



**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 2021
Previous period:	For the half-year ended 31 December 2020

1.2 Results for announcement to the market

				\$'000
Revenues from ordinary activities	Up/Down	48%	to	20,574
Profit/(Loss) from ordinary activities after tax attributable to the owners of Close the Loop Limited	Up/Down	66%	to	689
Profit/(Loss) for the half year attributable to the owners of Close the Loop Limited	Up/Down	66%	to	689

Dividends

Close the Loop Limited has not paid any dividends in the half year ending 31 December 2021 nor does it propose to pay any dividends.

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

Comments

On the 30 November 2021, Close the Loop Limited (ASX: CLG) completed the acquisition of 100% of the share capital of OF Packaging Pty Ltd. The transaction is accounted for as a reverse acquisition of Close the Loop Limited and its controlled entities by OF Packaging Pty Ltd.

Please refer to the Review of Operations for an explanation of the results.

This Appendix 4D should be read in conjunction with the Interim Report of Close the Loop Limited for the half year ended 31 December 2021. Refer to ASX announcement on the 28 February 2021. 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 2021	31 December 2020
Net tangible assets per ordinary security	6.8 cents	2.1 cents

1.4 Control gained over entities

Name of entities	Date control gained
OF Packaging Pty Ltd	30 November 2021
OF Flexo Pty Ltd	30 November 2021
OF Resource Recovery Holdings Pty Ltd	30 November 2021
OF Resource Recovery Pty Ltd	30 November 2021
Foster International Packaging (Pty) Ltd	30 November 2021
Oceanic Agencies Pty Ltd	1 December 2021

Given that the acquisition of OF Packaging Pty Ltd by Close the Loop Limited is deemed to be a reverse acquisition in accordance with Australian Accounting Standards the profit contribution from OF Packaging and its wholly owned subsidiary OF Flexo Pty Ltd of \$1,880,146 (2020: \$2,047,000) for the period is material to the understanding of the report.

The contribution from all other entities that control was gained over in the reporting period are deemed to be immaterial.

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 2021.

1.8 Attachments

The Interim Report of Close the Loop Limited for the half-year ended 31 December 2021 is attached.

1.9 Signed



Signed:

Gregory Toll
Director

Date: 28 February 2022



Close the Loop GROUP

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Interim Report 31 December 2021

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 2021.

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	(appointed 4 October 2021)
Darren Brits	(appointed 30 November 2021)
Grant Carman	(appointed 30 November 2021)
Joseph Foster	(appointed 30 November 2021)
Lawrence Jaffe	(appointed 30 November 2021)
Silvio Salom	(resigned 30 November 2021)
Christopher Trafford	(resigned 30 November 2021)

Principle Activities

The principal activity of the consolidated group during the financial half year was the collection and recycling of imaging consumables, 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 and storage solutions.

Review of Operations

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:

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.

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 \$689,000 (2020 profit of \$2,047,000).

The profit before interest, tax, depreciation, and amortisation ("EBITDA") attributable to the members of the parent entity for the half year ended 31 December 2021 is \$2,190,000 (31 December 2020: \$2,839,000).

The financial results for the reporting period are based on the full six-month reporting period for O F Packaging and its wholly owned subsidiary, O F Flexo and 1 month of trading for the balance of the Close the Loop Group. The capital raising costs incurred during the reporting period are included in the O F Packaging six monthly trading result as it was responsible for the Australian Stock Exchange listing process.

Close the Loop performance was underpinned by strong growth in both the packaging and resource recovery businesses. We are seeing 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, these increased costs are being passed on when possible.

The OF Packaging businesses experienced strong sales during the period, improving throughputs and refining manufacturing equipment lines and operations. 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. South Africa achieved strong sales growth which drove improved performance. The resource recovery division is showing positive growth following strong demands from international markets for recycled cardboard with stable prices.

For the Close the Loop division, the US business has gained momentum as trading conditions rebounded strongly with collection volumes approaching pre-COVID levels. Europe continues to track to budget. Australian operations were impacted by lockdown activity in several jurisdictions, as the recycling business is volume-based. However, volumes have increased in November and December.

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; bag closure through Inno Bag.

The acquisition of Oceanic Agencies strengthened the Packaging division's capability as it added to the Company's presence in the bulk and commercial seafood packaging sector and cross selling across the Packaging divisions. O F Resource Recovery, which provides recycling, reuse, and waste services, also experienced strong sales growth due to efficiencies generated by new production equipment and optimising of factory staffing and processes.

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

Business across the division's three main markets is beginning to return to normal with collection volumes approaching pre-COVID levels. The European operation is expanding its service offering 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. Discussions are advanced with several O F Packaging customers to integrate Close the Loop's recovery and reuse services into their supply chains.

Significant Changes in the State of Affairs

On 30 November 2021 Close the Loop Limited acquired 100% of the shares in O F Packaging Pty Ltd and its wholly owned subsidiary O F Flexo Pty Ltd and O F Resource Recovery Holdings Pty Ltd and its wholly owned subsidiary O F Resource Recovery Pty Ltd. On 30 November 2021 84.75% of the shares in Foster International Packaging (Pty) Ltd were acquired by Close the Loop Limited. On 1 December 2021 Close the Loop Limited acquired 100% of the shares in Oceanic Agencies Pty Ltd. On 2 December 2021 Close the Loop Limited commenced trading on the Australian Stock Exchange with the code CLG.

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

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: 28 February 2022

DECLARATION OF INDEPENDENCE BY JAMES MOONEY TO THE DIRECTORS OF CLOSE THE LOOP LIMITED

As lead auditor for the review of Close the Loop Limited for the half-year ended 31 December 2021, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Close the Loop Limited and the entities it controlled during the period.



James Mooney
Director

BDO Audit Pty Ltd

Melbourne, 28 February 2022

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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.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 28 February 2022.

	Note	Consolidated	
		31 Dec 2021 \$'000	31 Dec 2020 \$'000
Statement of profit or loss and other comprehensive income			
For the half-year ended 31 December 2021			
Revenue from continuing operations			
Revenue	3	20,568	13,196
Other income	4	6	734
		<u>20,574</u>	<u>13,930</u>
Expenses			
Changes in inventories		10,874	8,407
Raw materials and consumables used		1,607	446
Employee benefits expense		3,713	1,343
Depreciation and amortisation expenses		551	179
Costs associated with capital raise		984	-
Other expenses		1,206	895
Finance costs	5	346	84
		<u>19,281</u>	<u>11,354</u>
Profit before income tax expense from continuing operations		1,293	2,576
Income tax expense		(585)	(529)
Profit after income tax expense from continuing operations		<u>708</u>	<u>2,047</u>
Profit after income tax expense for the half year		708	2,047
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
<i>Foreign currency translation</i>		29	-
Other comprehensive income for the half-year, net of tax		<u>29</u>	<u>-</u>
Total comprehensive income for the half year		<u>737</u>	<u>2,047</u>
Profit for the half-year is attributable to:			
Non-controlling interest		19	-
Owners of Close the Loop Limited		689	2,047
		<u>708</u>	<u>2,047</u>
Total comprehensive income for the half-year is attributable to:			
Continuing operations		718	2,047
Non-controlling interest		19	-
Continuing operations		<u>737</u>	<u>2,047</u>
Earnings per share for profit attributable to the owners of Close the Loop Limited		Cents	Cents
Basic earnings per share	13	0.43	1.62
Diluted earnings per share	13	0.42	1.62

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 for 31 December 2020 represents the results of O F Pack only. 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 2021**

		Consolidated	
	Note	31 Dec 2021 \$'000	30 Jun 2021 \$'000
Assets			
Current assets			
Cash and cash equivalents		14,379	5,612
Trade and other receivables		15,268	4,728
Inventories		3,603	713
Other		1,245	363
Total current assets		34,495	11,416
Non-current assets			
Investments accounted for using the equity method		-	93
Investments		144	117
Property, plant, and equipment		8,021	651
Right-of-use assets		14,016	1,222
Intangibles	12	24,870	993
Deferred tax		1,215	40
Other		195	144
Total non-current assets		48,461	3,260
Total assets		82,956	14,676
Liabilities			
Current liabilities			
Trade and other payables		7,812	1,354
Financial liabilities		854	2,420
Borrowings		3,475	-
Lease liabilities		1,442	203
Income tax		368	840
Employee benefits		1,380	-
Provisions		840	178
Other		1,659	-
Total current liabilities		17,830	4,995
Non-current liabilities			
Borrowings		3,699	-
Financial liabilities		193	517
Lease liabilities		13,450	1,117
Employee benefits		156	65
Other		362	-
Total non-current liabilities		17,860	1,699
Total liabilities		35,690	6,694
Net assets		47,266	7,982
Equity			
Issued capital	6	39,323	427
Reserves		345	-
Retained profits		7,221	7,555
Non-controlling interest		377	-
Total equity		47,266	7,982

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 2021 reflects the balances of O F Pack only, while the Consolidated Statement of Financial Position as at 31 December 2021 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 2021

	Issued capital \$'000	Reserves \$'000	Retained profits \$'000	Non- controlling interest \$'000	Total equity \$'000
Consolidated					
Balance at 1 July 2020	427	-	3,816		4,243
Profit after income tax expense for the half year, net of tax	-	-	2,047	-	2,047
Other comprehensive income for the half-year, net of tax				-	
Total comprehensive income for the half-year	-	-	2,047		2,047
Transactions with owners in their capacity as owners:					
Dividends paid	-	-	(195)	-	(195)
Balance at 31 December 2020	<u>427</u>	<u>-</u>	<u>5,668</u>	<u>-</u>	<u>6,095</u>

	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 10)				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>

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 2020 represents results of O F Pack only. The Statement of Changes in Equity 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 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 2021

Cash flows from operating activities

Receipts from customers (inclusive of GST)
 Payments to suppliers and employees (inclusive of GST)

Consolidated	
31 Dec 2021	31 Dec 2020
\$'000	\$'000
21,367	16,633
<u>(20,815)</u>	<u>(13,465)</u>
522	3,168

Government grants
 Other revenue
 Interest and other finance costs paid
 Income taxes paid

6	-
-	1
(346)	(3)
<u>(1,375)</u>	<u>(774)</u>

Net cash (used in)/from operating activities

<u>(1,163)</u>	<u>2,392</u>
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Cash flows from investing activities

Payment for purchase of business, net of cash acquired
 Payments for investments
 Payments for property, plant, and equipment

(468)	-
-	-
(657)	(312)

Net cash used in investing activities

<u>(1,125)</u>	<u>(312)</u>
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Cash flows from/(used in) financing activities

Proceeds from share issue net of issue costs
 Proceeds from borrowings
 Dividends paid
 Repayment of borrowings
 Repayment of lease liabilities
 Net cash from/(used in) financing activities

11,361	-
1,033	-
(1,023)	(195)
-	(275)
(316)	-
<u>11,055</u>	<u>(470)</u>

Net increase/(decrease) in cash and cash equivalents
 Cash and cash equivalents at the beginning of the financial half-year
 Effects of exchange rate changes on cash and cash equivalents

8,767	1,610
5,612	1,559
-	-

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

<u>14,379</u>	<u>3,169</u>
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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 comparative information for 1 July to 31 December 2020 represents results of O F Pack only. 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 2021

Note 1. Significant accounting policies

These general-purpose financial statements for the interim half-year reporting period ended 31 December 2021 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 2021 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 10.

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 2021 represents O F Pack only. The Statement of Financial Position for 31 December 2021 reflects the consolidated position of O F Pack and Close the Loop.

Statement of profit and loss other comprehensive income

The Consolidated Statement of Profit or Loss and Other Comprehensive Income for the period 1 July 2020 to 31 December 2020 represent the results of O F Pack only. 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 2021

Statement of changes in equity

The Consolidated Statement of Changes in Equity for the period 1 July 2020 to 31 December 2020 comprises O F Pack only. The 1 July 2020 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 O F Pack only for the period 1 July 2020 to 31 December 2020. 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.

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
Resource recovery	The takeback, recovery and reuse of complex waste streams including imaging consumables, cosmetics, paper and cartons 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 2021
Operating segment information

Consolidated 31 December 2021	Resource Recovery \$'000	Packaging \$'000	Total \$'000
Revenue			
Sales to external customers	3,833	16,741	20,574
Intersegment sales	-	-	-
Total sales revenue	<u>3,833</u>	<u>16,741</u>	<u>20,574</u>
Other revenue	-	-	-
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			
	(33)	2,252	2,219
Depreciation and amortisation	366	185	551
Finance costs	254	92	346
Profit before income tax expense	<u>(682)</u>	<u>1,975</u>	<u>1,293</u>
Income tax expenses	(355)	(230)	(585)
Profit after income tax expense	<u>(1,037)</u>	<u>1,745</u>	<u>708</u>
Assets			
Segment assets	58,703	24,253	82,956
Intersegment eliminations	-	-	-
Unallocated assets			-
Total assets			<u>82,956</u>
Liabilities			
Segment liabilities	33,982	1,320	35,302
Intersegment eliminations			-
Unallocated liabilities:			388
Total liabilities			<u>35,690</u>

At 31 December 2020 the consolidated entity only operated one business segment being the packaging segment in one geography.

Notes to the Financial Statements
31 December 2021
Geographical segment information

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

At 31 December 2020 the consolidated entity only operated one business segment being the packaging segment in one geography, Australia.

Note 3. Revenue

	Consolidated	
	31 Dec 2021 \$'000	31 Dec 2020 \$'000
From continuing operating activities		
<i>Revenue from contracts with customers</i>		
Sale of goods	18,163	13,196
Collection revenue	2,405	-
	<u>20,568</u>	<u>13,196</u>

Notes to the Financial Statements
31 December 2021
Note 4. Other income

	Consolidated	
	31 Dec 2021	31 Dec 2020
	\$'000	\$'000
Bad Debt Recovery	-	50
Government grants	6	161
Foreign Exchange Gains	-	508
Other Income	-	15
Other income	<u>6</u>	<u>734</u>

Note 5. Expenses

	Consolidated	
	31 Dec 2021	31 Dec 2020
	\$'000	\$'000
Profit before income tax from continuing operations includes the following expenses:		
<i>Cost of sales</i>		
Cost of sales	<u>13,533</u>	<u>8,875</u>
<i>Finance costs</i>		
Interest and finance charges paid/payable on borrowings	222	77
Interest and finance charges paid/payable on lease liabilities	<u>124</u>	<u>7</u>
Finance costs expensed	<u>346</u>	<u>84</u>

Note 6. Equity - issued capital

	31 Dec 2021	30 Jun 2021	31 Dec 2021	30 Jun 2021
	Shares	Shares	\$'000	\$'000
Ordinary shares – fully paid	<u>329,451,478</u>	<u>98,200,478</u>	<u>40,555</u>	<u>427</u>

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	26,697
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
Transaction costs relating to share issues				<u>(734)</u>
Balance		<u>329,451,478</u>		<u>39,323</u>

Notes to the Financial Statements
31 December 2021
Note 7. Equity - dividends

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

	Consolidated	
	31 Dec 2021	30 Jun 2021
	\$'000	\$'000
Dividend for the half year ended 31 December 2021 (30 June 2021) of 511,596 cents (30 Jun 2021: 196,500 cents) per ordinary share	<u>1,023</u>	<u>393</u>

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 8. Contingent liabilities

As part of the acquisition of Oceanic Agencies Pty Ltd there is potential contingent consideration payable in the form of a 12 month earn out capped at \$750,000. This has been taken up as a liability at 31 December 2021.

The Directors are not aware of any other material contingent liabilities as at 31 December 2021.

Note 9. 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 \$277,000 (2020: \$0).

Note 10. 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 \$17,520,000 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. The values identified in relation to the acquisition of Close the Loop are 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	558
Trade receivables	7,064
Prepayments and other debtors	1,210
Plant and equipment / Right of use assets	19,838
Inventory	529
Deferred tax asset	463
Intangibles	307
Trade payables	(6,601)
Deferred revenue	(1,552)
Borrowings	(4,823)
Lease liability	(12,121)
Employee benefits	<u>(549)</u>

Notes to the Financial Statements
31 December 2021

Net assets acquired	4,323
Goodwill	<u>17,520</u>
Acquisition-date fair value of the total consideration transferred	<u>21,843</u>
Representing:	
Cash paid or payable to vendors	-
Close the Loop shares issued to vendors	<u>21,843</u>
Total	<u>21,843</u>
Acquisition costs expensed to profit or loss	<u>-</u>

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 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 are 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	474
Inventory	25
Right of use asset	820
Deferred tax asset	388
Trade payables	(1,172)
Deferred tax liability	(307)
Financial liabilities	(611)
Lease liabilities	(935)
Employee benefits	<u>(128)</u>
Net assets acquired	(333)
Goodwill	<u>3,416</u>
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	<u>3,083</u>
Total	<u>3,083</u>
Acquisition costs expensed to profit or loss	<u>-</u>

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

Notes to the Financial Statements

31 December 2021

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 has been provisionally accounted for, whilst management undertake 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 are 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
Right of use asset	32
Plant & equipment	7
Deferred tax asset	33
Other debtors	8
Trade payables	(442)
Deferred tax liability	(24)
Financial liabilities	(584)
Lease liabilities	(48)
	<hr/>
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	<hr/> <u>1,771</u>
Representing:	
Cash paid or payable to vendor	-
Close the Loop shares issued to vendors	1,771
Total	<hr/> <u><u>1,771</u></u>
Acquisition costs expensed to profit or loss	<hr/> <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 \$2,933,000 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 are accounted for on a provisional basis as at 31 December 2021.

Notes to the Financial Statements
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)
	<hr/>
Net assets acquired	1,351
Goodwill	2,933
	<hr/>
Acquisition-date fair value of the total consideration transferred	4,284
	<hr/>
Representing:	
Cash paid or payable to vendor	4,284
	<hr/> <hr/>
Acquisition costs expensed to profit or loss	-
	<hr/> <hr/>
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	4,284
Less: cash and cash equivalents	(769)
Less: payments to be made in future periods	(1,015)
	<hr/>
Net cash used	2,500
	<hr/> <hr/>

Note 11. Events after the reporting period

On 4 February 2021 Close the Loop Limited entered into an agreement to acquire the assets and liabilities of Crasti and Company Pty Ltd for \$5,850,000 of which \$4,387,500 is payable at completion in cash plus any stock over the value of \$1,000,000 payable at completion in cash. The balance of the purchase price will be paid in the form of an earn out of up to \$1,780,000 based on the financial performance of the business in the 12 months post completion. Completion is expected to occur on 30 April 2022. The acquisition is being funded by capital raised in the Initial Public Offering and bank debt. Due to the proximity of the acquisition to the release of the interim financial statements, it is impracticable at this stage to include other disclosures in relation to the business combination such as the purchase price accounting including the fair value of net assets acquired, any prospective intangibles or the amount of revenue or profit or loss post acquisition due to the acquisition accounting not being finalised at the date of the release of the 31 December 2021 half-year report.

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has been financially positive for the consolidated entity up to 31 December 2021, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

No other matter or circumstance has arisen since 31 December 2021 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.

Notes to the Financial Statements
31 December 2021
Note 12. Intangibles

	Consolidated	
	31 Dec 2021	31 Dec 2020
	\$'000	\$'000
Goodwill	24,640	993
Less: Impairment	-	-
	<u>24,640</u>	<u>993</u>
Patents and trademarks - at cost	307	-
Less: Accumulated amortisation	(77)	-
	<u>230</u>	<u>-</u>
	<u>24,870</u>	<u>993</u>

Reconciliations

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

	Goodwill	Patents and	Total
	\$'000	Trademarks	\$'000
		\$'000	
Consolidated			
Balance at 1 July 2021	993	-	993
Additions through business combinations (Note 10)	23,647	307	23,954
Amortisation expense	-	(77)	(77)
Balance at 31 December 2021	<u>24,640</u>	<u>230</u>	<u>24,870</u>

Note 13. Earnings per share

	Consolidated	
	31 Dec 2021	31 Dec 2020
	\$'000	\$'000
Earnings per share for profit from continuing operations		
Profit after income tax	708	2,047
Non-controlling interest	(19)	-
	<u>689</u>	<u>2,047</u>
Profit after income tax attributable to the owners of Close the Loop Limited		
	<u>689</u>	<u>2,047</u>
	Cents	Cents
Basic earnings per share	0.43	1.62
Diluted earnings per share	0.42	1.62

Weighted average number of ordinary shares

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	160,493,742	126,709,194
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	1,921,720	-
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>162,415,462</u>	<u>126,709,194</u>

Notes to the Financial Statements
31 December 2021

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. The earnings per share for 31 December 2020 is based on the earnings of O F Packaging Pty Ltd and its wholly owned subsidiary.

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 2021 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: 28 February 2022

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Close the Loop Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Close the Loop Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2021, 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 half-year ended on that date, 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 accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2021 and of its financial performance for the half-year ended on that date; and
- (ii) 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 and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be the same terms if given to the directors as at the time 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 2021 and its financial 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.

BDO Audit Pty Ltd

A handwritten version of the BDO logo, with the letters 'BDO' in a cursive, black ink style.

A handwritten signature in black ink, which appears to read 'James Mooney'.

James Mooney
Director

Melbourne, 28 February 2022