paid ordinary shares (30 June 2022: 279,192,548 fully paid ordinary shares)	258,920	250,118
	258,920	250,118

The Group has authorised share capital amounting to 284,911,205 ordinary shares.

(a) **Ordinary Shares**

	Group			
	31 December 2022		30 June 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	-	140	-	290
At the end of the reporting period	284,911,205	258,920	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 issued to certain members of the executive management team following a recent 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.

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 bonus payment for extension of employment past the contractual notice period to 23 December 2022. No cash was raised.

Note 15 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 & 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.

Note 15: Operating Segments (continued)

(ii) *Chemical Manufacturing*

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

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

(iii) *Warehousing and Distribution*

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

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

(iv) *Corporate costs*

The Group's Corporate Costs segment represents costs incurred by the Group not allocated to the operating segments.

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**

Six months ending 31 December 2022	**Environmental Solutions $000**	**Chemical Manufacturing $000**	**Warehousing & Distribution $000**	**Corporate Costs $000**	**Total $000**
REVENUE					
External sales	44,883	137,126	34,784	410	217,203
Inter-company revenue	1	4,341	6,709	2,795	13,846
Intersegment elimination	-	-	-	-	(13,846)
Total segment revenue	44,884	141,467	41,493	3,205	217,203
Deprecation & amortisation	(1,384)	(4,147)	(5,751)	(535)	
Segment result from continuing operations before tax	3,019	17,958	1,090	(7,346)	14,721
Reconciliation of segment result to group net profit/loss before tax					
Intersegment elimination					(472)
Net profit before tax from continuing operations					14,249

Note 15: Operating Segments (continued)

Six months ending 31 December 2021	Environmental Solutions $000	Chemical Manufacturing $000	Warehousing & Distribution $000	Corporate Costs $000	Total $000
REVENUE					
External sales	45,495	75,010	22,496	39	143,040
Inter-company revenue	1,167	1,686	3,470	49	6,372
Intersegment elimination	-	-	-	-	(6,372)
Total segment revenue	46,662	76,696	25,966	88	143,040
Deprecation & amortisation	(1,348)	(2,366)	(4,485)	(95)	
Segment result from continuing operations before tax	7,337	8,620	1,567	(4,867)	12,657
Reconciliation of segment result to group net profit/loss before tax					
Intersegment elimination					(113)
Net profit before tax from continuing operations					12,544

(ii) **Segment assets**

31 December 2022	Environmental Solutions $000	Chemical Manufacturing $000	Warehousing & Distribution $000	Corporate Costs $000	Total $000
Segment assets	76,814	206,485	123,738	333,821	740,858
Segment assets include:					
— Additions to non-current assets (other than financial assets and deferred tax)	1,883	12,519	(23)	-	14,379
Reconciliation of segment assets to group assets					
Intersegment eliminations					(266,324)
Unallocated assets:					
— Goodwill on consolidation					73,853
Total group assets					548,387

30 June 2022	Environmental Solutions $000	Chemical Manufacturing $000	Warehousing & Distribution $000	Corporate Costs $000	Total $000
Segment assets	66,501	191,425	120,199	295,570	673,695
Segment assets include:					
— Additions to non-current assets (other than financial assets and deferred tax)	502	61,487	21,837	47,085	130,911
Reconciliation of segment assets to group assets					
Intersegment eliminations					(219,118)
Unallocated assets:					
— Goodwill on consolidation					52,807
Total group assets					507,384

(iii) **Segment liabilities**

31 December 2022	Environmental Solutions $000	Chemical Manufacturing $000	Warehousing & Distribution $000	Corporate Costs $000	Total $000
Segment liabilities	35,128	121,812	83,764	85,733	326,437
Reconciliation of segment liabilities to group liabilities					
Intersegment eliminations					(105,154)
Total group liabilities					221,283

Note 15: Operating Segments (continued)

30 June 2022	Environmental Solutions $000	Chemical Manufacturing $000	Warehousing & Distribution $000	Corporate Costs $000	Total $000
Segment liabilities	30,320	56,580	52,727	147,637	287,264
Reconciliation of segment liabilities to group liabilities					
Intersegment eliminations					(85,668)
Total group liabilities					201,596

(iv) **Revenue by geographical region**

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

	31 December 2022 $000	31 December 2021 $000
Australia	203,677	135,249
New Zealand	13,526	7,791
Total revenue	217,203	143,040

(v) **Assets by geographical region**

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

	31 December 2022 $000	30 June 2022 $000
Australia	657,275	582,982
New Zealand	83,583	90,713
Total Assets	740,858	673,695

Note 16 Events After the Reporting Period

On 19 January 2022, the Company announced the acquisition of the business and assets of Nightingale Transport (Qld) Pty Ltd and Nightingale Freightlines Pty Ltd (collectively, “Nightingales”). Nightingales provides a national logistics service to blue-chip clients in the mining, agricultural and infrastructure sectors.

The total acquisition price is $18.2m and will be funded by cash.

Note 17 Related Party Transactions

Related Parties

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

i. **Key Management Personnel:**

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity are considered key management personnel.

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	
		31 December 2022 $000	31 December 2021 $000
i.	***Loans from Simon Henry***		
	Beginning of the reporting period	-	8,481
	Loan repayment made	-	(1,498)
	Loan converted to shares	-	(7,055)
	Interest charged	-	72
	End of the reporting period	-	-
ii.	***Transactions with Simon Henry & his controlled entities***		
	Administration revenue charged to Simon Henry and his controlled entities	132	144
	Rental and related expenses charged by Simon Henry and his controlled entities	75	89
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.	114	93
	Due dilligence and professional training fees paid to BDO Australia, of which Denise Brotherton is a Partner	512	-
	Rental and related expenses charged by Spalding Holdings Pty Ltd, of which Mr Robert Sushames parents have an interest in.	519	151
	Purchase consideration of 120 Fulton Drive acquired from Belbrae Investments Pty Ltd, of which Mr Robert Sushames parents are shareholders.	-	5,806

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

Note 18 Reserves

a. **Foreign Currency Translation Reserve**

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

	Group	
	31 December 2022 $000	30 June 2022 $000
Balance at the beginning of the period	(1,900)	(45)
Foreign currency movements during the reporting period	2,189	(1,855)
	289	(1,900)

b. **Asset Revaluation Reserve**

The asset revaluation reserve records revaluations of land and buildings.

	Group	
	31 December 2022 $000	30 June 2022 $000
Balance at the beginning of the period	48,886	22,477
Asset revaluation movement during the year	-	31,473
Sale of property (64 Broad Street - see note 7)	(922)	-
Tax effect	-	(5,064)
	47,964	48,886

c. **Cash Flow Hedge Reserve**

The asset revaluation reserve records revaluations of hedging instruments

	Group	
	31 December 2022 $000	30 June 2022 $000
Balance at the beginning of the period	262	66
Asset revaluation movement during the year	(78)	196
	184	262

d. **Merger Acquisition Reserve**

	Group	
	31 December 2022 $000	30 June 2022 $000
Balance at the beginning of the period	(54,230)	(54,230)
Movements during the year	-	-
	(54,230)	(54,230)

	Group	
Total Reserves	31 December 2022 $000	30 June 2022 $000
Foreign Currency Translation Reserve	289	(1,900)
Asset Revaluation Reserve	47,964	48,886
Cash Flow Hedge Reserve	184	262
Merger Acquisition Reserve	(54,230)	(54,230)
	(5,793)	(6,982)

Note 19 Business Combinations

Summary of Business Combinations during the financial year

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

	Fair Value $'000
Purchase consideration	
- Cash	29,235
- Ordinary Shares	8,457
	37,692
Less:	
- Cash & cash equivalents	2,459
- Receivables	4,042
- Other assets	20
- Inventories	4,429
- Right-of-use assets	7,565
- Property, plant & equipment	4,944
- Trade & other payables	(3,930)
- Income tax liabilities	(1,025)
- Lease liabilities	(7,565)
- Borrowings	(708)
- Provisions	(652)
Identifiable assets acquired and liabilities assumed	9,579
Goodwill provisionally accounted for	28,113

(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). Clarksons 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 $6,656,098, of which $6,250,000 was settled by cash and $406,098 settled via the issue of fully paid ordinary shares.

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

(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.

Note 19: Business Combinations (continued)

(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 $8,419,698, of which $7,269,481 was settled by cash and $1,150,217 settled via the issue of fully paid ordinary shares.

	Fair Value $'000
Purchase consideration	
- Cash	7,269
- Ordinary Shares (i)	1,150
	8,419
Less:	
- Cash & cash equivalents	400
- Receivables (ii)	1,447
- Inventories	1,973
- Right-of-use assets	1,482
- Property, plant & equipment	215
- Trade & other payables	(328)
- Income tax liabilities	(270)
- Lease liabilities	(1,482)
- Provisions	(218)
Identifiable assets acquired & liabilities assumed	3,219
Goodwill(iii) provisionally accounted for	5,200

(i) The consideration paid to acquired Flexichem Australia Pty Ltd includes 725,689 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 are fully recoverable and no provision for impairment is required.

(iii) The goodwill is attributable to the high profitability of the acquired business and the significant synergies expected to arise after the Group's acquisition of 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 $4,484,323, of which $97,875 was settled by cash and $4,386,448 settled via the issue of fully paid ordinary shares.

	Fair Value $'000
Purchase consideration	
- Cash	98
- Ordinary Shares (i)	4,386
	4,484
Less:	
- Cash & cash equivalents	161
- Receivables (ii)	151
- Other assets	17
- Inventories	619
- Right-of-use assets	76
- Property, plant & equipment	854
- Trade & other payables	(682)
- Income tax liabilities	(48)
- Lease liabilities	(76)
- Borrowings	(708)
- Provisions	(51)
Identifiable assets acquired & liabilities assumed	313
Goodwill(iii) provisionally accounted for	4,171

Note 19: Business Combinations (continued)

(i) The consideration paid to acquired 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 are fully recoverable and no provision for impairment is required.

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

No amount of goodwill is deductible for tax purposes.

(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 $9,706,467, of which $8,696,888 was settled by cash and $1,009,579 settled via the issue of fully paid ordinary shares.

	Fair Value $'000
Purchase consideration	
- Cash	8,697
- Ordinary Shares (i)	1,010
	9,707
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)
Identifiable assets acquired & liabilities assumed	1,804
Goodwill(iii) provisionally accounted for	7,903

(i) The consideration paid to acquired 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 are fully recoverable and no provision for impairment is required.

(iii) The goodwill is attributable to the high profitability of the acquired business and the significant synergies expected to arise after the Group's acquisition of 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 $5,270,645, of which $3,765,645 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
	5,271
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)
Identifiable assets acquired & liabilities assumed	745
Goodwill(iii) provisionally accounted for	4,526

Note 19: Business Combinations (continued)

(i) The consideration paid to acquired 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 are fully recoverable and no provision for impairment is required.

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

No amount of goodwill is deductible for tax purposes.

(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 $3,155,073, 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
	3,155
Less:	
- Other assets	3
- Inventories	250
- Property, plant & equipment	359
- Provisions	(24)
Identifiable assets acquired & liabilities assumed	588
Goodwill[(i)] provisionally accounted for	2,567

(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.

DIRECTORS' DECLARATION

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

1. the financial statements and notes, as set out on pages 4 to 24, are in accordance with the Corporations Act 2001 and:
   (a) comply with Australian Accounting Standards applicable to the entity, which, as stated in Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards; and

   (b) give a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the half-year ended on that date; and
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.

Signed in accordance with a resolution of Directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

Director **Mr Peter Lowe**

Dated this 28 February 2023

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

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of DGL Group Limited (the Company) and its subsidiaries (collectively, the Group), which comprises the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes, and the directors' declaration.

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

(a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance for the half-year ended on that date; and

(b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410).Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Half-Year Financial Report* section of this report. We are independent of the Group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility for the Review of the Half-Year Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's consolidated financial position as at 31 December 2022 and its consolidated performance for the half-year ended on that date, and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

PKF
Melbourne, 28 February 2023

Kenneth Weldin
Partner