Redox Ltd

(Formerly known as Redox Pty Ltd)

ABN 92 000 762 345

Annual Report - 30 June 2022

Contents

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Redox Ltd - (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2022.

Directors

The following persons were directors of Redox Ltd during the whole of the financial year and up to the date of this report, unless otherwise stated:

Robert Coneliano	Chairman
Renato Coneliano	Director
Raimond Coneliano	Director
Malcolm Perrins	Director
Richard Coneliano	Director
Ian Campbell	Non-Executive Director
Kenneth Perrins	Director

Principal activities

The principal activity of the Group during the financial year was wholesaling of chemicals, ingredients, plastics and other raw materials.

Review of operations

The profit for the Group after providing for income tax amounted to $88,024,000 (2021: $47,577,000).

Redox's working capital requirements have progressively increased during the COVID-19 pandemic, and especially during the current year ended 30 June 2022 resulting in a cash outflow from operations of $48,977,000 (2021: cash inflow from operations of $32,244,000). This was predominantly due to:

- Management making the strategic decision to build inventory balances to help maintain supply to customers during a period of supply disruptions;
- Inventory lead times increasing as a result of delays in international shipping and port congestion;
- Increases in input prices inherently increasing the valuation of inventory levels and receivables;
- Overseas suppliers having been progressively demanding payment in advance for inventory purchases; and
- Growth in sales, which has grown debtor balances (although average debtor days remain stable).

The directors consider Earnings Before Interest, Tax, Depreciation and Amortisation ('EBITDA') to reflect the core earnings of the Group. EBITDA is a financial measure which is not prescribed by Australian Accounting Standards ('AAS') and represents the profit under AAS adjusted for non-cash and significant items.

	Consolidated	
	2022 $'000	2021 $'000
Profit after income tax for the year	88,024	47,577
Finance income (note 8)	(7)	(6)
Finance costs (note 8)	7,217	7,070
Income tax expense	35,836	20,585
Depreciation and amortisation (note 7)	7,230	6,739
EBITDA	138,300	81,965

Dividends
Dividends paid during the financial year were as follows:

	Consolidated	
	2022 $'000	2021 $'000
Interim dividend for the year ended 30 June 2022 (2021: 30 June 2021) of $8.86 (2021: $3.74) per ordinary share paid on 9 March 2022	20,608	8,699
Final dividend for the year ended 30 June 2021 (2021: 30 June 2020) of $7.07 (2021: $nil) per ordinary share paid on 2 September 2021	16,444	-
	37,052	8,699

Significant changes in the state of affairs
On 7 October 2021, the Company converted to a public company and changed its name from Redox Pty Ltd to Redox Ltd. Accordingly, updates have been made to the Company's constitution to reflect this change.

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

Matters subsequent to the end of the financial year
No matter or circumstance has arisen since 30 June 2022 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.

Likely developments and expected results of operations
Information on likely developments in the operations of the Group and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the Group.

Environmental regulation
Operational licenses granted to the Group regulate the management of water, air and noise quality, storage and handling of dangerous and hazardous materials and disposal of wastes.

The Group's operations are compliant with applicable environmental laws and regulatory permissions relevant to its operations within Australia and other countries in which it operates. Where instances of non-compliance occur, the Group's procedures require that relevant government authorities are notified in accordance with statutory requirements and internal investigations are conducted to determine the cause of the non-compliance to ensure the risk of recurrence is minimised or avoided. Throughout the year there have been no material breaches of relevant environmental regulatory requirements.

Shares under option
There were no unissued ordinary shares of Redox Ltd under option outstanding at the date of this report.

Shares issued on the exercise of options
There were no ordinary shares of Redox Ltd issued on the exercise of options during the year ended 30 June 2022 and up to the date of this report.

Indemnity and insurance of directors, officers and auditor
During the financial year, the Group paid a premium in respect of a contract insuring the Directors and Executive Officers of the Group against any liability incurred in their role as Director or Executive Officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium. The Company has not otherwise, during or since the end of the financial year, indemnified or agreed to indemnify an Officer or auditor of the Group or of any related body corporate against a liability incurred as such by an Officer or auditor.

Proceedings on behalf of the Company
No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

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 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

Raimond Coneliano
Director

Renato Coneliano
Director

31 August 2022
Sydney

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The Board of Directors
Redox Ltd
2 Swettenham Rd
Minto NSW 2566

31 August 2022

Dear Board Members

Redox Ltd
(formerly known as Redox Pty Ltd)

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 Ltd.

As lead audit partner for the audit of the financial statements of Redox Ltd for the financial year ended 30 June 2022, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

David Sartorio
Partner
Chartered Accountants
Parramatta

Redox Ltd
(Formerly known as Redox Pty Ltd)
Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2022

	Note	Consolidated 2022 $'000	Consolidated 2021 $'000
Revenue	5	1,081,816	796,341
Cost of sales		(838,027)	(631,419)
Gross profit		243,789	164,922
Net unrealised gain on forward exchange contracts	6	4,067	8,080
Distribution and storage expenses		(41,411)	(35,258)
Administration expenses		(58,112)	(48,879)
Other expenses		(17,263)	(13,639)
Operating profit		131,070	75,226
Finance income	8	7	6
Finance costs	8	(7,217)	(7,070)
Profit before income tax expense		123,860	68,162
Income tax expense	9	(35,836)	(20,585)
Profit after income tax expense for the year attributable to the owners of Redox Ltd		88,024	47,577
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		720	401
Other comprehensive income for the year, net of tax		720	401
Total comprehensive income for the year attributable to the owners of Redox Ltd		88,744	47,978
		Cents	Cents
Basic earnings per share (cents)	10	3,784.5	2,045.5
Diluted earnings per share (cents)	10	3,784.5	2,045.5

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

	Note	Consolidated 2022 $'000	Consolidated 2021 $'000
Assets			
Current assets			
Cash and cash equivalents	11	40,597	23,244
Trade and other receivables	12	204,044	145,066
Inventories	13	338,348	204,733
Derivative financial instruments	19	6,648	2,609
Prepayments		2,689	1,615
Total current assets		592,326	377,267
Non-current assets			
Property, plant and equipment	14	8,602	8,981
Right-of-use assets	15	37,821	40,609
Deferred tax	9	807	1,867
Total non-current assets		47,230	51,457
Total assets		639,556	428,724
Liabilities			
Current liabilities			
Trade and other payables	16	123,036	81,299
Borrowings	17	108,762	38,020
Lease liabilities	18	5,200	4,643
Income tax	9	11,587	2,780
Employee benefits	20	8,070	7,161
Total current liabilities		256,655	133,903
Non-current liabilities			
Borrowings	17	113,230	74,049
Lease liabilities	18	34,628	37,567
Employee benefits	20	1,223	1,077
Total non-current liabilities		149,081	112,693
Total liabilities		405,736	246,596
Net assets		233,820	182,128
Equity			
Issued capital	21	2,326	2,326
Reserves	22	2,540	1,820
Retained profits		228,954	177,982
Total equity		233,820	182,128

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

Redox Ltd
(Formerly known as Redox Pty Ltd)
Consolidated statement of changes in equity
For the year ended 30 June 2022

Consolidated	Issued capital $'000	Reserves $'000	Retained profits $'000	Total equity $'000
Balance at 1 July 2020	2,326	1,419	139,104	142,849
Profit after income tax expense for the year	-	-	47,577	47,577
Other comprehensive income for the year, net of tax	-	401	-	401
Total comprehensive income for the year	-	401	47,577	47,978
Transactions with owners in their capacity as owners:				
Dividends paid (note 23)	-	-	(8,699)	(8,699)
Balance at 30 June 2021	2,326	1,820	177,982	182,128

Consolidated	Issued capital $'000	Reserves $'000	Retained profits $'000	Total equity $'000
Balance at 1 July 2021	2,326	1,820	177,982	182,128
Profit after income tax expense for the year	-	-	88,024	88,024
Other comprehensive income for the year, net of tax	-	720	-	720
Total comprehensive income for the year	-	720	88,024	88,744
Transactions with owners in their capacity as owners:				
Dividends paid (note 23)	-	-	(37,052)	(37,052)
Balance at 30 June 2022	2,326	2,540	228,954	233,820

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

Redox Ltd
(Formerly known as Redox Pty Ltd)
Consolidated statement of cash flows
For the year ended 30 June 2022

	Note	Consolidated 2022 $'000	Consolidated 2021 $'000
Cash flows from operating activities			
Receipts from customers		1,132,336	861,643
Payments to suppliers and employees		(1,148,135)	(806,819)
Interest received	8	7	6
Interest and other finance costs paid	8	(7,217)	(7,070)
Income taxes paid		(25,968)	(15,516)
Net cash (used in)/from operating activities	33	(48,977)	32,244
Cash flows from investing activities			
Payments for property, plant and equipment	14	(1,585)	(2,360)
Proceeds from disposal of property, plant and equipment		366	269
Net cash used in investing activities		(1,219)	(2,091)
Cash flows from financing activities			
Net proceeds from borrowings	33	70,742	32,548
Net repayment of related party loans	33	39,181	(45,066)
Repayment of lease liabilities	33	(5,124)	(4,264)
Dividends paid	23	(37,052)	(8,699)
Net cash from/(used in) financing activities		67,747	(25,481)
Net increase in cash and cash equivalents		17,551	4,672
Cash and cash equivalents at the beginning of the financial year		23,244	19,171
Effects of exchange rate changes on cash and cash equivalents		(198)	(599)
Cash and cash equivalents at the end of the financial year	11	40,597	23,244

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

Note 1. General information

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

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

2 Swettenham Rd,
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 31 August 2022. The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The Group has adopted the following new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

	Effective for annual reporting period beginning on or after
AASB 2020-8 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2*	1 January 2021
AASB 2021-3 *Amendments to Australian Accounting Standards – COVID-19-related Rent Concessions beyond 30 June 2021*	1 April 2021

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, derivative financial instruments which are at fair value.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 31.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries and its New Zealand branch (refer to note 32) as at 30 June 2022 and the results of all subsidiaries for the year then ended.

Note 2. Significant accounting policies (continued)

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Operating segments
Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM are responsible for the allocation of resources to operating segments and assessing their performance.

Foreign currency translation

Foreign currency transactions
Foreign currency transactions are translated into the Company's functional currency using the average exchange rates prevailing at the reporting date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations
The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency translation reserve in equity.

The foreign currency translation reserve is recognised in profit or loss when the foreign operation or net investment is disposed.

Revenue recognition
The Group recognises revenue as follows:

Revenue from contracts with customers
Revenue is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Group: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Note 2. Significant accounting policies (continued)

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Sale of goods
Revenue from the sale of goods is recognised when (or as) a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer.

The only performance obligation of the Group is from the sale of the goods and accordingly, revenue is recognised for this performance obligation at the point in time when control over the corresponding good is transferred to the customer.

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties.

A receivable is recognised by the Group when the goods are delivered to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

Interest
Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset.

Other revenue
Other revenue is recognised when it is received or when the right to receive payment is established.

Income tax
The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

An income tax benefit will arise for the financial year where an income tax loss is incurred and, where permitted to do so, is carried-back against a qualifying prior period’s tax payable to generate a refundable tax offset.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:
- when the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- when the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Note 2. Significant accounting policies (continued)

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Current and non-current classification
Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 - 60 days.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Inventories
Stock in hand is stated at the lower of cost and net realisable value on a 'weighted average cost' basis. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition.

Stock in transit is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Derivative financial instruments
Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date, with the movement recognised in profit or loss.

Derivatives are classified as current or non-current depending on the expected period of realisation.

Property, plant and equipment
Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Note 2. Significant accounting policies (continued)

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment over their expected useful lives at the following rates:

Buildings	2.5% - 4%
Plant and equipment	7.5% - 40%
Furniture and fittings	5% - 13%
Motor vehicles	12.5% - 20%
Computer and office equipment	20% - 40%

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Right-of-use assets
A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

~~Lease payments on these assets are expensed to profit or loss as incurred.~~

Impairment of non-financial assets
Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables
Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Borrowings
Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Lease liabilities
A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Note 2. Significant accounting policies (continued)

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Finance costs
All finance costs are expensed in the period in which they are incurred.

Employee benefits

Short-term employee benefits
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits
The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Fair value measurement
When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques used to measure fair value are those that are appropriate in the circumstances and which maximise the use of relevant observable inputs and minimise the use of unobservable inputs.

Issued capital
Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Dividends
Dividends are recognised when declared during the financial year and no longer at the discretion of the Company.

Earnings per share

Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to the owners of Redox Ltd, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming conversion of all dilutive potential ordinary shares.

Note 2. Significant accounting policies (continued)

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

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

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

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.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Certain Australian Accounting Standards and Interpretations have recently been issued or amended but are not yet effective and have not been adopted by the Group for the year ended 30 June 2022. These amendments are not expected to have a significant impact on the financial statements of the Group on adoption.

	Effective for annual reporting period beginning on or after
AASB 2020-3 *Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments*	1 January 2022
AASB 2021-2 *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates*	1 January 2023
AASB 2020-1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current*	1 January 2023

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement, and makes assumptions to allocate expected credit losses on an account by account basis. These assumptions include recent sales experience, historical collection rates of individual accounts, the impact of the COVID-19 pandemic and forward-looking information that is available. The allowance for expected credit losses, as disclosed in note 12, is calculated based on the information available at the time of preparation. The actual credit losses in future years may be higher or lower.

Note 3. Critical accounting judgements, estimates and assumptions (continued)

Estimation of useful lives of assets
The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Impairment of non-financial assets
The Group assesses impairment of non-financial assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves assessing the value of the asset at fair value less costs of disposal and using value-in-use models which incorporate a number of key estimates and assumptions.

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

Recovery of deferred tax assets
Deferred tax assets are recognised for deductible temporary differences only if the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Lease term
The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the Group's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The Group reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Incremental borrowing rate
Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the Group estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

Note 4. 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 5. Revenue

	Consolidated	
	2022	2021
	$'000	$'000
Sale of goods	1,081,816	796,341

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

	Consolidated	
	2022	2021
	$'000	$'000
Major product lines		
Chemicals, ingredients, plastics and raw materials	1,080,266	795,713
Other	1,550	628
	1,081,816	796,341
Geographical regions		
Australia and New Zealand	1,015,361	769,596
USA and Mexico	53,533	19,059
Malaysia	12,922	7,686
	1,081,816	796,341
Timing of revenue recognition		
Goods transferred at a point in time	1,081,816	796,341

Note 6. Net unrealised gain on forward exchange contracts

	Consolidated	
	2022	2021
	$'000	$'000
Net unrealised gain on forward exchange contracts	4,067	8,080
	4,067	8,080

Note 7. Expenses

	Consolidated	
	2022	2021
	$'000	$'000
Profit before income tax includes the following specific expenses:		
Depreciation		
Property, plant and equipment	1,712	1,737
-Right-of-use assets	5,518	5,002
Total depreciation	7,230	6,739
Impairment		
Net allowance for expected credit losses	31	66
Net loss on disposal		
Net (gain)/loss on disposal of property, plant and equipment	(105)	38
Employee benefits expense		
Post-employment benefits	1,058	626
Other employee benefits	50,288	42,644
Total employee benefits expense	51,346	43,270

Note 8. Finance costs (net)

	Consolidated	
	2022	2021
	$'000	$'000
Finance income		
Interest income	(7)	(6)
Finance costs		
Interest and finance charges paid/payable	5,730	5,281
Interest and finance charges paid/payable on lease liabilities	1,487	1,789
Total finance costs	7,217	7,070
Finance costs (net)	7,210	7,064

Note 9. Income tax

	Consolidated	
	2022	2021
	$'000	$'000
Income tax expense		
Current tax	34,776	18,046
Deferred tax - origination and reversal of temporary differences	1,060	2,539
Aggregate income tax expense	35,836	20,585
Deferred tax included in income tax expense comprises:		
Decrease in deferred tax assets	1,060	2,539
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit before income tax expense	123,860	68,162
Tax at the statutory tax rate of 30%	37,158	20,449
Tax effect amounts which are not deductible in calculating taxable income:		
Sundry items	233	22
	37,391	20,471
Adjustments recognised for prior periods	(159)	198
Utilisation of tax losses in foreign jurisdiction	(1,100)	-
Tax rate differential in foreign jurisdiction	(214)	(89)
Other	(82)	5
Income tax expense	35,836	20,585

	Consolidated	
	2022	2021
	$'000	$'000
Deferred tax asset		
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in statement of financial position:		
Property, plant and equipment	(864)	(561)
Accruals and provisions	652	104
Accrued employee provisions	2,722	2,384
Unrealised foreign exchange gains	(2,297)	(532)
Leases	594	472
Deferred tax asset	807	1,867
Movements:		
Opening balance	1,867	4,406
Charged to profit or loss	(1,060)	(2,539)
Closing balance	807	1,867

Note 9. Income tax (continued)

	Consolidated	
	2022	2021
	$'000	$'000
Provision for income tax		
Provision for income tax	11,587	2,780

Note 10. Earnings per share

	Consolidated	
	2022	2021
	$'000	$'000
Profit after income tax attributable to the owners of Redox Ltd	88,024	47,577
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	2,325,909	2,325,909
Weighted average number of ordinary shares used in calculating diluted earnings per share	2,325,909	2,325,909
	Cents	Cents
Basic earnings per share (cents)	3,784.5	2,045.5
Diluted earnings per share (cents)	3,784.5	2,045.5

Note 11. Cash and cash equivalents

	Consolidated	
	2022	2021
	$'000	$'000
Current assets		
Cash on hand	11	11
Cash at bank	40,586	23,233
	40,597	23,244

Note 12. Trade and other receivables

	Consolidated	
	2022	2021
	$'000	$'000
Current assets		
Trade receivables	204,398	145,389
Less: Allowance for expected credit losses	(354)	(323)
	204,044	145,066

Allowance for expected credit losses
The Group has recognised a net loss of $31,000 (2021: $66,000) in profit or loss in respect of the expected credit losses for the year ended 30 June 2022.

Note 12. Trade and other receivables (continued)

The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

Consolidated	Expected credit loss rate 2022 %	Expected credit loss rate 2021 %	Carrying amount 2022 $'000	Carrying amount 2021 $'000	Allowance for expected credit losses 2022 $'000	Allowance for expected credit losses 2021 $'000
Not overdue	-	-	188,696	107,703	89	-
0 to 30 days overdue	-	-	12,349	32,472	-	-
31 to 60 days overdue	-	-	2,103	3,214	6	-
61 to 90 days overdue	6%	3%	547	1,281	33	34
91 to 120 days	26%	46%	109	132	28	61
Over 120 days	33%	41%	594	587	198	228
			204,398	145,389	354	323

The Group has increased its monitoring of debt recovery as there is an increased probability of customers delaying payment or being unable to pay, due to the Coronavirus (COVID-19) pandemic.

Movements in the allowance for expected credit losses are as follows:

	Consolidated 2022 $'000	Consolidated 2021 $'000
Opening balance	323	257
Additional provisions recognised	387	110
Reversal of provisions recognised	(356)	-
Receivables written off during the year as uncollectable	-	(44)
Closing balance	354	323

Note 13. Inventories

	Consolidated 2022 $'000	Consolidated 2021 $'000
Current assets		
Inventory on hand - at cost	209,128	143,446
Inventory in transit - at cost	129,220	61,287
	338,348	204,733

During the year ended 30 June 2022, the Group wrote down inventories by $2,563,000 (2021: $968,000). These amounts were recognised in the stock in hand in the statement of financial position.

Whilst inventory levels have increased significantly during the pandemic there has not been an increase in the ageing profile of inventory on hand in Redox's warehouses. This is because the increase in inventory levels has been driven by greater lead times leading to more inventory in transit.

Note 14. Property, plant and equipment

	Consolidated 2022 $'000	Consolidated 2021 $'000
Non-current assets		
Buildings - at cost	830	823
Less: Accumulated depreciation	(596)	(586)
	234	237
Plant and equipment - at cost	10,345	10,072
Less: Accumulated depreciation	(6,777)	(6,383)
	3,568	3,689
Furniture and fittings - at cost	6,015	5,885
Less: Accumulated depreciation	(3,725)	(3,422)
	2,290	2,463
Motor vehicles - at cost	3,078	3,168
Less: Accumulated depreciation	(1,003)	(985)
	2,075	2,183
Computer and office equipment - at cost	2,814	2,730
Less: Accumulated depreciation	(2,379)	(2,321)
	435	409
	8,602	8,981

Reconciliations
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Buildings $'000	Plant and equipment $'000	Furniture and fittings $'000	Motor vehicles $'000	Computer and office equipment $'000	Total $'000
Balance at 1 July 2020	205	3,450	2,275	2,210	525	8,665
Additions	183	1,035	361	653	128	2,360
Disposals	-	(76)	-	(231)	-	(307)
Depreciation expense	(151)	(720)	(173)	(449)	(244)	(1,737)
Balance at 30 June 2021	237	3,689	2,463	2,183	409	8,981
Additions	176	417	182	560	250	1,585
Disposals	-	(9)	(3)	(247)	(2)	(261)
Exchange differences	(1)	(1)	1	7	3	9
Depreciation expense	(178)	(528)	(353)	(428)	(225)	(1,712)
Balance at 30 June 2022	234	3,568	2,290	2,075	435	8,602

Note 15. Right-of-use assets

	Consolidated 2022 $'000	Consolidated 2021 $'000
Non-current assets		
Buildings - right-of-use	53,309	50,609
Less: Accumulated depreciation	(15,488)	(10,000)
	37,821	40,609

The Group leases buildings for its offices and warehouses under agreements of between 1 to 10 years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

For AASB 16 Lease disclosures refer to:
- note 7 for depreciation on right-of-use assets;
- note 8 for interest on lease liabilities;
- note 18 for lease liabilities and total cash outflow for leases; and
- consolidated statement of cash flows for repayment of lease liabilities.

Reconciliations
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Buildings $'000
Balance at 1 July 2020	43,726
Additions/modification	1,885
Depreciation expense	(5,002)
Balance at 30 June 2021	40,609
Additions/modification	2,718
Exchange differences	12
Depreciation expense	(5,518)
Balance at 30 June 2022	37,821

Note 16. Trade and other payables

	Consolidated 2022 $'000	Consolidated 2021 $'000
Current liabilities		
Trade payables	115,587	74,681
Sundry payables and accrued expenses	7,449	6,618
	123,036	81,299

Note 17. Borrowings

	Consolidated 2022 $'000	Consolidated 2021 $'000
Current liabilities		
Trade finance	108,762	38,020
Non-current liabilities		
Loan from related party	113,230	74,049
	221,992	112,069

Refer to note 24 for further information on financial instruments.

Trade finance
The trade finance facilities are renewed on an annual basis.

Loan from the related party
The interest payable on the loan from a related party is at a fixed rate of 5% (2021: 5%) per annum and is unsecured. The loan is contracted to be repaid on 1 July 2023.

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

	Consolidated 2022 $'000	Consolidated 2021 $'000
Total facilities		
Trade finance	135,804	64,000
Used at the reporting date		
Trade finance	108,762	38,020
Unused at the reporting date		
Trade finance	27,042	25,980

Note 18. Lease liabilities

	Consolidated 2022 $'000	Consolidated 2021 $'000
Current liabilities		
Lease liability	5,200	4,643
Non-current liabilities		
Lease liability	34,628	37,567
	39,828	42,210

The Group had total cash outflows for leases of $6,611,000 during the year ended 30 June 2022 (2021: $6,053,000).

Refer to note 24 for maturity analysis of lease liabilities.

Note 19. Derivative financial instruments

	Consolidated 2022 $'000	Consolidated 2021 $'000
Current assets		
Unrealised gain on forward foreign exchange contracts	6,648	2,609

Refer to note 25 for further information on fair value measurement.

Note 20. Employee benefits

	Consolidated 2022 $'000	Consolidated 2021 $'000
Current liabilities		
Annual leave	3,861	3,195
Long service leave	4,209	3,966
	8,070	7,161
Non-current liabilities		
Long service leave	1,223	1,077
	9,293	8,238

Note 21. Issued capital

	Consolidated 2022 Shares	2021 Shares	2022 $'000	2021 $'000
B Class ordinary shares - fully paid (i)	20,000	20,000	20	20
C Class ordinary shares - fully paid (ii)	2,305,909	2,305,909	2,306	2,306
	2,325,909	2,325,909	2,326	2,326

Ordinary shares

(i) B Class ordinary shares entitle the holder to vote, to receive dividends as declared by the board of directors and to participate in capital on winding up.

(ii) C Class ordinary shares entitle 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.

Capital risk management

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

The Group is not subject to any externally imposed capital requirements.

Note 21. Issued capital (continued)

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The capital risk management policy remains unchanged from the 2021 Annual Report.

Note 22. Reserves

	Consolidated	
	2022 $'000	2021 $'000
Foreign currency translation reserve	2,540	1,820

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.

Movements in reserve
Movement in reserve during the current and previous financial year are set out below:

Consolidated	Foreign currency translation $'000
Balance at 1 July 2020	1,419
Foreign currency translation	401
Balance at 30 June 2021	1,820
Foreign currency translation	720
Balance at 30 June 2022	2,540

Note 23. Dividends

Dividends
Dividends paid during the financial year were as follows:

	Consolidated	
	2022 $'000	2021 $'000
Interim dividend for the year ended 30 June 2022 (2021: 30 June 2021) of $8.86 (2021: $3.74) per ordinary share paid on 9 March 2022	20,608	8,699
Final dividend for the year ended 30 June 2021 (2021: 30 June 2020) of $7.07 (2021: $nil) per ordinary share paid on 2 September 2021	16,444	-
	37,052	8,699

Franking credits

	Consolidated	
	2022 $'000	2021 $'000
Franking credits available for subsequent financial years based on a tax rate of 30%	21,425	3,645

Note 23. Dividends (continued)

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:
- franking credits that arise from the payment of the amount of income tax at the reporting date.
- franking debits that arise from the payment of dividends recognised as a liability at the reporting date.
- franking credits that arise from the receipt of dividends recognised as receivables at the reporting date.

Note 24. Financial instruments

Financial risk management objectives
The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as forward foreign exchange contracts to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and ageing analysis for credit risk.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the Group and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the Group's operating units. Finance reports to the Board on a monthly basis.

The Group’s exposure to market risk is mainly arising from interest rate risk, foreign currency risk, operating expenditure risk and price risk (sales and margin).

	Consolidated	
Key sensitivities	2022 $'000	2021 $'000
Sales (+/-1%)	10,818	7,963
Gross profit margin (+/-1%)	2,413	1,649
Other operating costs (+/-1%)	(1,216)	(1,048)
Interest expense (+/-1%)	(2,220)	(1,126)

Market risk

Foreign currency risk
The Group undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

In order to protect against exchange rate movements, the Group has entered into forward foreign exchange contracts. These contracts are hedging highly probable forecasted cash flows for the ensuing financial year.

The carrying amounts of the Group’s significant foreign currency denominated net monetary assets/(liabilities) and impact on profit is set out below:

	Assets		Liabilities		Net exposure		Impact on profit*	
Currency	2022 $'000	2021 $'000	2022 $'000	2021 $'000	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Euros	-	14	(1,486)	(964)	(1,486)	(950)	(205)	(137)
US dollars	12,666	15,022	(59,261)	(27,181)	(46,595)	(12,159)	(6,149)	(1,470)
New Zealand dollars	11,985	11,770	(679)	(379)	11,306	11,391	927	(964)

Note 24. Financial instruments (continued)

*Sensitivity - impact on profit**
The table above details the Group's sensitivity to a 10 per cent increase and decrease in currency units against the relevant foreign currencies. 10 per cent is the sensitivity rate used when reporting foreign currency risk internally to the Board and represents finance's assessment of the reasonably possible change in foreign exchange rates.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for a 10 per cent change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number indicates an increase in profit and other equity where currency units strengthens 10 per cent against the relevant currency. For a 10 per cent weakening of currency units against the relevant currency, there would be a comparable impact on the profit and other equity, and the balances would be negative.

Price risk
The Group is not exposed to any significant price risk.

Interest rate risk
The Group's main interest rate risk arises from long-term borrowings. Borrowings obtained at variable rates expose the Group to interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk.

As at the reporting date, the Group had the following variable rate borrowing:

	2022		2021	
Consolidated	Weighted average interest rate %	Balance $'000	Weighted average interest rate %	Balance $'000
Trade finance	2.38%	108,762	1.28%	38,020
Net exposure to cash flow interest rate risk		108,762		38,020

An analysis by remaining contractual maturities is shown in 'liquidity and interest rate risk management' below.

Sensitivity
A 2 per cent increase or decrease is used when reporting interest rate risk internally and represents finance's assessment of the reasonably possible change in interest rates. If interest rates had been 2 per cent higher/lower and all other variables were held constant, there would -a $2,175,000 (2021: no material impact) impact on the Group's profitability.

Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

In order to minimise credit risk, the Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group uses other publicly available financial information and its own trading records to rate its major customers. In addition, the Group manages its credit risk by insuring its receivables via trade credit insurance policy with a reputable insurance company.

The Group evaluates the risk of default on individual debts at the reporting date on an account by account basis. To support the evaluation process the Group takes into account both qualitative and quantitative information including recent sales experience, historical collection rates of individual accounts, the impact of the COVID-19 pandemic and forward-looking information that is available. Forward looking information taken into account includes future industry volatility expectations from industry expert reports and governmental bodies, and multiple external sources of future economic information pertaining to the individual debtor's industry sector.

Note 24. Financial instruments (continued)

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The concentration of credit risk is limited due to the fact that the customer base is large and unrelated. As such the Group has no significant credit risk with any single customer or group of customers.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board, which has established an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. Details of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk are set out in note 17.

Remaining contractual maturities

The following tables detail the Group's remaining contractual maturity for its financial instrument liabilities and lease liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated – 2022	Weighted average interest rate %	1 year or less $'000	Between 1 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives					
Non-interest bearing					
Trade and other payables	-	123,036	-	-	123,036
Interest-bearing – variable					
Trade finance	2.38%	111,348	-	-	111,348
Lease liability	3.93%	6,494	32,008	6,345	44,847
Interest-bearing - fixed rate					
Loan from related party	5.00%	5,662	113,230	-	118,892
Total non-derivatives		246,540	145,238	6,345	398,123

Note 24. Financial instruments (continued)

Consolidated – 2021	Weighted average interest rate %	1 year or less $'000	Between 1 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives					
Non-interest bearing					
Trade and other payables	-	81,299	-	-	81,299
Interest-bearing – variable					
Trade finance	1.28%	38,020	-	-	38,020
Lease liability	4.15%	6,316	24,875	24,440	55,631
Interest-bearing - fixed rate					
Loan from related party	5.00%	3,702	75,900	-	79,602
Total non-derivatives		129,337	100,775	24,440	254,552

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Note 25. 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 – 2022	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Forward foreign exchange contracts	-	6,648	-	6,648
Total assets	-	6,648	-	6,648

Consolidated – 2021	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Forward foreign exchange contracts	-	2,609	-	2,609
Total assets	-	2,609	-	2,609

There were no transfers between levels during the financial 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 26. Key management personnel disclosures

Compensation
The aggregate compensation made to directors and other members of key management personnel of the Group is set out below:

	Consolidated	
	2022 $	2021 $'000
Short-term employee benefits	5,342,136	3,102,918
Long-term benefits	290,297	273,267
	5,632,433	3,376,185

Note 27. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Deloitte Touche Tohmatsu, the auditor of the Company:

	Consolidated	
	2022 $	2021 $
Audit services		
Audit of the financial statements	279,438	143,750
Other services		
Preparation of the tax return	58,002	26,000
Other non-audit services	832,909	42,349
	890,911	68,349
	1,170,349	212,099

Note 28. Contingent liabilities

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

	Consolidated	
	2022 $'000	2021 $'000
Bank guarantees	3,287	1,117
Surrendered bills of lading	2,892	2,927
Documentary letters of credit	6,747	2,755
	12,926	6,799

The bank guarantees are provided to relevant government authorities for access to the deferred GST scheme. No contingent liability has been provided 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.

Note 29. Commitments

The Group had no capital commitments as at 30 June 2022 and 30 June 2021.

Note 30. Related party transactions

Subsidiaries
Interests in subsidiaries are set out in note 32.

Key management personnel
Disclosures relating to key management personnel are set out in note 26.

Transactions with related parties
The following transactions occurred with related parties:

	Consolidated	
	2022 $	2021 $
Payment for other expenses:		
Interest paid to the related party	4,691,692	5,250,000
Lease expense paid to related party	6,344,228	5,926,760

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	
	2022 $	2021 $
Non-current borrowings:		
Loan from related party*	113,230,497	74,048,954

* Refer to note 17 for terms and note 33 for reconciliation of loan from related party.

Note 31. Parent entity information

Set out below is the supplementary information about the parent entity:

Statement of profit or loss and other comprehensive income

	Parent	
	2022 $'000	2021 $'000
Profit after income tax	84,330	47,660
Other comprehensive income for the year, net of tax	-	-
Total comprehensive income	84,330	47,660

Note 31. Parent entity information (continued)

Statement of financial position

	Parent 2022 $'000	Parent 2021 $'000
Total current assets	548,176	361,586
Total non-current assets	82,202	68,101
Total assets	630,378	429,687
Total current liabilities	248,173	130,950
Total non-current liabilities	148,869	112,509
Total liabilities	397,042	243,459
Net assets	233,336	186,228
Equity		
Issued capital	2,326	2,326
Foreign currency translation reserve on translation of NZ Branch	(588)	(159)
Retained profits	231,598	184,061
Total equity	233,336	186,228

Contingent liabilities
The parent entity contingent liabilities at 30 June 2022 and 30 June 2021 are disclosed in note 28.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2022 and 30 June 2021.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 2, except for the following:
- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity.

Note 32. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries and its New Zealand branch (Redox Ltd New Zealand Branch) in accordance with the accounting policy described in note 2:

Name	Principal place of business / Country of incorporation	Ownership interest 2022 %	Ownership interest 2021 %
Redox Chemicals Sdn Bhd	Malaysia	100%	100%
Redox Inc	USA	100%	100%
Redox Ingredientes Mexico, S.A de C.V	Mexico	100%	100%
Redox UK Ltd*	UK	100%	100%
Redox Investments Pty Ltd**	Australia	100%	100%

*The company was incorporated on 13 April 2021 and was dormant during the year.
** The company was incorporated on 20 May 2021 and was dormant during the year

Note 33. Cash flow information

Reconciliation of profit after income tax to net cash (used in)/from operating activities

	Consolidated 2022 $'000	Consolidated 2021 $'000
Profit after income tax expense for the year	88,024	47,577
Adjustments for:		
Net (gain)/loss on disposal of property, plant and equipment	(105)	38
Depreciation	7,230	6,739
Allowance for expected credit losses	31	66
Unrealised gain on forward foreign exchange contracts	(4,058)	(2,609)
Unrealised foreign exchange loss	909	1,000
Change in operating assets and liabilities:		
Increase in trade and other receivables	(58,978)	(18,500)
Increase in inventories	(133,615)	(14,252)
Decrease in deferred tax assets	1,060	2,539
Increase in other operating assets	(1,074)	(237)
Increase in trade and other payables	41,737	6,729
Increase in provision for income tax	8,807	2,530
Increase in employee benefits	1,055	624
Net cash (used in)/from operating activities	(48,977)	32,244

Non-cash investing and financing activities

	Consolidated 2022 $'000	Consolidated 2021 $'000
Additions to right-of-use assets	2,718	2,085

Note 33. Cash flow information (continued)

Changes in liabilities arising from financing activities

Consolidated	Trade finance $'000	Loan from related party $'000	Lease liability $'000	Total $'000
Balance at 1 July 2020	5,472	119,115	44,589	169,176
Net cash from/(used in) financing activities	32,548	(45,066)	(4,264)	(16,782)
Additions/modification	-	-	1,885	1,885
Balance at 30 June 2021	38,020	74,049	42,210	154,279
Net cash from/(used in) financing activities	70,742	39,181	(5,124)	104,799
Additions/modification	-	-	2,734	2,734
Exchange differences	-	-	8	8
Balance at 30 June 2022	108,762	113,230	39,828	261,820

Note 34. Events after the reporting period

No matter or circumstance has arisen since 30 June 2022 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.

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2022 and of its performance for the financial 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 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

Raimond Coneliano	Renato Coneliano
Director	Director

31 August 2022
Sydney

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Independent Auditor's Report to the Members of Redox Ltd (formerly known as Redox Pty Ltd) and Controlled Entities

Opinion

We have audited the financial report of Redox Ltd (formerly known as Redox Pty Ltd) (the "Company") and its controlled entities (the "Group") which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2022 and of their financial performance for the year then ended; and
(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We 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 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 report.

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

Other Information

The directors are responsible for the other information. The other information comprises the Directors' report for the year ended 30 June 2022 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Deloitte.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

David Sartorio
Partner
Chartered Accountants
Parramatta, 5 September 2022