



APPENDIX 4E

**PRELIMINARY FINAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021**

Lodged with ASX under Listing Rule 4.3A

Contents

- Results for announcement to the market
- Net tangible assets
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- Preliminary financial statements
- Compliance statement

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1. Company Details

Name of reporting entity: DGL Group Limited
 ABN: 71 002 802 646
 Reporting period: 1 July 2020 - 30 June 2021
 Prior corresponding reporting period: 1 July 2019 - 30 June 2020
 The Group was listed on the ASX on 24 May 2021

2. Results for announcement to the market

				\$'000
Revenue from ordinary activities	Up	51%	to	154,477
Profit from ordinary activities attributable to members	Up	1081%	to	47,165
Net comprehensive income for the year attributable to members	Up	1490%	to	68,423

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

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group and a related party of Simon Henry) was forgiven and all rights to call for repayment were unconditionally rescinded by Rapaki Property Group Limited and Simon Henry.

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

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.

Chemical Manufacturing

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	<p>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.</p> <p>DGL has also progressed its expansion into the New Zealand market, providing storage for its chemicals products for the first time abroad. It is developing distribution relationships for its products, with a view to bringing manufacturing capacity onshore over the long-term.</p>

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 50,000m ³ . Plans for a new state-of-the-art liquid waste treatment plant on the same site are underway.

3. Net tangible assets

Net tangible asset backing per ordinary share at 30 June 2021, 64.55 cents.

4. Entities over which control has been gained or lost during the year

Name of entity:	Chem Pack Pty Ltd
Date of control gained:	1 January 2021
Contribution to reporting entity's profit:	\$3,017,052
Name of entity:	DGL Manufacturing Pty Ltd
Date of control gained:	31 March 2021
Contribution to reporting entity's profit:	\$271,029
Name of entity:	DGL Warehousing & Distribution Pty Ltd
Date of control gained:	31 March 2021
Contribution to reporting entity's profit:	\$1,398,218
Name of entity:	DGL (NZ) Limited
Date of control gained:	1 April 2021
Contribution to reporting entity's profit:	\$18,360,991
Name of entity:	DGL Manufacturing Limited
Date of control gained:	1 April 2021
Contribution to reporting entity's profit:	\$9,686,097
Name of entity:	DGL Warehousing (NZ) Limited
Date of control gained:	1 April 2021
Contribution to reporting entity's profit:	\$24,719,285

5. Dividend reinvestment plans

Not applicable

6. Details of associates and joint venture entities

Not applicable

7. Foreign entities

The results of the New Zealand subsidiaries, DGL (NZ) Limited, DGL Manufacturing Limited and DGL Warehousing (NZ) Limited have been compiled using International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

8. Audit

This report should be read in conjunction with the preliminary financial report. The financial statements in the preliminary financial report are in the process of being audited.

9. Attachments

The preliminary financial report of DGL Group Limited and its controlled entities for the year ended 30 June 2021 are attached.

DGL Group Limited
ABN: 71 002 802 646

PRELIMINARY STATEMENT OF CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 30 June 2021

	Note	Group	
		2021 (unaudited) \$'000	2020 (unaudited) \$'000
Sales revenue	2(a)	154,477	102,153
Cost of sales		(93,682)	(61,172)
		<u>60,795</u>	<u>40,981</u>
Other income	2(b)	40,901	1,816
IPO costs		(2,067)	-
Employee benefits expense		(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		(2,169)	(1,414)
		<u>49,502</u>	<u>2,931</u>
Profit before income tax			
Tax expense		(2,337)	1,076
		<u>47,165</u>	<u>4,007</u>
Profit after income tax expense for the year			
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	-
		<u>21,258</u>	<u>307</u>
Total other comprehensive income for the year			
Total comprehensive income for the year		<u>68,423</u>	<u>4,314</u>
Profit for the year attributable to DGL Group Limited shareholders		47,165	4,007
		<u>47,165</u>	<u>4,007</u>
Total comprehensive income attributable to:			
DGL Group Limited shareholders		68,423	4,314
		<u>68,423</u>	<u>4,314</u>
Earnings per share			
Basic earnings per share (cents)		78	N/A
Diluted earnings per share (cents)		78	N/A

The above statement should be read in conjunction with the accompanying notes.

DGL Group Limited
ABN: 71 002 802 646

PRELIMINARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION
For the year ended 30 June 2021

	Note	Group	
		2021 (unaudited) \$'000	2020 (unaudited) \$'000
Assets			
Current Assets			
Cash and cash equivalents		43,830	1,719
Trade and other receivables		22,528	11,396
Inventories		14,420	4,753
Other financial assets		1,634	1,396
Other assets		3,937	1,328
Total Current Assets		86,349	20,592
Non-Current Assets			
Property, plant and equipment	3	133,221	95,514
Deferred tax assets		7,270	5,356
Intangible assets	4	27,979	4,002
Right-of-use assets		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		17,139	10,121
Lease liabilities		7,028	8,135
Borrowings	5	21,139	23,040
Other financial liabilities	6	100	68,735
Current tax liabilities		2,345	212
Provisions		3,051	1,894
Total Current Liabilities		50,802	112,137
Non-Current Liabilities			
Other financial liabilities	6	8,481	-
Lease liabilities		16,754	16,470
Deferred tax liabilities		5,864	633
Provisions		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	7	192,249	130,615
Reserves		(31,732)	(52,990)
Retained earnings		34,754	(56,466)
Total Equity		195,271	21,159

The above statement should be read in conjunction with the accompanying notes.

DGL Group Limited
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PRELIMINARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2021

	Share Capital	Retained Earnings	Reserves			Total
			Asset Revaluation Reserve	Other components of Equity	Foreign Currency Translation Reserve	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'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	-	-	-	(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	-	-	21,610	-	(352)	21,258
Total comprehensive income for the year	-	47,165	21,610	-	(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	22,543	(54,230)	(45)	195,271

The above statement should be read in conjunction with the accompanying notes.

DGL Group Limited
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PRELIMINARY STATEMENT OF CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 30 June 2021

	Note	Group	
		2021 (unaudited) \$'000	2020 (unaudited) \$'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	13	<u>19,029</u>	<u>15,231</u>
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		-	-
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)/generated by investing activities		<u>(45,881)</u>	<u>(24,357)</u>
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)	-
Proceeds from borrowings from related parties		-	8,682
Proceeds from borrowings		-	9,039
Repayment of lease liabilities		(6,044)	(6,575)
Net cash provided by (used in) financing activities		<u>68,961</u>	<u>11,146</u>
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		<u>43,830</u>	<u>1,719</u>

The above statement should be read in conjunction with the accompanying notes.

DGL Group Limited
ABN: 71 002 802 646

NOTES TO THE PRELIMINARY FINANCIAL STATEMENTS
For the year ended 30 June 2021

Note 1:

Summary of Significant Accounting Policies

Basis of Preparation

The preliminary financial statements on which the Financial Information has been based is in accordance with the 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.

Other than adopting Accounting for Common Control Acquisitions noted below, there have been no material changes in the Company's application of its significant accounting policies as presented in the Company's IPO Prospectus. Readers of this report should refer to Appendix A of the Company's IPO Prospectus for details of those accounting policies.

Accounting for Common Control Acquisitions

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

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

Note 2:

Revenue and other income

(a) Revenue

Continued operations

Revenue from contracts with customers
 Other sources of revenue

Group	
2021 (unaudited) \$'000	2020 (unaudited) \$'000
153,038	100,889
1,439	1,264
<u>154,477</u>	<u>102,153</u>

The revenue is disaggregated by the following divisions

- Environmental Solutions
- Chemical Manufacturing
- Warehousing & Distribution

60,499	60,612
55,399	10,733
38,579	30,808
<u>154,477</u>	<u>102,153</u>

(b) Other income

- Miscellaneous income
- Interest received
- Government subsidies
- Debt forgiveness¹

500	1,315
51	33
75	468
40,275	-
<u>40,901</u>	<u>1,816</u>

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

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

DGL Group Limited
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NOTES TO THE PRELIMINARY FINANCIAL STATEMENTS

For the year ended 30 June 2021

Note 3:

Property, plant and equipment

	Land \$'000	Buildings \$'000	Leasehold Improvement \$'000	Plant and Equipment \$'000	Motor Vehicles \$'000	Plant under construction \$'000	Total \$'000
Opening Balance	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 Right-of-use assets	-	-	-	(93)	1,053	-	960
Reclassification	-	-	263	-	-	(263)	-
Revaluation and impairment	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)
Closing Balance	<u>31,259</u>	<u>64,109</u>	<u>551</u>	<u>25,237</u>	<u>2,676</u>	<u>9,389</u>	<u>133,221</u>

Note 4:

Intangible assets

	Goodwill \$'000	Trademarks and Certifications \$'000	Software \$'000	Hydroproc Process \$'000	Total \$'000
Opening Balance	2,302	267	770	663	4,002
Additions	-	19	190	-	209
Disposals	-	-	(8)	-	(8)
Acquisitions through business combinations	24,084	-	-	-	24,084
Amortisation charge	-	(21)	(285)	-	(306)
Movement in foreign currency	-	-	(2)	-	(2)
Closing Balance	<u>26,386</u>	<u>265</u>	<u>665</u>	<u>663</u>	<u>27,979</u>

Note 5

Borrowings

	Group	
	2021 (unaudited) \$'000	2020 (unaudited) \$'000
CURRENT		
Secured		
Lease liability	77	1,462
Bank loans	16,130	21,558
Other loans	4,932	20
Total current borrowings	<u>21,139</u>	<u>23,040</u>
Total borrowings	<u>21,139</u>	<u>23,040</u>

DGL Group Limited
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NOTES TO THE PRELIMINARY FINANCIAL STATEMENTS
For the year ended 30 June 2021

Note 6

Other Financial Liabilities

	Group	
	2021 (unaudited) \$'000	2020 (unaudited) \$'000
CURRENT		
Related party loans	100	68,735
	<u>100</u>	<u>68,735</u>
NON-CURRENT		
Related party loans	8,481	-
	<u>8,481</u>	<u>-</u>

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

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

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

On 20 March 2021, \$40.275 million owing 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 Mr Simon Henry.

Note 7

Issued Capital

(a) Share Capital

The share capital of DGL Group Limited (the Company) consists of 257,000,000 fully paid ordinary shares at 30 June 2021.

(b) Movement in ordinary share capital

	Number of shares	Amount \$'000
At the beginning of the reporting period	52,037,860	130,615
Shares issued during the year	109,800,000	109,800
Less: capital raising costs	-	(4,111)
Share split during the year	95,162,140	-
Section 258F of Corporations Act	-	(44,055)
At the end of the reporting period	<u>257,000,000</u>	<u>192,249</u>

DGL Group Limited
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NOTES TO THE PRELIMINARY FINANCIAL STATEMENTS
For the year ended 30 June 2021

Note 8

Earnings per share

Basic earnings per share (cents)

	78	N/A
	Group	
	2021	2020
	(unaudited)	(unaudited)
	\$'000	\$'000
(a) Reconciliation of earnings to profit or loss		
Profit	47,165	4,007
Earnings used to calculate basic EPS	<u>47,165</u>	<u>4,007</u>
	No.	No.
(b) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	60,848	N/A
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	<u>60,848</u>	<u>N/A</u>

Note 9

Operating Segments

The Group operates in 3 segments, Environmental Solutions, Chemical Manufacturing and Warehousing and Distribution.

Note 10

Events Subsequent to Reporting Date

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 100 % of 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.

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.

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.

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NOTES TO THE PRELIMINARY FINANCIAL STATEMENTS

For the year ended 30 June 2021

Note 10: Events Subsequent to Reporting Date (continued)

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.

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 11

Interest 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 the Group.

Name of subsidiary	Country of Incorporation	Ownership interest held by the Group		Proportion of non-controlling interests	
		2021	2020	2021	2020
DGL Manufacturing Pty Ltd ¹	Australia	100%	-	-	-
DGL Warehousing & Distribution Pty Ltd ¹	Australia	100%	-	-	-
DGL Industries Pty Ltd ¹	Australia	100%	-	-	-
DGL (NZ) Limited ²	New Zealand	100%	-	-	-
DGL Manufacturing Limited ²	New Zealand	100%	-	-	-
DGL Warehousing (NZ) Limited ²	New Zealand	100%	-	-	-
Chem Pack Pty Ltd	Australia	100%	-	-	-

¹ DGL Manufacturing Pty Ltd, DGL Warehousing & Distribution Pty Ltd and DGL Industries Pty Ltd were acquired on 31 March 2021. The acquisition effective date has been treated as 1 July 2019 under the pooling of interests method.

² DGL (NZ) Limited, DGL Manufacturing Limited and DGL Warehousing (NZ) Limited were acquired on 1 April 2021. The acquisition effective date has been treated as 1 July 2019 under the pooling of interests method.

DGL Group Limited
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NOTES TO THE PRELIMINARY FINANCIAL STATEMENTS

For the year ended 30 June 2021

Note 11: Interest in Subsidiaries (continued)

(b) 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 \$25,247,852. A further payment of \$13,186,735 is payable for net working capital and other completion adjustments as per the Chem Pack Contract.

	Fair value
	\$000
- Purchase consideration:	
- Cash	28,635
- Ordinary shares	9,800
	<u>38,435</u>
Less:	
Cash and cash equivalents	2,090
Receivables	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	<u>(1,298)</u>
Identifiable assets acquired and liabilities assumed	<u>14,524</u>
Goodwill provisionally accounted for	<u><u>23,911</u></u>

Note 12

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.

DGL Group Limited
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NOTES TO THE PRELIMINARY FINANCIAL STATEMENTS
For the year ended 30 June 2021

Note 13

Capital Commitments

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

	Group	
	2021 (unaudited) \$'000	2020 (unaudited) \$'000
Acquisition of Labels Connect	550	-
- cash consideration	826	-
- consideration shares	1,376	-
Development of new warehouse in Mount Wellington, New Zealand	4,188	-
Construction of warehouse in Hawke's Bay, New Zealand	4,653	-
	<u>10,217</u>	<u>-</u>

Note 13

Cash Flow Information

	Group	
	2021 (unaudited) \$'000	2020 (unaudited) \$'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	<u>19,029</u>	<u>15,231</u>

DGL Group Limited
ABN: 71 002 802 646

NOTES TO THE PRELIMINARY FINANCIAL STATEMENTS
For the year ended 30 June 2021

COMPLIANCE STATEMENT

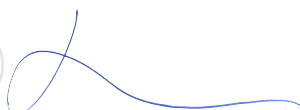
The financial information provided in Appendix 4E is based on the annual financial report which is being prepared in accordance with Australian Accounting Standards or standards acceptable to the ASX.

The reporting and the accounts upon which the report is based used the same accounting policies.

In the Directors' Opinion, this report does give a true and fair view of the matters disclosed.

This report is based on accounts which are in the process of being audited.

The financial report is not likely to be the subject of dispute or qualification.



Mr Simon Henry
Executive Director
Dated: 30 August 2021

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