

Redox Limited

ABN 92 000 762 345

Interim Report - 31 December 2023

Redox Limited
Appendix 4D
Half-year report

1. Company details

Name of entity:	Redox Limited
ABN:	92 000 762 345
Reporting period:	For the half-year ended 31 December 2023
Previous period:	For the half-year ended 31 December 2022

2. Results for announcement to the market

		%	\$'000
Revenues from ordinary activities	down	(8.4%)	581,904
Profit from ordinary activities after tax attributable to the owners of Redox Limited	up	6.8%	39,568
Profit for the half-year attributable to the owners of Redox Limited	up	6.8%	39,568

Comments

The profit for the Group after providing for income tax amounted to \$39,568,000 (31 December 2022: \$37,043,000).

Refer to the 'Review of operations' section of the Directors' report accompanying this Appendix 4D for the further commentary.

3. Dividends

Current period

There were no dividends paid, recommended or declared during the current financial half-year.

On 26 February 2024, the Board declared a fully franked interim dividend of 6 cents per share, to be paid on 20 March 2024.

Previous period

	Amount per security Cents	Franked amount per security Cents
Final dividend for the half-year ended 31 December 2022 per ordinary share paid on 5 September 2022	7.48	7.48

On 13 June 2023, the Company undertook a share multiplication in preparation for its ASX listing. A share multiplication of 185.119 has been applied to the 2022 comparatives for dividend per share to enhance year on year comparability.

4. Net tangible assets

	31 Dec 2023 Cents	30 Jun 2023 Cents
Net tangible assets per ordinary security	<u>97.37</u>	<u>53.84</u>

Net tangible assets per share are shown after the impacts of share multiplication. On 13 June 2023, the Company went through a share multiplication process in preparation for its ASX listing. A share multiplication of 185.119 has been applied to the 2022 comparatives for dividend per share to enhance year on year comparability.

Net tangible assets exclude the right-of-use assets and corresponding lease liabilities recognised under AASB 16.

5. Control gained over entities

Not applicable.

6. Loss of control over entities

Not applicable.

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Foreign entities

Details of origin of accounting standards used in compiling the report:

Not applicable.

10. Audit qualification or review

Details of audit/review dispute or qualification (if any):

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

11. Attachments

Details of attachments (if any):

The Interim Report of Redox Limited for the half-year ended 31 December 2023 is attached.

12. Signed



Signed _____

Date: 26 February 2024

Ian Campbell
Director

Redox Limited
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31 December 2023

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Redox Limited
Directors' report
31 December 2023

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group' or 'Redox') consisting of Redox Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2023 ('1H FY24').

Directors

The following persons were Directors of Redox Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Ian Campbell
Raimond Coneliano
Renato Coneliano
Mary Verschuer
Garry Wayling
Robert Coneliano (resigned on 5 July 2023)
Richard Coneliano (Alternate Director appointed on 1 September 2023)

Principal activities

The principal activity of the Group during the financial half-year was wholesaling of chemicals, ingredients, plastics and other raw materials. The significant majority of those products are sourced outside of Australia.

Business model

Redox purchases chemicals, ingredients and raw materials from manufacturers and sells to businesses which utilise the chemicals, ingredients and raw materials as inputs into their manufacturing or production processes. The significant majority of those products are sourced outside of Australia. The activities of the Group consists of:

- o Sourcing, negotiating and regulatory management, which includes:
 - Accessing overseas suppliers;
 - Tracking international market pricing;
 - Obtaining bulk purchase rates;
 - Arranging international shipping and customs clearances; and
 - Negotiating regulatory requirements
- o Warehousing, value-add services, testing and packaging which includes:
 - Warehousing and storage;
 - Mixing, blending and formulating;
 - Filling, packaging and labelling; and
 - Laboratory testing
- o Transport facilitation to customers which includes:
 - Logistics co-ordination; and
 - Bundling and delivery

Operating and financial review

Group results

This Operating and Financial Review (OFR) includes financial information based on financial statements prepared in accordance with International Financial Reporting Standards (IFRS).

Non-IFRS measures have also been included in this OFR including underlying EBITFX, underlying EBITDAFX and underlying NPATFX. These measures have been defined below and have been included as they are used internally by management to assess the performance of Redox's business, make decisions on the allocation of its resources and assess operational and executive management, including the Executive Directors. Non-IFRS measures have not been subject to audit or review.

All amounts are in Australian dollars.

Summary financial results

	Consolidated 1H FY24 \$'000	1H FY23 \$'000	Change %
Revenue	581,904	635,322	(8.4%)
Cost of sales	(447,580)	(505,326)	(11.4%)
Gross profit	134,324	129,996	3.3%
Underlying operating expenses	(67,062)	(61,949)	8.3%
Underlying EBITFX	67,262	68,047	(1.2%)
Net finance income/(costs)	1,803	(5,626)	(132.1%)
Underlying net profit before tax	69,065	62,421	10.6%
Tax at effective tax rate	(21,411)	(18,477)	15.9%
Underlying NPATFX	47,654	43,944	8.4%
<u>Other information</u>			
Gross profit margin	23.1%	20.5%	2.6pps
Underlying EBITDAFX	71,403	71,914	(0.7%)
EBITDA	59,697	62,111	(3.9%)
Listing costs	(4,044)	(261)	1,449.4%
Net unrealised losses on forward exchange contracts	(7,662)	(9,542)	(19.7%)
Effective tax rate	31.0%	29.6%	1.4pps
Statutory NPAT	39,568	37,043	6.8%
Dividends paid or payable in respect of six month period	-	32,214	(100%)
Dividend payout ratio	0%	87%	(87pps)
Underlying earnings per share (cents)	9.08	10.21	(11.1%)
Basic earnings per share (cents)	7.54	8.60	(12.3%)
Total dividends per share in respect of six month period (cents)	-	7.48	(100%)
Term	Definition		
Gross profit margin	Gross profit as a percentage of revenue		
Underlying operating expenses	Operating expenses (being administration, distribution and storage and other expenses) less listing costs		
Underlying EBITFX	Earnings before net finance costs, taxation, net unrealised currency movements on forward exchange contracts and listing costs		
Underlying EBITDAFX	Underlying EBITFX before depreciation and amortisation		
Underlying net profit before tax	Earnings before taxation, net unrealised currency movements on forward exchange contracts and listing costs		
Underlying NPATFX / underlying earnings	Underlying net profit before tax less taxation at effective tax rate (31.0% in 1H FY24) before net unrealised currency movements on forward exchange contracts		
Effective tax rate	Statutory income tax benefit/(expense) divided by net profit after tax		
Statutory NPAT	Statutory net profit after tax		
Net debt	Current loans and borrowings, plus non-current loans and borrowings, plus cash and cash equivalents		
Net working capital (NWC)	The sum of trade receivables, inventory, prepayments, trade payables (including accruals), and employee benefit provisions		
NWC/revenue (%)	Net working capital as a percentage of revenue		

Earnings

The result of an 8.4% growth in NPATFX for the 1H FY24 demonstrates the robustness of the Redox operating model.

Revenue

The 1H FY24 revenue declined by 8.4% compared to the previous corresponding period. The decline in revenue was driven by global price deflation on a wide range of products.

The volume of product sold in the 1H FY24 has increased in line with historical average over the previous corresponding period with stronger growth in Animal Health & Nutrition and Plastics, Rubber and Foam products.

In the North American market, the volume of product sold in the 1H FY24 grew significantly over the previous corresponding period with strong expansion in the Human Health & Nutrition sector.

Gross Margin

Despite the top line price deflation, volume growth in sales and lower cost of sales have delivered a Gross margin for 1H FY24 of 23.1%, an improvement of 2.6 percentage points over 1H FY23 of 20.5%.

Expenses

The table below summarises the operating expenses incurred during the 6 months to 31 December 2023 and the previous corresponding period:

	Consolidated	
	1H FY24	1H FY23
	\$'000	\$'000
Administration expenses	(31,533)	(30,509)
Distribution and storage expenses	(25,360)	(23,707)
Other expenses	(10,169)	(7,733)
Underlying operating expenses	(67,062)	(61,949)
Listing costs	(4,044)	(261)
Total operating expenses	<u>(71,106)</u>	<u>(62,210)</u>
Underlying operating expense %	11.5%	9.8%
Unrealised losses on forward exchange contracts	(7,662)	(9,542)

The increase in administration expenses of \$1.0 million (3.4%) is mainly due to annual salary increases, additional employees hired during the year to support sales growth and offset by reduction in bonus payments due to lower sales revenue.

The increase in distribution and storage expenses of \$1.7 million (7.0%) during the year is reflective of increased volumes from strong sales growth, increases in freight and warehouse rates and higher than expected CPI indexation.

The increase in other costs of \$2.4 million (31.5%) was driven by increases in insurance premium rates, property outgoings, higher compliance costs since becoming a listed company and increases in travel costs with the easing of COVID-19 restrictions.

Listing costs comprise ASX listing costs incurred during both periods, and principally relate to legal, tax and accounting due diligence fees.

Unrealised (losses)/gains on forward exchange contracts relate to non-cash mark to market adjustments on Redox's open forward exchange contracts at year end. These amounts arise as Redox secures its foreign currency denominated purchasing prices by entering into forward exchange contracts on or around the date of agreeing the related purchase order. The year end balances are determined by movements in exchange rates between the date the forward exchange contract was executed and the closing year end rate. The computed year end mark to market adjustments are non-cash amounts, subject to exchange rate volatility, and are transient in nature as they are based on exchange rates at an exact point in time. Management does not therefore consider these movements to be part of underlying profitability.

Net finance income/(expense)

Approximately \$1.8 million of net finance income during 1H FY24 (1H FY23: \$5.6 million) relates to funds raised at the Company's ASX listing. The proceeds were used to repay in full the Group's related party loan in early July 2023, and the balance was placed in short term deposit.

Profitability

Reconciliations of the Group's EBITDA to underlying EBITDAFX, statutory NPAT to underlying NPATFX, and statutory NPAT to EBITDA are shown below:

Reconciliation of statutory NPAT to underlying NPATFX

	Consolidated	Consolidated
	1H FY24	1H FY23
	\$'000	\$'000
Statutory NPAT	39,568	37,043
Add: Statutory tax	17,791	15,575
Add: Listing costs	4,044	261
Add: Unrealised losses on forward exchange contracts	7,662	9,542
Less: Tax @ 31.0% (1H FY23: 29.6%) (statutory effective tax rate)	(21,411)	(18,477)
Underlying NPATFX	<u>47,654</u>	<u>43,944</u>

Reconciliation of EBITDA to underlying EBITDAFX

	Consolidated	Consolidated
	1H FY24	1H FY23
	\$'000	\$'000
EBITDA	59,697	62,111
Add: listing costs	4,044	261
Add: Unrealised losses on forward exchange contracts	7,662	9,542
Underlying EBITDAFX	<u>71,403</u>	<u>71,914</u>

Reconciliation of statutory NPAT to EBITDA

	Consolidated	Consolidated
	1H FY24	1H FY23
	\$'000	\$'000
Statutory NPAT	39,568	37,043
Add: Net finance (income)/costs	(1,803)	5,626
Add: Income tax expense	17,791	15,575
Add: Depreciation and amortisation	4,141	3,867
EBITDA	<u>59,697</u>	<u>62,111</u>

Cash flow

Cash flow results

	Consolidated 1H FY24 \$'000	1H FY23 \$'000
Underlying net operating cash flow	84,297	37,025
Less: Listing costs	(4,044)	(261)
Statutory net operating cash flow	80,253	36,764

Underlying net operating cash flow increased by \$47 million to an inflow of \$84 million for the period ended 31 December 2023 by comparison to an inflow of \$37 million in 31 December 2022 as a result of an improvement in working capital inflow in 1H FY24 compared 1H FY23.

Balance sheet management

Financial metrics

	As at 31 December 2023	As at 30 June 2023
Net cash / (debt) (\$'000)	83,366	(145,690)
Net working capital ('NWC') (\$'000)	337,256	367,915
NWC/revenue (%)	29.0%	29.3%
Return on invested capital	18.1%	21.3%

Net working capital

Net working capital has normalised back to the historical range.

Return on invested capital (ROIC)

The Group achieved an average ROIC of 18.1% for the period ended 31 December 2023. Other things being equal, this metric would be expected to further improve with the deployment of cash in its investing activities throughout FY24.

Dividends

There were no dividends paid or declared in the half-year ended 31 December 2023.

On 26 February 2024, the Board declared a fully franked interim dividend of 6 cents per share, to be paid on 20 March 2024.

Acquisitions

On 14 December 2023, the Group acquired the chemical trading business from Element Raw Materials Ltd (Element), an unlisted company based in New Zealand that specialised in chemical trading for corporates in Agriculture, Plastics and Green Chemistry fields. The Group has acquired net assets amounting to \$1,257,000 and paid cash amounting to \$1,815,000 which provisionally resulted in goodwill of \$558,000.

Outlook

Redox achieved a volume growth in line with historical average during the first six months leading up to December 2023 compared to the corresponding period in the previous year. The Board is optimistic about sustaining this volume growth throughout the remaining months of the 2024 financial year (FY24).

The price deflation experienced in 1H FY24 now seems to have stabilized. As a result, there is an uplift in forward order values.

Recent disruption in the shipping route in the Red Sea and Suez Canal has resulted in a more than twofold increase in containerized sea freight cost over the last two months. This disruption is expected to impact the cost of goods, resulting in higher average sell price per unit.

Significant changes in the state of affairs

On 3 July 2023, the Company successfully completed an initial public offering ('IPO') of shares and raised \$241 million through the allotment of 94,511,383 shares at \$2.55 per share.

The \$241 million was used to repay all the Group's related party loans and progressively pay down bank borrowings, with surplus cash remaining after float costs to be used to support the Group's ongoing growth plans.

The Company was admitted to the official list of ASX Limited ('ASX') on 3 July 2023 and its shares began trading on 5 July 2023 ('Listing date').

There were no other significant changes in the state of affairs of the Group during the financial half-year.

Events after the reporting period

Other than the declaration of the interim dividend, there has been no other subsequent events requiring disclosure.

Rounding of amounts

The Company is of 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.

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 immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the Directors



Ian Campbell
Director



Raimond Coneliano
Director

26 February 2024
Sydney

The Board of Directors
Redox Limited
2 Swettenham Road
Minto NSW 2566

26 February 2024

Dear Board Members,

Auditor's Independence Declaration to Redox Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Redox Limited.

As lead audit partner for the review of the half year financial report of Redox Limited for the half year ended 31 December 2023, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- The auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- Any applicable code of professional conduct in relation to the review.

Yours faithfully,

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Andrew Heather

Andrew Heather
Partner
Chartered Accountants

Redox Limited
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2023

		Consolidated	
	Note	31 Dec 2023	31 Dec 2022
		\$'000	\$'000
Revenue	4	581,904	635,322
Cost of sales		(447,580)	(505,326)
Gross profit		134,324	129,996
Net unrealised loss on forward foreign exchange contracts		(7,662)	(9,542)
Distribution and storage expenses		(25,360)	(23,707)
Administration expenses		(31,533)	(30,509)
Other expenses		(14,213)	(7,994)
Operating profit		55,556	58,244
Finance income	6	3,074	28
Finance costs	6	(1,271)	(5,654)
Profit before income tax expense		57,359	52,618
Income tax expense		(17,791)	(15,575)
Profit after income tax expense for the half-year attributable to the owners of Redox Limited		39,568	37,043
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		(205)	2,079
Other comprehensive income for the half-year, net of tax		(205)	2,079
Total comprehensive income for the half-year attributable to the owners of Redox Limited		39,363	39,122
		Cents	Cents
Basic earnings per share	7	7.54	8.60
Diluted earnings per share	7	7.54	8.60

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Redox Limited
Consolidated statement of financial position
As at 31 December 2023

		Consolidated	
	Note	31 Dec 2023	30 Jun 2023
		\$'000	\$'000
Assets			
Current assets			
Cash and cash equivalents		94,921	35,028
Trade and other receivables	8	185,262	210,780
Inventories	9	265,263	279,990
Derivative financial instruments	13	-	2,529
Other current assets	10	83,778	4,182
Total current assets		629,224	532,509
Non-current assets			
Property, plant and equipment		10,647	9,571
Right-of-use assets		33,878	34,813
Intangibles	11	558	-
Deferred tax		7,596	2,966
Total non-current assets		52,679	47,350
Total assets		681,903	579,859
Liabilities			
Current liabilities			
Trade and other payables		100,701	106,169
Borrowings	12	11,555	47,072
Lease liabilities		7,351	5,768
Derivative financial instruments	13	5,153	-
Income tax		6,318	10,550
Employee benefits	14	8,885	8,816
Total current liabilities		139,963	178,375
Non-current liabilities			
Borrowings	12	-	133,646
Lease liabilities		28,964	31,378
Employee benefits	14	1,144	1,498
Total non-current liabilities		30,108	166,522
Total liabilities		170,071	344,897
Net assets		511,832	234,962
Equity			
Issued capital	15	239,566	2,326
Reserves	16	4,769	4,707
Retained profits		267,497	227,929
Total equity		511,832	234,962

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

Redox Limited
Consolidated statement of changes in equity
For the half-year ended 31 December 2023

Consolidated	Issued capital \$'000	Reserves \$'000	Retained profits \$'000	Total equity \$'000
Balance at 1 July 2022	2,326	2,540	228,954	233,820
Profit after income tax expense for the half-year	-	-	37,043	37,043
Other comprehensive income for the half-year, net of tax	-	2,079	-	2,079
Total comprehensive income for the half-year	-	2,079	37,043	39,122
Transactions with owners in their capacity as owners:				
Dividends paid (note 17)	-	-	(32,214)	(32,214)
Balance at 31 December 2022	2,326	4,619	233,783	240,728

Consolidated	Issued capital \$'000	Reserves \$'000	Retained profits \$'000	Total equity \$'000
Balance at 1 July 2023	2,326	4,707	227,929	234,962
Profit after income tax expense for the half-year	-	-	39,568	39,568
Other comprehensive income for the half-year, net of tax	-	(205)	-	(205)
Total comprehensive income for the half-year	-	(205)	39,568	39,363
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 15)	237,240	-	-	237,240
Equity-settled share-based payments (note 16)	-	267	-	267
Balance at 31 December 2023	239,566	4,769	267,497	511,832

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

Redox Limited
Consolidated statement of cash flows
For the half-year ended 31 December 2023

		Consolidated	
	Note	31 Dec 2023	31 Dec 2022
		\$'000	\$'000
Cash flows from operating activities			
Receipts from customers		665,993	696,473
Payments to suppliers and employees		(562,504)	(632,781)
Interest received	6	3,074	28
Interest and other finance costs paid	6	(1,271)	(2,579)
Income taxes paid		(25,039)	(24,377)
Net cash from operating activities		80,253	36,764
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired	20	(1,815)	-
Payments for property, plant and equipment		(2,178)	(1,855)
Payments for deposits		(80,000)	-
Proceeds from disposal of property, plant and equipment		189	16
Net cash used in investing activities		(83,804)	(1,839)
Cash flows from financing activities			
Proceeds from issue of shares	15	241,004	-
Share issue transaction costs		(5,378)	-
Net repayment of borrowings		(35,517)	(28,556)
Net (repayment)/proceeds from related party loans		(133,646)	13,991
Repayment of lease liabilities		(3,030)	(2,750)
Dividends paid	17	-	(32,214)
Net cash from/(used in) financing activities		63,433	(49,529)
Net increase/(decrease) in cash and cash equivalents		59,882	(14,604)
Cash and cash equivalents at the beginning of the financial half-year		35,028	40,597
Effects of exchange rate changes on cash and cash equivalents		11	(211)
Cash and cash equivalents at the end of the financial half-year		94,921	25,782

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

Note 1. General information

The financial statements comprise of Redox Limited (the 'Company' or 'parent') and the entities it controlled (together the 'Group' or 'Redox') at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is Redox Limited's functional and presentation currency.

Redox Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

2 Swettenham Road
Minto NSW 2566
Australia

A description of the nature of the Group's operations and its principal activities is included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 26 February 2024.

Note 2. 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', as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements are condensed financial statements that do not include all the information and disclosures required in the annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2023.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the policies stated below.

Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the Group assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Business combinations are initially accounted for on a provisional basis. The Group retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the Group receives all the information needed to determine fair value.

Share-based payments

Equity-settled share-based compensation in the form of performance rights have been provided to employees. The fair value of the share-based payment determined at grant date is recognised as an employee benefit expense over the vesting period with a corresponding increase in equity. The vesting period represents the time over which specified criteria is to be fulfilled in order for the recipient to become fully entitled to the instrument. The amount recognised as an expense each period is adjusted to reflect the actual number of performance rights that are expected to vest.

Note 2. Significant accounting policies (continued)

New or amended Accounting Standards and Interpretations adopted

No new or amended Accounting Standards or Interpretations have been adopted in these financial statements since the previous report.

Note 3. Operating segments

Identification of reportable operating segments

The Group operates in one segment, based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers) in assessing performance and in determining the allocation of resources.

Redox manages its operations as a single business operation and there are no parts of the business or geographical locations that qualify as separate operating segments under AASB 8 Operating Segments. The Directors assess the financial performance of Redox on an integrated basis only and accordingly, Redox is managed on the basis of a single segment.

Note 4. Revenue

	Consolidated	
	31 Dec 2023	31 Dec 2022
	\$'000	\$'000
Sale of goods	581,904	635,322

Disaggregation of revenue

The disaggregation of revenue from contracts with customers is as follows:

	Consolidated	
	31 Dec 2023	31 Dec 2022
	\$'000	\$'000
Major product lines		
Chemicals, ingredients, plastics and raw materials	580,906	634,399
Other	998	923
	581,904	635,322
Geographical regions*		
Australia	493,189	531,906
New Zealand	44,467	56,766
United States of America	38,936	39,153
Others	5,312	7,497
	581,904	635,322
Timing of revenue recognition		
Goods transferred at a point in time	581,904	635,322

* Aggregate revenue from customers located outside Australia, based on the country where the sale was made, was \$88,715,000 (31 December 2022: \$103,416,000).

Redox Limited
Notes to the consolidated financial statements
31 December 2023

Note 5. Expenses

Profit before income tax includes the following specific expenses:

Depreciation

Property, plant and equipment
Right-of-use assets

Total depreciation

Impairment

Net (reversal)/allowance for expected credit losses

Net (gain)/loss on disposal

Net (gain)/loss on disposal of property, plant and equipment

Employee benefits expense

Total employee benefits expense

Note 6. Finance (income)/costs (net)

Finance income

Interest income

Finance costs

Interest and finance charges
Interest and finance charges on lease liabilities
Total finance costs

Finance (income)/costs (net)

Note 7. Earnings per share

Profit after income tax attributable to the owners of Redox Limited

Weighted average number of ordinary shares used in calculating basic earnings per share

Weighted average number of ordinary shares used in calculating diluted earnings per share

Basic earnings per share
Diluted earnings per share

Consolidated
31 Dec 2023 31 Dec 2022
\$'000 \$'000

1,005 924
3,135 2,943

4,140 3,867

(212) 2

(92) 71

28,131 25,898

Consolidated
31 Dec 2023 31 Dec 2022
\$'000 \$'000

(3,074) (28)

616 4,946
655 708
1,271 5,654

(1,803) 5,626

Consolidated
31 Dec 2023 31 Dec 2022
\$'000 \$'000

39,568 37,043

Number Number

525,081,428 430,570,044

525,081,428 430,570,044

Cents Cents

7.54 8.60
7.54 8.60

Note 7. Earnings per share (continued)

On 13 June 2023 the Company undertook a share multiplication in preparation for its ASX Listing. A share multiplication of 185.119 has been applied to the 2022 comparatives for earnings per share to enhance year on year comparability.

Note 8. Trade and other receivables

	Consolidated	
	31 Dec 2023 \$'000	30 Jun 2023 \$'000
Current assets		
Trade receivables	185,768	211,498
Less: Allowance for expected credit losses	(506)	(718)
	<u>185,262</u>	<u>210,780</u>

Allowance for expected credit losses

The Group has recognised a reversal of provision of \$212,000 (31 December 2022: additional provision of \$2,000) in profit or loss in respect of the expected credit losses for the half-year ended 31 December 2023.

Note 9. Inventories

	Consolidated	
	31 Dec 2023 \$'000	30 Jun 2023 \$'000
Current assets		
Inventory on hand - at cost	151,004	193,041
Inventory in transit - at cost	114,259	86,949
	<u>265,263</u>	<u>279,990</u>

Note 10. Other current assets

	Consolidated	
	31 Dec 2023 \$'000	30 Jun 2023 \$'000
Current assets		
Prepayments	3,778	4,182
Term deposits (maturity over 3 months)	80,000	-
	<u>83,778</u>	<u>4,182</u>

Note 11. Intangibles

	Consolidated	
	31 Dec 2023 \$'000	30 Jun 2023 \$'000
Non-current assets		
Goodwill - at cost	558	-

Note 11. Intangibles (continued)

Reconciliation

Reconciliation of the written down values at the beginning and end of the current financial half-year is set out below:

	Goodwill \$'000
Consolidated	
Balance at 1 July 2023	-
Additions through business combinations (note 20)	558
Balance at 31 December 2023	558

Note 12. Borrowings

	Consolidated 31 Dec 2023 \$'000	30 Jun 2023 \$'000
Current liability		
Trade finance	11,555	47,072
Non-current liability		
Loan from related party	-	133,646
	11,555	180,718

Trade finance

The trade finance facilities are renewed on an annual basis.

Loan from the related party

The loan to Ceneda Pty Ltd was repaid in full on 5 July 2023.

Financing arrangements

Unrestricted access was available at the reporting date to the following lines of credit facility:

	Consolidated 31 Dec 2023 \$'000	30 Jun 2023 \$'000
Total facilities		
Trade finance/multi-option facilities	182,834	183,277
Used at the reporting date		
Trade finance	11,555	47,072
Unused at the reporting date		
Trade finance	171,279	136,205

Note 13. Derivative financial instruments

	Consolidated	
	31 Dec 2023	30 Jun 2023
	\$'000	\$'000
Current asset		
Forward foreign exchange contracts	-	2,529
Current liabilities		
Forward foreign exchange contracts	5,153	-
	<u>5,153</u>	<u>2,529</u>

Refer to note 18 for further information on fair value measurement.

Note 14. Employee benefits

	Consolidated	
	31 Dec 2023	30 Jun 2023
	\$'000	\$'000
Current liability		
Annual leave	4,190	4,132
Long service leave	4,695	4,684
	<u>8,885</u>	<u>8,816</u>
Non-current liability		
Long service leave	1,144	1,498
	<u>10,029</u>	<u>10,314</u>

Note 15. Issued capital

	Consolidated			
	31 Dec 2023	30 Jun 2023	31 Dec 2023	30 Jun 2023
	Shares	Shares	\$'000	\$'000
Ordinary shares - fully paid (i)	525,081,428	-	239,566	-
B Class ordinary shares - fully paid (ii)	-	3,702,381	-	20
C Class ordinary shares - fully paid (iii)	-	426,867,663	-	2,306
	<u>525,081,428</u>	<u>430,570,044</u>	<u>239,566</u>	<u>2,326</u>

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$'000
Balance	1 July 2023	-		-
Conversion of B Class ordinary shares	3 July 2023	3,702,381		20
Conversion of C Class ordinary shares	3 July 2023	426,867,663		2,306
Issue of shares	3 July 2023	94,511,384	\$2.55	241,004
Share issue transactions costs, net of tax		-		(3,764)
Balance	31 December 2023	<u>525,081,428</u>		<u>239,566</u>

Note 15. Issued capital (continued)

Movements in B Class ordinary share capital

Details	Date	Shares	\$'000
Balance	1 July 2023	3,702,381	20
Conversion to ordinary shares	3 July 2023	(3,702,381)	(20)
Balance	31 December 2023	-	-

Movements in C Class ordinary share capital

Details	Date	Shares	\$'000
Balance	1 July 2023	426,867,663	2,306
Conversion to ordinary shares	3 July 2023	(426,867,663)	(2,306)
Balance	31 December 2023	-	-

Ordinary shares

- (i) Ordinary shares entitle the holder to participate in any dividends declared and any proceeds attributable to shareholders should the Company be wound up in proportions that consider both the number of shares held and the extent to which those shares are paid up. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital. On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.
- (ii) B Class ordinary shares entitled the holder to vote, to receive dividends as declared by the Board of Directors and to participate in capital on winding up.
- (iii) C Class ordinary shares entitled the holder to vote when B Class ordinary shares are no longer in existence. C Class ordinary shares continue to receive dividends as declared by the Board of Directors and to participate in capital on a winding up.

On 3 July 2023, all B and C Class shares were converted to ordinary shares.

Share buy-back

There is no current on-market share buy-back.

Note 16. Reserves

	Consolidated	
	31 Dec 2023	30 Jun 2023
	\$'000	\$'000
Foreign currency translation reserve	4,502	4,707
Share-based payments reserve	267	-
	4,769	4,707

Foreign currency translation reserve

The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars.

Share-based payments reserve

The reserve is used to recognise the value of equity benefits provided to senior executives as part of their remuneration.

Note 16. Reserves (continued)

Movements in reserves

Movements in each class of reserve during the current financial half-year are set out below:

Consolidated	Foreign currency translation \$'000	Share- based payments \$'000
Balance at 1 July 2023	4,707	-
Foreign currency translation	(205)	-
Share-based payments*	-	267
Balance at 31 December 2023	4,502	267

* On 1 July 2023, the Company issued performance rights pursuant to the long-term incentive plan to senior executives of the Company.

Note 17. Dividends

Dividends paid during the half-year were as follows:

	Consolidated	
	31 Dec 2023 \$'000	31 Dec 2022 \$'000
Ordinary shares	-	-
B Class ordinary shares dividends	-	277
C Class ordinary shares dividends	-	31,937
Dividends	-	32,214

There were no dividends paid or declared in the half-year ended 31 December 2023 (2022: 7.48 cents per share).

On 26 February 2024, the Board declared a fully franked interim dividend of 6 cents per share, to be paid on 20 March 2024.

Note 18. Fair value measurement

Fair value hierarchy

The following tables detail the Group's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

Consolidated - 31 Dec 2023	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Liabilities				
Forward foreign exchange contracts	-	5,153	-	5,153
Total liabilities	-	5,153	-	5,153

Note 18. Fair value measurement (continued)

Consolidated - 30 Jun 2023	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Assets				
Forward foreign exchange contracts	-	2,529	-	2,529
Total assets	-	2,529	-	2,529

There were no transfers between levels during the financial half-year.

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

Valuation techniques for fair value measurements categorised within level 2

Derivative financial instruments have been valued using values derived from adjusted quoted prices. This valuation technique maximises the use of observable market data where it is available and relies as little as possible on entity specific estimates.

Note 19. Contingent liabilities

Contingent liabilities for current and previous period are set out below:

	Consolidated	
	31 Dec 2023 \$'000	30 Jun 2023 \$'000
Bank guarantees	3,395	3,376
Surrendered bills of lading	2,047	6,712
Documentary letters of credit	1,239	2,688
IPO underwriting costs and management fee	-	8,964
	<u>6,681</u>	<u>21,740</u>

The bank guarantees are provided to relevant government authorities for access to the deferred GST scheme. No contingent liability has been recognised for litigation as it is unlikely to have any material impact on the financial result of the Group. Litigation risk is mitigated via the Group's terms and condition of sales and various insurance policies.

IPO underwriting cost and management fee of \$8,964,000 was payable to the Company's lead IPO advisors contingent upon the IPO occurring. This occurred on 3 July 2023 and the amount crystallised on that date.

Note 20. Business combinations

Acquisition of Element Raw Materials Ltd

On 14 December 2023, the Group acquired the chemical trading business from Element Raw Materials Ltd (Element), an unlisted company based in New Zealand that specialised in chemical trading for corporates in Agriculture, Plastics and Green Chemistry fields. The Group has acquired net assets amounting to \$1,257,000 and paid cash amounting to \$1,815,000 which provisionally resulted in goodwill of \$558,000. The acquisition has been accounted for using the acquisition method and is provisional as at 31 December 2023. The consolidated financial statements include the results of Element from the acquisition date.

Note 21. Related party transactions

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	31 Dec 2023	31 Dec 2022
	\$	\$
Other expenses:		
Interest expense on related party loan	-	3,074,998
Lease expense to related party	3,570,354	3,367,404

The Group leases a number of its commercial properties from Ceneda Investments Pty Ltd (Ceneda investments) under commercial terms at market rates. Ceneda Investments is a related entity of the Company, and all of the Company's Executive Directors during the half-year are indirect shareholders of Ceneda Investments.

Receivable from and payable to related parties

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties

The following balances are outstanding at the reporting date in relation to loans with related parties:

	Consolidated	
	31 Dec 2023	30 Jun 2023
	\$	\$
Non-current borrowing:		
Loan from related party*	-	133,645,877

The Group had a loan from Ceneda Pty Ltd (Ceneda) a related entity of the Company, and all of the Company's Executive Directors during the half-year are indirect shareholders of Ceneda.

* Refer to note 12 for terms of loan from related party.

Note 22. Events after the reporting period

Apart from the dividend declared as disclosed in note 17, no other matter or circumstance has arisen since 31 December 2023 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

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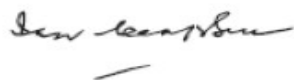
Redox Limited
Directors' declaration
31 December 2023

In the Directors' opinion:

- the attached financial statements and notes comply with the Australian Accounting Standard AASB 134 'Interim Financial Reporting' and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2023 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

On behalf of the Directors



Ian Campbell
Director

26 February 2024
Sydney



Raimond Coneliano
Director

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Independent Auditor's Review Report to the Members of Redox Limited

Conclusion

We have reviewed the half-year financial report of Redox Limited (the "Company") and its subsidiaries (the "Group"), which comprises the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration as set out on pages 11 to 25.

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

- Giving a true and fair view of the Group's financial position as at 31 December 2023 and of its performance for the half-year ended on that date; and
- Complying with 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 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 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.

Directors' Responsibilities 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 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Review of the Half-year Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that 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 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.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Andrew Heather

Andrew Heather
Partner
Chartered Accountants
Sydney, 26 February 2024