



**Close the Loop
GROUP**

Create - Recover - Reuse

Close the Loop Ltd

ABN: 91 095 718 317

Create - Recover - Reuse

APPENDIX 4D

1.1 Company details

Name of entity:	Close the Loop Limited
ABN:	91 095 718 317
Reporting period:	For the half-year ended 31 December 2022
Previous period:	For the half-year ended 31 December 2021

1.2 Results for announcement to the market

				\$'000
Revenues from ordinary activities	Up/Down	185%	to	58,587
Profit/(Loss) from ordinary activities after tax attributable to the owners of Close the Loop Limited	Up/Down	487%	to	4,044
Profit/(Loss) for the half year attributable to the owners of Close the Loop Limited	Up/Down	487%	to	4,044

Dividends

Close the Loop Limited has not paid any dividends in the half year ending 31 December 2022 nor does it propose to pay any dividends.

Close the Loop Limited does not have a dividend reinvestment plan in place.

Comments

Please refer to the Review of Operations in the Directors' Report for an explanation of the results. The prior period comparatives have been impacted by the reverse acquisition accounting adopted in the prior half year reporting period.

This Appendix 4D should be read in conjunction with the Consolidated Interim Financial Report of Close the Loop Limited for the half year ended 31 December 2022 that has been reviewed by Nexia Australia. This report should be read in conjunction with the ASX announcement on 24 February 2022. This report should also be read in conjunction with any public announcements made by Close the Loop Limited in accordance with the continuous disclosure requirements arising under the Corporations Act 2001 and ASX listing rules.

The information provided in this report contains all the information required by ASX Listing Rule 4.2A.

1.3 Net tangible assets

	31 December 2022	31 December 2021
Net tangible assets per ordinary security	7.5 cents	6.8 cents

1.4 Control gained over entities

Name of entities	Date control gained
Alliance Paper Pty Ltd	30 August 2022
Sustain Paper Pty Ltd	30 August 2022
The Pouch Shop Proprietary Limited	1 October 2022

The contribution from the entities that control was gained over during the half year reporting period ending 31 December 2022, is deemed to be immaterial to Close the Loop Ltd's profit from ordinary activities during the period.

1.5 Loss of Control over entities

There was no loss of control over any entities during the reporting period.

1.6 Details of associated and joint venture entities

Close the Loop Limited does not have any interest in joint venture or associated entities.

1.7 Audit review

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

All foreign entities in the Close the Loop Limited group have used International Financial Reporting Standards as the accounting standards by which they have reported and been included in the Interim Report for the period ending 31 December 2022.

1.8 Attachments

The Interim Report of Close the Loop Limited for the half-year ended 31 December 2022 is attached.

1.9 Signed



Signed:

Gregory Toll
Director

Date: 24 February 2023



Close the Loop GROUP

Create - Recover - Reuse

Interim Report 31 December 2022

Close the Loop Ltd

ABN: 91 095 718 317

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DIRECTORS' REPORT

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Close the Loop 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 2022.

Directors

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

- Gregory Toll
- Marc Lichtenstein
- Joseph Foster
- Grant Carman
- Darren Brits
- Lawrence Jaffe

Principle Activities

The principal activity of the consolidated group during the financial half year was the collection and recycling of imaging consumables, cosmetics, paper and cartons and any other activity incidental thereto as well as the production and sale of TonerPlas. The consolidated entity also provides premium and innovative flexible and carton packaging, flexographic print packaging, seafood packaging, storage and bulk handling solutions as well as the supplier of thermal paper and associated paper products and services.

Review of Operations

With locations across Australia, Europe, South Africa and the United States, Close the Loop create innovative products and packaging that includes recyclable and made-from recycled content, as well as collect, sort, reclaim and reuse resources that would otherwise go to landfill. From recovering print consumables, eyewear, cosmetics, and phone cases, through-to the reusing of toner and post-consumer soft plastics for an asphalt additive, the Group is focused on the future, sustainability and the circular economy.

Well positioned within the circular economy, Close the Loop consists of the merging of two secondary business groups - Close the Loop and O F Pack. The combining of these two entities allows for end-to-end solutions across packaging and consumables to a variety of markets, with advanced innovation in product development, as well as end of life take-back and recovery systems for complex waste streams to greatly reduce waste to landfill.

On 30 November 2021, Close the Loop Limited ('CtL') completed the acquisition of 100% of the share capital in O F Packaging Pty Ltd and its controlled subsidiary ('O F Pack'). In accordance with accounting standards, this acquisition was accounted for as a reverse acquisition business combination.

In applying the requirements of AASB 3 Business Combinations to the Group for the prior reporting period:

1. Close the Loop Limited is the legal parent entity to the Group; and
2. O F Packaging Pty Ltd, which is neither the legal parent nor legal acquirer, is deemed to be the accounting acquirer.

The consolidated financial information incorporated the assets and liabilities of all entities deemed to be acquired by O F Pack including CtL and the results of these entities from 30 November 2021, being for the period from which those entities are accounted for as being acquired by O F Pack. The current reporting period ending 31 December 2022 is the first full reporting period for the combined group.

On 2 December 2021, Close the Loop Limited successfully completed its initial public offer and listed on the Australian Stock Exchange ("ASX").

The profit for the consolidated group after providing for income tax and non-controlling interest amounted to \$4,044,000 (2021: \$689,000).

The profit before interest, tax, depreciation, and amortisation ("EBITDA") attributable to the members of the parent entity for the half year ended 31 December 2022 is \$9,491,000 (31 December 2021: \$2,219,000).

Close the Loop performance was underpinned by strong growth in both the packaging and resource recovery businesses. We continue to see strong demands for recyclable ready packaging and recycled content which are products that are readily available through the various divisions. With foreign exchange movement and raw material increases putting margins under pressure during the reporting period, these increased costs are being passed on when possible.

The Group has continued to generate significant cash flows from its operations that could be reinvested into acquisitions like Alliance Paper, The Pouch Shop and In-Plas Recycling in the future.

The Close the Loop recycling division increased its processing volumes during the period, introducing several new collection programs in cosmetics, storage solutions, eyeglasses, phone case covers and cookware, complementing its traditional imaging consumables business.

The Australian recycling division, Close the Loop Operations, generated significantly improved financial results compared to the previous corresponding reporting period. The fire at the Somerton facility on 9 June 2022 forced a number of processing efficiencies to be implemented in the business. The rebuilding of this facility is progressing as planned. The company has been indemnified under the key insurance policy with some funds provided to allow the company to place deposits for new and improved replacement equipment. All processing lines and the TonerPlas manufacturing line will be commissioned and fully functional at various times over the coming months. An insurance payout was also received under the company's environmental policy to ensure that the company complied with the Environmental Protection Agencies demands, which have now all been met.

The Close the Loop US business continues to be a stable business. It has performed at the expected level during the reporting period and exceeded the results of the previous corresponding reporting period. The business unit has managed to keep inflationary pressures under control and has some good growth opportunities that it expects to convert in the near future.

The Close the Loop European operation has continued to expand its service offering during the period that will see it become more ingrained in the supply chain of its existing customers which will allow it to offer similar recycling services to that of the US business. The European result has been impacted by some equipment failure during the period. This caused increased operating costs whilst the equipment was repaired and the backlog of product was processed. The business has returned to normal operating levels in early 2023 and has a number of exciting new business opportunities that can lead to significant growth of the European operations in the medium term.

The O F Packaging divisions all experienced strong trade through the provision of the full range of product development, R&D, manufacturing and recycling services via five divisions: specialised flexible packaging through O F Pack, and its separate South African operations; digital printing and pouch manufacturing through The Pouch Shop (TPS); flexographic printing and bag converting through O F Flexo which is experiencing increased demand for local production of flexible packaging for Horticulture, Petfood and Confectionery markets.

The OF Packaging business experienced strong sales growth during the period, improving throughputs and refining processes and operations. This business unit has grown in line with its expected budget and continues to have strong demand for its specialised range of sustainable packaging.

The acquisition of Oceanic Agencies, on 1 December 2021, strengthened the Packaging division's capability as it added to the Company's presence in the bulk and commercial seafood packaging sector and presents cross selling opportunities across the Packaging divisions. On 1 December 2022, based on the strong outperformance of Oceanic Agencies over the prior 12-month period, the maximum possible earnout became due and payable to the Oceanic Agencies vendors. On 12 January 2023 the maximum earnout of \$750,000 was paid to the vendors of Oceanic Agencies as the final settlement for the acquisition of this business.

Foster International Packaging, based in South Africa and servicing Southern Africa with specialised flexible packaging has generated exceptional record results during the current reporting period. These results have been achieved despite the operational challenges of doing business in South Africa and exchange rate volatility.

O F Resource Recovery, which provides recycling, reuse, and waste services, for the paper, board and magazine industries has been impacted by its exposure to falling commodity prices during the period. The current performance of the business shows that management have made changes to improve the performance of the business and commodity prices have started to improve towards the end of the current reporting period.

Crasti & Co. is one of Australia's largest Flexible Intermediate Bulk Container (FIBC) and bulk packaging suppliers. Crasti & Co's performance for the reporting period has been in line with expectations and ahead of the previous corresponding period.

The O F Flexo division has traded ahead of budget throughout the period with high demand for locally produced packaging containing high percentages of recycled content and more recyclable ready packaging. Towards the end of the reporting period this business unit's performance has been affected by a machine breakdown and space challenges. The machines are back online and the reorganisation of the production facility has rectified the space challenges.

On 30 August 2022 the company settled the acquisition of thermal paper and paper products group, Alliance Paper Pty Ltd and its wholly owned subsidiary Sustain Paper Ltd (Alliance) for a total purchase price of \$1. As previously reported, the acquirer has required an investment in working capital of approximately \$4.5 million. Alliance is a leading Australian supplier of thermal paper and associated paper products and services. It is the largest and longest-serving supplier and converter of paper roll products in the Australian market. Since the settlement we have relocated the business to new premises in the Greater Brisbane area and implemented a number of operational changes to this business. The Alliance financial performance has improved steadily during the reporting period and is expected to generate a strong contribution to the Group in the future.

The Pouch Shop, a niche provider of ready-to-label packaging and pouches for food products in South Africa was acquired on 1 October 2022. The Pouch Shop is the largest stockist of off the shelf readymade pouches in Southern Africa. The company, which was due to be incorporated in the original IPO, however, due to COVID travel restrictions all due diligence on site was not able to be performed last year. The Pouch Shop product range of recyclable flat bottom and stand-up pouches caters to small-volume fast-to-market customer needs. Its range and customer base complement the South Africa-based Foster International Packaging offer. The two South African businesses share warehouse and manufacturing facilities as well as back-end office and logistics processes. The purchase price for the business is R8,000,000 (A\$701,000) plus stock on hand less an amount equal to what is owed to trade creditors with 50% paid at settlement on 1 October 2022 with the balance paid on 1 October 2024.

Significant Changes in the State of Affairs

There were no significant changes in the state of affairs of the consolidated group during the reporting period.

Events Subsequent to Reporting Date

On 17 January 2023 the company announced that it has strengthened its position in the recycling market via the acquisition of USA recycling company In-Plas Recycling. Headquartered in Cincinnati, Ohio, In-Plas Recycling is a recycler and processor of post-industrial scrap, pellets, regrind and by-products, and also sells a broad range of recovered plastic products on the market. In-Plas operates at three sites located at key customer facilities. The purchase price for In-Plas Recycling is US\$4,000,000 (including up to US\$500,000 of inventory) of which US\$3,000,000 is payable at completion and US\$250,000 is payable per annum for four years. The acquisition is expected to settle on 28 February 2023.

Since 31 December 2022, the company has commenced or continued discussions with a number of potential acquisition targets for share and or asset purchases for businesses that are complimentary to the current service offerings of the Group. At the time of this report no binding agreements have been entered into with any of these potential acquisition targets, although some are at an advanced stage.

Other than the matters discussed above, there has not arisen in the interval between the end of the reporting period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group.

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



Signed:

Gregory Toll
Director

Date: 24 February 2023

**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE
CORPORATIONS ACT 2001 TO THE DIRECTORS OF
CLOSE THE LOOP LTD**

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2022 there has been:

- a. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review, and
- b. no contraventions of any applicable code of professional conduct in relation to the review.



**Nexia Melbourne Audit Pty Ltd
Melbourne**



**Benjamin Bester
Director**

Dated this 24th day of February 2023

Statement of profit or loss and other comprehensive income.....	11
Statement of financial position.....	13
Statement of changes in equity.....	15
Statement of cash flows.....	16
Notes to the financial statements.....	17
Directors' declaration.....	33
Independent auditor's review report to the members of Close the Loop Limited.....	34

General Information

The financial statements cover Close the Loop Limited as a consolidated entity consisting of Close the Loop Limited and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is Close the Loop Limited's functional and presentation currency.

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

Registered office

208 Hume Highway
 Somerton VIC 3062
 Australia

Principal place of business

208 Hume Highway
 Somerton VIC 3062
 Australia

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

All amounts in the Consolidated Interim Financial Report have been rounded off in accordance with ASIC Corporations (Rounding in Financial/Directors' Report) Instrument 2016/191 to the nearest one thousand dollars unless otherwise stated.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 23 February 2023.

Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2022

	Note	Consolidated 31 Dec 2022 \$'000	31 Dec 2021 \$'000
Revenue from continuing operations			
Revenue	3	58,587	20,568
Cost of Sales		(39,373)	(13,533)
Gross Profit		19,214	7,035
Expenses			
Other Income	4	478	6
Bargain purchase acquisition gain		-	222
Selling and distribution expenses		(110)	(34)
Administration expenses		(2,460)	(74)
Occupancy costs		(200)	(434)
Employee benefits		(7,357)	(2,341)
Depreciation and amortisation	5	(3,188)	(551)
Costs associated with capital raise		-	(984)
Other expenses		(74)	(1,206)
Operating Profit		6,303	1,639
Finance costs	5	(705)	(346)
Profit before income tax expense from continuing operations		5,598	1,293
Income tax expense		(1,594)	(585)
Profit after income tax expense from continuing operations		4,004	708
Profit after income tax expense for the half year		4,004	708
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
<i>Foreign currency translation</i>		3	29
Other comprehensive income for the half-year, net of tax		3	29
Total comprehensive income for the half year		4,007	737
Profit for the half-year is attributable to:			
Non-controlling interest		(40)	19
Owners of Close the Loop Limited		4,044	689
		4,004	708
Total comprehensive income for the half-year is attributable to:			
Continuing operations		4,047	718
Non-controlling interest		(40)	19
Continuing operations		4,007	737
		Cents	Cents
Earnings per share for profit attributable to the owners of Close the Loop Limited			
Basic earnings per share	15	1.21	0.43
Diluted earnings per share	15	1.17	0.42

The above Statement of profit or loss and other comprehensive income is to be read in conjunction with the accompanying notes.

As set out in Note 1 to the Interim Report, as a result of the acquisition of O F Packaging Pty Ltd ('O F Pack') and its controlled entity by Close the Loop Limited and its controlled entities ('Close the Loop'), the comparative information in the Statement of Profit or Loss and other Comprehensive Income for the period ended 31 December 2021 represents the results of O F Pack for the period from 1 July 2021 to 30 November 2021 and the consolidated results for O F Pack and Close the Loop Group for the period post-acquisition from 1 December 2021 to 31 December 2021.

**Statement of financial position
As at 31 December 2022**

		Consolidated	
	Note	31 Dec 2022	30 Jun 2022
		\$'000	\$'000
Assets			
Current assets			
Cash and cash equivalents		13,151	10,333
Trade and other receivables		23,894	21,078
Inventories		7,290	5,423
Other		7,217	3,189
Total current assets		51,552	40,023
Non-current assets			
Investments		162	164
Property, plant, and equipment		8,274	6,194
Right-of-use assets		12,568	13,715
Intangibles	13	29,569	29,910
Deferred tax		685	1,822
Other		751	436
Total non-current assets		52,009	52,241
Total assets		103,561	92,264
Liabilities			
Current liabilities			
Trade and other payables		15,701	10,329
Borrowings	14	6,326	4,683
Lease liabilities		2,039	2,422
Income tax		135	54
Provisions		2,055	1,856
Deferred revenue		313	1,180
Other		1,197	802
Total current liabilities		27,766	21,326
Non-current liabilities			
Borrowings	14	7,718	3,971
Lease liabilities		12,436	13,154
Provisions		520	433
Deferred revenue		-	152
Other		523	-
Total non-current liabilities		21,197	17,710
Total liabilities		48,963	39,036
Net assets		54,598	53,228
Equity			
Issued capital	6	41,695	41,695
Reserves		(1,605)	(899)
Retained profits		14,179	12,105
Non-controlling interest		329	327
Total equity		54,598	53,228

The above Statement of Financial Position is to be read in conjunction with the accompanying notes.

As set out in Note 1 to the Interim Report, as a result of the acquisition of O F Packaging Pty Ltd ('O F Pack') and its controlled entity by Close the Loop Limited and its controlled entities ('Close the Loop'), the Consolidated Statement of Financial Position as at 30 June 2022 reflects the balances of the post-acquisition consolidated Group including O F Pack and Close the Loop.

Statement of changes in equity
For the half-year ended 31 December 2022

	Issued capital \$'000	Reserves \$'000	Retained profits \$'000	Non- controlling interest \$'000	Total equity \$'000
Consolidated					
Balance at 1 July 2021	427	-	7,555		7,982
Profit after income tax expense for the half year, net of tax	-	-	689	19	708
Foreign exchange movement	-	29	-	-	29
Total comprehensive income for the half-year	-	29	689	19	737
Transactions with owners in their capacity as owners:					
Movement in issued shares (Note 6)	38,896	-	-	-	38,896
Business combination (Note 11)	-	-	-	358	358
Option reserve	-	316	-	-	316
Dividends paid	-	-	(1,023)	-	(1,023)
Balance at 31 December 2021	<u>39,323</u>	<u>345</u>	<u>7,221</u>	<u>377</u>	<u>47,266</u>

	Issued capital \$'000	Reserves \$'000	Retained profits \$'000	Non- controlling interest \$'000	Total equity \$'000
Consolidated					
Balance at 1 July 2022	41,695	(899)	12,105	327	53,228
Profit after income tax expense for the half year, net of tax	-	-	4,044	(40)	4,004
Foreign exchange movement	-	3	-	-	3
Total comprehensive income for the half-year	-	3	4,044	(40)	4,007
Transactions with owners in their capacity as owners:					
Business combination on completion of transactions	-	(709)	(1,970)	42	(2,637)
Balance at 31 December 2022	<u>41,695</u>	<u>(1,605)</u>	<u>14,179</u>	<u>329</u>	<u>54,598</u>

As set out in Note 1 to the Interim Report, as a result of the acquisition of O F Packaging Pty Ltd ('O F Pack') and its controlled entity by Close the Loop Limited and its controlled entities ('Close the Loop'), the comparative information for 31 December 2021 represents the results of O F Pack only for the period 1 July 2021 to 30 November 2021 and the consolidated results for O F Pack and Close the Loop Group post-acquisition for the period from 1 December 2021 to 31 December 2021.

The above Statement of Changes in Equity is to be read in conjunction with the accompanying notes.

Statement of cash flows
For the half-year ended 31 December 2022
Cash flows from operating activities

	Consolidated	
	31 Dec 2022	31 Dec 2021
	\$'000	\$'000
Receipts from customers (inclusive of GST)	64,675	21,367
Payments to suppliers and employees (inclusive of GST)	<u>(58,054)</u>	<u>(20,815)</u>
	6,621	552
Government grants	411	6
Other revenue	40	-
Interest and other finance costs paid	(705)	(346)
Business combination costs	(315)	-
Income taxes paid	<u>(78)</u>	<u>(1,375)</u>
Net cash (used in)/from operating activities	<u>5,974</u>	<u>(1,163)</u>

Cash flows from investing activities

Payment for purchase of business, net of cash acquired	(47)	(468)
Payments for investments	-	-
Acquisition of subsidiary	(2,624)	-
Payments for property, plant, and equipment	<u>(2,218)</u>	<u>(657)</u>
Net cash used in investing activities	<u>(4,889)</u>	<u>(1,125)</u>

Cash flows from/(used in) financing activities

Proceeds from share issue net of issue costs	-	11,361
Proceeds from borrowings	6,022	1,033
Dividends paid	-	(1,023)
Repayment of borrowings	(2,061)	-
Repayment of lease liabilities	<u>(1,699)</u>	<u>(316)</u>
Net cash from/(used in) financing activities	<u>2,262</u>	<u>11,055</u>

Net increase/(decrease) in cash and cash equivalents	3,347	8,767
Cash and cash equivalents at the beginning of the financial half-year	9,660	5,612
Effects of exchange rate changes on cash and cash equivalents	<u>-</u>	<u>-</u>

Cash and cash equivalents at the end of the financial half-year

13,007	14,379
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Cash and cash equivalents in the statement of financial position

Bank balances	13,151	14,379
Bank overdrafts repayable on demand and used for cash management purposes	<u>(144)</u>	<u>-</u>

Cash and cash equivalents in the statement of cashflows

13,007	14,379
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As set out in Note 1 to the Interim Report, as a result of the acquisition of O F Packaging Pty Ltd ('O F Pack') and its controlled entity by Close the Loop Limited and its controlled entities ('Close the Loop'), the Statement of Cash Flows for the period ended 31 December 2021 represents the results of O F Pack only for the period 1 July 2021 to 30 November 2021 and the consolidated cash flows for O F Pack and Close the Loop Group for the period from 1 December 2021 to 31 December 2021.

The above Statement of Cash Flows is to be read in conjunction with the accompanying notes.

Notes to the Financial Statements 31 December 2022

Note 1. Significant accounting policies

These general-purpose financial statements for the interim half-year reporting period ended 31 December 2022 have been prepared in accordance with Australian Accounting Standard AASB134 'Interim Financial Reporting' and the Corporations Act 2001, 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 do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2022 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

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

Reverse acquisition accounting

On 30 November 2021, Close the Loop Limited ('Ctl') completed the acquisition of 100% of the share capital in O F Packaging Pty Ltd and its controlled subsidiary ('O F Pack'). In accordance with accounting standards, this acquisition has been accounted for as a reverse acquisition business combination.

In applying the requirements of AASB 3 Business Combinations to the Group:

3. Close the Loop Limited is the legal parent entity to the Group; and
4. O F Packaging Pty Ltd, which is neither the legal parent nor legal acquirer, is deemed to be the accounting acquirer.

The consolidated financial information incorporated the assets and liabilities of all entities deemed to be acquired by O F Pack including Ctl and the results of these entities from 30 November 2021, being for the period from which those entities are accounted for as being acquired by O F Pack. The assets and liabilities of Close the Loop Limited acquired by O F Pack were recorded at fair value whilst the assets and liabilities of O F Pack were maintained at their book value. The impact of all transactions between entities in the Group were eliminated in full. The impact on equity of treating the formation of the Group as a reverse acquisition is discussed in more detail in Note 11.

AASB 3 Business Combinations requires that Consolidated Financial Statements prepared following a reverse acquisition shall be issued under the name of the legal parent (i.e., Close the Loop Limited) but be a continuation of the financial statements of the legal subsidiary (i.e., O F Packaging Pty Ltd, the acquirer for accounting purposes). The implications of applying AASB 3 on each of the attached financial statements comparatives are as follows:

Statements of financial position

The Statement of Financial Position as at 30 June 2022 represents Close the Loop Group. The Statement of Financial Position for 31 December 2022 reflects the consolidated position of Close the Loop Group.

Statement of profit and loss and other comprehensive income

The Consolidated Statement of Profit or Loss and Other Comprehensive Income for the period 1 July 2022 to 31 December 2022 represent the results of Close the Loop. The Statement of Profit or Loss and other Comprehensive Income for the period ended 31 December 2021 represents the results of O F Pack for the period from 1 July 2021 to 30 November 2021 and the consolidated results for O F Pack and Close the Loop Group for the period post-acquisition from 1 December 2021 to 31 December 2021. The Close the Loop Group from 1 December 2021 includes Foster International Packaging (Pty) Ltd, Oceanic Agencies Pty Ltd and O F Resource Recovery Holdings Pty Ltd and its wholly owned subsidiary O F Resource Recovery Pty Ltd.

Notes to the Financial Statements 31 December 2022

Statement of changes in equity

The Consolidated Statement of Changes in Equity for the period 1 July 2022 to 31 December 2022 comprises Close the Loop Group. The 1 July 2021 opening retained earnings and other equity balances recognised in the consolidated entity are those of O F Pack before the business combination, not those of Close the Loop. The profit for the year, being the results of O F Pack only for the period from 1 July 2021 to 30 November 2021 and the consolidated results for O F Pack and Close the Loop for the period from 1 December 2021 to 31 December 2021. The Close the Loop Group from 1 December 2021 includes Foster International Packaging (Pty) Ltd, Oceanic Agencies Pty Ltd and O F Resource Recovery Holdings Pty Ltd and its wholly owned subsidiary O F Resource Recovery Pty Ltd.

Statement of cash flows

The Statement of Cash Flows represents cash flows of Close the Loop Group for the period 1 July 2022 to 31 December 2022. The 31 December 2021 Statement of Cash Flows represents cash flows of O F Pack only for the period from 1 July 2021 to 30 November 2021 and the cash flows for O F Pack and Close the Loop for the period from 1 December 2021 to 31 December 2021. The Close the Loop Group from 1 December 2021 includes Foster International Packaging (Pty) Ltd, Oceanic Agencies Pty Ltd and O F Resource Recovery Holdings Pty Ltd and its wholly owned subsidiary O F Resource Recovery Pty Ltd.

Critical accounting estimates and assumptions

Business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the consolidated entity taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting are retrospective, where applicable, to the period the combination appeared and may have an impact on the assets and liabilities, depreciation and amortisation reported.

Note 2. Operating segments

Identification of reportable operating segments

The consolidated entity is organised into two operating segments based on differences in products and services provided: resource recovery and packaging. These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is aggregation of operating segments.

The CODM reviews EBITDA (earnings before interest, tax, depreciation, and amortisation). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

The information reported to the CODM is on a monthly basis.

Types of products and services

The principal products and services of each of these operating segments are as follows:

Packaging	Provides premium and innovative flexible and carton packaging as well as bulk storage and sustainable packaging solutions.
Resource recovery	The takeback, recovery and reuse of complex waste streams including imaging consumables, cosmetics, paper, cardboard and magazines and products associated there with.

Intersegment transactions

An internally determined transfer price is set for all intersegment sales. This price is reset and is based on what would be realised in the event the sale was made to an external party at arm's length. Intersegment transactions are eliminated on consolidation.

Intersegment receivables, payables, and loans

Intersegment loans are initially recognised at the consideration received, net of transaction costs. Intersegment loans receivable and loans payable that earn or incur non-market interest are not adjusted to fair value based on market interest rates. Intersegment loans are eliminated on consolidation.

Notes to the Financial Statements
31 December 2022
Operating segment information

Consolidated 31 December 2022	Resource Recovery \$'000	Packaging \$'000	Total \$'000
Revenue			
Sales to external customers	21,504	37,083	58,587
Intersegment sales	-	-	-
Total sales revenue	<u>21,504</u>	<u>37,083</u>	<u>58,587</u>
Other revenue	29	449	478
Total segment revenue	<u>21,533</u>	<u>37,531</u>	<u>59,065</u>
Intersegment eliminations			-
Unallocated revenue			-
Total revenue			<u>59,065</u>
EBITDA			
Depreciation and amortisation	3,708	5,783	9,491
Finance costs	(1,782)	(1,406)	(3,188)
	(425)	(280)	(705)
Profit before income tax expense	<u>1,501</u>	<u>4,097</u>	<u>5,598</u>
Income tax expenses	(637)	(957)	(1,594)
Profit after income tax expense	<u>864</u>	<u>3,140</u>	<u>4,004</u>
Assets			
Segment assets	47,313	56,248	103,561
Intersegment eliminations	-	-	-
Unallocated assets			-
Total assets			<u>103,561</u>
Liabilities			
Segment liabilities	30,266	18,697	48,963
Intersegment eliminations			-
Unallocated liabilities:			-
Total liabilities			<u>48,905</u>

Consolidated 31 December 2021	Resource Recovery \$'000	Packaging \$'000	Total \$'000
Revenue			
Sales to external customers	3,833	16,735	20,568
Intersegment sales	-	-	-
Total sales revenue	<u>3,833</u>	<u>16,735</u>	<u>20,568</u>
Other revenue	-	6	6
Total segment revenue	<u>3,833</u>	<u>16,741</u>	<u>20,574</u>
Intersegment eliminations			-
Unallocated revenue			-
Total revenue			<u>20,574</u>
EBITDA			
Depreciation and amortisation	(62)	2,252	2,219
Finance costs	366	185	551
	254	92	346
Profit before income tax expense	<u>(682)</u>	<u>1,975</u>	<u>1,293</u>

Notes to the Financial Statements
31 December 2022

Consolidated 31 December 2021	Resource Recovery \$'000	Packaging \$'000	Total \$'000
Income tax expenses	(355)	(230)	(585)
Profit after income tax expense	(1,037)	1,745	708
Assets			
Segment assets	58,703	24,253	82,956
Intersegment eliminations	-	-	-
Unallocated assets			-
Total assets			82,956
Liabilities			
Segment liabilities	33,982	1,320	35,302
Intersegment eliminations			-
Unallocated liabilities:			388
Total liabilities			35,690

Geographical segment information

Consolidated 31 December 2022	Australia \$'000	USA \$'000	Europe \$'000	South Africa \$'000	Total \$'000
Revenue					
Sales to external customers	37,564	11,791	2,405	6,827	58,587
Intersegment sales	-	-	-	-	-
Total sales revenue	37,564	11,791	2,405	6,827	58,587
Other revenue	415	-	11	52	478
Total segment revenue	37,979	11,791	2,416	6,879	59,065
Intersegment eliminations					-
Unallocated revenue					-
Total revenue					59,065
EBITDA					
Depreciation and amortisation	6,055	2,603	254	579	9,491
Finance costs	(1,723)	(1,000)	(459)	(6)	(3,188)
Profit before income tax expense	(425)	(277)	(25)	22	(705)
Income tax expenses	3,907	1,326	(230)	595	5,598
Profit after income tax expense	(1,070)	(391)	-	(133)	(1,594)
Profit after income tax expense	2,837	935	(230)	462	4,004
Assets					
Segment assets	74,536	21,207	3,221	4,597	103,561
Intersegment eliminations	-	-	-	-	-
Unallocated assets					-
Total assets					103,561

Notes to the Financial Statements
31 December 2022

Consolidated 31 December 2022	Australia \$'000	USA \$'000	Europe \$'000	South Africa \$'000	Total \$'000
Liabilities					
Segment liabilities	25,398	9,330	13,347	888	48,963
Intersegment eliminations	-	-	-	-	-
Unallocated liabilities					-
Total liabilities					48,963

Consolidated 31 December 2021	Australia \$'000	USA \$'000	Europe \$'000	South Africa \$'000	Total \$'000
Revenue					
Sales to external customers	17,661	1,671	1,024	212	20,568
Intersegment sales	-	-	-	-	-
Total sales revenue	17,661	1,671	1,024	212	20,568
Other revenue	6	-	-	-	6
Total segment revenue	17,667	1,671	1,024	212	20,574
Intersegment eliminations					-
Unallocated revenue					-
Total revenue					20,574

EBITDA	1,487	451	264	17	2,219
Depreciation and amortisation	291	45	197	18	551
Finance costs	131	143	70	2	346
Profit before income tax expense	1,036	263	(3)	(3)	1,293
Income tax expenses	(441)	(40)	-	(104)	(585)
Profit after income tax expense	595	223	(3)	(107)	708

Assets					
Segment assets	57,397	18,380	4,006	3,173	82,956
Intersegment eliminations	-	-	-	-	-
Unallocated assets					-
Total assets					82,956

Liabilities					
Segment liabilities	12,482	16,412	4,405	2,003	35,302
Intersegment eliminations	-	-	-	-	-
Unallocated liabilities					388
Total liabilities					35,690

Notes to the Financial Statements
31 December 2022
Note 3. Revenue

	Consolidated	
	31 Dec 2022	31 Dec 2021
	\$'000	\$'000
From continuing operating activities		
<i>Revenue from contracts with customers</i>		
Sale of goods	43,470	18,163
Collection revenue	15,117	2,405
	<u>58,587</u>	<u>20,568</u>

Note 4. Other income

	Consolidated	
	31 Dec 2022	31 Dec 2021
	\$'000	\$'000
Interest Income	27	-
Government grants	411	6
Foreign Exchange Gains	30	-
Other Income	10	-
Other income	<u>478</u>	<u>6</u>

Note 5. Expenses

	Consolidated	
	31 Dec 2022	31 Dec 2021
	\$'000	\$'000
Profit before income tax from continuing operations includes the following expenses:		
<i>Depreciation and Amortisation</i>		
Depreciation on property, plant and equipment	906	311
Depreciation on right-of-use assets	1,276	210
Total depreciation	<u>2,182</u>	<u>521</u>
Amortisation of non-current assets	1,006	30
Total depreciation and amortisation	<u>3,188</u>	<u>551</u>
<i>Finance costs</i>		
Interest and finance charges paid/payable on borrowings	304	253
Interest and finance charges paid/payable on lease liabilities	401	93
Finance costs expensed	<u>705</u>	<u>346</u>

Note 6. Equity - issued capital

	31 Dec 2022	30 Jun 2022	31 Dec 2022	30 Jun 2022
	Shares	Shares	\$'000	\$'000
Ordinary shares – fully paid	<u>335,451,478</u>	<u>335,451,478</u>	<u>41,695</u>	<u>41,695</u>

Notes to the Financial Statements
31 December 2022
Movements in ordinary share capital

	Date	Shares	Issue price	\$'000
Balance at the beginning of the year	1 Jul 2021	200	\$1.00	427
Elimination of issued capital in O F Packaging	30 Nov 2021	(200)		-
Close the Loop issued capital at pre-acquisition	1 Jul 2021	98,200,018		
Share buyback	2 Nov 2021	(3,003,203)	\$0.25	-
Issue of shares pursuant to prospectus	30 Nov 2021	60,000,000	\$0.20	12,000
Issue of bonus shares	30 Nov 2021	4,516,302	\$0.20	-
Shares issued upon conversion of Close the Loop convertible notes	30 Nov 2021	9,500,000	\$0.10	-
Deemed fair value of shares issued to O F Packaging Group Vendors on Reverse Acquisition (Refer to Note 10)	30 Nov 2021	150,978,361	\$0.25	27,620
Shares issued to pre-IPO investors	30 Nov 2021	9,190,000	\$0.10	919
Issue of shares due to conversion of employee options	17 Dec 2021	70,000	\$0.20	14
Issue of shares for IPO services	8 Apr 2022	3,000,000	\$0.25	750
Issue of shares for IPO services	17 Jun 2022	3,000,000	\$0.25	750
Transaction costs relating to share issues				(785)
				(785)
Balance		335,451,478		41,695

There were no movements in the share capital in the half year ended 31 December 2022.

Note 7. Share Based Payments

Close the Loop's approach to remuneration is to ensure that employee remuneration is closely linked to the Consolidated Entity's performance and the returns generated for shareholders. Performance-linked compensation, as outlined in the Consolidated Entity's Employee Incentive Plan ('EIP'), includes both short-term and long-term incentives, and is designed to incentivise and reward employees for meeting or exceeding Company-wide and individual objectives. The short-term incentive ('STI') is an "at risk" bonus provided in the form of cash and/or shares, while the long-term incentive ('LTI') is provided as options and performance rights over ordinary shares of the Company. Performance rights are granted pursuant to the Company's Performance Rights Plan Rules which were approved by shareholders on 16 November 2022.

Performance rights are granted at the discretion of the Board to key executives by way of issue at nil cost both at the time of grant and vesting. Vesting is contingent on the Company meeting or exceeding performance hurdles over the performance period and upon each key executive's ongoing employment by the Company. The performance hurdles involve an assessment of the Company's total shareholder returns in absolute terms.

As part to of the Australian Stock Exchange listing process certain key executives and advisors received, for no consideration, options over ordinary shares of the Company at specified exercise prices as determined by the Board. The grant of options is intended to align the interests of senior executives with other owners of the Company over the medium to longer term and to increase those senior executives' proportion of 'at risk' remuneration.

Set out below are summaries of options granted as at 31 December 2022:

Grant Date	Expiry Date	Exercise Price	Balance at the start of the financial half year	Granted	Exercised	Expired/ Forfeited/ other	Balance at the end of the financial half year
2 Dec 2021	1 Dec 2023	\$0.30	11,000,000	-	-	-	11,000,000

Notes to the Financial Statements

31 December 2022

Set out below are summaries of performance rights granted as at 31 December 2022. The valuation of the performance rights has been split into 4 Tranches.

For the performance rights granted during the current financial period, a Binomial Option Valuation model was used to value the performance rights for Tranche 1. A probability adjustment for market vesting conditions is then attached to the value of the performance rights. Each performance right, once vested, entitles the performance right holder to receive one fully paid ordinary share in the Company for zero consideration.

The Tranche 2, Tranche 3 and Tranche 4 Performance Rights are effectively plain vanilla options with nil exercise price and vesting conditions that include a price target. The values of Tranche 2, Tranche 3 and Tranche 4 are assessed using a binomial option pricing model, adjusted to take account of the price target. This model allows for the potential exercise of the Performance Rights between vesting and expiry.

A risk-free rate of 3% was used in the valuation model as this yield on Commonwealth bonds is assumed to match the life of the Performance Rights. The valuation model inputs used to determine the fair value at the grant date are as follows:

Grant Date	Expiry Date	Exercise Price	Balance at the start of the financial half year	Granted	Exercised	Expired/ Forfeited/ other	Balance at the end of the financial half year
20 Dec 2022	19 Dec 2027	\$0.00	-	7,250,000	-	-	7,250,000

Tranche	Share price at grant date	Volatility	Dividend Yield	Number of Performance Rights	Fair value at grant date
Tranche 1	\$0.38	60%	\$nil	2,900,000	\$0.38
Tranche 2	\$0.38	60%	\$nil	1,450,000	\$0.29
Tranche 3	\$0.38	60%	\$nil	1,450,000	\$0.262
Tranche 4	\$0.38	60%	\$nil	1,450,000	\$0.248

Note 8. Equity - dividends

Dividends paid during the financial half-year were as follows:

Consolidated	
31 Dec 2022	30 Jun 2022
\$'000	\$'000

No dividend paid for the half year ended 31 December 2022
 (30 June 2022 511,596 cents per ordinary share)

-	1,023
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On various dates from 1 July 2021 to 30 November 2021, prior to the business combination with Close the Loop Limited, the directors of O F Packaging Pty Ltd declared interim dividends for the year ending 30 June 2022 of 511,596 cents per ordinary share in total to be paid on various dates throughout the 5 month period ended 30 November 2021, a total estimated distribution of \$1,023,000 based on the number of ordinary shares on issue as at 30 November 2021. The number of O F Packaging Pty Ltd shares on issue was consistent throughout the reporting period. There are no dividends declared or paid from 30 November 2021 onwards.

Note 9. Contingent liabilities

As part of the acquisition of Crasti & Co. Pty Ltd there is potential contingent consideration payable in the form of a 12 month earn out capped at \$1,780,000. As part of the acquisition of The Pouch Shop Pty Ltd there is contingent consideration that is payable on the two year anniversary of completion of \$522,000 (R6,1130,000.) These have been taken up as liabilities at 31 December 2022.

The Directors are not aware of any other material contingent liabilities as at 31 December 2022.

Notes to the Financial Statements

31 December 2022

Note 10. Related party transactions

The group's only material related party transaction during the period is the receipt of a licence fee from Foster International Packaging Pty Ltd of 7% of revenue per annum which generated intercompany licence fees of \$290,000 (2021: \$277,000).

With effect from 1 October 2022 Close the Loop Limited acquired all of the shares in The Pouch Shop Proprietary Limited, a director related company domiciled in South Africa. Joseph Foster was a 70% shareholder of this company.

Note 11. Business combinations

In accordance with AASB 3 reverse acquisitions on 30 November 2021, O F Packaging Pty Ltd acquired 100% of the ordinary shares of Close the Loop Limited and its subsidiaries for the total consideration via the issue of 109,213,116 shares with a value of \$21,842,623. Close the Loop is a resource recovery business specialising in recycling complex waste streams with operations in Australia, USA, and Europe. It is the legal entity that listed on the Australian Stock Exchange on 2 December 2021. The goodwill of \$7,522,000 represents the expected synergies from merging this business with the packaging division and expanding the service offering of the Group to circular integration for the existing customer base of both entities. The acquired business contributed revenues of \$3,219,000 and loss after tax of \$647,000 to the consolidated entity for the period from 1 December to 31 December 2021. If the acquisition occurred on 1 July 2021, the full half-year contributions would have been revenues of \$19,074,000 and profit after tax of \$2,270,000.

Details of the acquisition are as follows:

	Fair value
	\$'000
Cash and cash equivalents	558
Trade receivables	7,064
Prepayments and other debtors	1,210
Plant and equipment / Right of use assets	19,924
Inventory	529
Deferred tax asset	463
Intangibles	10,219
Trade payables	(6,601)
Deferred revenue	(1,552)
Borrowings	(4,823)
Lease liability	(12,121)
Employee benefits	(549)
	<hr/>
Net assets acquired	14,321
Goodwill	7,522
	<hr/>
Acquisition-date fair value of the total consideration transferred	21,843
	<hr/>
Representing:	
Cash paid or payable to vendors	-
Close the Loop shares issued to vendors	21,843
Total	21,843
	<hr/>
Acquisition costs expensed to profit or loss	-
	<hr/>

On 30 November 2021, Close the Loop Limited acquired 100% of the ordinary shares of O F Resource Recovery Holdings Pty Ltd and its wholly owned subsidiary for total consideration via the issue of 15,414,020 shares with a value of \$3,082,804. This paper and carton recycling business operates in the recycling industry. It was acquired as part of the IPO to expand the recycling capabilities of the Close the Loop Group's service offering. The goodwill of \$3,416,000 represents the expected synergies from merging this business with the recycling division and expanding the service offering of the Group. The acquired business contributed revenues of \$606,000 and profit after tax of \$108,000 to the consolidated entity for the period from 1 December to 31 December 2021. If the

Notes to the Financial Statements

31 December 2022

acquisition occurred on 1 July 2021, the full half-year contributions would have been revenues of \$3,831,000 and profit after tax of \$322,000. The values identified in relation to the acquisition of O F Resource Recovery Holdings Pty Ltd were accounted for on a provisional basis as at 31 December 2021.

Details of the acquisition are as follows:

	Fair value \$'000
Cash and cash equivalents	587
Trade receivables	472
Other debtors	54
Plant and equipment	1,294
Inventory	25
Deferred tax asset	388
Trade payables	(1,172)
Deferred tax liability	(307)
Financial liabilities	(611)
Lease liabilities	(935)
Employee benefits	(128)
	<hr/>
Net assets acquired	(333)
Goodwill	3,416
	<hr/>
Acquisition-date fair value of the total consideration transferred	<u>3,083</u>
Representing:	
Cash paid or payable to vendors	-
Close the Loop shares issued to vendors	3,083
	<hr/>
Total	<u>3,083</u>
	<hr/>
Acquisition costs expensed to profit or loss	-
	<hr/>

On 30 November 2021, Close the Loop Limited acquired 84.75% of the ordinary shares of Foster International Packaging (Pty) Ltd for total consideration via the issue of 8,855,147 shares with a value of \$1,771,029. This flexible and carton packaging business operates in the packaging industry in Southern Africa. It was acquired as part of the IPO to expand the global packaging capabilities of Close the Loop Group's service offering. The discount on acquisition of \$222,000 was provisionally accounted for, whilst management undertook a review of the fair values of the assets acquired. The acquired business contributed revenues of \$212,000 and loss after tax of \$73,000 to the consolidated entity for the period from 1 December to 31 December 2021. If the acquisition occurred on 1 July 2021, the full half-year contributions would have been revenues of \$3,618,000 and profit after tax of \$331,000. The values identified in relation to the acquisition of Foster International Packaging (Pty) Ltd were accounted for on a provisional basis as at 31 December 2021.

Details of the acquisition are as follows:

	Fair value \$'000
Cash and cash equivalents	887
Trade receivables	1,695
Investments	88
Inventory	699
Plant & equipment / Right of use asset	39
Deferred tax asset	33
Other debtors	8
Trade payables	(442)
Deferred tax liability	(24)
Financial liabilities	(584)
Lease liabilities	(48)
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Notes to the Financial Statements
31 December 2022

	Fair value \$'000
Net assets acquired	2,351
Recognised amount of non-controlling interest	(358)
Discount on acquisition attributable to Close the Loop	(222)
Acquisition-date fair value of the total consideration transferred	<u>1,771</u>
Representing:	
Cash paid or payable to vendor	-
Close the Loop shares issued to vendors	1,771
Total	<u>1,771</u>
Acquisition costs expensed to profit or loss	<u>-</u>

On 1 December 2021, Close the Loop Limited acquired 100% of the ordinary shares of Oceanic Agencies Pty Ltd for total consideration of \$4,284,000 with \$2,500,000 paid at settlement and the balance in the form of an earn out of up to \$750,000 based on the financial performance of the business in the 12 months to 30 November 2022. The total consideration paid includes a working capital adjustment. This seafood packaging and bulk solution provider operates in the seafood packaging industry in Australia. The acquisition strengthens Close the Loop's bulk and commercial seafood packaging capability, in a growing and highly complementary sector to its existing seafood business. The goodwill of \$543,000 represents the expected synergies from merging this business with the packaging division and leveraging the current knowledge and know how of O F Packaging's seafood packaging business. The acquired business contributed revenues of \$694,000 and profit after tax of \$127,000 to the consolidated entity for the period from 1 December to 31 December 2021. If the acquisition occurred on 1 July 2021, the full half-year contributions would have been revenues of \$2,280,000 and profit after tax of \$168,000. The values identified in relation to the acquisition of Oceanic Agencies Pty Ltd were accounted for on a provisional basis as at 31 December 2021.

Details of the acquisition are as follows:

	Fair value \$'000
Cash and cash equivalents	769
Trade receivables	302
Inventory	219
Other receivables	451
Plant and equipment	87
Trade payables	(219)
Deferred tax liability	(3)
Other payables	(255)
Net assets acquired	1,351
Goodwill	543
Brand name	232
Customer relationships	2,158
Acquisition-date fair value of the total consideration transferred	<u>4,284</u>
Representing:	
Cash paid or payable to vendor	<u>4,284</u>
Acquisition costs expensed to profit or loss	<u>17</u>
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	4,284

Notes to the Financial Statements
31 December 2022

Less: cash and cash equivalents	(769)
Less: payments to be made in future periods	<u>(1,015)</u>
Net cash used	<u>2,500</u>

On 30 August 2022, Close the Loop Limited acquired 100% of the ordinary shares of Alliance Paper Pty Ltd and its wholly owned subsidiary Sustain Paper Pty Ltd for total consideration of \$1. At settlement Close the Loop became responsible for all debts of the acquired companies and was required to make an investment in the working capital of Alliance and Sustain Paper.

Alliance Paper is an Australian supplier of thermal paper and associated paper products and services. It is the largest and longest-serving supplier and converter of paper roll products in the Australian market. Alliance offers a range of BPA and phenol-free thermal receipt rolls and other paper products which are recyclable. The acquisition allows the Close the Loop's to develop new sustainable paper products that can replace some traditional plastic packaging, based on technologies that Alliance has developed and has been trialled successfully by Close the Loop subsidiaries.

The goodwill of \$20,000 represents the expected synergies from merging this business with the packaging division and expanding the service offering of the Group. The acquired business contributed revenues of \$5,017,000 and profit after tax of \$233,000 to the consolidated entity for the period from 31 August to 31 December 2022. If the acquisition occurred on 1 July 2022, the full half-year contributions would have been revenues of \$7,516,000 and loss after tax of \$57,000. The values identified in relation to the acquisition of Alliance Paper Pty Ltd are accounted for on a provisional basis as at 31 December 2022.

Details of the acquisition are as follows:

	Fair value \$'000
Cash and cash equivalents	91
Trade receivables	3,749
Inventory	1,097
Other receivables	414
Plant and equipment	2,140
Trade payables	(1,299)
Deferred tax liability	-
Other payables	<u>(6,212)</u>
Net assets acquired	(20)
Goodwill	<u>20</u>
Acquisition-date fair value of the total consideration transferred	<u>-</u>
Representing:	
Cash paid or payable to vendor	<u>-</u>
Acquisition costs expensed to profit or loss	<u>44</u>
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	-
Less: cash and cash equivalents	91
Less: payments to be made in future periods	<u>-</u>
Net cash used	<u>91</u>

On 1 October 2022, Close the Loop Limited acquired 100% of the ordinary shares of The Pouch Shop Proprietary Limited for total consideration of ZAR8,000,000 plus the value of inventory less trade and statutory liabilities. At settlement date on 1 October 2022 ZAR4,000,000 plus 50% of the inventory on hand less 50% trade liabilities

Notes to the Financial Statements

31 December 2022

was paid with the balance of the consideration paid on the second anniversary of the settlement date. The balance of the purchase amount accrues interest at 5% per annum calculated in arrears on a monthly basis.

The Pouch Shop, a niche provider of ready-to-label packaging and pouches for food products in South Africa. The Pouch Shop is the largest stockist of off the shelf readymade pouches in Southern Africa. The Pouch Shop product range of recyclable flat bottom and stand-up pouches caters to small-volume fast-to-market customer needs. Its range and customer base complements the South Africa-based Foster International Packaging offer. The two South African businesses currently share warehouse and manufacturing facilities as well as back-end office and logistics processes. The goodwill of \$645,000 represents the expected synergies from merging this business with the packaging division in South Africa and leveraging the current knowledge and know how of Foster International Packaging's packaging business.

The acquired business contributed revenues of \$483,000 and profit after tax of \$46,000 to the consolidated entity for the period from 1 October to 31 December 2022. If the acquisition occurred on 1 July 2022, the full half-year contributions would have been revenues of \$960,000 and profit after tax of \$111,000. The values identified in relation to the acquisition of The Pouch Shop Proprietary Limited are accounted for on a provisional basis as at 31 December 2022.

Details of the acquisition are as follows:

	Fair value \$'000
Cash and cash equivalents	114
Trade receivables	25
Inventory	518
Other receivables	5
Plant and equipment	1
Trade payables	(130)
Income tax payable	(12)
Other payables	(132)
	<hr/>
Net assets acquired	389
Goodwill	645
	<hr/>
Acquisition-date fair value of the total consideration transferred	1,034
	<hr/>
Representing:	
Cash paid or payable to vendor	1,034
	<hr/>
Acquisition costs expensed to profit or loss	8
	<hr/>
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	1,034
Less: cash and cash equivalents	(114)
Less: payments to be made in future periods	(873)
	<hr/>
Net cash used	47
	<hr/>

Note 12. Events after the reporting period

On 17 January 2023 the company announced that it has strengthened its position in the recycling market via the acquisition of USA recycling company In-Plas Recycling. Headquartered in Cincinnati, Ohio, In-Plas Recycling is a recycler and processor of post-industrial scrap, pellets, regrind and by-products, and also sells a broad range of recovered plastic products on the market. In-Plas operates at three sites located at key customer facilities. The purchase price for In-Plas Recycling is US\$4,000,000 (including up to US\$500,000 of inventory) of which US\$3,000,000 is payable at completion and US\$250,000 is payable per annum for four years. The acquisition is expected to settle on 28 February 2023.

Notes to the Financial Statements

31 December 2022

Since 31 December 2022, the company has commenced or continued discussions with a number of potential acquisition targets for share and or asset purchases for businesses that are complimentary to the current service offerings of the Group. At the time of this report no binding agreements have been entered into with any of these potential acquisition targets, although some are at an advanced stage.

No other matter or circumstance has arisen since 31 December 2022 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 13. Intangibles

	Consolidated	
	31 Dec 2022	31 Dec 2021
	\$'000	\$'000
Goodwill	15,249	24,640
Less: Impairment	-	-
	15,249	24,640
Customer Relationships	9,175	-
Less: Accumulated amortisation	(1,280)	-
	7,895	-
Patents and trademarks - at cost	1,281	307
Less: Accumulated amortisation	(760)	(77)
	521	230
Brand Names - at cost	5,005	-
Less: Accumulated amortisation	(108)	-
	4,897	-
Software created - at cost	1,500	-
Less: Accumulated amortisation	(493)	-
	1,007	-
	29,569	24,870

Reconciliations

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

	Goodwill	Customer	Patents and	Brand	Software	Total
	\$'000	Relationships	Trademarks	Names	Created	\$'000
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Consolidated						
Balance at 1 July 2021	993	-	-	-	-	993
Additions through business combinations (Note 11)	23,647	-	307	-	-	23,954
Amortisation expense	-	-	(77)	-	-	(77)
Balance at 31 December 2021	24,640	-	230	--	-	24,870

Notes to the Financial Statements
31 December 2022

	Goodwill \$'000	Customer Relationships \$'000	Patents and Trademarks \$'000	Brand Names \$'000	Software Created \$'000	Total \$'000
Consolidated						
Balance at 1 July 2022	20,265	7,878	572	-	1,195	29,910
Purchase price adjustment	(5,681)	676	-	5,005	-	-
Additions through business combinations (Note 11)	665	-	-	-	-	665
Amortisation expense	-	(659)	(51)	(108)	(188)	(1,006)
Balance at 31 December 2022	<u>15,249</u>	<u>7,895</u>	<u>521</u>	<u>4,897</u>	<u>1,007</u>	<u>29,569</u>

Note 14. Borrowings

During the half-year, the Group obtained new business bank loans to the amount of \$5,200,000 (June 2022 \$1,050,000) from National Australia Bank. The loans bear interest at variable market rates and are repayable within five years. The proceeds from the loans have been used to repay Commonwealth Bank of Australia loans and fund the Crasti and Co. acquisition. Repayments of other bank loans amounting to \$2,061,000 (June 2022 \$575,000) were made in line with previously disclosed repayment terms.

During the period and with effect from 30 August 2022, the Group entered into two new finance facilities with Octet to fund the working capital requirements of Alliance Paper Pty Ltd. A debtor funding facility with a funding limit of \$3,000,000 and a trade finance facility of \$2,500,000. On 23 December 2022 the trade finance facility was increased to \$4,500,000. At 31 December 2022 \$1,386,046 of the trade finance facility and \$1,183,302 of the debtor funding facility had been utilised. The loan is secured over Alliance Paper's trade receivables and inventory.

There were no other changes to the Group's borrowings as reported in the 30 June 2022 financial report.

Note 15. Earnings per share

	Consolidated	
	31 Dec 2022	31 Dec 2021
	\$'000	\$'000
Earnings per share for profit from continuing operations		
Profit after income tax	4,003	708
Non-controlling interest	(40)	(19)
Profit after income tax attributable to the owners of Close the Loop Limited	<u>4,043</u>	<u>689</u>
	Cents	Cents
Basic earnings per share	1.21	0.43
Diluted earnings per share	1.17	0.42

Notes to the Financial Statements
31 December 2022

	Number	Number
<i>Weighted average number of ordinary shares</i>		
Weighted average number of ordinary shares used in calculating basic earnings per share	335,451,478	160,493,742
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	11,000,000	1,921,720
Performance Rights	<u>435,792</u>	<u>-</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>346,887,270</u>	<u>162,415,462</u>

The weighted average number of ordinary shares used in the calculation of earnings per share is based on the number of O F Packaging Pty Ltd shares on issue up until 1 December 2021 and the pro-rata number of Close the Loop Limited shares on issue for the 1 month from 1 December 2021 to 31 December 2021.

2 DIRECTORS DECLARATION

In the directors' opinion:

- The attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- The attached financial statements and notes give a true and fair value of the consolidated entity's financial position as at 31 December 2022 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



Signed:

Gregory Toll
Director

Date: 24 February 2023

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Close the Loop Ltd

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Close the Loop Ltd, which comprises the Consolidated Statement of Financial Position as at 31 December 2022, the Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' Declaration.

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

- i) giving a true and fair view of Close the Loop Ltd's financial position as at 31 December 2022 and of its performance for the half-year ended on that date; and
- iii) 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 Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & 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* has been given to the directors of the Company, as at the date of this auditor's review report.

Responsibility of the Directors for the 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 Responsibility for the Review of the 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 2022 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.



Nexia Melbourne Audit Pty Ltd
Melbourne



Benjamin Bester
Director

Dated this 24th day of February 2023