

Appendix 4D

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

Reporting period: 1 July 2023 – 31 December 2023

Prior corresponding period: 1 July 2022 – 31 December 2022

2. Results for announcement to the market

	Half-year ended 31 December 2023	Half-year ended 31 December 2022	Change
	\$000	\$000	%
Revenue from ordinary activities	216,972	217,203	0%
Earnings before interest and tax	14,290	17,023	(16%)
Profit before tax (PBT)	9,182	14,249	(36%)
Net profit after tax (NPAT)	5,881	10,403	(43%)
Net profit after tax (NPAT) attributable to owners of the Company	5,881	10,403	(43%)
Basic EPS (cents)	2.06	3.69	(44%)

	Half-year ended 31 December 2023	30 June 2023	Change
	\$000	\$000	%
Net tangible asset backing per share (\$)	0.71	0.71	0%
Net asset backing per share (\$)	1.19	1.17	2%

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

For the review of operations and any other significant information needed by an investor to make an informed assessment of DGL Group's results, please refer to the accompanying DGL Group Limited's Half-Year Report.

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

DGL did not gain control over any entities during the period.

4. Dividend reinvestment plans

Not applicable

5. Details of associates and joint venture entities

Not applicable

6. Foreign entities

The results of all entities within the Group have been compiled using International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

7. Attachment

The Half Year Report of DGL Group Limited for the half-year ended 31 December 2023 is attached and includes the auditor's unmodified review opinion.



DGL

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FINANCIAL REPORT

DGL GROUP LIMITED AND CONTROLLED ENTITIES
ABN: 71 002 082 646
For the Half-Year Ended 31 December 2023

The directors present their report on the consolidated entity (referred to herein as the Group), consisting of DGL Group Limited and its controlled entities for the half-year ended 31 December 2023.

Directors

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

Peter Lowe	Chairman & Non-Executive Director	Resigned 16 October 2023
Simon Henry	Founder, Executive Director & Chief Executive Officer	
Denise Brotherton	Non-Executive Director	Resigned 31 August 2023
Robert McKinnon	Non-Executive Director	Resigned 31 August 2023
Robert Sushames	Executive Director	
Tim Hosking	Chairman & Non-Executive Director	Appointed 31 August 2023
John West	Non-Executive Director	Appointed 31 August 2023

Principal Activities and Significant Changes in Nature of Activities

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

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

DGL operates in three interconnected industries:

Procurement, manufacturing, formulation, and packing of specialised chemical and materials products

The chemical manufacturing industry is large and diverse. It provides materials and formulations to a range of industry sectors, as well as supplying products to end-use consumer and industrial companies. It is common for chemical suppliers to outsource manufacturing for reasons including to reduce risk, minimise capital expenditure and focus on their core activities such as innovation and marketing. Specialised manufacturers can offer procurement, formulation, compliance, production, labelling, packaging, and logistics services.

Logistics and storage of dangerous and specialised goods

Services include logistics, transportation and freight management, inventory management, packaging, and warehousing of dangerous and specialised goods.

Dangerous goods, being substances that potentially pose a risk to life and health, require specialist skills and appropriate licences as incorrect storage and handling of dangerous goods and chemicals can result in spills, contamination, explosions, fires, burns, corrosive action, and release of toxic fumes/gases.

Hazardous waste management market in Australia

The waste management industry provides services across multiple sectors including waste collection, waste transport, processing, recycling, recovery, and disposal.

Dividends Paid or Declared

No dividends have been paid or declared during the half-year ended 31 December 2023, or at the date of this report.

REVIEW OF OPERATIONS

Manufacturing

Since June 2023, DGL has acquired the business and assets of QBlend Pty Ltd and Allnex NZ Construction Products Division. These acquisitions grow DGL's offering in construction product manufacturing, specifically powder formulation and adhesion products, providing complementary product offerings to DGL's customers and achieving further efficiencies in our existing manufacturing footprint. These businesses are being rapidly integrated into existing operations and are performing in line with management's expectations.

Expansion of the range of manufacturing products, services and geographical coverage has enabled further cross-selling opportunities, supporting future growth in the Manufacturing segment.

Challenging market conditions were experienced for much of the first half, with the anticipation of a hot and dry growing season and initially high stock levels at ag chem customers. Wet weather, particularly on the East Coast, has seen order levels increase towards the end of the period.

Logistics

Since June 2023, DGL has acquired the business, assets and property of Kinneair Transport in Western Australia. Kinneair provides dangerous goods chemical storage and distribution services to customers in WA. Integration of Kinneair's operation into existing DGL operations is in line with management expectations and supporting growth aspirations with mining and other sectors in WA.

DGL Global Logistics navigated the shipping line challenges across Australia well, managing customer expectations and proving the supply chain resilience in product delivery.

Capacity levels normalised in H1 FY24 but the labour market remains very tight, with suitably qualified drivers hard to recruit in isolated areas. Customer ordering patterns have predominantly normalised but in certain sectors disruptions have been observed in response to changing market conditions. Several promising tender processes are underway with blue-chip customers.

Environmental Services

While cost headwinds experienced in Q4 FY23 have been managed effectively, there were reduced volumes of raw material through recycling facilities in H1 FY24, but with an increasing contribution from non-recycling operations, revenue decline was limited to 3% on the pcp.

Improved collection processes utilising the Group's extensive logistics network is addressing the shortfall. There has been strong demand for water treatment services and DGL is pursuing growth opportunities aggressively.

Mixed fortunes in the mining sector, with new blue-chip customers on-boarded but other key customers suffering operational delays. DGL is delivering new revenue streams from additional cross-selling activity in the mining sector.

The large battery breaker in Laverton, VIC was commissioned in H1 FY24 and is performing to expectations. Construction work continued on the new liquid waste treatment plant at Unanderra, NSW and despite further regulatory delays, this is expected to be commissioned towards the end of FY24. This will enable DGL to service a pipeline of known opportunities in FY25.

Matters Subsequent to the End of the Half-Year

On 1 February 2024, the Group acquired the business and assets of Flexitech Pty Ltd and its related parties. Flexitech manufactures products and provides a toll manufacturing service for customers in the construction sector and, in addition, offers warehouse management services. The total acquisition price was \$1,250,000, funded by cash.

Likely Developments and Expected Results of Operations

The Group expects to continue to execute its business plan, in line with its strategic objectives as outlined in its 2023 Annual Report.

Auditor's Independence Declaration

A copy of the auditor's independence declaration, as required under section 307C of the Corporations Act 2001, is set out on page 4.

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

In relation to our review of the financial report of DGL Group Limited for the half-year ended 31 December 2023, I declare to the best of my knowledge and belief, there have been:

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

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

PKF
Melbourne, 27 February 2024

Kenneth Weldin
Partner

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**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2023**

		31 December 2023	31 December 2022
	Note	\$000	\$000
Sales revenue	2	216,972	217,203
Cost of sales		(119,651)	(137,812)
		<u>97,321</u>	<u>79,391</u>
Other income	2	676	1,388
Acquisition costs relating to business combinations		(1,517)	(2,027)
Employee benefits expense		(49,258)	(36,862)
Administration & general expenses		(10,191)	(8,295)
Legal & professional fees		(2,621)	(1,829)
Occupancy expense		(6,154)	(4,227)
Depreciation & amortisation expense		(13,966)	(10,516)
Net finance costs		(5,108)	(2,774)
Profit before income tax		9,182	14,249
Tax expense		(3,301)	(3,846)
Net profit for the half-year		<u>5,881</u>	<u>10,403</u>
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Loss on derivative contracts held as hedging instruments, net of tax		(135)	(262)
Exchange differences on translating foreign operations, net of tax		372	2,189
Items that will not be reclassified subsequently to profit or loss:			
Hedging gains reclassified to profit and loss, net of tax		(142)	184
Total other comprehensive income for the half-year		<u>95</u>	<u>2,111</u>
Total comprehensive income for the half-year		<u>5,976</u>	<u>12,514</u>
Net profit attributable to:			
Owners of the parent entity		5,881	10,403
Total comprehensive income attributable to:			
Owners of the parent entity		5,976	12,514
Earnings per share			
Basic and diluted earnings per share (cents)	4	2.06	3.69

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31 December 2023 \$000	30 June 2023 \$000
Current Assets			
Cash & cash equivalents		21,230	36,919
Trade & other receivables	5	55,398	52,445
Inventories	6	43,793	37,444
Other financial assets		-	108
Prepayments and other assets		11,983	8,538
Total Current Assets		132,404	135,454
Non-Current Assets			
Property, plant & equipment	7	268,935	246,419
Intangible assets	8	145,298	144,101
Right-of-use assets	9	47,921	43,871
Total Non-Current Assets		462,154	434,391
Total Assets		594,558	569,845
Current Liabilities			
Trade & other payables		35,999	33,480
Lease liabilities		15,702	14,206
Deferred income		1,136	-
Borrowings	10	4,475	6,409
Current tax liabilities		7,284	3,996
Provisions		10,655	9,499
Total Current Liabilities		75,251	67,590
Non-Current Liabilities			
Lease liabilities		34,678	32,047
Deferred income		1,200	-
Borrowings		133,994	121,525
Deferred tax liabilities		8,899	13,387
Provisions		1,177	1,661
Total Non-Current Liabilities		179,948	168,620
Total Liabilities		255,199	236,210
Net Assets		339,359	333,635
Equity			
Share capital	11	258,112	258,364
Reserves		(7,520)	(7,615)
Retained earnings		88,767	82,886
Total Equity		339,359	333,635

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

	Share capital \$000	Retained earnings \$000	Reserves				Total \$000
			Asset revaluation reserve \$000	Cash flow hedge reserve \$000	Merger acquisition reserve \$000	Foreign currency translation reserve \$000	
Balance at 1 July 2022	250,118	62,652	48,886	262	(54,230)	(1,900)	305,788
Comprehensive income							
Profit for the half-year	-	10,403	-	-	-	-	10,403
Other comprehensive income	-	-	-	(78)	-	2,189	2,111
Total comprehensive income	-	10,403	-	(78)	-	2,189	12,514
Transactions with owners, in their capacity as owners, & other transfers							
Share issues net of transaction costs	8,802	-	-	-	-	-	8,802
Sale of land and buildings	-	922	(922)	-	-	-	-
Total transactions with owners & other transfers	8,802	922	(922)	-	-	-	8,802
Balance at 31 December 2022	258,920	73,977	47,964	184	(54,230)	289	327,104
Balance at 1 July 2023	258,364	82,886	48,005	142	(54,230)	(1,532)	333,635
Comprehensive income							
Profit for the half-year	-	5,881	-	-	-	-	5,881
Other comprehensive income	-	-	-	(277)	-	372	95
Total comprehensive income	-	5,881	-	(277)	-	372	5,976
Transactions with owners, in their capacity as owners							
Share issues net of transaction costs	179	-	-	-	-	-	179
Treasury shares bought back	(431)	-	-	-	-	-	(431)
Total transactions with owners	(252)	-	-	-	-	-	(252)
Balance at 31 December 2023	258,112	88,767	48,005	(135)	(54,230)	(1,160)	339,359

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CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

	31 December 2023 \$000	31 December 2022 \$000
Cash flows from operating activities		
Receipts from customers	237,284	233,616
Payments to suppliers & employees	(210,088)	(200,744)
Other income	531	558
Net finance costs	(3,921)	(2,164)
Income tax paid	(4,479)	(6,770)
Net cash generated by operating activities	19,327	24,496
Cash flows from investing activities		
Proceeds from sale of property, plant & equipment	404	13,424
Purchase of property, plant & equipment	(21,195)	(15,857)
Purchase of intangibles	(235)	(26)
Payment of acquisition costs	(1,517)	(2,027)
Purchase of subsidiaries	-	(19,830)
Purchase of business & assets	(13,899)	(9,405)
Cash acquired from acquisition of subsidiaries	-	2,459
Net cash used in investing activities	(36,442)	(31,262)
Cash flows from financing activities		
Payments of capital raising costs	-	(41)
Repayments of short-term financing loans	-	(22,092)
Purchase of own shares	(430)	-
Proceeds from borrowings	10,498	34,038
Repayment of lease liabilities	(8,558)	(6,169)
Net cash provided by financing activities	1,510	5,736
Net decrease in cash held	(15,605)	(1,030)
Cash & cash equivalents at beginning of the period	36,919	25,448
Effect of exchange rates on cash holdings in foreign currencies	(84)	(3)
Cash & cash equivalents at end of the period	21,230	24,415

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

These consolidated financial statements and notes represent those of DGL Group Limited and Controlled Entities (the "Consolidated Group" or "Group").

The financial statements were authorised for issue on 27 February 2024 by the directors of the company.

Note 1 Summary of Significant Accounting Policies

These general-purpose financial statements for the interim half-year reporting period ended 31 December 2023 have been prepared in accordance with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001, as appropriate for 'for profit' entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard (IFRS) IAS 34 Interim Financial Reporting.

The interim financial reporting does not include all the notes of the type usually included in the annual financial report. It is therefore recommended that this financial report be read in conjunction with the financial report for the year ended 30 June 2023 and any public announcements made by the Company since 30 June 2023 in accordance with continuous disclosure obligations of the Corporations Act 2001 and ASX listing rules.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's annual financial report for the financial year ended 30 June 2023.

New Accounting Standards and Interpretations published but not yet adopted.

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

Note 2 Revenue & Other income

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

	Note	31 December 2023 \$000	31 December 2022 \$000
Continued operations			
Revenue from contracts with customers		216,058	215,904
Rental income		914	1,299
Total sales revenue		216,972	217,203
Other income			
Miscellaneous income		77	25
Administration revenue		74	132
Fuel tax credits income		305	303
Foreign exchange gains		151	98
Gain on sale of fixed assets		69	830
Total other income		676	1,388

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

Note 3 Operating segments

Identification of reportable segments

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

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

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

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

Types of products & services by segment

(i) Environmental Services

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

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

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

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

(ii) Chemical Manufacturing

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

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

(iii) Logistics

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

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

(iv) Corporate costs

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

Note 3 Operating segments (continued)

Segment performance

	Environmental Services \$000	Chemical Manufacturing \$000	Logistics \$000	Corporate \$000	Eliminations \$000	Total \$000
Half year ended 31 December 2023						
Revenue						
External sales	49,973	112,274	54,373	352	-	216,972
Inter-company sales	831	10,366	13,067	3,630	(27,894)	-
Total segment revenue	50,804	122,640	67,440	3,982	(27,894)	216,972
Underlying EBITDA	4,679	18,875	12,780	(4,942)	(1,002)	30,390
Depreciation & amortisation	(1,996)	(5,044)	(7,694)	(567)	1,334	(13,967)
Underlying EBIT	2,683	13,831	5,086	(5,509)	332	16,423

Reconciliation of segment result to group net profit before tax

Net finance costs						(5,108)
Acquisition costs						(1,517)
Non-capitalisable ERP development						(616)
Net profit before tax from continuing operations						9,182

	Environmental Services \$000	Chemical Manufacturing \$000	Logistics \$000	Corporate \$000	Eliminations \$000	Total \$000
Half year ended 31 December 2022						
Revenue						
External sales	52,576	129,433	34,784	410	-	217,203
Inter-company sales	32	4,310	6,709	2,795	(13,846)	-
Total segment revenue	52,608	133,743	41,493	3,205	(13,846)	217,203
Underlying EBITDA	6,306	20,573	7,698	(3,045)	(1,966)	29,566
Depreciation & amortisation	(1,437)	(4,094)	(5,751)	(535)	1,301	(10,516)
Underlying EBIT	4,869	16,479	1,947	(3,580)	(665)	19,050

Reconciliation of segment result to group net profit before tax

Net finance costs						(2,774)
Acquisition costs						(2,027)
Net profit before tax from continuing operations						14,249

Note 4 Earnings per Share (EPS)

	31 December 2023 \$000	31 December 2022 \$000
Earnings used in the calculation of basic and diluted EPS	5,881	10,403
	No.	No.
Weighted average number of shares outstanding during the period used in calculated EPS	284,888,315	281,959,021
	Cents	Cents
Basic and diluted earnings per share from continuing operations	2.06	3.69

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

Note 5 Trade & Other Receivables

	31 December 2023	30 June 2023
	\$000	\$000
Trade receivables	55,453	51,210
Provision for impairment	(869)	(543)
	<u>54,584</u>	<u>50,667</u>
Other receivables	814	1,778
Total current trade & other receivables	<u>55,398</u>	<u>52,445</u>

Note 6 Inventories

	31 December 2023	30 June 2023
	\$000	\$000
Raw materials & stores	24,797	27,877
Work in progress	103	527
Finished goods	18,980	9,040
Provision for stock obsolescence	(87)	-
Total inventories	<u>43,793</u>	<u>37,444</u>

Note 7 Property, Plant & Equipment

	Land \$000	Buildings \$000	Leasehold improvements \$000	Plant & equipment \$000	Motor vehicles \$000	Plant under construction \$000	Total \$000
At 1 July 2023							
Cost or fair value	99,151	56,195	1,383	68,419	41,028	19,092	285,268
Accumulated depreciation		(3,321)	(166)	(30,326)	(5,036)	-	(38,849)
Net book amount	<u>99,151</u>	<u>52,874</u>	<u>1,217</u>	<u>38,093</u>	<u>35,992</u>	<u>19,092</u>	<u>246,419</u>
Half year ended 31 December 2023							
Opening net book amount	99,151	52,874	1,217	38,093	35,992	19,092	246,419
Additions	2,950	2,374	104	2,956	8,289	3,681	20,354
Disposals	-	-	-	(16)	(319)	-	(335)
Acquisition through business combinations	2,120	4,630	-	879	560	-	8,189
Depreciation expense	-	(840)	(45)	(2,729)	(2,620)	-	(6,234)
Reclassifications	-	-	106	-	-	(106)	-
Movement in foreign currency	285	211	-	37	4	5	542
Closing net book amount	<u>104,506</u>	<u>59,249</u>	<u>1,382</u>	<u>39,220</u>	<u>41,906</u>	<u>22,672</u>	<u>268,935</u>
At 31 December 2023							
Cost or fair value	104,506	63,408	1,569	72,683	49,392	22,672	314,230
Accumulated depreciation	-	(4,159)	(187)	(33,463)	(7,486)	-	(45,295)
Net book amount	<u>104,506</u>	<u>59,249</u>	<u>1,382</u>	<u>39,220</u>	<u>41,906</u>	<u>22,672</u>	<u>268,935</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

Note 8 Intangible Assets

	Goodwill \$000	Trademarks, brands and certification \$000	Other \$000	Software \$000	Software under development \$000	Total \$000
At 1 July 2023						
Cost	139,931	2,645	2,217	1,764	1,479	148,036
Accumulated amortisation and impairment	(844)	(226)	(1,554)	(1,311)	-	(3,935)
Net book amount	139,087	2,419	663	453	1,479	144,101
Half year ended 31 December 2023						
Opening net book amount	139,087	2,419	663	453	1,479	144,101
Additions	-	-	-	25	209	234
Reclassification to profit and loss	-	-	-	-	(152)	(152)
Acquisition through business combinations	1,070	-	-	37	-	1,107
Reclassification	-	-	79	126	(205)	-
Amortisation expense	-	(11)	-	(44)	-	(55)
Movement in foreign currency	63	-	-	-	-	63
Closing net book amount	140,220	2,408	742	597	1,331	145,298
At 31 December 2023						
Cost	141,064	2,579	808	1,404	1,331	147,186
Accumulated amortisation and impairment	(844)	(171)	(66)	(807)	-	(1,888)
Net book amount	140,220	2,408	742	597	1,331	145,298

Note 9 Leases

	31 December 2023 \$000
Right-of-use assets, land & buildings	
Cost	87,471
Accumulated depreciation	(39,550)
Total right-of-use assets	47,921
Opening net carrying amount	43,871
Additions/renewals	9,611
Acquisitions through business combinations	2,096
Depreciation expense	(7,677)
Movement in foreign exchange	20
Net carrying amount	47,921
AASB 16 related amounts recognised in statement of profit or loss	
Depreciation charge related to right-of-use assets	7,677
Interest expense on lease liabilities	978

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2023
Note 10 Borrowings

	31 December 2023 \$000	30 June 2023 \$000
Current		
Secured liabilities – amortised cost:		
Bank loans	4,113	3,901
Other loans	362	2,508
Total current borrowings	4,475	6,409
Non-Current		
Secured liabilities – amortised cost:		
Bank loans (net of transaction costs)	133,994	121,518
Other loans	-	7
Total non-current borrowings	133,994	121,525

On 19 December 2023 the Group entered into a new Syndicated Facility Agreement. The previous facility with ANZ Banking Group Limited was due to mature in September 2024 and the new multi-option syndicated facility matures in December 2026.

The purpose and covenants of syndicated facilities remain substantially unchanged from the previous facilities.

Purpose of loans

- Facility A purpose to refinance existing financial indebtedness of the group and to fund further acquisitions and capital expenditure.
- Facility B purpose to provide financing of working capital and general corporate purposes.

	Amount Drawn \$000	Total facility \$000
Facility A	75,179	115,000
Facility B	34,572	40,000
Equipment finance	29,127	65,000
Overdraft facility	-	3,000
Total bank loans	138,878	223,000
Transaction costs	(771)	
Total bank loans (net of transaction costs)	138,107	

In addition to the above facilities and subject to the agreement of the lenders and commercial requirements, there is also an additional \$20m accordion facility available.

Covenants

Under the terms of the agreement the group is required to comply with the following financial covenants:

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

There were no breaches of the above covenants, or those relating to the previous facilities, during the period.

Security

Facility A and Facility B are secured by a first ranking security charge over the Group's assets and property excluding those covered under the Equipment finance loans.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2023
Note 11 Issued Capital

	31 December 2023	30 June 2023
	\$000	\$000
284,610,360 fully paid ordinary shares (30 June 2023: 284,911,205)	258,112	258,364
		31 December 2023
	No.	\$000
At the beginning of the reporting period	284,911,205	258,364
Shares issued during the period, net of transaction costs	245,256	179
Own shares acquired during the period, net of transaction costs	(546,101)	(431)
At the end of the reporting period	284,610,360	258,112

On 8 August 2023, 245,256 fully paid ordinary shares were issued at 78.5 cents per share. The share issuance was to certain members of the executive management team following a remuneration review. No cash was raised.

Between 17 October and 20 October 2023, the Company performed an on-market share buy-back of 546,101 of its own shares for a total cash consideration of \$431,000 and an average share price of 78.8 cents per share. At 31 December 2023 these were held as treasury shares.

Note 12 Dividends

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2023
Note 13 Business Combinations
Summary of Business Combinations during the period

During the financial reporting period, the Group acquired the business and assets of 3 companies. A summary of the combinations is as follows:

	Fair Value \$000
Purchase consideration	
- Cash	12,649
	<u>12,649</u>
Net assets acquired	
- Other Assets	340
- Inventory	3,639
- Property, Plant & equipment	8,189
- Intangible Assets	37
- Right-of-use assets	2,096
- Lease liabilities	(2,096)
- Borrowings	(27)
- Provisions	(599)
Total identifiable assets acquired, and liabilities assumed	<u>11,579</u>
Goodwill provisionally accounted for	<u>1,070</u>

Acquisition of Qblend

On 1 July 2023 DGL Manufacturing purchased the business and assets of Qblend Pty Ltd, a privately owned powder blending and repacking business based in Carole Park, Brisbane.

	Fair Value \$000
Purchase consideration	
- Cash	700
	<u>700</u>
Net assets acquired	
- Inventory	30
- Property, Plant & equipment	351
- Right of use assets	1,272
- Right of use liabilities	(1,272)
Total identifiable assets acquired, and liabilities assumed	<u>381</u>
Goodwill provisionally accounted for	<u>319</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2023
Note 13 Business Combinations (continued)
Acquisition of Kinnear transport

On 1 August 2023 DGL Warehousing & Distribution purchased the business and assets of Kinnear Transport, a Western Australia-based heavy vehicle carrier specialising in the transport and storage of chemicals.

	Fair Value
	\$000
Purchase consideration	
- Cash	7,676
	<u>7,676</u>
Net assets acquired	
- Property, Plant & equipment	7,527
- Borrowings	(27)
- Provisions	(68)
	<u>7,432</u>
Total identifiable assets acquired, and liabilities assumed	<u>7,432</u>
Goodwill provisionally accounted for	<u>244</u>

Acquisition of Allnex

On 1 December 2023 DGL Manufacturing Ltd purchased the business and assets of Allnex New Zealand Ltd's construction products division, expanding our range of products in the construction industry and complementary to the pre-existing Bondlast business in New Zealand.

	Fair Value
	\$000
Purchase consideration	
- Cash	4,273
	<u>4,273</u>
Net assets acquired	
- Other Assets	340
- Inventory	3,609
- Property, Plant & equipment	311
- Intangible Assets	37
- Right of use assets	824
- Right of use liabilities	(824)
- Provisions	(531)
	<u>3,766</u>
Total identifiable assets acquired, and liabilities assumed	<u>3,766</u>
Goodwill provisionally accounted for	<u>507</u>

In addition to the three business combinations completed in the period, DGL paid a deposit in relation to the assets and business of Katanning Logistics of \$1,250,000 in cash. The deposit is held within prepayments and other assets.

The fair value of assets and liabilities acquired in business combinations between 1 January 2023 to 30 June 2023 remain provisional.

No goodwill is deductible for tax purposes. Goodwill is attributed to the high profitability of the acquired companies and the synergies expected to arise on integration with the Group.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2023
Note 14 Related party transactions

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

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.

Other Related Parties

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

(b) Transactions with related parties:

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

The following transactions occurred with related parties:

	31 December 2023	31 December 2022
	\$	\$
Transactions with Simon Henry & his controlled entities		
Administration revenue charged to Simon Henry and his controlled entities	74,278	132,112
Rental and related expenses charged by Simon Henry and his controlled entities	(118,431)	(75,412)
Transactions with other related parties		
Company secretarial fees and reimbursement of expenses, paid to DW Accounting & Advisory Pty Ltd, of which Mr Andrew Draffin is a director and shareholder. DW Accounting & Advisory Pty Ltd is a shareholder of DGL Group Limited	(157,446)	(114,197)
Due diligence and professional training fees paid to BDO Australia, of which Denise Brotherton is a Partner	(12,000)	(511,850)
Rental and related expenses charged by entities that Mr Robert Sushames or his close family have an interest in	(561,045)	(936,727)
Cleaning services provided by D&A Enterprise in which a close relative of KMP, Aaron Bardell, has an interest	(2,454)	(1,800)

Note 15 Events occurring after the reporting period

On 1 February 2024, the Group acquired the business and assets of Flexitech Pty Ltd and its related parties. Flexitech manufactures products and provides a toll manufacturing service for customers in the construction sector and in addition offers warehouse management services. The total acquisition price was \$1,250,000, funded by cash.

Directors' Declaration

In the directors' opinion:

1. The financial statements and accompanying notes set out on pages 5 to 18 are in accordance with the Corporations Act 2001 including:
 - a) Complying with Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - b) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2023 and of its performance for the half-year ended on that date; and
2. There are reasonable grounds to believe that DGL Group Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.



Tim Hosking

Chairman

27 February 2024

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

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of DGL Group Limited (the Company) and its subsidiaries (collectively, the Group), which comprises the condensed consolidated statement of financial position as at 31 December 2023, and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes, and the directors' declaration.

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

- (a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance for the half-year ended on that date; and
- (b) complying with the Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

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

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

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Directors' Responsibility for the Half-Year Financial Report

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

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

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2023 and its performance for the half year ended on that date, and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

A handwritten signature in black ink that reads 'PKF'.

PKF
Melbourne, 27 February 2024

A handwritten signature in black ink that reads 'Kenneth Weldin'.

Kenneth Weldin
Partner

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