DGL GROUP LIMITED
AND CONTROLLED ENTITIES

ABN: 71 002 802 646

Financial Report For The Year Ended
30 June 2021

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Message from the Chairman

Dear Shareholders

On behalf of the Board of Directors, I am are pleased to present DGL Group's inaugural Annual report for the year ended 30 June 2021.

As a new shareholder to DGL, I would like to welcome you to the company and look forward to communicating our strategic progress and financial results to you, over the coming years.

Reflecting on the 2021 financial year, the highlights were the successful Initial Public Offering (IPO) on 24 May 2021, raising $100 million, and delivering our very first set of financial results, which showed strong growth above prospectus forecasts.

Pro-forma net profit after tax was 19.4% higher than prospectus forecasts, a direct result of our 300 dedicated and highly skilled employees working well together and maximising efficiency. Some of the drivers of this strong result were the integration and strong performance of the recently acquired Chem Pack business, increased utilisation across DGL's extensive network of assets and more customers using more of our chemicals services, such as warehousing and transportation.

Since listing in May, DGL has been investing funds raised from the IPO in strategic initiatives outlined in the Prospectus, including the acquisitions of two companies and three properties. These are aligned with the Company's ambition to be a leading, full-service chemicals business in Australia and New Zealand.

All of these initiatives have been carried out against a difficult economic backdrop, as COVID-19 continues to impact businesses across the globe. Positively, DGL has not seen any material impact on its operations from the pandemic and the company has continued to operate throughout recent lock-downs as an essential business, servicing essential industries, in both Australia and New Zealand.

The health and safety of our people has remained our top priority both in relation to the pandemic and more broadly in the management and handling of chemicals. It is pleasing to report a significant improvement in FY21 with regard to the key safety metrics the Board and management team monitor closely.

The company has a strong balance sheet with minimal debt and $43 million cash. This will be used, along with the cash generation ability of the company, to continue the strategic growth outlined earlier. The Board has the relevant experience, capabilities and industry know-how to support the executive team in executing DGL's growth strategy.

The Board is confident DGL can continue to deliver growth and value for shareholders. We begin FY22 in a strong position.

Yours Faithfully

Peter Lowe
Chairman

Letter from the CEO

Welcome to my first letter as CEO of DGL Group.

Twenty-two years ago, I bought a 3.6h industrial property in Wellington, New Zealand. The site had been developed into a chemical logistics and formulation facility, and I quickly discovered the complexity and regulations involved with the storage of chemicals. It was there I saw an opportunity to build a business focused on chemical logistics. I acquired the business and went from landlord to business operator, and the DGL story began.

Since then, we have built a business of highly talented people, managing over 30 facilities across Australia and New Zealand and an annual throughput in excess of 1,000,000 metric tonnes of chemicals per annum.

Our vision is to be one of Australasia's leading fully integrated, end-to-end chemicals business, and so far, no competitor rivals us for the range of services we can provide or the locations we cover.

2021 has been a particularly transformative year for DGL, as we successfully listed on the Australian and New Zealand stock exchanges, raising $100,000,000 in the process and welcomed new shareholders to our business. The funds raised will be used to further develop our chemical storage, manufacturing, and waste treatment businesses and pursue growth opportunities.

I am particularly proud that we have delivered on our promises outlined in the IPO Prospectus, announcing our financial results in August, ahead of prospectus forecasts.

The business experienced strong performance across all three divisions, which continue to work well together.

Operating highlights for each division included:

Chemical Manufacturing division

- Stronger demand from the agricultural industry, which we anticipate will continue
- Successful integration of Chem Pack which was acquired on 1 January 2021
- Greater diversification of product offering
- Expansion into the New Zealand market

Warehousing and Distribution division

- Higher utilisation of the warehousing network as customer seek to reduce international supply risks
- Proactive expansion of our inter-state transport and bulk tanker network

Environmental division

- Refurbishment and commissioning of the Victorian lead smelter, ahead of schedule and on budget
- Strong demand for wastewater treatment

Importantly, we are progressing with haste on strategic initiatives that meet our long-term vision. The key focus areas of our strategy are:

- Cross-selling between divisions to create greater cross usage of services by customers across the business;
- Further economies of scale by increasing utilisation of existing infrastructure and operating efficiencies;
- Investment in capital projects to expand existing network and services;
- Seek acquisitions that add capabilities and customers to the business.

We have wasted no time in deploying the funds raised, acquiring several assets that will complement the broader Group and enhance our service offering to customers. These include:

- Opal Australasia, a specialist contract formulator and packaging business in Western Australia;
- Label's Connect, a complementary chemicals packaging labels business, based in Victoria;
- A chemical facility in Townsville, Queensland, expanding our footprint in North Queensland;
- The freehold property at our chemical manufacturing operation in Victoria;

These acquisitions build on DGL's existing broad geographic spread, ensuring proximity to customers in key areas, and increase the Company's ability to meet the growing demands of the industry.

As well as acquisitions, we have continued to invest in our existing infrastructure and assets to drive growth organically. We have received approval to develop new warehousing facilities in key industrial areas in New Zealand: Hawkes Bay and Mount Wellington.

Looking to FY22 and beyond, we are committed to growing within Australia and New Zealand. We have a strong pipeline of targets across the regions and expect to be actively acquiring companies that enhance our service offering in the next twelve months. We are focused on expanding our capacity and capabilities through the creation of new products and investment in capital projects. Driving cross-sell between our three divisions remains our top priority, and we see significant opportunity in the year ahead in light of recent acquisitions.

I would like to personally thank all shareholders, and the whole team at DGL, for their continued support throughout the last twelve months, and I look forward to sharing the success of DGL Group long into the future.

Regards,

Simon Henry
CEO

DGL GROUP LIMITED AND CONTROLLED ENTITIES
DIRECTORS' REPORT

The directors present their report on the consolidated entity (referred to herein as the Group) consisting of DGL Group Limited and its controlled entities for the financial year ended 30 June 2021.

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
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 Mayfield Childcare Limitd, United Energy Distribution Holdigns Pty Ltd, Multinet Group Holdigns Pty Ltd and Lochard Energy Pty Ltd. He is also a director of Australian Gas Networks Limited and DBNGP Holdings Pty Ltd.

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

Other current directorships of listed companies

Mayfield Childcare Limited - appointed 22 August 2016

Former directorships of other listed companies (last 3 years)

N/A

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
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 Director and business leader with Asparq, a wealth management services firm. Denise was previously a tax partner at EY.

Other current directorships of listed companies

N/A

Former directorships of other listed companies (last 3 years)

N/A

Robert McKinnon
Non-Executive Director
Appointed 1 April 2021

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

Other current directorships of listed companies

Peet Limited

Former directorships of other listed companies (last 3 years)

M8 Sustainable

Robert Sushames
Executive Director, General Manager - Chem Pack
Appointed 1 April 2021

Robert has over 20 year's experience in manufacturing and agricultural chemical industry. He has experience in international procurement, chemical processing plants, contract manufacturing, and warehousing. Robert has diverse operational experience in small and 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

Jeremy Dinesh Perera
Executive Director
Resigned 1 April 2021

Jeremy heads the Environmental Solutions division and reports to the CEO. Jeremy has more than 18 years' management experience in the waste management and recycling industry. Jeremy is a results and outcomes-focused manager with a proven track record of business executive.

Other current directorships of listed companies

N/A

Former directorships of other listed companies (last 3 years)

N/A

Isaac Gatt
Executive Director
Resigned 1 April 2021

Isaac heads the Chemical Manufacturing division and reports to the CEO. Isaac has more than 15 years' experience in operations and business management in the food, chemical and recycling sectors. He has wide-ranging understanding of all aspects of business from operations to executive.

Other current directorships of listed companies

N/A

Former directorships of other listed companies (last 3 years)

N/A

Company Secretary

Andrew Draffin
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 interest 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 2021	
	Ordinary Shares	**Share Options**	**Ordinary Shares**	**Share Options**
Peter Lowe	50,000	-	50,000	-
Simon Henry	147,300,000	-	147,300,000	-
Denise Brotherton	25,000	-	25,000	-
Robert McKinnon	50,000	-	50,000	-
Robert Sushames	1,000,000	-	1,000,000	-

Meetings of directors

During the financial year, 4 meetings of directors were held.

Attendances by each director during the year were as follows:

	Directors' Meetings	
	Number eligible to attend	**Number attended**
Peter Lowe (appointed 1 April 2021)	4	4
Simon Henry	4	4
Denise Brotherton (appointed 1 April 2021)	4	4
Robert McKinnon (appointed 1 April 2021)	4	4
Robert Sushames (appointed 1 April 2021)	4	4
Jeremy Perera (resigned 1 April 2021)	0	0
Isaac Gatt (resigned 1 April 2021)	0	0

The above table records attendance at meetings from the Company's registration as a public company from 4 March 2021.

Principal Activities and Significant Changes in Nature of Activities

The DGL business was established in 1999 by current CEO and Founder, Simon Henry. Mr Henry's vision for the DGL 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, trans-Tasman business that can offer a wide range of services to its diverse customer base. Its service offering includes chemical formulation and manufacturing, warehousing and distribution, and waste management and recycling. The Company's vision is to leverage its asset base, customer relationships, and trusted brand to further expand 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) Manufacturing of specialised chemicals in Australia and New Zealand

- The chemicals manufacturing industry is large and diverse. It provides materials and formulations to a range of industries, as well as supplying products to end-user consumer and industrial companies.
- The total basic chemical and chemical products manufacturing sector in Australia and New Zealand is projected to grow from $37.26 billion in 2016 to $40.82 billion in 2026.[1]

(b) Logistics and storage of dangerous goods and specialised chemicals

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

(c) Hazardous waste management market in Australia

- The waste management industry provides services across multiple sectors including waste collection, waste transport, processing, recycling, recovery and disposal.
- DGL currently processes used lead acid batteries and liquid waste.
- Hazardous waste comprise 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] Frost & Sullivan, Market report on Dangerous Goods Logistics, Contract Manufacturing of Chemicals and Hazardous Waste Management/Recycling Services Markets in Australia and New Zealand, 29 March 2021, commissioned by the Company, as disclosed in the IPO Prospectus.

Review of Operations

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

A description of the operating segments are set out below.

<u>Chemical Manufacturing</u>

Segment description	DGL's Chemical Manufacturing division produces its own range of specialty chemicals and undertakes advanced formulation and contract manufacturing on behalf of third parties. The division provides a versatile, end to end solution for its customers. Operations are focused on deriving chemicals from complex reactions in controlled environments.
Key activities	In January 2021, DGL acquired the Chem Pack business, expanding the Chemical Manufacturing division's manufacturing capabilities. Chem Pack has a long history in chemicals manufacturing, having been established in 1993, and holds strong relationships with many customers across several market segments. With the knowledge, experience and intellectual property gained, the division is now able to offer a turn-key solution across more industries and markets. The Chem Pack business has been successfully integrated into the DGL Group and is performing in line with management's expectations. The business has been leveraged to and continues to benefit from excellent growing conditions across Australia's agricultural regions. DGL has also progressed its expansion into the New Zealand market, providing storage for its chemicals products. It is developing distribution relationships for its products, with a view to bringing manufacturing capacity onshore over the long-term.

Warehousing and Distribution

Segment description	The Warehousing and Distribution division offers transport, logistics and warehousing services focusing on hazardous goods across Australia and New Zealand. Key components of the services provided by the division include freight forwarding, inventory management, warehousing, and transport. DGL has developed an in-house stock management system that enables integration with customer supply chain systems, creating a one-stop-shop management system for dangerous goods through to food-grade products.
Key activities	The period also saw a positive take-up from customers as additional services were provided. The approach is a key part of DGL's strategy to achieve Total Product Management for customers and divisional cross-sell of services. DGL's plan to expand its inter-state transport and bulk tanker network in Australia saw it purchase a road tanker in NSW which will bring synergies and greater control over NSW distribution. Additional services include the commencement of swing lift services in Victoria.

Environmental Solutions

Segment description	The Environmental Solutions division undertakes resource recovery and hazardous waste management activities. Its core activities comprise liquid waste treatment, ULAB recycling, lead smelting and refining.
Key activities	In New South Wales, DGL operates a wastewater treatment plant to process liquid waste generated from its end-of-life lead acid batteries (ULABs) recycling plant and third-party clients. The wastewater treatment plant processed 53,000 tonnes of liquid waste in FY21, ahead of the prospectus forecast of 50,000m3. Plans for a new state-of-the-art liquid waste treatment plant on the same site are underway.

Operating Results

The consolidated profit of the consolidated entity after providing for income tax amounted to $47.165 million. (2020: profit of $4.007 million).

Financial Position

The net assets of the Group have increased by $174.112 million from $21.159 million as at 30 June 2020 to $195.271 million as at 30 June 2021.

At balance date, the Group held $43.8 million cash largely represented by IPO proceeds yet to be expended after allowing for the final settlement of Chem Pack Pty Ltd, repayment of short-term borrowings with withdraw facilities and purchase of commercial properties.

Total assets increased from $150 million to $277 million as a result of the IPO and the acquisition of Chem Pack Pty Ltd in January 2021, including $23.9 million in goodwill.

Total liabilities decreased from $129 million to $82 million as a result of $40.3 million debt forgiveness by a related party (Refer to Note 28 - Related party transactions for further details) and repayment of short-term borrowings.

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.

Matters Subsequent to the End of the Financial Year

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

On 5 July 2021, the Company announced it was acquiring Labels Connect. Labels Connect is the main supplier of packaging labels to DGL's Chem Pack business. The total purchase consideration is $1,549,900 and comprises of:

- cash payment of $550,000; and
- issuance of 909,000 fully paid ordinary shares at an issue price of $1.10 per share calculated on the 20 day VWAP preceding the signing of the binding agreement.

The shares will be issued on 1 October 2021 and will be held in escrow until 1 January 2022.

On 12 July 2021, the Company announced it was acquiring a property, 120 Fulton Drive, Derrimut, Victoria for a total consideration of $5.5 million cash.

The property houses the head office of Chem Pack Pty Ltd and includes warehouse facilities purpose built for the formulation and storage of chemicals.

Under the acquisition of Chem Pack, the Company obtained an option to purchase various properties that Chem Pack leases and operates from in Fulton Drive. After completion of relevant due diligence, 120 Fulton Drive was selected as the property that is most crucial to the business of Chem Pack and most complimentary to the broader DGL Group.

This transaction is a related party transaction. The vendor of 120 Fulton Drive is Belbrae Investments Pty Ltd. Sheamus Sushames is a director of Belbrae Investments Pty Ltd and is the original owner of Chem Pack. His son Robert Sushames is a director of DGL Group Limited.

On 15 July 2021, the Company announced it had acquired a multi-purpose chemical facility in Townsville, Queensland for $2.45 million.

The facility, which the Company had previously leased as a storage hub, will be turned into a chemicals formulation and storage facility, ensuring the Company can produce agricultural, mining and waste and water treatment chemicals at the site to distribute to customers across North Queensland. These products were previously formulated in New South Wales and transported to North Queensland customers.

The acquisition will require a capital investment of around $5 million to turn the property into a processing facility, and once completed and fully operational, is expected to generate revenue across a number of manufacturing opportunities, including the manufacturing of aluminium chloralhydrate, shotcrete accelerator and liquid fertiliser blending, as well as toll manufacturing for a major customer.

On 4 August 2021, the Company announced the strategic acquisition of Opal Australasia ("Opal") for $8.6 million.

Opal is a specialist contract formulator and packaging business based in the Kwinana Industrial Area, one of Western Australia's most important strategic industrial areas. The company has been operating profitably for nearly 20 years, and is one of only two independent agricultural chemical toll manufacturing companies in WA. The acquisition will provide the Company with access to a suite of agricultural customers on Australia's west coast and increase the Company's manufacturing capacity to in excess of 150,000 tonnes p.a.

The acquisition price of $8.6 million, includes property valued at approximately $4.3 million. The acquisition will be funded by both cash and shares, with the share component valued at $1.9 million with the issue price per share calculated on the 20 day VWAP preceding the signing of the binding agreement.

The Company has entered into other business acquisition agreements which are currently subject to a due diligence period and are therefore conditional on the satisfactory completion of due diligence. The terms of the agreements remain confidential to all parties until they become binding and unconditional. The potential acquisitions are in line with the use of funds commentary as disclosed in the Company's IPO Prospectus and the company's strategy.

Annual performance reviews were conducted during July and August 2021 which concluded with a once-off bonus paid in shares to 2 employees, totalling $270,000 inclusive of superannuation. The net amount of the bonus will be settled by the issuance of 111,940 fully paid ordinary shares with a deemed value of $1.34 per share, being the closing price at the 1 July 2021. At the date of this report, the shares have not been issued and will therefore be included as a share based payment in FY22.

Outlook and Key Business Strategies and Prospects

DGL’s vision is to be Australasia’s leading fully integrated, end-to-end chemicals 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-sell of DGL 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 FY21 DGL successfully integrated the Chem Pack acquisition into its business, bringing new customers and opportunities to offer these customers the complete chemicals services across warehousing, logistics, manufacturing and waste management.

2. Achieve further economies of scale

   To achieve further economies of scale, DGL is focused on network growth, increased utilisation of existing infrastructure, and operating efficiencies. DGL has experienced significant margin improvement in recent years through operating efficiencies and more effective utilisation of assets.

   In line with this strategic priority, DGL expanded the range of chemicals products in New Zealand, establishing distribution relationships to support growth. DGL also increased utilisation of its warehousing facilities and expanded its inter-state transport and bulk tanker network to bring synergies and greater control over NSW distribution.

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 property, plant and equipment.

   In FY21, DGL continued to invest in expanding its network and services, announcing the approved development of new warehousing facilities in New Zealand. The two new developments, in Hawkes Bay and Mount Wellington, will increase DGL’s storage capacity and ensure DGL has the right facilities in key industrial areas with proximity to customers.

   DGL also refurbished, commissioned and recommenced operation of its Victorian lead smelter operations ahead of schedule and on budget, resulting in the conversion of intermediate lead material into valuable end products, which can be sold to a wider global market.

4. Identified acquisitions

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

   DGL has stringent criteria for assessing acquisitions, including:

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

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	Summary
Chemical Manufacturing	
ISO 9001: 2015 quality management system	ensures products and services are consistently maintained at the high level of quality
NATA accredited laboratory	ensures the analysis of products are consistently accurate
EPA Environmental Protection Licenses	required under Australian regulations
Dangerous Goods Storage Licenses	required under Australian regulations
VDA AdBlue Brand Certification	ensures products and services are consistently maintained at the high level of quality
Trade Waste Discharge Consents	enables discharge of treated wastewater from site
Australian Pesticides and Veterinary Medicines Authority	Australian law requires veterinary chemical products to be registered by APVMA
Poisons Licenses	licence to sell or supply by wholesale schedule 7 Poisons
AgSafe Premises Accreditation	ensures that stores are compliant with all jurisdictional regulations
Australian Organic Certified Operation	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.
Warehousing and Distribution	
ISO 9001:2015 quality management system	ensures products and services are consistently maintained at the 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 accreditation
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
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

Audit/Non-Audit Services

Auditors' remuneration is disclosed in Note 7. In addition, PKF Melbourne Corporate Pty Ltd provided corporate finance and transactional services and tax planning and GST advice. Refer to Note 7 for further details.

Indemnifying Officers or Auditor

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

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

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

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

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

Capital Raising and Capital Structure

As at 30 June 2021, the Company has 257,000,000 fully paid ordinary shares. During the year, a total of 161,837,760 fully paid ordinary shares were issued. Please refer to Note 23 - Issued capital for further details.

Summary of Options

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

Proceedings on Behalf of Company

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

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

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

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

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=nzx-announcements and released separately to the ASX Announcements in the form of an Appendix 4G.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required by section 307c of the Corporations Act 2001 is attached on page 13.

REMUNERATION REPORT - AUDITED

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

Remuneration Policies

The Company's remuneration policy aligns Director and Executive objectives with shareholder and business objectives by providing remuneration packages comprising of a fixed remuneration component and an incentive scheme. The Board believes the remuneration policy for its Directors and key management personnel to be appropriate and effective to attract and retain people with necessary qualifications, skills and experience to assist the company in achieving its desired results.

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

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

The Group's key financial metrics for the last 2 years are:

	30 June 2021	30 June 2020
Revenue and other income	195,378	103,969
Net profit before tax	49,502	2,931
Net profit after tax	47,165	4,007
Share price at start of year	-	-
Share price at end of year	$1.28	-
Dividends paid	-	-
Basic earnings per share	77.51	

* Movement in shareholders' wealth for FY17, FY18 and FY19 are not applicable as the Group was not consolidated prior to FY20.

Remuneration Structure

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

Remuneration of Executive Directors and Key Management Personnel

Objective

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

- reward Executives for Company, business unit and individual performance against targets set by reference to appropriate benchmarks;
- align the interest of Executives with those of shareholders;
- link award with the strategic goals and performance of the Company; and
- ensure total remuneration is competitive by market standards.

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 in general meeting.

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

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

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

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

Employment Contracts

Remuneration and other terms of employment for Executive Directors and Key Management Personnel are formalised in written agreements, the major provisions of which are as follows:

Simon Henry - *Chief Executive Officer*

(a)	Employment Contract:	-	Permanent ongoing
(b)	Remuneration	-	A$600,000 inclusive of the Company's compulsory contributions to KiwiSaver
(c)	Executive's notice period	-	6 months[1]

Robert Sushames - *Executive Director, General Manager - Chem Pack*

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

Ryan Aisher - *Chief Operating Officer*

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

[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 2021 and any changes during the year	Contract details (duration & termination)
Peter Lowe	Chairman and Non-Executive Director - appointed 1 April 2021	No fixed term
Simon Henry	Founder, Executive Director and Chief Executive Officer	No fixed term
Denise Brotherton	Non-Executive Director - appointed 1 April 2021	No fixed term
Robert McKinnon	Non-Executive Director - appointed 1 April 2021	No fixed term
Robert Sushames	Executive Director and General Manager of Chem Pack - appointed 1 April 2021	No fixed term
Jeremy Perera	Non-Executive Director - resigned 1 April 2021	No fixed term
Isaac Gatt	Non-Executive Director - resigned 1 April 2021	No fixed term

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

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

* Refer to Note 26 - Events after the Reporting Period for bonuses agreed and to be settled post 30 June 2021, totalling $270,000, inclusive of superannuation.

2020	Short-term Benefits Salaries, fees $	Post employment Superannuation $	Share based payments Shares, Options $	Total $
Simon Henry	-	-	-	-
Jeremy Perera	341,828	32,474	-	374,302
Isaac Gatt	141,806	13,472	-	155,278
Aaron Bardell	219,999	20,900	-	240,899
	703,633	66,846	-	770,479

Directors' and KMP Shareholdings

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

	Balance at beginning of Year	Granted as Remuneration during the year	Issued on Exercise of Options during the Year	Other changes during the year	Balance at End of year
Peter Lowe	-	-	-	50,000	50,000
Simon Henry	147,200,000	-	-	100,000	147,300,000
Denise Brotherton	-	-	-	25,000	25,000
Robert McKinnon	-	-	-	50,000	50,000
Robert Sushames	-	-	-	1,000,000	1,000,000
Jeremy Perera (Resigned 1 April 2021)	-	-	-	330,000	330,000
Isaac Gatt (Resigned 1 April 2021)	-	-	-	-	-

Shares options granted to directors and executives

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

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

Peter Lowe
Chairman
Dated 17 September 2021

Simon Henry
Chief Executive Officer
Dated: 17 September 2021

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 2021, I declare to the best of my knowledge and belief, there have been:

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

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

PKF
Melbourne, 17 September 2021

Kenneth Weldin
Partner

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DGL GROUP LIMITED AND CONTROLLED ENTITIES
ABN: 71 002 802 646
CONSOLIDATE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2021

		Group	
		2021	Restated 2020
	Note	$000	$000
Sales revenue	3	154,477	102,153
Cost of sales	4	(93,682)	(61,172)
		60,795	40,981
Other income	3	40,901	1,816
IPO Costs		(2,067)	-
Employee benefits expense	4	(24,835)	(17,049)
Administration and general expenses		(6,455)	(5,786)
Legal and professional fees		(1,676)	(1,024)
Occupancy expense		(4,254)	(4,213)
Depreciation and amortisation expense		(10,467)	(10,380)
Impairment expense		(271)	-
Finance costs	4	(2,169)	(1,414)
Profit before income tax		49,502	2,931
Tax expense	5	(2,337)	1,076
Net Profit for the year		47,165	4,007
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Gain on derivative contract held as hedging instruments		66	-
Exchange differences on translating foreign operations, net of tax		(352)	307
Items that will not be reclassified subsequently to profit or loss:			
Revaluation gain on land and buildings, net of tax		21,544	-
Total other comprehensive income/(loss) for the year		21,258	307
Total comprehensive income for the year		68,423	4,314
Net profit attributable to:			
Owners of the Parent Entity		47,165	4,007
		47,165	4,007
Total comprehensive income attributable to:			
Owners of the Parent Entity		68,423	4,314
		68,423	4,314
Earnings per share			
Basic earnings per share (cents)	8	77.51	N/A

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 2021

	Note	Group 2021 $000	Group Restated 2020 $000
Assets			
Current Assets			
Cash and cash equivalents	9	43,830	1,719
Trade and other receivables	10	22,528	11,396
Inventories	11	14,420	4,753
Other financial assets	12	1,634	1,396
Other assets	16	3,937	1,328
Total Current Assets		86,349	20,592
Non-Current Assets			
Property, plant and equipment	14	133,221	95,514
Deferred tax assets	21	7,270	5,356
Intangible assets	15	27,979	4,002
Right-of-use assets	17	22,719	25,166
Total Non-Current Assets		191,189	130,038
Total Assets		277,538	150,630
Liabilities			
Current Liabilities			
Trade and other payables	18	17,139	10,121
Lease liabilities	17	7,105	9,597
Borrowings	19	21,062	21,578
Other financial liabilities	20	100	68,735
Current tax liabilities	21	2,345	212
Provisions	22	3,051	1,894
Total Current Liabilities		50,802	112,137
Non-Current Liabilities			
Other financial liabilities	20	8,481	-
Lease liabilities	17	16,754	16,470
Deferred tax liabilities	21	5,864	633
Provisions	22	366	231
Total Non-Current Liabilities		31,465	17,334
Total Liabilities		82,267	129,471
Net Assets		195,271	21,159
EQUITY			
Issued capital	23	192,249	130,615
Reserves	30	(31,732)	(52,990)
Retained earnings		34,754	(56,466)
Total Equity		195,271	21,159

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 2021

			Reserves				
	Share Capital $000	Retained Earnings $000	Asset Revaluation Reserve $000	Cash Flow Hedge Reserve	Merger Acquisition Reserve	Foreign Currency Translation $000	Total $000
Consolidated Group							
Balance at 1 July 2019	78,578	(60,473)	933	-	-	-	19,038
Comprehensive income							
Profit for the year	-	4,007	-	-	-	-	4,007
Other comprehensive income for the year	-	-	-	-	-	307	307
Premium on assets acquired from connected entities	-	-	-	-	(54,230)	-	(54,230)
Total comprehensive income for the year	-	4,007	-	-	(54,230)	307	(49,916)
Transactions with owners, in their capacity as owners, and other transfers							
Shares issued during the year	52,037	-	-	-	-	-	52,037
Transaction costs net of tax	-	-	-	-	-	-	-
Total transactions with owners and other transfers	52,037	-	-	-	-	-	52,037
Balance at 30 June 2020	130,615	(56,466)	933	-	(54,230)	307	21,159
Balance at 1 July 2020	130,615	(56,466)	933	-	(54,230)	307	21,159
Comprehensive income							
Profit for the year	-	47,165	-	-	-	-	47,165
Other comprehensive income for the year	-	-	21,544	66	-	(352)	21,258
Total comprehensive income for the year	-	47,165	21,544	66	-	(352)	68,423
Transactions with owners, in their capacity as owners, and other transfers							
Shares issued during the year	109,800	-	-	-	-	-	109,800
Transaction costs net of tax	(4,111)	-	-	-	-	-	(4,111)
Capital reduction as per Section 258F of the Corporations Act 2001	(44,055)	44,055	-	-	-	-	-
Total transactions with owners and other transfers	61,634	44,055	-	-	-	-	105,689
Balance at 30 June 2021	192,249	34,754	22,477	66	(54,230)	(45)	195,271

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 2021

	Note	Group 2021 $000	Group 2020 $000
Cash flows from operating activities			
Receipts from customers		156,456	106,283
Payments to suppliers and employees		(135,828)	(89,652)
Interest received/ other income		51	-
Finance cost		(1,570)	(1,400)
Income tax paid		(80)	-
Net cash generated by operating activities	25	19,029	15,231
Cash flows from investing activities			
Purchase of property, plant and equipment		(19,318)	(24,357)
Purchase of intangibles		(18)	-
Purchase of subsidiary		(28,635)	-
Cash acquired from acquisition of subsidiary		2,090	-
Net cash (used in) investing activities		(45,881)	(24,357)
Cash flows from financing activities			
Proceeds from issue of shares		100,000	-
Payments of capital raising costs		(5,410)	-
Repayment of borrowings - other		(19,585)	-
Loan repayments made to related parties		-	8,682
Proceeds from borrowings		-	9,039
Repayment of lease liabilities		(6,044)	(6,575)
Net cash provided by financing activities		68,961	11,146
Net increase in cash held		42,109	2,020
Cash and cash equivalents at beginning of financial year		1,719	(305)
Effect of exchange rates on cash holdings in foreign currencies		2	4
Cash and cash equivalents at end of financial year	9	43,830	1,719

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 2021. 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 17 September 2021 by the directors of the company.

Note 1 Summary of Significant Accounting Policies

Basis of Preparation

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

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

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

(a) Principles of Consolidation

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

Where controlled entities have entered or left the Group during the year, the financial performance of those entities are included only for the period of the year that they were controlled. A list of controlled entities are contained in Note 13 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.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Group.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable AASB Accounting Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 139: Financial Instruments: Recognition and Measurement, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Note 1: Summary of Significant Accounting Policies (continued)

Under the full goodwill method, the fair value of the non-controlling interest is determined using valuation techniques which make the maximum use of market information where available.

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.

(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

- 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. When an investment property that is depreciable is held by the entity in a business model whose objective is to consume substantially all of the economic benefits embodied in the property through use over time (rather than through sale), the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of such property will be recovered entirely through use.

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.

(d) Fair Value of Assets and Liabilities

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable accounting standard.

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

Note 1: Summary of Significant Accounting Policies (continued)

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

(e) Inventories

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

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

(f) Property, Plant and Equipment

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

Property

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

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

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

Plant and equipment

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

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

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

Depreciation

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

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

Class of Fixed Asset	Depreciation Rate
Buildings	2.5 - 3%
Plant and equipment	4 - 80%
Office equipment	10 - 67%
Leasehold improvements	2%
Motor vehicles	15 - 30%

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: *Revenue from Contracts with Customers.*

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 does not recognise a loss allowance for expected credit losses on trade receivables as they believe the balance is recoverable. In the instance where an allowance was necessary, the Group would use the general approach to impairment as applicable under AASB 9.

General Approach

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

— the credit risk of the financial instrument increased significantly since initial recognition, the entity measures the loss allowance of the financial instrument at an amount equal to the lifetime expected credit losses; and

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

Note 1: Summary of Significant Accounting Policies (continued)

(i) Impairment of Assets

At the end of each reporting period, the company 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.

The Company acquired Chem Pack effective 1 January 2021. The acquisition included intangible assets with a total value of $23.9 million. The individual intangible assets that together comprise this total value are yet to be identified and valued at the date of this report. It will be finalised prior to 31 December 2021.

Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Other intangible assets

The Group's hydro-metallurgical processing technology (Hydroproc process), which has an indefinite useful life, was systematically tested for impairment as at 30 June 2021.

(k) Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency of the Company is the currency of the primary economic environment in which that entity operates. The financial statements are presented in Australian dollars, which is the Company'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 or those arising from the retranslation of entities held in foreign currency.

(l) Employee Benefits

Short-term employee benefits

Provision is made for the Company'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 company'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 company's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

Note 1: Summary of Significant Accounting Policies (continued)

Other long-term employee benefits

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

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

Retirement benefit obligations

Defined contribution superannuation benefits & Kiwisaver

All employees of the Group receive defined contribution superannuation entitlements, for which the Group pays the fixed superannuation guarantee contribution (currently 9.5% of the employee's average ordinary salary and 3% for Kiwisaver) to the employee's superannuation fund of choice. All contributions in respect of employee's defined contribution entitlements are recognised as an expense when they become payable. The Group's obligation with respect to employees' entitlements are recognised as an expense when they become payable. The Group's obligation with respect to employees' defined contribution entitlements is limited to its obligation for any unpaid superannuation guarantee contributions at the end of the reporting period. All obligations for unpaid superannuation guarantee contributions are 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.

Provision for Warranties

Provision is made in respect of the Group’s best estimate of the liability on all products and services under warranty at the end of the reporting period. The provision is measured as the present value of future cash flows estimated to be required to settle the warranty obligation. The future cash flows have been estimated by reference to the consolidated group’s history of warranty claims.

(n) Cash and Cash Equivalents

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

(o) Revenue and Other Income

The Group has the following revenue streams:

1. Formulation, packaging, storage and cartage of chemical products.
2. Processing of used lead acid batteries to recover lead metals and oxide and treatment of liquid waste
3. End-to-end supply chain solution
4. Warehouse rental

The core principal is 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 and the estimated time required to complete the project. For projects that require travel, this cost is included in the quote.
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.

Note 1: Summary of Significant Accounting Policies (continued)

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

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

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

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

Revenue stream	Revenue recognition patter
Formulation, packaging, storage and cartage of chemical products	
Performance obligation 1 - Formulation, packaging and cartage	Point in time (upon completion and/or delivery of products)
Performance obligation 2 - storage of customer goods	Overtime which relates to the period of storage
Processing of used lead acid batteries to recover lead metals and oxide	
Performance obligation 1 - production and delivery of product meeting contractual specifications	Point in time (upon container being loaded onto ship at port of departure)
End-to-end supply chain solution	
Performance obligation 1 - ongoing service that may include all or combination procurement, formulation, packaging, storage and cartage	Point in time (upon completion of services)
Warehouse rental	
Performance obligation 1 - storage of customer goods	Overtime which relates to the period of storage

(p) Trade and Other Receivables

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

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

(q) Trade and Other Payables

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

(r) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO) and Inland Revenue Department (IRD), New Zealand.

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

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

(s) Comparative Figures

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

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

(t) Rounding of Amounts

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

Note 1: Summary of Significant Accounting Policies (continued)

(u) New and Amended Accounting Standards 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.

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

(v) 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 company.

Key Estimates and Judgements

Performance obligations under AASB 15

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

Lease term and option to extend under AASB 16

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

Impairment

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

All impairment losses are recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, Management estimates expected future cash flows from each cash-generating unit and determines a suitable interest 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.

Long service leave

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

Income tax

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

Recovery of deferred tax assets

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

(w) Hedge accounting

At the inception of a hedge relationship, the Company 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 Company 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.

Note 1: Summary of Significant Accounting Policies (continued)

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 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.	2021 $000	2020 $000
Statement of Financial Position		
Assets		
Current Assets	46,446	20,592
Non-current Assets	165,242	130,038
Total Assets	211,688	150,630
Liabilities		
Current Liabilities	7,434	112,137
Non-current Liabilities	12,093	17,334
Total liabilities	19,527	129,471
NET ASSETS	192,161	21,159
Equity		
Issued Capital	192,249	130,615
Retained earnings	(10,547)	(56,466)
Reserves	10,459	(52,990)
TOTAL EQUITY	192,161	21,159
Statement of Profit or Loss and Other Comprehensive Income		
Profit for the year	1,604	4,314
Other comprehensive income	9,525	-
Total comprehensive income	11,129	4,314

Contingent liabilities

The legal parent entity did not have any contingent liabilities as at 30 June 2021.

Note 3 Revenue and Other Income

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

		Group	
	Note	2021	2020
Continued operations		$000	$000
Revenue from contracts with customers	3a	153,038	100,889
Other sources of revenue		1,439	1,264
Total sales revenue		154,477	102,153
Other income			
- Miscellaneous income		500	1,315
- Interest received		51	33
- Government subsidies		75	468
- Debt forgiveness[1]		40,275	-
Total other income		40,901	1,816

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

Note 3: Revenue and Other Income (continued)

(a) Revenue disaggregation

The revenue is disaggregated by the following divisions:

- Environmental Solutions	61,471	60,612
- Chemical Manufacturing	55,066	10,733
- Warehousing & Distribution	37,940	30,808
	154,477	102,153

Timing of income recognition of products and services transferred to customers is at a point of time.

Note 4 Profit for the Year

	Group	
Profit before income tax from continuing operations includes the following specific expenses:	**2021**	**2020**
(a) Expenses	**$000**	**$000**
Cost of sales	93,682	61,172
Interest expense on financial liabilities not classified as fair value through profit or loss:		
— related party loan	112	-
Interest expense on lease liabilities	599	659
Total finance cost	711	659
Employee benefits expense		
— defined contribution superannuation expense	1,410	1,118
Loss on disposal of property, plant and equipment	64	906

Note 5 Tax Expense

		Group	
		2021	**2020**
	Note	**$000**	**$000**
(a) The components of tax (expense) income comprise:			
Current tax		(1,996)	-
Deferred tax	21	(341)	1,076
		(2,337)	1,076
(b) The prima facie tax on profit from ordinary activities before income tax is reconciled to income tax as follows:			
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2020: 30%)			
— consolidated group		17,433	1,167
Add:			
Tax effect of:			
— non-allowable items		4,042	3,473
Less:			
Tax effect of:			
— non taxable income		(14,765)	-
— other deductible expenses		(3,523)	(3,663)
— current year tax loss recognised as deferred tax asset		(1,191)	(977)
Income tax attributable to entity		1,996	-

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 2021.

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

	2021 $000	2020 $000
Short-term employee benefits	1,416	667
Post-employment benefits	113	61
Other long-term benefits	-	28
Total KMP compensation	1,529	756

Short-term employee benefits

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

Post-employment benefits

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

Other KMP Transactions

For details of other transactions with KMP, refer to Note 29 - Related Party Transactions

Note 7 Auditor's Remuneration

	Group	
	2021 $000	2020 $000
Remuneration of the auditor for:		
PKF Melbourne Audit & Assurance Pty Limited		
— auditing or reviewing the financial statements	158	-
HLB Mann Judd Wollongong (resigned)		
— auditing or reviewing the financial statements	71	36
	229	36
Remuneration of other auditors of subsidiaries for:		
— auditing or reviewing the financial statements of subsidiaries	128	-
Non-audit services - PKF Melbourne Corporate Pty Ltd		
— Corporate finance and transactional services	275	-
— Tax planning and GST advice	30	-
	305	-

Note 8 Earnings per Share

	Group	
	2021 $000	2020 $000
(a) Reconciliation of earnings to profit or loss		
Profit	47,165	4,007
Earnings used to calculate basic EPS	47,165	4,007
	No.	No.
(b) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	60,848	-
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	60,848	-
Basic earnings per share from continuing operations	77.51	N/A

Note 9 Cash and Cash Equivalents

	Note	Group 2021 $000	Group 2020 $000
Cash at bank and on hand		43,830	1,719
Short-term bank deposits		-	-
	25	43,830	1,719

The effective interest rate on short-term bank deposits was 0.41% (2020:1.75%); these deposits had an average maturity of 180 days.

A floating charge over cash and cash equivalents has been provided for certain debt. Refer to Note 19 - Borrowings for further details.

Reconciliation of cash

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

	Note	2021 $000	2020 $000
Cash and cash equivalents		43,830	1,719
Bank overdrafts	19	-	-
		43,830	1,719

The Group has 8 bank guarantees in place with total exposure of $2,740,000 with Westpac Banking Corporation. These guarantees are in place covering the rental leases and export licenses and are secured against the fixed deposits pledged with the bank.

Note 10 Trade and Other Receivables

	Group 2021 $000	Group 2020 $000
Current		
Trade receivables	22,368	9,065
Provision for impairment	-	-
	22,368	9,065
Other receivables	160	2,331
Total current trade and other receivables	22,528	11,396

Credit risk

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

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

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

	Current $000	>30 days past due $000	>60 days past due $000	>90 days past due $000	Total $000
2021					
Expected loss rate	-	-	-	-	-
Gross carrying amount	15,757	6,292	188	131	22,368
Loss allowing provision	-	-	-	-	-
2020					
Expected loss rate	-	-	-	-	-
Gross carrying amount	6,549	2,341	110	65	9,065
Loss allowing provision	-	-	-	-	-

(b) **Financial Assets Measured at Amortised Cost**	Note	Group 2021 $000	Group 2020 $000
Trade and other Receivables			
— Total current		22,528	11,396
— Total non-current		-	-
Total financial assets measured at amortised cost	28	22,528	11,396

(c) **Collateral Pledged**

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

Note 11 Inventories

	Group 2021 $000	Group 2020 $000
Current		
At cost:		
Raw materials and stores	11,193	3,914
Work in progress	492	33
Finished goods	2,735	806
	14,420	4,753

Note 12 Other Financial Assets

	Group 2021 $000	Group 2020 $000
Current		
Bank term deposit	1,138	1,166
Bank guarantees	230	230
Derivative cashflow hedge	66	-
Bonds	200	-
Total current assets	1,634	1,396

Note 13 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	Country of Incorporation	Ownership interest held by the Group 2021 (%)	Ownership interest held by the Group 2020 (%)	Proportion of non-controlling interests 2021 (%)	Proportion of non-controlling interests 2020 (%)
DGL Manufacturing Pty Ltd	Australia	100	-	-	-
DGL Warehousing & Distribution Pty Ltd	Australia	100	-	-	-
DGL Industries Pty Ltd[1]	Australia	100	-	-	-
Chem Pack Pty Ltd	Australia	100	-	-	-
DGL (NZ) Limited	New Zealand	100	-	-	-
DGL Manufacturing Limited	New Zealand	100	-	-	-
DGL Warehousing NZ Limited	New Zealand	100	-	-	-

[1] DGL Industries Pty Ltd is a wholly owned subsidiary of DGL Warehousing & Distribution Pty Ltd.

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.

The Company acquired DGL Manufacturing Pty Ltd and DGL Warehousing & Distribution Pty Ltd on 31 March 2021. DGL (NZ) Limited, DGL Manufacturing Limited and DGL Warehousing NZ Limited were acquired on 1 April 2021. These transactions were assessed as a transaction involving entities under common control and the pooling of interests method has been applied. As such, the financials have been prepared as though DGL Group Limited and its subsidiaries other than Chem Pack Pty Ltd were consolidated on 1 July 2019, being the start of the comparative period for the financial year ended 30 June 2021.

The subsidiaries described above were controlled by Mr Simon Henry, founder and Chief Executive Officer of DGL Group Limited, prior to the Company acquiring the subsidiaries.

(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.

Westpac Banking Corporation holds a cross guarantee on DGL Industries Pty Ltd in relation to its term deposit guarantee for the 9 warehousing leases that the Group owns. The bank guarantee is secured by the assets of DGL Warehousing & Distribution Pty Ltd.

(c) **Acquisition of subsidiary under AASB 3: Business Combinations**

On 1 January 2021, the Company acquired 100% of Chem Pack Pty Ltd. Chem Pack operates a contract formulation and packing business based in Victoria. It has facilities required to manufacture, fill and/or blend liquid products used in the agriculture industry. It can manage many product ranges and provide all forms and pack sizes of chemical Liquids including aerosol cans.

The total acquisition price was $38,435,000, of which $15,448,000 was settled with cash and $9,800,000 settled via shares (see below). The remaining $13,187,000 was settled via net working capital and other completion adjustments noted in the Chem Pack Pty Ltd share purchase agreement.

Note 13: Interest in Subsidiaries (continued)

	Note	Fair value $000
- Purchase consideration:		
- Cash		28,635
- Ordinary shares[(i)]	23	9,800
		38,435
Less:		
Cash and cash equivalents		2,090
Receivables[(iii)]		12,536
Inventories		6,233
Other current assets		180
Property, plant and equipment		4,474
Deferred tax assets		461
Right-of-use assets		4,970
Intangible assets		174
Payables		(8,846)
Borrowings		(5,407)
Current tax liabilities		(517)
Deferred tax assets		(526)
Provisions		(1,298)
Identifiable assets acquired and liabilities assumed		14,524
Goodwill[(iv)] - provisionally accounted for		23,911

(i) The consideration paid to acquire Chem Pack Pty Ltd includes 9,800,000 fully paid ordinary shares at $1 each issued in the Group to the vendors of Chem Pack Pty Ltd. 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 total acquisition price was $38,435,000, of which $25,248,000 was settled using a combination of cash and shares (see below) with the remaining $13,187,000 settled via net working capital and other completion adjustments noted in the Chem Pack Pty Ltd share purchase agreement.

At 30 June 2021, there were no outstanding amounts to the vendors of Chem Pack Pty Ltd.

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

(iv) 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 Chem Pack Pty Ltd.

No amount of the goodwill is deductible for tax purposes.

Revenue of Chem Pack Pty Ltd included in the consolidated revenue of the Group since acquisition date on 1 January 2021 amounted to $43,540,000. The profit of Chem Pack Pty Ltd included in the consolidated profit of the Group since the acquisition date amounted to $3,017,000.

Had the results of Chem Pack Pty Ltd been consolidated from 1 July 2020, revenue of the consolidated group would have been $196,457,000 and the consolidated profit would have been $50,058,000 for the year ended 30 June 2021.

Note 14 Property, Plant and Equipment

	Group 2021 $000	Group 2020 $000
LAND AND BUILDINGS		
Freehold land at:		
— directors' valuation 2018	-	10,620
— independent valuation 2021	17,746	-
— at cost	13,513	13,513
Total land	31,259	24,133
Buildings at:		
— independent valuation 2021	65,267	44,349
Accumulated depreciation	(1,158)	(3,041)
Total buildings	64,109	41,308
Total land and buildings	95,368	65,441

Note 14: Property, plant and equipment (continued)

	Group 2021 $000	Group 2020 $000
PLANT AND EQUIPMENT		
Leasehold improvements		
At cost	589	385
Accumulated depreciation	(38)	(109)
	551	276
Plant and equipment		
At cost	43,968	33,943
Accumulated depreciation	(18,731)	(13,535)
	25,237	20,408
Motor Vehicles		
At cost	4,016	1,184
Accumulated depreciation	(1,340)	(713)
	2,676	471
Plant under construction		
At cost	9,391	8,918
Accumulated depreciation	(2)	-
	9,389	8,918
Total plant and equipment	37,853	30,073
Total property, plant and equipment	133,221	95,514

The Group's land and buildings were revalued at 30 June 2021 by independent valuers. At the date of this report, site works are being undertaken as required by an EPA Prevention Notice on the Tomago site and the prospective purchaser is occupying the site with an option to purchase once the Prevention Notice is lifted. Refer to Note 29 for detailed disclosures regarding the fair value measurement of the Group's freehold land and buildings.

(a) **Movements in Carrying Amounts**

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

	Land $000	Buildings $000	Leasehold Improvements $000	Plant and Equipment $000	Motor Vehicles $000	Plant under construction $000	Total $000
Group:							
Balance at 1 July 2019	10,620	16,499	281	20,999	532	7,807	56,738
Additions	13,513	25,317	7	2,718	1,251	1,111	43,917
Disposals	-	-	-	(859)	(87)	-	(946)
Transfer to Right-of-use assets	-	-	-	(43)	(1,053)	-	(1,096)
Depreciation expense	-	(581)	(12)	(2,344)	(167)	-	(3,104)
Movement in foreign currency	-	73	-	(63)	(5)	-	5
Balance at 30 June 2020	24,133	41,308	276	20,408	471	8,918	95,514
Balance at 1 July 2020	24,133	41,308	276	20,408	471	8,918	95,514
Additions	34	5,371	31	3,567	1,276	749	11,028
Disposals	-	5	-	(104)	(70)	-	(169)
Acquisitions through business combinations	-	-	-	3,928	281	-	4,209
Transfer (to)/from Right-of-use assets	-	-	-	(93)	1,053	-	960
Reclassification	-	-	263	-	-	(263)	-
Revaluation and impairment increments / (decrements)	7,092	17,969	-	(289)	(67)	-	24,705
Depreciation expense	-	(399)	(19)	(2,171)	(266)	(1)	(2,856)
Movement in foreign currency	-	(145)	-	(9)	(2)	(14)	(170)
Balance at 30 June 2021	31,259	64,109	551	25,237	2,676	9,389	133,221

Note 15 Intangible Assets

	Group 2021 $000	Group 2020 $000
Goodwill		
Cost	27,231	3,147
Accumulated impairment losses	(845)	(845)
Net carrying amount	26,386	2,302
Trademarks and certifications		
Cost	345	326
Accumulated amortisation and impairment losses	(80)	(59)
Net carrying amount	265	267
Software		
At cost	1,303	1,146
Accumulated amortisation and impairment losses	(638)	(376)
	665	770
Hydroproc Process		
Cost	2,217	2,217
Accumulated amortisation and impairment losses	(1,554)	(1,554)
Net carrying amount	663	663
Total intangible assets	27,979	4,002

Group

	Goodwill $000	Trademarks and Certification $000	Software $000	Hydroproc Process $000	Total $000
Year ended 30 June 2020					
Balance at the beginning of the year	2,454	287	96	663	3,500
Additions	-	1	682	-	683
Amortisation charge	(152)	(21)	(6)	-	(179)
Movement in foreign currency	-	-	(2)	-	(2)
	2,302	267	770	663	4,002
Year ended 30 June 2021					
Balance at the beginning of the year	2,302	267	770	663	4,002
Disposals	-	-	(8)	-	(8)
Additions	-	19	190	-	209
Acquisitions through business combinations	24,084	-	-	-	24,084
Amortisation charge	-	(21)	(285)	-	(306)
Movement in foreign currency	-	-	(2)	-	(2)
Closing value at 30 June 2020	26,386	265	665	663	27,979

Impairment disclosures

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

	2021 $000	2020 $000
Manufacturing segment	26,386	2,302
Total	26,386	2,302

The recoverable amount of each cash-generating unit above is determined based on value-in-use calculations. Value in use is calculated based on the present value of cash flow projections over a 5-year period, including terminal value, extrapolated using an estimated growth rate. The cash flows are discounted using the pre-tax weighted average cost of capital of 10.1% to 10.3%.

Note 15: Intangible Assets (continued)

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

	Growth Rate	Discount Rate	Terminal Growth Rate
Manufacturing segment	5.0% - 10.0%	10.1% - 10.3%	2.50%

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

Sensitivity analysis on the key assumptions employed in the value-in-use calculations has been performed by Management. This has concluded that any reasonable possible change in valuation parameters would not cause the carrying amount of the CGU to exceed its recoverable amount.

Note 16 Other Assets

	Group	
	2021 $000	2020 $000
Current		
Prepayments	3,937	1,328
	3,937	1,328

Note 17 Right-of-use Assets and Lease Liabilities

The Group's lease portfolio includes buildings, plant and equipment. These leases have an average of 10 years as their lease term.

Options to extend or terminate

The option to extend or terminate are 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	**2021 $000**	**2020 $000**
Leased building	36,191	30,226
Accumulated depreciation	(13,472)	(6,162)
	22,719	24,064
Leased plant and equipment	-	1,201
Accumulated depreciation	-	(99)
	-	1,102
Total right-of-use asset	22,719	25,166

Lease liabilities	**2021 $000**	**2020 $000**
Current		
Lease liabilities	7,105	9,597
Non-Current		
Lease liabilities	16,754	16,470
Total lease liabilities	23,859	26,067

Movements in carrying amounts

Leased buildings:

Recognised on initial application of AASB 16 (previously classified as operating leases under AASB 117)

	2021	2020
Opening balance	25,166	2,908
Addition to right-of-use asset	4,450	28,417
Depreciation expense	(6,894)	(6,275)
Movement in foreign exchange	(3)	116
Net carrying amount	22,719	25,166

Leased plant and equipment:

Recognised on initial application of AASB 16 (previously classified as operating leases under AASB 117)

	2021	2020
Opening balance	1,102	-
Addition to right-of-use asset	-	1,201
Write-back of right-of-use asset	(1,102)	-
Depreciation expense	-	(99)
Net carrying amount	-	1,102

Note 17: Right-of-use assets and Lease liabilities (continued)

(ii) **AASB 16 related amounts recognised in the statement of profit or loss**	**2021 $000**	**2020 $000**
Depreciation charge related to right-of-use assets	6,894	6,374
Interest expense on lease liabilities	599	659

	2021 $000	**2020 $000**
Total cash outflows for leases	6,044	6,575

Note 18 Trade and Other Payables

	Group 2021 $000	**Group 2020 $000**
Current		
Unsecured liabilities		
Trade payables	12,692	7,284
Sundry payables and accrued expenses	4,447	2,837
	17,139	10,121

	Note	**Group 2021 $000**	**Group 2020 $000**
(a) Financial liabilities at amortised cost classified as trade and other payables			
Trade and other payables			
— Total current		17,139	10,121
— Total non-current		-	-
Financial liabilities as trade and other payables	29	17,139	10,121

Note 19 Borrowings

	Note	**Group 2021 $000**	**Group 2020 $000**
CURRENT			
Secured liabilities at amortised cost:			
Bank loans	19a,b	16,130	21,558
Other loans	19a,b	4,932	20
		21,062	21,578
Total current borrowings		21,062	21,578
Total borrowings	28	21,062	21,578

	Group 2021 $000	**Group 2020 $000**
(a) Total current secured liabilities:		
Bank loan	16,130	21,558
Other loans	4,932	20
	21,062	21,578

The bank loan carries an effective interest rate of 2.97% p.a

(b) **Collateral provided**

The bank loans are secured over registered second fixed and floating charges over all assets of the Group.

Financial assets that have been pledged as part of the total collateral for the benefit of debenture holders and bank debt are as follows:

	Note	**Group 2021 $000**	**Group 2020 $000**
Cash and cash equivalents	9	43,830	1,719
Trade receivables	10	22,368	9,065
Total financial assets pledged		66,198	10,784

The collateral over cash and cash equivalents represents a floating charge.

Note 20 Other Financial Liabilities

	Group	
	2021 $000	2020 $000
CURRENT		
Related party loans	100	68,735
	100	68,735
NON-CURRENT		
Related party loans	8,481	-
	8,481	-

The above related party loans were provided by Mr Simon Henry.

The relevant agreements for the loans were entered into on 31 December 2020. The loans were provided by Mr Simon Henry for the Group's working capital purposes.

The principal amounts of the loans provided by Mr Simon Henry when the agreement was entered into was $7.211 million.

The loan agreements have the following terms and conditions:

- 2.5% per annum interest (and not principal and interest) is charged on the loans;
- repayment on principal when agreement was entered into cannot be called within 18 months from 31 December 2020;
- interest shall accrue at the interest rate, from month to month, calculated on a calendar monthly basis and commencing on the drawdown date under the relevant loan agreements;
- any amount of interest accrued and unpaid on the loan at the end of any calendar month during the respective terms shall be capitalised from month to month; and
- repayment terms of the loans are:
  - (i) 30 days following receipt of a repayment notice provided by the lender (subjected to 18 month non-repayment period); or
  - (ii) occurrence of an event of default.

Event of default means on the occurrence of any of the following:

- the borrower failing to pay any of the moneys required to be paid under the agreement at the time or in a manner required under the agreement;
- the borrower failing to observe or perform any of its obligations under the agreement or any other agreement or instrument in connection with the agreement and;
  - (i) if in the opinion of the lender, such failure is capable of remedy, such failure is not remedied to the satisfaction of the lender within 7 days of receipt by the borrower of Notice from the lender of such failure; or
  - (ii) if in the opinion of the lender, such failure is not capable of remedy, upon the lender service Notice of such failure on the Borrower;
- the Borrower committing any act or experiencing any event which, in the opinion of the Lender, shows or tends to show that it is not able to pay its debts as and when they fall due, or the Borrower otherwise enters into any form of bankruptcy or insolvency administration;
- the Borrower having a receiver or receiver and manager appointed to any asset of the Borrower; and
- any event occurring which, in the reasonable opinion of the Lender, has or is likely to have a Material Adverse effect.

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

Note 21 Tax

	Group 2021 $000	Group 2020 $000
CURRENT		
Income tax payable	2,345	212
	2,345	212

NON-CURRENT	Opening Balance	Recognised in Profit and Loss	Charged directly to Equity	Exchange Differences	Closing Balance
Consolidated Group	**$000**	**$000**	**$000**	**$000**	**$000**
Deferred tax liabilities					
Property, plant and equipment					
- tax allowance	42	37	-	-	79
Land and buildings revaluation	401	-	-	-	401
Other	201	(48)	-	-	153
Balance at 30 June 2020	644	(11)	-	-	633
Property, Plant and Equipment					
- tax allowance	79	700	526	(5)	1,300
Land and buildings revaluation	401	-	3,910	-	4,311
Other	153	100		-	253
Balance at 30 June 2021	633	800	4,436	(5)	5,864
Deferred tax assets					
Provisions and accruals	824	(41)	-	-	783
Tax losses	5,262	(1,027)	-	-	4,235
Other	338	-	-	-	338
Balance at 30 June 2020	6,424	(1,068)	-	-	5,356
Provisions	783	730	333	-	1,846
Tax losses	4,235	(1,170)	-	-	3,065
Transaction costs on equity issue	-	-	1,573	-	1,573
Other	338	395	53	-	786
Balance at 30 June 2021	5,356	(45)	1,959	-	7,270

Note 22 Provisions

	Group 2021 $000	Group 2020 $000
CURRENT		
Employee Benefits		
Opening Balance	1,391	1,354
Net movement in provisions	396	37
Additions through business combinations	1,220	-
Closing Balance	3,007	1,391
Site cleanup and disposal of battery acid and other chemicals		
Opening Balance	503	307
Net movement in provisions	(459)	196
Closing Balance	44	503
Total	3,051	1,894

	Group 2021 $000	Group 2020 $000
NON CURRENT		
Employee Benefits		
Opening Balance	231	232
Net movement in provisions	58	(1)
Additions through business combinations	77	-
Closing Balance	366	231
Total	366	231

Analysis of Total Provisions

	Group 2021 $000	Group 2020 $000
Current	3,051	1,894
Non-current	366	231
	3,417	2,125

Provision for Employee Benefits

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

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

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

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

Note 23 Issued Capital

	Group 2021 $000	Group 2020 $000
257,000,000 fully paid ordinary shares (2020: 100 fully paid ordinary shares)	192,249	130,615
	192,249	130,615

The Group has authorised share capital amounting to 257,000,000 ordinary shares.

(a) **Ordinary Shares**

	Group 2021 No.	Group 2021 $000	Group 2020 No.	Group 2020 $000
At the beginning of the reporting period	52,037,860	130,615	100	78,578
Shares issued during the year[1]	109,800,000	109,800	52,037,760	52,037
Less: capital raising costs	-	(4,111)	-	-
Share split during the year	95,162,140	-	-	-
Capital reduction as per Section 258F of Corporations Act 2001	-	(44,055)	-	-
At the end of the reporting period	257,000,000	192,249	52,037,860	130,615

Issued capital at 30 June 2020 amounted to $78.578million (100 fully paid ordinary shares). In December 2020, the Board of Directors resolved to reduce the share capital by $44.055 million in accordance with Section 258F of the Corporations Act 2001. The capital reduction had the effect of reducing the share capital and accumulated losses in the financial statements and did not impact the net assets, financial results, cashflow, funding of the consolidated group or the number of shares on issue.

[1]On 31 March 2021, a total of 7,558,160 fully paid ordinary shares were issued at $1 per share. 2,464,503 shares were issued to satisfy the acquisition of DGL Manufacturing Pty Ltd and 5,093,657 shares were issued to satisfy the acquisition of DGL Warehousing and Distribution Pty Ltd.

[1]On 1 April 2021, a total of 44,479,600 fully paid ordinary shares were issued at $1 per share. 1,838,000 shares were issued to satisfy the acquisition of DGL Manufacturing Limited, 24,169,700 shares were issued to satisfy the acquisition of DGL Warehousing Limited and 18,471,900 shares were issued to satisfy the acquisition of DGL (NZ) Limited.

On 24 May 2021, a total of 109,800,000 fully paid ordinary shares were issued at $1 per share. 100 million shares were issued at IPO, raising a total of $100 million, gross of capital raising costs. 9.8 million shares were issued as part settlement for the acquisition of Chem Pack Pty Ltd.

[1]Under the Accounting for Common Control policy, the acquisition of common control entities was deemed to have been effected on 1 July 2019. As such, the issue of shares have been recorded in the 2020 financial year.

(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.

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 2021 $000	Group 2020 $000
Total borrowings and lease liabilities		38,201	31,699
Trade and other payables		17,139	10,121
Less cash and cash equivalents	9	(43,830)	(1,719)
Net debt		11,510	40,101
Total equity		195,271	21,159
Total net debt and equity		206,781	61,260
Gearing ratio		6%	65%

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 division 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 Group 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.

The Group's lead smelter in Laverton North, Victoria has lead smelting and refining capabilities which the Group plans to operate on a scaled basis from 2021. This is allow the conversion of intermediate lead material into valuable end products, which can be sold to a wider global market.

(ii) *Chemical Manufacturing*

The Group's Chemical Manufacturing division produces its own range of speciality chemicals and undertaken advanced formulation and contract manufacturing on behalf of third parties. The Company believes the division 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 manufactures trademark brands including the Hardman water treatment range, Alset and Chempro AdBlue.

(iii) *Warehousing and Distribution*

The Group's Warehousing and Distribution division offers transport, logistics and warehousing services focusing on dangerous and hazardous goods across Australia and New Zealand. The division 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 division include freight forwarding, inventory management, warehousing, and transport.

The warehousing and Distribution division operates from a network of 18 facilities across Australia and New Zealand which are both owned and leased.

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 quarterly 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.

Corporate charges are allocated to reporting segments based on the segment's overall proportion of revenue generation within the Group. The Board of Directors believes this is representative of likely consumption of head office expenditure that should be used in assessing segment performance and cost recoveries.

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.

Note 24: Operating Segments (continued)

(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**

30 June 2021	Environmental Solutions $000	Chemical Manufacturing $000	Warehousing and Distribution $000	Total $000
REVENUE				
External customers	61,471	55,066	37,940	154,477
Inter-company revenue	1,937	58	2,935	4,930
Intersegment elimination				(4,930)
Total segment revenue	63,408	55,124	40,875	154,477
Depreciation and amortisation	(1,430)	(2,379)	(8,427)	
Segment result from continuing operations before tax	3,671	3,515	1,916	9,101
Reconciliation of segment result to group net profit/loss before tax				
Intersegment elimination				126
i. Amounts not included in segment result but reviewed by Board				
— Debt forgiveness				40,275
Net profit before tax from continuing operations				49,502

30 June 2020	Environmental Solutions $000	Chemical Manufacturing $000	Warehousing and Distribution $000	Total $000
REVENUE				
External customers	60,612	10,733	30,808	102,153
Inter-company revenue	1,314	100	2,263	3,677
Intersegment elimination				(3,677)
Total segment revenue	61,926	10,833	33,071	102,153
Depreciation and amortisation	(1,360)	(1,260)	(8,813)	
Segment result from continuing operations before tax	3,192	377	(626)	2,943
Reconciliation of segment result to group net profit/loss before tax				
Intersegment elimination				(12)
Net profit before tax from continuing operations				2,931

(ii) **Segment assets**

30 June 2021	Environmental Solutions $000	Chemical Manufacturing $000	Warehousing and Distribution $000	Total $000
Segment assets	211,688	50,638	92,586	354,912
Segment assets include:				
- Additions to non-current assets (other than financial assets and deferred tax)	1,914	1,425	7,748	11,087
Reconciliation of segment assets to group assets				
Intersegment eliminations				(101,285)
Unallocated assets:				
— Goodwill on consolidation				23,911
Total group assets				277,538

Note 24: Operating Segments (continued)

30 June 2020	Environmental Solutions $000	Chemical Manufacturing $000	Warehousing and Distribution $000	Total $000
Segment assets	119,138	16,653	79,164	214,955
Segment assets include:				
- Additions to non-current assets (other than financial assets and deferred tax)	21,190	323	21,596	43,109
Reconciliation of segment assets to group assets				
Intersegment eliminations				(64,325)
Unallocated assets:				
— Goodwill on consolidation				-
Total group assets				150,630

(iii) **Segment liabilities**

30 June 2021	Environmental Solutions $000	Chemical Manufacturing $000	Warehousing and Distribution $000	Total $000
Segment liabilities	36,277	24,646	26,861	87,784
Reconciliation of segment liabilities to group liabilities				
Intersegment eliminations				(5,517)
Total group liabilities				82,267

30 June 2020	Environmental Solutions $000	Chemical Manufacturing $000	Warehousing and Distribution $000	Total $000
Segment liabilities	67,407	21,363	60,636	149,406
Reconciliation of segment liabilities to group liabilities				
Intersegment eliminations				(19,935)
Total group liabilities				129,471

(iv) **Revenue by geographical region**

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

	30 June 2021 $000	30 June 2020 $000
Australia	140,867	90,559
New Zealand	13,610	11,594
Total revenue	154,477	102,153

(v) **Assets by geographical region**

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

	30 June 2021 $000	30 June 2020 $000
Australia	296,229	171,067
New Zealand	58,683	43,888
Total Assets	354,912	214,955

Note 25 Cash Flow Information

	Group 2021 $000	Group 2020 $000
Reconciliation of Cash Flows from Operating Activities with Profit after Income Tax		
Profit after income tax	47,165	4,007
Non-cash flows in profit		
Depreciation	10,467	10,380
Debt forgiveness	(40,275)	-
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:		
(Increase)/decrease in trade and term receivables	(657)	(2,651)
(Increase)/decrease in prepayments	(1,709)	(1,238)
(Increase)/decrease in inventories	(3,434)	(2,182)
Increase/(decrease) in trade payables and accruals	2,002	5,013
Increase/(decrease) in income taxes payable	1,616	212
Increase/(decrease) in deferred taxes payable	5,231	(79)
(Increase)/decrease in provisions	76	-
(Increase)/decrease in deferred taxes receivable	(1,453)	1,769
Net cash generated by operating activities	19,029	15,231

Note 26 Events After the Reporting Period

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

On 5 July 2021, the Company announced it was acquiring Labels Connect. Labels Connect is the main supplier of packaging labels to DGL's Chem Pack business. The total purchase consideration is $1,549,900 and comprises of:

- cash payment of $550,000; and
- issuance of 909,000 fully paid ordinary shares at an issue price of $1.10 per share calculated on the 20 day VWAP proceeding the signing of the binding agreement.

The shares will be issued on 1 October 2021 and will be held in escrow until 1 January 2022.

On 12 July 2021, the Company announced it was acquiring a property, 120 Fulton Drive, Derrimut, Victoria for a total consideration of $5.5 million cash.

The property houses the head office of Chem Pack Pty Ltd and includes warehouse facilities purpose built for the formulation and storage of chemicals.

Under the acquisition of Chem Pack, the Company obtained an option to purchase various properties that Chem Pack leases and operates from in Fulton Drive. After completion of relevant due diligence, 120 Fulton Drive was selected as the property that is most crucial to the business of Chem Pack and most complimentary to the broader DGL Group.

This transaction is a related party transaction. The vendor of 120 Fulton Drive is Belbrae Investments Pty Ltd. Sheamus Sushames is a director of Belbrae Investments Pty Ltd and is the original owner of Chem Pack. His son Robert Sushames is a director of DGL Group Limited.

On 15 July 2021, the Company announced it had acquired a multi-purpose chemical facility in Townsville, Queensland for $2.45 million.

The facility, which the Company had previously leased as a storage hub, will be turned into a chemicals formulation and storage facility, ensuring the Company can produce agricultural, mining and waste and water treatment chemicals at the site to distribute to customers across North Queensland. These products were previously formulated in New South Wales and transported to North Queensland customers.

The acquisition will require a capital investment of around $5 million to turn the property into a processing facility, and once completed and fully operational, is expected to generate revenue across a number of manufacturing opportunities, including the manufacturing of aluminium chloralhydrate, shotcrete accelerator and liquid fertiliser blending, as well as toll manufacturing for a major customer.

On 4 August 2021, the Company announced the strategic acquisition of Opal Australasia ("Opal") for $8.6 million.

Opal is a specialist contract formulator and packaging business based in the Kwinana Industrial Area, one of Western Australia's most important strategic industrial areas. The company has been operating profitably for nearly 20 years, and is one of only two independent agricultural chemical toll manufacturing companies in WA. The acquisition will provide the Company with access to a suite of agricultural customers on Australia's west coast and increase the Company's manufacturing capacity to in excess of 150,000 tonnes p.a.

The acquisition price of $8.6 million, includes property valued at approximately $4.3 million. The acquisition will be funded by both cash and shares, with the share component valued at $1.9 million with the issue price per share calculated on the 20 day VWAP proceeding the signing of the binding agreement.

The Company has entered into other business acquisition agreements which are currently subject to a due diligence period and are therefore conditional on the satisfactory completion of due diligence. The terms of the agreements remain confidential to all parties until they become binding and unconditional. The potential acquisitions are in line with the use of funds commentary as disclosed in the Company's IPO Prospectus and the company's strategy.

Note 26: Events After Reporting Period (continued)

Annual performance reviews were conducted during July and August 2021 which concluded with a once-off bonus paid in shares to 2 employees, totalling $270,000 inclusive of superannuation. The net amount of the bonus will be settled by the issuance of 111,940 fully paid ordinary shares with a deemed value of $1.34 per share, being the closing price at the 1 July 2021. At the date of this report, the shares have not been issued and will therefore be included as a share based payment in FY22.

Note 27 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.

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 ultimate controlling party 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:

	Consolidated Group	
	2021 **$000**	**2020** **$000**
i. ***Loans from Simon Henry and hs controlled entities***		
Beginning of the year	64,089	43,009
Loans advanced	3,405	21,962
Loan repayment made	(27,138)	-
Loan forgiven*	(40,104)	-
Foreign exchange movement	(252)	(882)
End of the year	-	64,089
ii. ***Loans from Other Related Parties***		
Beginning of the year	4,646	5,038
Loans advanced	3,543	62
Loan repayment made	(88)	(657)
Interest charged	380	203
End of the year	8,481	4,646

*On 15 March 2021, a debt amounting to AUD $40.104 million (NZD $43.092 million) to DGL Commercial Limited now known as Rapaki Property Group Limited, (an entity that does not form part of the DGL consolidated group and a related party of Mr Simon Henry) was forgiven and all rights to call for repayment were unconditionally rescinded by Rapaki Property Group Limited and Simon Henry.

The forgiveness of the debt is shown on the Statement of Profit or Loss under Other Income.

The forgiveness of the debt is treated as revenue and is non-taxable income for the Group.

Prior to 1 April 2021, being the acquisition date of DGL (NZ) Limited, DGL Manufacturing (NZ) Limited and DGL Warehousing (NZ) Limited, NZD 780,407 was incurred by Rapaki Property Group (an entity controlled by Simon Henry and outside the DGL Group) for employee costs that could have been allocated to the DGL Group for time spent on joint operations. All employment contacts were held by Rapaki Property Group and all employment related liabilities were settled by Rapaki Property Group. As such these costs have not been expensed to the DGL Group. Further Simon Henry and the Rapaki Property Group have signed a written declaration that they will not seek reimbursement of these costs for both the FY21 and forever more and hence these costs were not brought into account and there is no intention for the Rapaki Group to reclaim these amounts.

iii. ***Transactions with Other Related Parties***

	2021	2020
- Company secretarial fees 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.	184	-
	184	-

Note 28 Financial Risk Management

The Group’s financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, bills, leases and derivatives.

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 2021 $000	Group 2020 $000
Financial Assets			
Financial assets at amortised cost			
— cash and cash equivalents	9	43,830	1,719
— trade and other receivables	10	22,528	11,396
Total Financial Assets		66,358	13,115
Financial Liabilities			
Financial liabilities at amortised cost			
— trade and other payables	18	17,139	10,121
— borrowings	19	21,062	21,578
— other financial liabilities	20	8,581	68,735
Total Financial Liabilities		46,782	100,434

Financial Risk Management Policies

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

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

Specific Financial Risk Exposures and Management

The main risks the Group is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk, foreign currency risk and other price risk (commodity and equity price risk). There have been no substantive changes in the types of risks the Group is exposed to, how these risks arise, or the Board’s objectives, policies and processes for managing or measuring the risks from the previous period.

a. Credit risk

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

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

Risk is also minimised through investing surplus funds in financial institutions that maintain a high credit rating or in entities that the ARM 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 Company 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 Company 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 Company’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 Company’s core operations can relate to.

Note 28: Financial Risk Management (continued)

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 bill 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 the New Zealand given the substantial operations in those regions. Details with respect to credit risk of Trade and other receivables is provided in Note 10.

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

b. Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages this risk through the following mechanisms:

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

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

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

Financial liability and financial asset maturity analysis

	Within 1 Year		1 to 5 years		Over 5 years		Total	
Consolidated Group	**2021 $000**	**2020 $000**	**2021 $000**	**2020 $000**	**2021 $000**	**2020 $000**	**2021 $000**	**2020 $000**
Financial liabilities due for payment								
Bank overdrafts and loans	21,062	21,558	-	-	-	-	21,062	21,558
Trade and other payables	17,139	10,121	-	-	-	-	17,139	10,121
Amounts payable to related parties	100	68,735	8,481	-	-	-	8,581	68,735
Lease liabilities	7,105	9,597	16,754	16,470	-	-	23,859	26,067
Total expected outflows	45,406	110,011	25,235	16,470	-	-	70,641	126,481

	Within 1 Year		1 to 5 years		Over 5 years		Total	
Consolidated Group	**2021 $000**	**2020 $000**	**2021 $000**	**2020 $000**	**2021 $000**	**2020 $000**	**2021 $000**	**2020 $000**
Financial Assets - cash flows realisable								
Cash and cash equivalents	43,830	1,719	-	-	-	-	43,830	1,719
Trade, term and loan receivables	22,528	11,396	-	-	-	-	22,528	11,396
Total anticipated inflows	66,358	13,115	-	-	-	-	66,358	13,115
Net (outflow) / inflow on financial instruments	20,952	(96,896)	(25,235)	(16,470)	-	-	(4,283)	(113,366)

Note 28: Financial Risk Management (continued)

Financial assets pledged as collateral

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 19(c) for further details.

c. Market Risk

i. *Interest rate risk*

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

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

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.

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

The following significant exchange rates were applied during the year	**Average Rate**		**Spot Rate**	
$1 AUD	**2021**	**2020**	**2021**	**2020**
New Zealand	1.0700	1.0547	1.0745	1.0703

Interest rate Sensitivity Analysis

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

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

	Group	
Year ended 30 June 2021	**Profit $'000**	**Equity $'000**
+5% interest rate	24	24
- 5% interest rate	(25)	(25)

	Group	
Year ended 30 June 2020	**Profit $'000**	**Equity $'000**
+5% interest rate	32	32
- 5% interest rate	(34)	(34)

There have been no changes in any of the methods or assumptions used to prepare the above sensitivity analysis from the prior year.

iii. *Other price risk*

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

Fair Values

Fair value estimation

The fair values of financial assets and financial liabilities are presented in the following table and can be compared to their carrying amounts as presented in the statement of financial position. Refer to Note 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.

Note 28: Financial Risk Management (continued)

Consolidated Group	Note	2021 Carrying Amount $000	2021 Fair Value $000	2020 Carrying Amount $000	2020 Fair Value $000
Financial assets					
Financial assets at amortised cost:					
Cash and cash equivalents	9	43,830	43,830	1,719	1,719
Trade and other receivables:	10	22,528	22,528	11,396	11,396
Total financial assets at fair value through profit or loss		66,358	66,358	13,115	13,115
Total financial assets		66,358	66,358	13,115	13,115
Financial liabilities at amortised cost					
Trade and other payables	18	17,139	17,139	10,121	10,121
Lease liability		23,859	23,859	26,067	26,067
Total financial liabilities		40,998	40,998	36,188	36,188

(i) Cash and cash equivalents, trade and other receivables, and trade and other payables are short-term instruments in nature whose carrying amounts are equivalent to their fair values.

(ii) Term receivables reprice to market interest rates every three months, ensuring carrying amounts approximate fair value.

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;
— freehold land and buildings; and
— investment properties.

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

(a) Fair value hierarchy

AASB 13: *Fair Value Measurement* requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

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

Note 29: Fair Value Measurements (continued)

		30 June 2021			
Recurring fair value measurements	**Note**	**Level 1 $000**	**Level 2 $000**	**Level 3 $000**	**Total $000**
Non-financial assets					
Freehold land	14	-	64,109	-	64,109
Buildings	14	-	31,259	-	31,259
Total non-financial assets recognised at fair value on a recurring basis		-	95,368	-	95,368

		30 June 2020			
Recurring fair value measurements	**Note**	**Level 1 $000**	**Level 2 $000**	**Level 3 $000**	**Total $000**
Non-financial assets					
Freehold land	14	-	41,308	-	41,308
Buildings	14	-	24,133	-	24,133
Total non-financial assets recognised at fair value on a recurring basis		-	65,441	-	65,441

(b) Valuation techniques and inputs used to measure Level 2 fair values

Non-financial assets

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

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

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

Note 30 Reserves

a. **Foreign Currency Translation Reserve**

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

	Group	
	2021 $000	**2020 $000**
Balance at the beginning of the period	307	-
Foreign currency movements during the year	(352)	307
	(45)	307

b. **Asset Revaluation Reserve**

The asset revaluation reserve records revaluations of land and buildings.

	Group	
	2021 $000	**2020 $000**
Balance at the beginning of the period	933	933
Asset revaluation movement during the year	21,544	-
	22,477	933

c. **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	
	2021 $000	**2020 $000**
Balance at the beginning of the period	(54,230)	-
Movements during the year	-	(54,230)
	(54,230)	(54,230)

Note 30: Reserves (continued)

Total value of shares issued:

- Acquisition of DGL Manufacturing Pty Ltd (2,464,503 shares at $1 per share)	2,464,503
- Acquisition of DGL Warehousing & Distribution Pty Ltd (5,093,657 shares at $1 per share)	5,093,657
- Acquisition of DGL Manufacturing Limited (1,838,000 shares at $1 per share)	1,838,000
- Acquisition of DGL Warehousing NZ Limited (24,169,700 shares at $1 per share)	24,169,700
- Acquisition of DGL(NZ) Limited (18,471,900 shares at $1 per share)	18,471,900
	52,037,760

	Group	
	2021	2020
	$000	$000
Total Reserves		
Foreign Currency Translation Reserve	(45)	307
Asset Revaluation Reserve	22,477	933
Merger Acquisition Reserve	(54,230)	(54,230)
	(31,798)	(52,990)

Note 32 Capital Commitments

The table below reflects the capital commitments the Company has entered into as at 30 June 2021.

	Group	
	2021	2020
	$'000	$'000
Acquisition of Labels Connect		
- cash consideration	550	-
- consideration shares	1,000	-
	1,550	-
Development of new warehouse in Mount Wellington, New Zealand	4,188	-
Construction of warehouse in Hawke's Bay, New Zealand	4,653	-
	10,391	-

Note 33 Contingent Liability

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

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

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

Note 34 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 Group
Head Office
Level 12, 63 Albert Street
Auckland 1010, New Zealand

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

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

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

DIRECTORS' DECLARATION

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

1. the financial statements and notes, as set out on pages 14 to 50, 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 2021 and of the performance for the year ended on that date of the consolidated group;
2. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
3. the directors have been given the declarations required by section 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer.

Director

Mr Peter Lowe

Dated this 17 September 2021

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

Report on the Financial Report

Qualified 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 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity, and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' Declaration of the Company and the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion, the accompanying financial report of the Company is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2021 and of its financial performance for the year ended on that date; and

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Qualified Opinion

We were appointed as auditors of the Company on 18 June 2021 for the year ending 30 June 2021 (the period). The prior year auditors for DGL Manufacturing Pty Ltd, a subsidiary of the Company that was acquired during the period, qualified the audit report for the year ending 30 June 2020, on the basis that they were unable to satisfy themselves by way of alternative procedures concerning inventory quantities held at 30 June 2019 and 30 June 2020. As a result, we are unable to place reliance on the predecessor auditor's work, nor have we been able to determine whether any adjustments are required to correct the comparative position for 30 June 2020, with respect to inventories and accounts receivable, and the relevant elements making up the statement of comprehensive income, statement of changes in equity and statement of cash flows.

We have been able to perform the procedures necessary to satisfy ourselves with respect to the consolidated inventory and accounts receivable positions at 30 June 2021.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.

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 13, the Company entered into agreements to acquire 100% of the equity in the Australian-based entities Chem Pack Pty Ltd ('Chem Pack'), DGL Manufacturing Pty Ltd ('DGLM'), DGL Warehousing & Distribution Pty Ltd ('DGLWD') and the New Zealand-based entities DGL (NZ) Limited, DGL Manufacturing Limited and DGL Warehousing NZ Limited (collectively known as 'DGL NZ').	Our procedures included, but were not limited to, the following: • evaluating the consolidated entity's accounting treatment against the requirements of AASB 3, key transaction agreements, and our understanding of Chem Pack and its industry; • assessing the methodology applied to recognise the fair value of identifiable assets and liabilities;

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(continued)

Key audit matter – Business combinations (continued)	How our audit addressed this matter (continued)
The Chem Pack acquisition was accounted in accordance with AASB 3 *Business Combinations*. The acquisition date fair value of the total consideration transferred in respect of this acquisition was $38.4m. As the remaining entities were under common control, these were accounted for using the Pooling of Interests Method of accounting. Significant judgements were formed by Management in valuing the acquired identifiable assets and allocation to goodwill with respect to the Chem Pack acquisition. Furthermore, the common control acquisitions under the Pooling of Interests Method involves the complex consolidation of entities not previously consolidated, for both the current and comparative periods. On this basis we have considered these business combinations to be a Key Audit Matter.	• validating inputs of the components of the business combinations to underlying support including settlement contracts; • assessing Management's determination of the point at which control was gained of each acquiree; • assessing the provisional allocation of purchase price for Chem Pack to the significant identifiable assets acquired – including any intangibles other than goodwill – and liabilities assumed; • reviewing the accounting entries associated with the Chem Pack business combination; • reviewing the reconciliation to prior period reported results for common control entities acquired to ensure that the merger accounting and reserve have been calculated correctly; • ensuring that the accounting policy for the common control acquisitions has been appropriately constructed in line with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*; and • reviewing the related financial statement disclosures for the acquisitions for consistency with the relevant financial reporting standards.

Key audit matter – Impairment of goodwill and other intangible assets	How our audit addressed this matter
As at 30 June 2021, the carrying value of goodwill and indefinite life intangibles was $28.0m (2020: $4.0m), as disclosed in note 15 of the financial report. The accounting policy in respect of these assets is outlined in note 1 (j) *Intangible Assets*. Goodwill of $23.9m was recognised on the acquisition of Chem Pack in January 2021. An annual impairment test for 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 consolidated entity to exercise significant judgement in determining key assumptions, which include: • 5-year cash flow forecast; • growth rate and terminal growth factor; and • discount rate. The outcome of the impairment assessment could vary if different assumptions were applied. As a result, the evaluation of the recoverable amount of intangibles is an area of significant Management estimation and judgement, and 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 2022 budget approved by the Directors, comparing to current actual results, and considering trends, strategies and outlooks, including the current COVID-19 outbreak; • the testing of inputs used in the impairment model, including the approved budget; • the determination of the discount rate applied in the impairment model, comparing to available industry data; • the short to medium term growth rates applied in the forecast cash flow, considering historical results and available industry data; • the arithmetic accuracy of the impairment model; • Management's sensitivity analysis around the key drivers of the cash flow projections, to consider the likelihood of such movements occurring sufficient to give rise to an impairment; and • the appropriateness of the disclosures including those relating to sensitivities in assumptions used in note 15.

Key audit matter – Revenue recognition	***How our audit addressed this matter***
The consolidated entity's sales revenue amounted to \$154.5m during the year (2020: \$102.1m). Note 3 provides a breakdown of this revenue. Note 1 (o) *Revenue and Other Income* describes the following accounting policies applicable to distinct revenue streams in accordance with AASB 15 *Revenue from Contracts with Customers:* • Formulation, packaging, storage and cartage of chemical products • Processing of used lead acid batteries to recover lead metals and oxide and treatment of liquid waste • End-to-end supply chain solution • Warehouse rental Furthermore, and as disclosed in Note 3, during the year a debt amounting to \$40.3m was forgiven by a related party. 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: • for a sample of contracts across each revenue stream, 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 accuracy of revenue cut-off and completeness of revenue deferred in accordance with the principles of AASB 15 as of the year-end; • assessing through the reasonableness of revenue streams by data analytics and comparison to prior year and budgeted results; • assessing the consistency of the consolidated entity's accounting policies in respect of revenue recognition with the criteria prescribed by AASB 15; • obtaining an understanding of the debt forgiveness and the necessary representations that the debt forgiveness was unconditional and will not be reclaimed subsequent; and • confirming the accuracy of the debt forgiveness disclosure in line with the requirements of AASB 124 *Related Party Disclosure.*

Key audit matter – Valuation and classification of property, plant and equipment (PPE)	***How our audit addressed this matter***
The consolidated entity holds several categories of PPE, as shown in note 14, but the key categories of risk are land and buildings (2021: \$95.4m, 2020: \$65.4m), and battery and manufacturing plant (2021: \$25.6m, 2020: \$20.7m), as these assets are considered to be the most susceptible to impairment. On 31 December 2020, independent external land and buildings valuations were conducted resulting in a total revaluation uplift of \$12.6m across the consolidated entity. The land valuations, together with the existence of impairment indicators linked to one property and the consolidated entity's battery breaker projects, involve significant Management estimation and judgement, and is considered to be a Key Audit Matter.	Our procedures included, but were not limited to, the following: • testing the consolidated entity's fixed asset registers to ensure depreciation rates were being applied to the relevant asset categories in line with the consolidated entity's accounting policy; • inspecting the valuation reports prepared by independent valuers for the land and buildings and investment properties, and review of their credentials to ensure that their work can be relied upon for audit purposes; • conducting research to understand market trends and identify any factors or events that would affect the land and building values since 31 December 2020; • critically assessing Management's cash flow projections and their impairment assessment relating to the battery breaker projects and properties subject to sale and EPA approval; and • reviewing the completeness of Management's disclosures in relation to PPE in line with the requirements of AASB 116 *Property, Plant and Equipment.*

Key audit matter – valuation and existence of inventories	*How our audit addressed this matter*
The consolidated entity held total inventory of $14.4m at 30 June 2021 (2020: $4.8m) as shown in note 11. AASB 102 *Inventories* requires entities to value inventory at the lower of cost and net realisable value. With regards to the consolidated entity, there is a risk that inventory includes inaccuracy of quantifications at a point in time and in the valuation of complex products. It is noted that the previous auditor of DGL Manufacturing, HLB Mann Judd, had issued a qualified audit opinion on inventory as at 30 June 2020 as a stocktake was not attended due to lockdown restrictions. As a result of the qualification and the acquisition of Chem Pack during the period, and the complex calculations and assumptions used to value the inventory, the valuation and existence of inventories is considered to be a Key Audit Matter.	Our procedures included, but were not limited to, the following: • attending stock counts at four separate locations to observe the controls in place and investigate any weaknesses in process; • performing sample stock counts to confirm both existence and completeness as well as the accuracy of tank-held chemicals, and investigated any variances; • testing a sample of inventory additions during the year and verified the validity of these transactions by inspecting supporting invoices and other appropriate documentation; • conducting cut-off procedures and performed analytical procedures in relation to inventory turnover, ageing and margins; • reviewing the valuation methods applied to closing inventory held and tested the validity of these calculations by reviewing supporting invoices and other appropriate documentation; and • performing net realisable value testing and reviewing the adequacy of any inventory provisions.

Other Information

Those charged with governance 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 2021 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 2021.

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
Melbourne, 17 September 2021

Kenneth Weldin
Partner

DGL GROUP LIMITED AND CONSOLIDATED ENTITIES
ABN: 71 002 802 646
ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

The following information is current as at 10 September 2021.

1. **Shareholding**

a. **Distribution of Shareholders**

Category (size of holding)	No. of Holders	No. of Ordinary Shares
1 – 1,000	202	126,615
1,001 – 5,000	338	983,285
5,001 – 10,000	174	1,399,966
10,001 – 100,000	312	9,020,443
100,001 – and over	35	246,837,597
	1,061	258,367,906

b. The number of shareholdings held in less than marketable parcels is nil. (2020: n/a)

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

	Number	
Shareholder	No. of Fully Paid Ordinary Shares	% Held of Issued Ordinary Capital
Mr Simon Henry	147,300,000	57.01%
National Nominees Limited	38,012,254	14.71%
Citicorp Nominees Pty Limited	15,718,038	6.08%
HSBC Custody Nominees (Australia) Limited	15,475,109	5.99%

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	147,300,000	57.01%
2.	National Nominees Limited	38,012,254	14.71%
3.	Citicorp Nominees Pty Limited	15,718,038	6.08%
4.	HSBC Custody Nominees (Australia) Limited	15,475,109	5.99%
5.	Spalding Holdings Pty Ltd	8,500,000	3.29%
6.	J P Morgan Nominees Australia Pty Limited	5,864,409	2.27%
7.	DGL Group Limited NZ Control Account	4,650,739	1.80%
8.	Truebell Capital Pty Ltd <Truebell Investment Fund>	2,010,000	0.78%
9.	Nine Lions Pty Ltd <Park Family>	1,007,194	0.39%
10.	Mr Robert William Sushames <Sushames Family>	1,000,000	0.39%
11.	Mr Andrew Terence Reed & Mrs Roie Arabella Browning Reed <A & R Reed Family>	845,263	0.33%
12.	Certane CT Pty Ltd <Hayborough Opp Fund>	650,000	0.25%
13.	CS Third Nominees Pty Limited <HSBC Cust Nom AU Ltd 13 A/C>	638,808	0.25%
14.	Mr Paul Andrew Hain	500,000	0.19%
15.	DW Accounting & Advisory Pty Ltd	500,000	0.19%
16.	CS Fourth Nominees Pty Limited <HSBC Cust Nom AU Ltd 11 A/C>	414,023	0.16%
17.	John Ronald Horley	359,712	0.14%
18.	Certane CT Pty Ltd <Richlink High-Tech Invest>	349,917	0.14%
19.	Aslyn & Ella Pty Ltd <Perera Super Fund A/C>	330,000	0.13%
20.	Mr David Andrew Idda <Idda Family>	300,000	0.12%
		244,425,466	94.61%

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.