

# **Close The Loop Group**

ACN 095 718 317

## **Aggregated Financial Statements**

**For the Year Ended 30 June 2020**

# Close The Loop Group

ACN 095 718 317

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For the Year Ended 30 June 2020

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## Close The Loop Group

ACN 095 718 317

## Responsible Body's Report

30 June 2020

The responsible body present its report, together with the aggregated financial statements of the aggregated Group, for the financial year ended 30 June 2020. The responsible body consists of the directors of the following entities:

1. Close The Loop Ltd ACN 095 718 317
2. Foster International Packaging Pty Ltd (South Africa) Registration number 2017/261506/07
3. O F Packaging Pty Ltd ACN 166 108 176
4. O F Resource Recovery Pty Ltd ACN 167 077 161
5. P C Flexi Packaging Pty Ltd ACN 631 917 498

### 1. General information

#### Information on directors

The names of each person who has been a director in an entity of the aggregated group during the year and to the date of this report are:

Lawrence Jaffe  
Joseph Patric Foster  
Darren Jay Brits  
Craig Warren Devlin  
Silvio Salom  
Gregory Leonard Toll  
Christopher Kenneth Reading  
Trafford  
Lacee Lamphere  
Stephen Pighin

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

#### Principal activities

The principal activities of the aggregated Group during the financial year were the collection of and recycling of imaging consumables and paper and the manufacture of environmentally friendly packaging.

No significant change in the nature of these activities occurred during the year.

### 2. Operating results and review of operations for the year

#### Operating results

The consolidated profit of the aggregated Group amounted to 76,090 (2019: (8,542,968)).

## Close The Loop Group

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## Responsible Body's Report

30 June 2020

### 3. Other items

#### Significant changes in state of affairs

There have been no significant changes in the state of affairs of entities in the aggregated Group during the year.

#### Matters or circumstances arising after the end of the year

The impact of the COVID-19 pandemic is ongoing and while it has affected the aggregated Group it is not practical to estimate the full impact, positive or negative, after the reporting date, particularly with business being subject to outbreaks of the virus.

#### Future developments and results

Information on likely developments in operations of the aggregated Group and expected results have not been included in this report as the responsible body believes it would be likely to result in unreasonable prejudice to the aggregated Group.

#### Environmental matters

The aggregated Group's operations are subject to certain environmental regulations under the Commonwealth and State legislation in Australia, South Africa, the European Union and the state of Kentucky in the United States of America.

#### Company secretary

The following persons held the position of secretary of entities in the aggregated Group at the end of the financial year:

Marc Lichtenstein and Darren Brits have been the company secretaries since 2016.

#### Indemnification and insurance of officers and auditors

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an officer or auditor of Close The Loop Group.

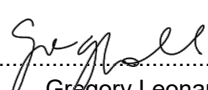
#### Proceedings on behalf of company

#### Auditor's independence declaration

The lead auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001*, for the year ended 30 June 2020 has been received and can be found on page 3 of the aggregated financial report.

Signed in accordance with a resolution of the Board of Directors:

Director:  .....  
Darren Jay Brits

Director:  .....  
Gregory Leonard Toll

Dated this 1st day of September 2021

**Auditor's Independence Declaration under Section 307C of the  
*Corporations Act 2001* to the Directors of Close The Loop Group Limited**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2020 there has been:

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



**Nexia Melbourne Audit Pty Ltd  
Melbourne**



**Benjamin Bester  
Director**

Dated this 01st day of September 2021

## Close The Loop

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### Aggregated Statement of Profit or Loss and Other Comprehensive Income For the Year Ended 30 June 2020

	Note	2020 \$	2019 \$
Sales revenue	4	67,416,891	66,562,830
Cost of Sales		(47,804,061)	(51,990,225)
Gross profit		19,612,830	14,572,605
Interest Income		44,519	44,585
Other Income	4	1,741,615	1,119,629
Marketing Expenses and Distribution Costs		(1,089,931)	(1,564,706)
Occupancy and Restructuring Costs		(1,534,485)	(2,923,461)
Administrative Expenses		(5,624,019)	(6,833,756)
Depreciation, Amortisation and Impairments		(5,647,714)	(6,900,113)
Other Administrative Expenses		(3,975,670)	(3,625,640)
Other Expenses		(1,876,636)	(2,377,815)
Finance expenses	5	(1,821,909)	(713,753)
<b>Profit before income tax</b>		<b>(171,400)</b>	<b>(9,202,425)</b>
Income tax expense		247,488	659,457
<b>Profit for the year</b>		<b>76,088</b>	<b>(8,542,968)</b>
<b>Other comprehensive income, net of income tax</b>			
<b>Items that will be reclassified to profit or loss when specific conditions are met</b>			
Exchange differences on translating foreign controlled entities		50,159	330,038
Change in value of derivative financial instruments		(11,079)	(59,907)
<b>Other comprehensive income for the year, net of tax</b>		<b>39,080</b>	<b>270,131</b>
<b>Total comprehensive income for the year</b>		<b>115,168</b>	<b>(8,272,837)</b>
Profit attributable to:			
Members of the parent entity		265,742	(8,050,368)
Non controlling interest		(189,654)	(492,600)
		<b>76,088</b>	<b>(8,542,968)</b>
Total comprehensive income attributable to:			
Members of the parent entity		304,822	(7,780,237)
Non-controlling interest		(189,654)	(492,600)
		<b>115,168</b>	<b>(8,272,837)</b>

The accompanying notes form part of these financial statements.

## Close The Loop

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### Aggregated Statement of Financial Position As At 30 June 2020

	Note	2020 \$	2019 \$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	8	2,347,627	1,065,281
Trade and other receivables	9	12,993,377	12,216,425
Inventories	10	2,554,335	2,248,237
Current tax receivable	23	811,243	274,360
Other assets	13	604,025	954,554
<b>TOTAL CURRENT ASSETS</b>		<b>19,310,607</b>	<b>16,758,857</b>
<b>NON-CURRENT ASSETS</b>			
Trade and other receivables	9	506,629	489,055
Investments in associate		114,268	114,168
Other financial assets	24	96,770	-
Property, plant and equipment	11	10,061,116	10,910,451
Deferred tax assets	23	3,272,147	2,252,850
Intangible assets	12	1,250,527	1,037,819
Right-of-use assets	14	18,512,151	-
Other assets		116,885	102,248
<b>TOTAL NON-CURRENT ASSETS</b>		<b>33,930,493</b>	<b>14,906,591</b>
<b>TOTAL ASSETS</b>		<b>53,241,100</b>	<b>31,665,448</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	15	10,774,871	11,103,002
Borrowings	16	6,274,562	7,576,759
Current tax liabilities	23	795,623	489,387
Lease liabilities	14	2,185,488	-
Short-term provisions	17	960,295	781,716
Employee benefits	19	651,859	682,765
Other financial liabilities	18	1,106	6,157
Other liabilities		144,000	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>21,787,804</b>	<b>20,639,786</b>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	16	7,384,836	3,890,903
Deferred tax liabilities	23	352,827	13,403
Lease liabilities	14	17,169,350	-
Employee benefits		118,978	64,717
Other financial liabilities	18	106,000	-
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>25,131,991</b>	<b>3,969,023</b>
<b>TOTAL LIABILITIES</b>		<b>46,919,795</b>	<b>24,608,809</b>
<b>NET ASSETS</b>		<b>6,321,305</b>	<b>7,056,639</b>

The accompanying notes form part of these financial statements.

## Close The Loop

ACN 095 718 317

### Aggregated Statement of Financial Position As At 30 June 2020

#### EQUITY

Issued capital	20	<b>15,431,726</b>	15,431,623
Reserves		<b>(50,131)</b>	(354,366)
Retained earnings		<b>(7,171,170)</b>	(6,321,152)
<b>Total equity attributable to equity holders of the Group</b>		<b>8,210,425</b>	8,756,105
Non-controlling interest		<b>(1,889,120)</b>	(1,699,466)
<b>TOTAL EQUITY</b>		<b>6,321,305</b>	7,056,639

The accompanying notes form part of these financial statements.



## Close The Loop

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### Aggregated Statement of Changes in Equity

For the Year Ended 30 June 2020

2020

	Ordinary Shares	Retained Earnings	Foreign Currency Translation Reserve	Share based payment reserve	Hedging Reserve	Other Reserves	Non- controlling Interests	Total
Note	\$	\$	\$	\$	\$	\$	\$	\$
<b>Balance at 1 July 2019</b>	15,431,608	(6,479,837)	1,281,823	84,196	(34,696)	(1,526,989)	(1,699,466)	7,056,639
Change in accounting policy to reflect the retrospective adjustments - adoption of AASB 16	-	(530,125)	-	-	-	106,455	-	(423,670)
<b>Balance at 1 July 2019 restated</b>	15,431,608	(7,009,962)	1,281,823	84,196	(34,696)	(1,420,534)	(1,699,466)	6,632,969
Profit attributable to members of the parent entity	-	265,743	-	-	-	-	-	265,743
Profit attributable to non-controlling interests	-	-	-	-	-	-	(189,654)	(189,654)
Total other comprehensive income for the year	-	-	50,159	-	(11,079)	-	-	39,080
<b>Transactions with owners in their capacity as owners</b>								
Shares issued during the year	118	-	-	-	-	-	-	118
Dividends paid or provided for	-	(426,951)	-	-	-	-	-	(426,951)
<b>Balance at 30 June 2020</b>	15,431,726	(7,171,170)	1,331,982	84,196	(45,775)	(1,420,534)	(1,889,120)	6,321,305

The accompanying notes form part of these financial statements.

## Close The Loop

ACN 095 718 317

## Aggregated Statement of Changes in Equity

For the Year Ended 30 June 2020

2019

	Ordinary Shares	Retained Earnings	Foreign Currency Translation Reserve	Share-based payment Reserve	Hedging Reserve	Other Reserves	Non- controlling Interests	Total
Note	\$	\$	\$	\$	\$	\$	\$	\$
<b>Balance at 1 July 2018</b>	15,431,608	2,521,453	951,785	84,196	25,211	(1,526,989)	(1,206,866)	16,280,398
Profit attributable to members of the parent entity	-	(8,050,368)	-	-	-	-	-	(8,050,368)
Profit attributable to non-controlling interests	-	-	-	-	-	-	(492,600)	(492,600)
Total other comprehensive income for the year	-	-	330,038	-	(59,907)	-	-	270,131
Retrospective adjustment prior years	-	(142,292)	(158,685)	-	-	-	-	(300,977)
<b>Transactions with owners in their capacity as owners</b>								
Dividends provided for or paid	-	(649,945)	-	-	-	-	-	(649,945)
<b>Balance at 30 June 2019</b>	15,431,608	(6,321,152)	1,123,138	84,196	(34,696)	(1,526,989)	(1,699,466)	7,056,639

The accompanying notes form part of these financial statements.

## Close The Loop

ACN 095 718 317

### Aggregated Statement of Cash Flows For the Year Ended 30 June 2020

	Note	2020 \$	2019 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from customers		73,916,282	72,125,131
Payments to suppliers and employees		(67,724,123)	(71,204,350)
Interest paid		(1,814,963)	(713,739)
Income taxes paid		(915,111)	(557,943)
Other receipts		712,018	353,053
Net cash provided by/(used in) operating activities	27	4,174,103	2,152
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Proceeds from sale of plant and equipment		7,285	243,048
Payment for intangible asset		(272,707)	(11,824)
Purchase of property, plant and equipment		(2,223,477)	(2,617,056)
Payment of subsidiary, net of cash acquired		(732,500)	-
Purchase of financial assets		(96,770)	(11,400)
Net cash provided by/(used in) investing activities		(3,318,169)	(2,397,232)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Proceeds from issue of shares		-	18
Loans to other parties		(143,281)	1,251,531
Proceeds from borrowings		2,812,323	690,377
Dividends paid		(426,951)	(670,583)
Payment of lease liabilities		(1,815,679)	-
Net cash provided by/(used in) financing activities		426,412	1,271,343
Net increase/(decrease) in cash and cash equivalents held		1,282,346	(1,123,737)
Cash and cash equivalents at beginning of year		1,065,281	2,180,018
Cash and cash equivalents at end of financial year	8	2,347,627	1,056,281

The accompanying notes form part of these financial statements.

## Close The Loop

ACN 095 718 317

## Notes to the Financial Statements For the Year Ended 30 June 2020

The aggregated financial report covers the Close The Loop Group. The entities within the aggregated Group are:

1. Close The Loop Ltd ACN 095 718 317 and its controlled entities
2. Foster International Packaging Pty Ltd (South Africa) Registration number 2017/261506/07
3. O F Packaging Pty Ltd ACN 166 108 176
4. O F Resource Recovery Pty Ltd ACN 167 077 161
5. P C Flexi Packaging Pty Ltd ACN 631 917 498

Each of the entities within the aggregated Group prepare its financial statements based on the currency of the primary economic environment in which the entity operates (functional currency). The aggregated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

The financial report was authorised for issue by the Responsible Body on 01 September 2021. The Responsible Body comprises the directors of the entities within the aggregated Group.

### 1 Basis of Preparation

The financial statements are general purpose combined financial statements that have been prepared in accordance with the Australian Accounting Standards.

The aggregated financial statements except for the cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

### 2 Summary of Significant Accounting Policies

#### Adoption of new and revised accounting standards

The aggregated Group has adopted all standards which became effective for the first time at 30 June 2020, the adoption of these standards has not caused any material adjustments to the reported financial position, performance or cash flow of the aggregated Group or refer to Note for details of the changes due to standards adopted.

## **Notes to the Financial Statements**

### **For the Year Ended 30 June 2020**

## **2 Summary of Significant Accounting Policies**

### **Going concern**

The financial statements have been prepared on the going concern basis, which assumes the group will have sufficient cash to pay its debts, as and when they become payable, for a period of at least 12 months from the date the financial report was authorised for issue.

### **Close The Loop Ltd and controlled entities**

For the year ended 30 June 2020, the CTL group incurred a loss after income tax benefit of \$1,974,648 (2019: \$10,072,723) and was in a net current liability position of \$5,564,518 (2019: \$6,487,447) with current borrowings of \$4,099,960 (2019: \$6,253,061). However, the CTL group had cash inflows from operating activities of \$2,957,530 (2019: \$654,267 outflow) and total net cash inflows of \$637,934 (2019: \$1,315,463 outflow) and had cash and cash equivalents of \$750,929 (2019: \$nil).

Notwithstanding the above, the Directors believe that there are reasonable grounds to conclude that the CTL group will continue as a going concern, after consideration of the following factors:

The company has prepared a cash flow forecast supported by detailed assumptions and scenario planning directed at sustaining business growth. These forecasts indicate that the CTL group will be able to fund its ongoing operations for a period of 12 months from the date the financial report was authorised for issue.

The forecast has taken consideration of the following factors: financial support from shareholders continues to be provided with further investment available as and when required over the coming 12 months; additional bank funding and operations planning to return to normal growth levels in April 2021.

R&D Tax Refunds of USD\$641,549 are receivable by Close the Loop Inc and expected to be received during the 2021 financial year which will provide significant cash inflows to the company.

Close the Loop Inc has been awarded \$1 million in additional revenue with current customers, funds will be received progressively throughout 2021.

The current banking facilities with Commonwealth Bank of Australia were due for renewal on 30 September 2019 which resulted in the loan becoming current. The company is working with the Bank over a new banking agreement with extended terms to be agreed upon..

### **Basis for aggregation**

The aggregated financial statements include the financial position and performance of the entities within the Group.

Intragroup assets, liabilities, equity, income, expenses and cashflows relating to transactions between entities in the aggregated Group have been eliminated in full for the purpose of these financial statements.

Consistent accounting policies are employed by each sub-group in the preparation and presentation of the financial report.

### **Foreign currency transactions and balances**

#### **Transaction and balances**

Foreign currency transactions are recorded at the spot rate on the date of the transaction.

## **Notes to the Financial Statements**

### **For the Year Ended 30 June 2020**

## **2 Summary of Significant Accounting Policies**

### **Foreign currency transactions and balances**

#### **Transaction and balances**

At the end of the reporting period:

- Foreign currency monetary items are translated using the closing rate;
- Non-monetary items that are measured at historical cost are translated using the exchange rate at the date of the transaction; and
- Non-monetary items that are measured at fair value are translated using the rate at the date when fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition or in prior reporting periods are recognised through profit or loss, except where they relate to an item of other comprehensive income or whether they are deferred in equity as qualifying hedges.

#### **Group companies**

The financial results and position of foreign operations whose functional currency is different from the aggregated Group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period where the average rate approximates the rate at the date of the transaction; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the aggregated Group's foreign currency translation reserve in the aggregated statement of financial position. These differences are recognised in the aggregated statement of profit or loss and other comprehensive income in the period in which the operation is disposed.

#### **Business combinations**

Business combinations are accounted for by applying the acquisition method which requires an acquiring entity to be identified in all cases. The acquisition date under this method is the date that the acquiring entity obtains control over the acquired entity.

The fair value of identifiable assets and liabilities acquired are recognised in the consolidated financial statements at the acquisition date.

Goodwill or a gain on bargain purchase may arise on the acquisition date, this is calculated by comparing the consideration transferred and the amount of non-controlling interest in the acquiree with the fair value of the net identifiable assets acquired. Where consideration is greater than the net assets acquired, the excess is recorded as goodwill. Where the net assets acquired are greater than the consideration, the measurement basis of the net assets is reassessed and then a gain from bargain purchase recognised in profit or loss.

## Notes to the Financial Statements

### For the Year Ended 30 June 2020

## 2 Summary of Significant Accounting Policies

### Business combinations

All acquisition-related costs are recognised as expenses in the periods in which the costs are incurred except for costs to issue debt or equity securities.

Any contingent consideration which forms part of the combination is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity then it is not remeasured and the settlement is accounted for within equity. Otherwise subsequent changes in the value of the contingent consideration liability are measured through profit or loss.

### Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

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

### *Cash flow hedges*

Cash flow hedges are used to cover the consolidated group's exposure to variability in cash flows that is attributable to particular risks associated with a recognised asset or liability or a firm commitment which could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income through the cash flow hedges reserve in equity, whilst the ineffective portion is recognised in profit or loss. Amounts taken to equity are transferred out of equity and included in the measurement of the hedged transaction when the forecast transaction occurs.

Cash flow hedges are tested for effectiveness on a regular basis both retrospectively and prospectively to ensure that each hedge is highly effective and continues to be designated as a cash flow hedge. If the forecast transaction is no longer expected to occur, the amounts recognised in equity are transferred to profit or loss.

If the hedging instrument is sold, terminated, expires, exercised without replacement or rollover, or if the hedge becomes ineffective and is no longer a designated hedge, the amounts previously recognised in equity remain in equity until the forecast transaction occurs.

### Financial instruments

Financial instruments are recognised initially on the date that the aggregated Group becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

### Financial assets

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

### *Classification*

On initial recognition, the aggregated Group classifies its financial assets into the following categories, those measured

## **Notes to the Financial Statements**

### **For the Year Ended 30 June 2020**

## **2 Summary of Significant Accounting Policies**

### **Financial instruments**

#### **Financial assets**

at:

- amortised cost
- fair value through profit or loss - FVTPL
- fair value through other comprehensive income - equity instrument (FVOCI - equity)
- fair value through other comprehensive income - debt investments (FVOCI - debt)

Financial assets are not reclassified subsequent to their initial recognition unless the aggregated Group changes its business model for managing financial assets.

#### *Amortised cost*

Assets measured at amortised cost are financial assets where:

- the business model is to hold assets to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows are solely payments of principal and interest on the principal amount outstanding.

The aggregated Group's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the aggregated statement of financial position .

Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less provision for impairment.

Interest income, foreign exchange gains or losses and impairment are recognised in profit or loss. Gain or loss on derecognition is recognised in profit or loss.

#### *Fair value through other comprehensive income*

#### **Equity instruments**

The aggregated Group has a number of strategic investments in listed and unlisted entities over which they do not have significant influence nor control. The Aggregated Group has made an irrevocable election to classify these equity investments as fair value through other comprehensive income as they are not held for trading purposes.

These investments are carried at fair value with changes in fair value recognised in other comprehensive income (financial asset reserve). On disposal any balance in the financial asset reserve is transferred to retained earnings and is not reclassified to profit or loss.

Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI.



## **Notes to the Financial Statements**

### **For the Year Ended 30 June 2020**

## **2 Summary of Significant Accounting Policies**

### **Financial instruments**

#### **Financial assets**

Financial assets through profit or loss

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at FVTPL.

Net gains or losses, including any interest or dividend income are recognised in profit or loss (refer to hedging accounting policy for derivatives designated as hedging instruments.)

The aggregated Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

#### *Impairment of financial assets*

Impairment of financial assets is recognised on an expected credit loss (ECL) basis for the following assets:

- financial assets measured at amortised cost
- debt investments measured at FVOCI

When determining whether the credit risk of a financial assets has increased significant since initial recognition and when estimating ECL, the aggregated Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the aggregated Group's historical experience and informed credit assessment and including forward looking information.

Credit losses are measured as the present value of the difference between the cash flows due to the aggregated Group in accordance with the contract and the cash flows expected to be received. This is applied using a probability weighted approach.

#### *Trade receivables and contract assets*

Impairment of trade receivables and contract assets have been determined using the simplified approach in AASB 9 which uses an estimation of lifetime expected credit losses. The Aggregated Group has determined the probability of non-payment of the receivable and contract asset and multiplied this by the amount of the expected loss arising from default.

The amount of the impairment is recorded in a separate allowance account with the loss being recognised in finance expense. Once the receivable is determined to be uncollectable then the gross carrying amount is written off against the associated allowance.

Where the aggregated Group renegotiates the terms of trade receivables due from certain customers, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in profit or loss.

#### *Other financial assets measured at amortised cost*

## **Notes to the Financial Statements**

### **For the Year Ended 30 June 2020**

## **2 Summary of Significant Accounting Policies**

### **Financial instruments**

#### **Financial assets**

Impairment of other financial assets measured at amortised cost are determined using the expected credit loss model in AASB 9. On initial recognition of the asset, an estimate of the expected credit losses for the next 12 months is recognised. Where the asset has experienced significant increase in credit risk then the lifetime losses are estimated and recognised.

#### **Financial liabilities**

The aggregated Group measures all financial liabilities initially at fair value less transaction costs, subsequently financial liabilities are measured at amortised cost using the effective interest rate method.

The financial liabilities of the aggregated Group comprise trade payables, bank and other loans and lease liabilities.

#### **Hedge accounting**

#### **Intangible assets**

##### **Goodwill**

Goodwill is carried at cost less accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

- i) the consideration transferred;
- ii) any non-controlling interest; and
- iii) the acquisition date fair value of any previously held equity interest,

over the acquisition date fair value of net identifiable assets acquired in a business combination.

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

Goodwill is not amortised but is tested for impairment annually and is allocated to the aggregated Group's cash generating units or groups of cash generating units, which represent the lowest level at which goodwill is monitored but where such level is not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity sold.

#### **Patents and trademarks**

Patents and trademarks are recognised at cost of acquisition. Patents and trademarks have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. Patents and trademarks are amortised over their useful life ranging from 1 to 20 years.

## **Notes to the Financial Statements**

### **For the Year Ended 30 June 2020**

## **2 Summary of Significant Accounting Policies**

### **Intangible assets**

#### **Amortisation**

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

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

### **Revenue and other income**

#### **Revenue from contracts with customers**

The core principle of AASB 15 is that revenue is recognised on a basis that reflects the transfer of promised goods or services to customers at an amount that reflects the consideration the aggregated Group expects to receive in exchange for those goods or services. Revenue is recognised by applying a five-step model as follows:

1. Identify the contract with the customer
2. Identify the performance obligations
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations
5. Recognise revenue as and when control of the performance obligations is transferred

Generally the timing of the payment for sale of goods and rendering of services corresponds closely to the timing of satisfaction of the performance obligations, however where there is a difference, it will result in the recognition of a receivable, contract asset or contract liability.

None of the revenue streams of the aggregated Group have any significant financing terms as there is less than 12 months between receipt of funds and satisfaction of performance obligations.

#### **Specific revenue streams**

The revenue recognition policies for the principal revenue streams of the aggregated Group are:

##### **Sale of goods**

Revenue from the collection of cartridges and tone bottles is recognised upon invoicing to the original equipment manufacturer ("OEM"). OEM's are invoiced once used cartridges and toner bottles have been processed by the Company in preparation for recycling. The Group invoices the OEM based on the number of units collected for recycling.

Revenue from the sale of recycled waste streams and paper collections is recognised when customers are invoiced.

##### **Sale of packaging materials**

## **Notes to the Financial Statements**

### **For the Year Ended 30 June 2020**

## **2 Summary of Significant Accounting Policies**

### **Revenue and other income**

#### **Specific revenue streams**

For sales of packaging and related goods to the customer, revenue is recognised when control of the goods has transferred, being when the goods have been shipped to the customer's specific location. Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods. A receivable is recognised by the company when the goods are delivered to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due. No element of financing is deemed present as the sales are made with a credit term of 30 to 60 days (dependent on specific customers), which is consistent with market practice.

Historically returns are very minimal and therefore no refund liability will be recognised at the point of sale. The company uses its accumulated experience to estimate the number of returns. It is considered highly probable that there will be no significant returns..

#### **Government Grants**

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

#### **Interest**

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

#### **Other Revenue**

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

#### **Other income**

Other income is recognised on an accruals basis when the aggregated Group is entitled to it.

#### **Income Tax**

The tax expense recognised in the aggregated statement of profit or loss and other comprehensive income comprises current income tax expense plus deferred tax expense.

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (loss) for the year and is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates and laws that have been enacted or substantively enacted by the end of the reporting period. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred tax is provided on temporary differences which are determined by comparing the carrying amounts of tax bases of assets and liabilities to the carrying amounts in the consolidated financial statements.

Deferred tax is not provided for the following:

## **Notes to the Financial Statements**

### **For the Year Ended 30 June 2020**

#### **2 Summary of Significant Accounting Policies**

##### **Income Tax**

- The initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).
- Taxable temporary differences arising on the initial recognition of goodwill.
- Temporary differences related to investment in subsidiaries, associates and jointly controlled entities to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and losses can be utilised.

Current and deferred tax is recognised as income or an expense and included in profit or loss for the period except where the tax arises from a transaction which is recognised in other comprehensive income or equity, in which case the tax is recognised in other comprehensive income or equity respectively.

##### **Borrowing costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

##### **Goods and services tax (GST)**

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payable are stated inclusive of GST.

Cash flows in the aggregated statement of cash flows are included on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

##### **Inventories**

Inventories represent mainly packaging materials, consumables and processed toner. Inventories are measured at the lower of cost and net realisable value. This method is in line with the requirement of the AASB 102 which comply with IAS 2.

The costs of purchase of inventories comprise the purchase price, import duties and other taxes (other than those subsequently recoverable by the entity from the taxing authorities) and transport, handling and other costs directly attributable to the acquisition of materials and services.

## **Notes to the Financial Statements**

### **For the Year Ended 30 June 2020**

## **2 Summary of Significant Accounting Policies**

### **Inventories**

The costs of conversion of inventories include costs directly related to the units of production, such as direct labour. They also include a systematic allocation of fixed and variable production overheads that are incurred in converting materials into finished goods. Fixed production overheads are those indirect costs of production that remain relatively constant regardless of the volume of production, such as depreciation and maintenance of equipment and the cost of factory management and administration. Variable production overheads are those indirect costs of production that vary directly, or nearly directly, with the volume of production, such as indirect materials and indirect labour.

### **Property, plant and equipment**

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment.

### **Plant and equipment**

Plant and equipment are measured using the cost model.

### **Depreciation**

Property, plant and equipment, excluding freehold land, is depreciated on a straight-line basis over the assets useful life to the aggregated Group, commencing when the asset is ready for use.

The depreciation rates used for each class of depreciable asset are shown below:

<b>Fixed asset class</b>	<b>Depreciation rate</b>
Plant and Equipment	10% to 25%
Furniture, Fixtures and Fittings	16%
Motor Vehicles	20%
Office Equipment	16%
Computer Equipment	15% to 33%
Leasehold improvements	10%

At the end of each annual reporting period, the depreciation method, useful life and residual value of each asset is reviewed. Any revisions are accounted for prospectively as a change in estimate.

### **Impairment of non-financial assets**

At the end of each reporting period the aggregated Group determines whether there is an evidence of an impairment indicator for non-financial assets.

Where an indicator exists and regardless for goodwill, indefinite life intangible assets and intangible assets not yet available for use, the recoverable amount of the asset is estimated.

Where assets do not operate independently of other assets, the recoverable amount of the relevant cash-generating unit (CGU) is estimated.

The recoverable amount of an asset or CGU is the higher of the fair value less costs of disposal and the value in use.

## **Notes to the Financial Statements**

### **For the Year Ended 30 June 2020**

#### **2 Summary of Significant Accounting Policies**

##### **Impairment of non-financial assets**

Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Where the recoverable amount is less than the carrying amount, an impairment loss is recognised in profit or loss.

Reversal indicators are considered in subsequent periods for all assets which have suffered an impairment loss , except for goodwill.

##### **Cash and cash equivalents**

Cash and cash equivalents comprises cash on hand, demand deposits and short-term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Bank overdrafts also form part of cash equivalents for the purpose of the aggregated statement of cash flows and are presented within current liabilities on the aggregated statement of financial position .

##### **Leases**

At inception of a contract, the aggregated Group assesses whether a lease exists - i.e. does the contract convey the right to control the use of an identified asset for a period of time in exchange for consideration.

This involves an assessment of whether:

- The contract involves the use of an identified asset - this may be explicitly or implicitly identified within the agreement. If the supplier has a substantive substitution right then there is no identified asset.
- The aggregated Group has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use.
- The aggregated Group has the right to direct the use of the asset i.e. decision making rights in relation to changing how and for what purpose the asset is used.

##### **Lessee accounting**

The non-lease components included in the lease agreement have been separated and are recognised as an expense as incurred.

At the lease commencement, the aggregated Group recognises a right-of-use asset and associated lease liability for the lease term. The lease term includes extension periods where the aggregated Group believes it is reasonably certain that the option will be exercised.

The right-of-use asset is measured using the cost model where cost on initial recognition comprises of the lease liability, initial direct costs, prepaid lease payments, estimated cost of removal and restoration less any lease incentives received.

The right-of-use asset is depreciated over the lease term on a straight line basis and assessed for impairment in accordance with the impairment of assets accounting policy.

The lease liability is initially measured at the present value of the remaining lease payments at the commencement of the lease. The discount rate is the rate implicit in the lease, however where this cannot be readily determined then the

## **Notes to the Financial Statements**

### **For the Year Ended 30 June 2020**

## **2 Summary of Significant Accounting Policies**

### **Leases**

aggregated Group's incremental borrowing rate is used.

Subsequent to initial recognition, the lease liability is measured at amortised cost using the effective interest rate method. The lease liability is remeasured whether there is a lease modification, change in estimate of the lease term or index upon which the lease payments are based (e.g. CPI) or a change in the aggregated Group's assessment of lease term.

Where the lease liability is remeasured, the right-of-use asset is adjusted to reflect the remeasurement or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

### *Exceptions to lease accounting*

The Aggregated Group has elected to apply the exceptions to lease accounting for both short-term leases (i.e. leases with a term of less than or equal to 12 months) and leases of low-value assets. The Aggregated Group recognises the payments associated with these leases as an expense on a straight-line basis over the lease term.

### **Employee benefits**

Provision is made for the aggregated Group's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be wholly settled within one year have been measured at the amounts expected to be paid when the liability is settled.

Employee benefits expected to be settled more than one year after the end of the reporting period have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Cashflows are discounted using market yields on high quality corporate bond rates incorporating bonds rated AAA or AA by credit agencies, with terms to maturity that match the expected timing of cashflows. Changes in the measurement of the liability are recognised in profit or loss.

### **Provisions**

Provisions are recognised when the aggregated Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured at the present value of management's best estimate of the outflow required to settle the obligation at the end of the reporting period. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the unwinding of the discount is taken to finance costs in the aggregated statement of profit or loss and other comprehensive income.

## **3 Critical Accounting Estimates and Judgments**

The directors make estimates and judgements during the preparation of these aggregated financial statements regarding assumptions about current and future events affecting transactions and balances.

These estimates and judgements are based on the best information available at the time of preparing the financial statements, however as additional information is known then the actual results may differ from the estimates.

The significant estimates and judgements made have been described below.



## **Notes to the Financial Statements**

### **For the Year Ended 30 June 2020**

#### **3 Critical Accounting Estimates and Judgments**

##### **Key estimates - impairment of property, plant and equipment**

The Aggregated Group assesses impairment at the end of each reporting period by evaluating conditions specific to the aggregated Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

##### **Key estimates - impairment of goodwill**

In accordance with AASB 136 Impairment of Assets, the aggregated Group is required to estimate the recoverable amount of goodwill at each reporting period.

Impairment testing is an area involving management judgement, requiring assessment as to whether the carrying value of assets can be supported by the net present value of future cash flows derived from such assets using cash flow projections which have been discounted at an appropriate rate and using a terminal value to incorporate expectations of growth thereafter.

In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of highly uncertain matters including management's expectations of:

- growth in EBITDA, calculated as adjusted operating profit before depreciation and amortisation;
- timing and quantum of future capital expenditure;
- long-term growth rates; and
- the selection of discount rates to reflect the risks involved.

The Aggregated Group prepares and approves formal five year management plans for its operations, which are used in the value in use calculations.

Changing the assumptions selected by management, in particular the discount rate and growth rate assumptions used in the cash flow projections, could significantly affect the aggregated Group's impairment evaluation and hence results.

The Aggregated Group's review includes the key assumptions related to sensitivity in the cash flow projections. Further details are provided in note 12 to the consolidated financial statements.

##### **Key estimates - Contingent consideration in ClozDLoop BVBA Belguim ("CDL")**

The consideration paid for a 60% interest to shareholders of CDL by Ctl Ltd at date of acquisition on 1 October 2016 and further 20% shares in December 2017 represents: (a) acquisition-date fair values of the assets of CDL, (b) fair values of liabilities of CDL and (c) equity interests obtained by CTL Ltd.

The fair value of identifiable net assets acquired has been identified and measured and goodwill identified for the consolidated financial statements.

AASB 3: Business Combinations requires CTL Ltd to recognise the acquisition date fair value of the contingent consideration as part of the goodwill calculation. The obligation to pay the contingent consideration has been classified as a liability in accordance with AASB 132: Financial Instruments: Recognition and Measurement. Contingent consideration represents an estimate of the fair value of future instalments payable to the shareholders of CDL which are based on future estimates of earnings before interest, tax, depreciation and amortisation (EBITDA). CTL Ltd has made an assessment of the performance of CDL over future accounting periods when consideration is payable. The

## **Notes to the Financial Statements**

### **For the Year Ended 30 June 2020**

#### **3 Critical Accounting Estimates and Judgments**

##### **Key estimates - Contingent consideration in ClozDLoop BVBA Belgium ("CDL")**

terms under which the consideration is calculated and paid is part of the acquisition agreement. The consideration will only be paid if specified future events occur or conditions are met. The amount of contingent consideration recorded at the end of future reporting periods will be re-evaluated to reflect its fair value.

##### **Key estimates - revenue recognition**

When determining the nature, timing and amount of revenue to be recognised, the following critical estimates and judgements were applied and are considered to be those that have the most significant effect on revenue recognition.

When recognising revenue in relation to the sale of goods to customers, the key performance obligation of the aggregated group is considered to be the point of delivery of the goods to the customer, as this is deemed to be the time that the customer obtains control of the promised goods and therefore the benefits of unimpeded access.

##### **Key estimates - provisions**

As described in the accounting policies, provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period. These estimates are made taking into account a range of possible outcomes and will vary as further information is obtained.

##### **Key estimates - receivables**

The receivables at reporting date have been reviewed to determine whether there is any objective evidence that any of the receivables are impaired. An impairment provision is included for any receivable where the entire balance is not considered collectible. The impairment provision is based on the best information at the reporting date.

##### **Key estimates Coronavirus (Covid-19) pandemic**

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the consolidated group based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the consolidated group operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the consolidated group unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

##### **Lease terms**

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

## Close The Loop

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### Notes to the Financial Statements For the Year Ended 30 June 2020

#### 4 Revenue and Other Income

##### Revenue from continuing operations

	2020	2019
	\$	\$
Revenue from other sources		
- sale of goods	67,416,891	66,562,830
<b>Total Revenue</b>	<b>67,416,891</b>	<b>66,562,830</b>

	2020	2019
	\$	\$
Other Income		
- Profit on Foreign exchange	118,456	31,044
- Discount received	-	15
- Other income and government incentives	1,568,650	743,739
fair value adjustment to investment property		
- Other financial assets (Designated as at fair value through income)	(11,079)	(59,907)
	<b>1,772,027</b>	<b>714,891</b>

#### 5 Finance Income and Expenses

##### Finance income

Interest income		
Assets measured at amortised cost		
bank	44,519	44,585
Assets measured at amortised cost	44,519	44,585
Dividend income		
Foreign currency gain on financial assets and liabilities	(12,597)	272,384

##### Finance expenses

Interest expense		
Other interest expense	199,451	143,000
Interest expense on lease liability	1,622,288	562,577
Other finance expenses	170	8,176
<b>Total finance expenses</b>	<b>1,821,909</b>	<b>713,753</b>

## Notes to the Financial Statements

### For the Year Ended 30 June 2020

#### 6 Result for the Year

The result for the year includes the following specific expenses:

	2020	2019
	\$	\$
Other expenses:		
Employee benefit expenses	3,796,186	3,446,125
Defined contribution superannuation	179,485	179,516

#### Income Tax Expense

(a). The major components of tax expense (income) comprise:

Current tax expense		
Local income tax - current period	(245,045)	(643,231)
Deferred tax expense		
Origination and reversal of temporary differences	(2,443)	(16,226)
<b>Income tax expense for continuing operations</b>	<b>(247,488)</b>	<b>(659,457)</b>
	<b>(247,488)</b>	<b>(659,457)</b>

(b). Reconciliation of income tax to accounting profit:

Profit	(171,399)	(9,202,425)
Tax	27.97 %	27.97 %
	(70,182)	(2,574,224)

Add:

Tax effect of:		
- other non-allowable items	(98,913)	1,267,186
- Current year losses for which no DT asset recognised	315,836	487,110
- Different tax rate foreign jurisdictions	-	38,855
- NoTax deferred amount booked	-	694,032
- Timing differences	6,550	(858,176)
- Research and development tax benefit	618,128	190,051
	771,419	(755,166)

Less:

Tax effect of:		
- Prior year under provision	699,661	-
- Difference in overseas tax rate	34,362	-
- Current year tax credits utilised	284,885	-
Recoupment of prior year tax losses not previously brought to account	-	(95,710)
<b>Income tax expense</b>	<b>(247,489)</b>	<b>(659,456)</b>

## Notes to the Financial Statements

### For the Year Ended 30 June 2020

#### Income Tax Expense

#### 7 Business Combinations

The following table shows the assets acquired, liabilities assumed PC Flexi Packaging Pty Ltd and the purchase consideration at the acquisition date.

	Acquiree's carrying amount \$	Fair value \$
Purchase consideration:		
- Cash		732,500
<b>Total purchase consideration</b>		<b>732,500</b>
Assets or liabilities acquired:		
Inventories	177,802	177,802
Plant and equipment	391,794	391,794
<b>Total net identifiable assets</b>	<b>569,596</b>	<b>569,596</b>
<b>Identifiable assets acquired and liabilities assumed</b>	<b>569,596</b>	<b>569,596</b>
Goodwill consideration		732,500
Less: Identifiable assets acquired		569,596
<b>Goodwill</b>		<b>162,904</b>

The goodwill is attributable to synergies expected to be achieved from integrating PC Flexi Packaging Pty Ltd into the aggregated Group's existing businesses. None of the goodwill recognised expected to be deductible for income tax purposes.

#### 8 Cash and Cash Equivalents

	2020 \$	2019 \$
Cash at bank and in hand	2,347,627	1,054,953
Short-term deposits	-	10,328
	<b>2,347,627</b>	<b>1,065,281</b>

#### Reconciliation of cash

Cash and Cash equivalents reported in the aggregated statement of cash flows are reconciled to the equivalent items in the aggregated statement of financial position as follows:

Cash and cash equivalents		2,347,627	1,065,281
Bank overdrafts	16	(1,771,349)	(881,872)
<b>Balance as per aggregated statement of cash flows</b>		<b>576,278</b>	<b>183,409</b>

## Notes to the Financial Statements

### For the Year Ended 30 June 2020

#### 9 Trade and Other Receivables

##### CURRENT

Trade receivables	<b>12,984,844</b>	12,207,397
	<b>12,984,844</b>	12,207,397
Sundry Debtors	<b>8,272</b>	8,272
Other receivables	<b>261</b>	756
<b>Total current trade and other receivables</b>	<b>12,993,377</b>	12,216,425

##### Impairment of receivables

The Aggregated Group applies the simplified approach to providing for expected credit losses prescribed by AASB 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The loss allowance provision as at 30 June 2020 is determined as follows, the expected credit losses incorporate forward looking information.

Reconciliation of changes in the provision for impairment of receivables is as follows:

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Balance at the beginning of the year	<b>30,198</b>	24,123
Directly to P&L	<b>259,413</b>	6,075
<b>Balance at end of the year</b>	<b>289,611</b>	30,198

The Aggregated Group measures the loss allowance for trade receivables at an amount equal to lifetime expected credit loss (ECL). The ECL on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

##### NON-CURRENT

Other receivables	<b>506,629</b>	489,055
<b>Total non-current trade and other receivables</b>	<b>506,629</b>	489,055

Other receivables represent the following:

Loan advanced to the landlord to remove debris from the adjoining land – repayable monthly over ten years (2019) \$199,545 and (2018) \$256,818

Loan advanced to a former Director during the 2016 financial year of \$780,000 repayable within 5 years from date of drawdown. The loan is secured against ordinary shares owned by the former Director, with daily interest at rate of 5.4% per annum which is capitalised at the end of each calendar month. As at 30 June 2019, the interest receivable capitalised amounted to \$151,264 (2018: \$109,144). Impairment provision of \$641,755 was taken against this loan as at 30 June 2019.

## Close The Loop

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## Notes to the Financial Statements

### For the Year Ended 30 June 2020

#### 10 Inventories

	2020	2019
	\$	\$
CURRENT		
At cost:		
Raw materials and consumables	1,926,800	1,593,418
Finished goods	627,535	654,819
	<u>2,554,335</u>	<u>2,248,237</u>

#### 11 Property, plant and equipment

PLANT AND EQUIPMENT		
Capital works in progress		
At Cost	1,195,047	704,835
Plant and equipment		
At Cost	32,620,321	31,084,708
Accumulated Depreciation	(24,671,344)	(21,859,676)
Total plant and equipment	<u>7,948,977</u>	<u>9,225,032</u>
Furniture, fixtures and fittings		
at cost	50,936	48,936
Accumulated depreciation	(24,643)	(18,179)
Total furniture, fixtures and fittings	<u>26,293</u>	<u>30,757</u>
Motor vehicles		
At cost	368,225	368,225
Accumulated Depreciation	(263,692)	(224,553)
Total motor vehicles	<u>104,533</u>	<u>143,672</u>
Office equipment		
At cost	105,178	105,178
Accumulated depreciation	(52,274)	(36,505)
Total office equipment	<u>52,904</u>	<u>68,673</u>
Computer equipment		
At cost	88,621	82,008
Accumulated depreciation	(63,481)	(55,308)
Total computer equipment	<u>25,140</u>	<u>26,700</u>
Leasehold Improvements		
At Cost	1,416,641	1,340,303
Accumulated Amortisation	(708,419)	(629,521)
Total leasehold improvements	<u>708,222</u>	<u>710,782</u>
Total plant and equipment	<u>10,061,116</u>	<u>10,910,451</u>

## Close The Loop

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## Notes to the Financial Statements

### For the Year Ended 30 June 2020

#### 11 Property, plant and equipment

##### Movements in carrying amounts of property, plant and equipment

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Capital Works in Progress \$	Plant and Equipment \$	Furniture, Fixtures and Fittings \$	Motor Vehicles \$	Office Equipment \$	Computer Equipment \$	Leasehold Improvements \$	Total \$
<b>Year ended 30 June 2020</b>								
Balance at the beginning of the year	704,835	9,225,032	30,757	143,672	63,682	26,700	715,773	10,910,451
Additions	774,965	1,575,541	2,000	-	-	6,613	66,465	2,425,584
Disposals	-	(5,342)	-	-	-	-	-	(5,342)
Transfers	(294,180)	(126,390)	-	-	-	-	-	(420,570)
Depreciation expense	-	(2,811,668)	(6,464)	(39,139)	(11,076)	(8,173)	(78,898)	(2,955,418)
Translation differences	9,427	91,804	-	-	298	-	4,882	106,411
<b>Balance at the end of the year</b>	<b>1,195,047</b>	<b>7,948,977</b>	<b>26,293</b>	<b>104,533</b>	<b>52,904</b>	<b>25,140</b>	<b>708,222</b>	<b>10,061,116</b>



## Close The Loop

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## Notes to the Financial Statements

### For the Year Ended 30 June 2020

#### 11 Property, plant and equipment

##### Movements in carrying amounts of property, plant and equipment

	Capital Works in Progress	Plant and Equipment	Furniture, Fixtures and Fittings	Motor Vehicles	Office Equipment	Computer Equipment	Leasehold Improvements	Total
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Year ended 30 June 2019</b>								
Balance at the beginning of the year	407,559	10,426,732	30,950	281,687	82,294	35,255	659,807	11,924,284
Additions	1,532,788	936,136	7,614	29,502	-	3,467	107,549	2,617,056
Disposals	(44,204)	(576,781)	(2,947)	(122,595)	-	-	-	(746,527)
Transfers	(1,208,932)	1,208,932	-	-	-	-	-	-
Depreciation expenses	-	(3,095,724)	(4,860)	(44,922)	(13,621)	(12,022)	(65,789)	(3,236,938)
Translation differences	17,624	325,737	-	-	(4,991)	-	14,206	352,576
<b>Balance at the end of the year</b>	<b>704,835</b>	<b>9,225,032</b>	<b>30,757</b>	<b>143,672</b>	<b>63,682</b>	<b>26,700</b>	<b>715,773</b>	<b>10,910,451</b>

## Close The Loop

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## Notes to the Financial Statements

### For the Year Ended 30 June 2020

#### 12 Intangible Assets

	2020 \$	2019 \$
Intangible assets		
Goodwill		
Cost	969,415	4,008,621
Accumulated impairment	-	(3,202,111)
<b>Net carrying value</b>	<b>969,415</b>	<b>806,510</b>
Patents, trademarks and other rights		
Cost	863,720	736,772
Accumulated amortisation and impairment	(582,608)	(505,463)
<b>Net carrying value</b>	<b>281,112</b>	<b>231,309</b>
Total Intangible assets	<b>1,250,527</b>	<b>1,037,819</b>
<b>Total Intangible assets</b>	<b>1,250,527</b>	<b>1,037,819</b>

#### Movements in carrying amounts of intangible asset

	Patents, trademarks and other rights \$	Goodwill \$	Total \$
<b>Year ended 30 June 2020</b>			
Balance at the beginning of the year	231,309	806,510	1,037,819
Additions	109,803	162,905	272,708
Additions	109,803	162,905	272,708
Revaluation decrease			
Amortisation	(60,000)	-	(60,000)
<b>Closing value at 30 June 2020</b>	<b>281,112</b>	<b>969,415</b>	<b>1,250,527</b>

#### 13 Other non-financial assets

	2020 \$	2019 \$
CURRENT		
Prepayments	26,661	16,774
Other asset - Current portion	577,364	937,780
	<b>604,025</b>	<b>954,554</b>

## Notes to the Financial Statements

### For the Year Ended 30 June 2020

#### 14 Leases

The Aggregated Group as a lessee

The Aggregated Group has leases over a range of assets including land and buildings, vehicles, machinery and IT equipment.

The Aggregated Group has chosen not to apply AASB 16 to leases of intangible assets.

##### Right-of-use assets

	Buildings \$	Plant and Equipment \$	Total \$
<b>Year ended 30 June 2020</b>			
Balance at beginning of year	20,379,716	760,272	21,139,988
Depreciation charge	(2,460,337)	(167,500)	(2,627,837)
<b>Balance at end of year</b>	<b>17,919,379</b>	<b>592,772</b>	<b>18,512,151</b>

##### Aggregated Statement of Profit or Loss and Other Comprehensive Income

The amounts recognised in the aggregated statement of profit or loss and other comprehensive income relating to leases where the aggregated Group is a lessee are shown below:

	2020 \$	2019 \$
Interest expense on lease liabilities	(1,622,288)	(562,577)
Variable lease payments not included in the measurement of lease liabilities	-	(41,434)
Depreciation of right-of-use assets	(2,627,837)	-
	<b>(4,250,125)</b>	<b>(604,011)</b>

#### 15 Trade and Other Payables

	Note	2020 \$	2019 \$
CURRENT			
Trade payables		10,410,732	10,859,013

## Close The Loop

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## Notes to the Financial Statements

### For the Year Ended 30 June 2020

#### 15 Trade and Other Payables

	2020	2019
Note	\$	\$
GST payable	(19,503)	24,205
Employee benefits	186,071	169,444
Other payables	39,922	39,822
Other payables employees	(4,642)	10,518
Other payables	162,291	-
	<b>10,774,871</b>	<b>11,103,002</b>

Trade and other payables are unsecured, non-interest bearing and are normally settled within 30 days. The carrying value of trade and other payables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

#### 16 Borrowings

	2020	2019
	\$	\$
<b>CURRENT</b>		
Secured liabilities:		
Bank overdraft	1,771,349	881,872
Lease liability secured	167,479	79,187
Bank loans	4,360,422	6,620,703
Related party payables	(24,688)	(5,003)
<b>Total current borrowings</b>	<b>6,274,562</b>	<b>7,576,759</b>
<b>NON-CURRENT</b>		
Unsecured liabilities:		
Related party payables	136,697	279,103
	<b>136,697</b>	<b>279,103</b>
Secured liabilities:		
Lease liability secured	311,378	242,710
Bank loans	6,936,761	3,369,090
	<b>7,248,139</b>	<b>3,611,800</b>
<b>Total non-current borrowings</b>	<b>7,384,836</b>	<b>3,890,903</b>
<b>Total borrowings</b>	<b>13,659,398</b>	<b>11,467,662</b>

#### Summary of borrowings

#### Trade Assist Facility

The Close the Loop entities obtained a trade assist facility with a limit of \$700,000 (2018: \$700,000) with the Commonwealth Bank of Australia ("CBA"). The facility is secured as follows:

## **Notes to the Financial Statements**

### **For the Year Ended 30 June 2020**

#### **16 Borrowings**

i First ranking charge over the whole of the assets and rights, present and future, of Close the Loop Ltd together with relevant insurance assigned to CBA;

ii. Unlimited guarantee by Close the Loop Technologies Pty Ltd and Close the Loop Operations Pty Ltd, supported by first ranking charges over the whole of the assets and rights, present and future; and

iii. Acceptable insurance policy on accounts receivable, in the name of the Close the Loop Ltd, where CBA is listed as joint insured and first-loss payee.

#### **Bank Loans**

The Group obtained a bank loan of \$3,000,000 to provide financial assistance for CDL. The loan was obtained from Commonwealth Bank of Australia with 2 years and 6 months term and maturity on 30 September 2019. The contract terms were under negotiation.

#### **Related party borrowings**

Lacey Lamphere, is a director of Innovative Applications Corporation (IAC). Close the Loop Inc entered into a loan agreement with IAC for a loan facility of \$2 million on 27 February 2020. Interest of 10% per annum is payable on the outstanding loan. As at 30 June 2020, the balance outstanding is \$1,940,858. On the same day, a Loan to Share Conversion and Offer to Sell Deed was also entered into by IAC with Close the Loop Limited.

#### **Call In Advance**

Close the Loop Inc (USA) received funds of USD\$1,142,200 under the CARES Act of 2020 from the Payroll Protection Program. Under the terms of the Program, CtL Inc can apply to have the loan forgiven based on actual payroll and other qualified costs for the covered period following the receipt of the proceeds. If the loan is not forgiven, the company will need to repay the loan in 24 months with interest at 1%.

#### **Note payable**

Note payable due in monthly instalments of USD\$23,890 principal plus interest at a variable rate of LIBOR plus 2.50% (4.33% and 4.90% as at 30 June 2020 and 30 June 2019 respectively). This note is secured by business assets and matures in April 2025. The note is subject to a fixed rate interest swap of 4.819%.

Note payable due in monthly instalments of USD\$14,199 principal plus interest at a fixed rate of 5.138%. This note was secured by CtL Inc's assets and matures in December 2026.

#### **Lease liabilities**

Lease liabilities are secured by the underlying leased assets.

#### **Line of Credit Facility**

CtL Inc established a USD\$1,500,000 line of credit with a US bank during May 2012. The line of credit is secured by business assets of CtL Inc and requires CtL Inc to meet certain restrictive covenants. Interest payments are based on a variable interest rate of LIBOR plus 2.75% (4.58% and 3.15% at 30 June 2020 and 30 June 2019 respectively). The line of credit has been extended for three months to 29 January 2021. The company had outstanding borrowings of USD\$454,644 at 30 June 2020 (30 June 2019: USD\$1,294,115).

## Notes to the Financial Statements

### For the Year Ended 30 June 2020

#### 16 Borrowings

CtL Inc established a USD\$1,000,000 line of credit with a US bank during December 2018. The line of credit was secured by business assets of CtL Inc and requires CtL Inc to meet certain restrictive covenants. CtL Inc had outstanding borrowings of \$nil as of 30 June 2020 (2019: USD \$684,249). This line was converted into a note payable in 2020.

#### OF Packaging group facilities

OF Packaging Pty Ltd has following facilities with NAB Australia:

• NAB Invoice finance	\$1,000,000
• Documentary letter of credit	\$1,000,000
• Commercial Card	\$50,000
• Revolving leasing limit	\$200,000
• Bank Guarantee	\$39,875
• NAB Business Markets Loan	\$95,500

Facilities are secured with a security interest and charge over all of the present and future rights, property and undertaking of O F Packaging Pty Ltd. It is further secured by a guarantee and indemnity of \$1,000,000 given by Brendan Yee, Darren Jay Brits, Joseph Patrick Foster and Regan Patrick Foster. The group complies with bank covenants requirements.

PC Flexi Packaging Pty Ltd has a \$1,000,000 Business Market Loan facility with NAB. Facilities are secured with a security interest and charge over all of the present and future rights, property and undertaking of O F Packaging Pty Ltd. It is further secured by a guarantee and indemnity of \$1,000,000 given by Brendan Yee, Darren Jay Brits, Joseph Patrick Foster and Regan Patrick Foster. The group complies with bank covenants requirements..

#### 17 Provisions

	2020	2019
	\$	\$
CURRENT		
Legal proceedings	110,639	-
Unprocessed Inventory	849,656	781,716
	<b>960,295</b>	<b>781,716</b>

#### 18 Other Financial Liabilities

CURRENT		
Other financial liabilities	1,106	6,157
NON-CURRENT		
Other financial liabilities	106,000	-

## Notes to the Financial Statements

### For the Year Ended 30 June 2020

#### 19 Employee Benefits

	2020	2019
	\$	\$
Current liabilities		
Long service leave	63,287	42,150
Provision for employee benefits	588,572	640,615
	<u>651,859</u>	<u>682,765</u>

#### 20 Issued Capital

(2019: 92,533,929) Ordinary aggregated shares	15,431,726	15,431,623
(2019: 6,666,500) Treasury Shares	-	-

#### Ordinary shares

The holders of ordinary shares are entitled to participate in dividends and the proceeds on winding up of the Group. On a show of hands at meetings of the Group, each holder of ordinary shares has one vote in person or by proxy, and upon a poll each share is entitled to one vote.

The Group does not have authorised capital or par value in respect of its shares.

#### Employee share plans under the borrowing arrangements

	No.	No.
At the beginning of the reporting period	5,623,150	6,623,150
Shares issued during the year		
Shares transferred to treasury shares during the year	-	(1,000,000)
At the end of the reporting period	<u>5,623,150</u>	<u>5,623,150</u>

Included in the issued ordinary shares are shares granted to employees under the employee share plans which are financed by borrowing arrangements. These shares carry full voting rights but are not freely transferable

Shares issued to key management personell and Directors as part of the employee share plans

## **Close The Loop**

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# **Notes to the Financial Statements**

## **For the Year Ended 30 June 2020**

### **20 Issued Capital**

#### **Treasury shares**

During the 2019 year, there was a transfer of shares from ordinary shares to treasury shares as a result of a forfeiture of shares from the employee share plan under the borrowing arrangement are disclosed in the related party note.

### **21 Reserves**

#### **Foreign currency translation reserve**

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income - foreign currency translation reserve. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

#### **General reserve**

The general reserve records funds set aside for future expansion of the aggregated Group.

#### **Hedge reserve**

Gains or losses on a hedging instrument in a cash flow hedge are recognised in other comprehensive income - cash flow hedge reserve. Amounts are reclassified in profit or loss when the item associated with the hedged transactions affects profit or loss.

#### **Other reserves**

The other reserve relates to the acquisition of the additional interest in ClozDLoop BV.

#### **Share option reserve**

This reserve records the cumulative value of employee service received for the issue of share options. When the option is exercised the amount in the share option reserve is transferred to share capital.

### **22 Share-based Payments**

Under the Close the Loop Ltd Employee Share Option Plan, approved at the 2006 AGM, share options have been granted to certain overseas full-time employees. These options are vested and exercisable on or before the expiry date only as and when certain performance based KPI's and targets have been achieved by the respective individual. The exercise price is \$0.20 (2018: \$0.20) per share. The Options grant no voting or dividend rights and are not transferable.

The Parent Entity established the Employee Share Option Plan in October 2006 as a long-term incentive scheme to recognise talent and motivate employees to strive for group performance.



## Notes to the Financial Statements

## For the Year Ended 30 June 2020

**22 Share-based Payments**

Details of Options granted pursuant to Employee Share Option Plan or contractual arrangement at the end of the financial year:

<b>2020</b>						<b>Balance</b>
<b>Grant Date</b>	<b>Expiry Date</b>	<b>Exercise price</b>	<b>Start of the year</b>	<b>Granted during the year</b>	<b>Expired during the year</b>	<b>at the end of the year</b>
30 June 2010	31 December 2018	0.20	1,241,368	-	1,241,368	-
01 December 2011	31 December 2018	0.20	200,000	-	(200,000)	-
01 April 2012	30 April 2022	0.20	375,000	-	-	375,000
01 May 2017	31 December 2018	0.20	1,000,000	-	1,000,000	-
15 March 2018	15 March 2021	0.20	-	2,441,368	-	2,441,368

**23 Tax assets and liabilities**

	2020	2019	
	\$	\$	
Tax receivable	811,243	274,360	
<b>Current tax receivable</b>	<b>811,243</b>	<b>274,360</b>	
Income tax payable	795,623	489,387	
<b>Current tax liabilities</b>	<b>795,623</b>	<b>489,387</b>	
	<b>Opening Balance</b>	<b>Charged to Income</b>	<b>Closing Balance</b>
<b>Deferred tax assets</b>			
Property, plant and equipment			
- other PPE	(1,100,996)	235,059	(865,937)
Provisions	6,688	1,383	8,071
Accruals	730,319	53,682	784,001
Interest rate swap	(9,539)	23,312	13,773
Net operating loss carried forward	161,503	257,609	419,112
Tax credit carried forward	872,477	1,053,197	1,925,674
Other	147,066	(178,910)	(31,844)
<b>Balance at 30 June 2019</b>	<b>807,518</b>	<b>1,445,332</b>	<b>2,252,850</b>
Property, plant and equipment			
- other PPE	(865,937)	301,126	(564,811)
Provisions	8,071	(8,071)	-
Fair value gain adjustments	-	(60,221)	(60,221)
Accruals	784,001	172,258	956,259
Reserve for bad debts	-	49,929	49,929
Interest rate swap	13,773	(13,773)	-
Net operating loss carried forward	419,112	(233,050)	186,062
Tax credit carried forward	1,925,674	331,570	2,257,244
Other	(31,844)	479,529	447,685
<b>Balance at 30 June 2020</b>	<b>2,252,850</b>	<b>1,019,297</b>	<b>3,272,147</b>

## Close The Loop

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## Notes to the Financial Statements

### For the Year Ended 30 June 2020

#### 23 Tax assets and liabilities

##### Deferred tax liabilities

Accelerated capital allowances for tax purposes

##### Balance at 30 June 2019

Deferred tax assets attributable to tax losses

Accelerated capital allowances for tax purposes

##### Balance at 30 June 2020

Opening Balance	Charged to Income	Closing Balance
\$	\$	\$
34,035	(20,632)	13,403
34,035	(20,632)	13,403
338,424	-	338,424
13,403	1,000	14,403
351,827	1,000	352,827

#### 24 Other Financial Assets

##### Financial assets at fair value

##### NON-CURRENT

Equity securities - at fair value through Other Comprehensive Income

2020	2019
\$	\$
96,770	-

#### 25 Key Management Personnel Disclosures

Key management personnel remuneration included within employee expenses for the year is shown below. Key management personnel include those people having authority and responsibility for planning, directing and controlling the activities of the group either directly or indirectly. This includes the Board of Directors, the Chief Executive Officer, the Joint Chief Executive Officers and the Chief Financial Officer.

Short-term employee benefits	1,265,246	1,155,995
Long-term benefits	15,054	7,809
Post-employment benefits	90,299	44,124
Directors Fees	293,632	273,681
	<b>1,664,231</b>	<b>1,481,609</b>

#### 26 Related Parties

Key management personnel - refer to Note 25.

Subsidiaries - refer to below

Other related parties include close family members of key management personnel and entities that are controlled or significantly influenced by those key management personnel or their close family members.

##### Transactions with related parties

## **Notes to the Financial Statements**

### **For the Year Ended 30 June 2020**

#### **26 Related Parties**

##### *Options*

On 30 April 2009, options were granted to certain employees pursuant to an Employee Share Option Plan passed at the AGM held in October 2006. Included in the ordinary shares are shares issued under the Employee Share Option Plan which are financed by borrowing arrangement and the terms are disclosed in note 18.

##### *Transactions with directors and director related entities*

Craig Devlin was a Director of Devlin BDG Pty Ltd. Close the Loop Ltd entered into transactions with Devlin BDG Pty Ltd during the year for Directorship services. The amount paid or payable for the financial year has been disclosed in Key Management Personnel Compensation.

During 2016 financial year, Stephen Morriss entered into a loan agreement with Close the Loop Ltd for a loan of \$780,000. The loan is a full recourse loan repayable within 5 years from date of drawdown of 27 November 2015 and is repayable in full. The loan security includes the ordinary shares owned by the former director, with interest at a rate of 5.4% per annum which is capitalised at the end of each calendar month.

Silvio Salom, is also a Director of Close the Loop Nominees Pty Ltd. Director fees for the services of Silvio Salom are paid to Close the Loop Nominees Pty Ltd. All services were based on normal commercial terms and conditions. The amount paid or payable for the financial year has been disclosed in Key Management Personnel Compensation.

##### *Receivable from and payable to related parties*

The aggregated group consists of Close the Loop Ltd ("CtL Ltd") and the following entities:

- Close the Loop Operations Pty Ltd ("CtL Operations")
- Close the Loop Technologies Pty Ltd ("CtL Technologies")
- Close the Loop Europe NV ("CtL Europe NV")
- Close the Loop (Europe) Limited ("CtL Europe")
- Close the Loop Inc ("CtL Inc")
- ClozDloop BV Belgium ("CDL")
- ClozDloop France
- ClozDloop s.r.o.
- TonerPlas Pty Ltd
- Close the Loop Recovery
- OF Packaging Pty Ltd
- OF Resource Recovery Holdings Pty Ltd
- OF Resource Recovery Pty Ltd
- PC Flexi Packaging Pty Ltd
- Foster International Packaging Pty Ltd

Management fees, strategic fees and advice and know how charged to/from controlled entities CtL Ltd incurs costs managing and overseeing its operations in Australia and the US. In addition, it incurs certain costs in relation to

## **Notes to the Financial Statements**

### **For the Year Ended 30 June 2020**

#### **26 Related Parties**

management and oversight. These costs are recovered through levying a management fee. During the financial year, CtL Ltd charged CtL Inc management fees, strategic fees, advice and know how charges and recharged corporate salaries of \$826,026 (2019: \$1,562,428).

##### *Dividends paid by controlled entities*

CtL Ltd invested in CtL Inc in the form of redeemable preference shares with a dividend yield of 9% p.a. During the current financial year, CtL Inc paid CtL Ltd, \$153,684 (2019: \$154,000) as a dividend on its shares.

##### *Borrowing arrangements for Employee Share Plan*

During 2012, CtL Operations entered into individual loan repayments with certain employees who were granted loans pursuant to an Employee Share Plan from October 2006. The approved shares issued at the financial year ended 30 June 2020 totalled \$1,324,630 (2019: \$1,324,630)

##### *Loans advanced to ClozDloop BV by Close the Loop Inc.*

In April of 2017, Close the Loop Inc. issued a line of credit with a related party, ClozDloop BV. The related party can borrow up to \$5,703,693 and interest is due annually in April at a rate of 2.82%. The note may be repaid at any time in whole or in part without a penalty. As at 30 June 2020, the balance was \$4,825,972 (2019: \$5,084,714).

## Notes to the Financial Statements

### For the Year Ended 30 June 2020

#### 27 Cash Flow Information

##### Reconciliation of result for the year to cashflows from operating activities

Reconciliation of net income to net cash provided by operating activities:

	2020	2019
	\$	\$
Profit for the year	76,088	(8,542,868)
Cash flows excluded from profit attributable to operating activities		
Non-cash flows in profit:		
- amortisation	2,679,524	-
- depreciation	2,955,408	3,236,669
- impairment of goodwill	-	3,705,574
- net gain on disposal of property, plant and equipment	91,242	-
Exchange variance related to controlled entity	112,170	(24,478)
- fair value movements on investments	(11,079)	(59,907)
Changes in assets and liabilities:		
- (increase)/decrease in trade and other receivables	(871,702)	803,977
- (increase)/decrease in other assets	-	(16,774)
- (increase)/decrease in prepayments	358,406	(231,485)
- (increase)/decrease in inventories	(477,576)	(234,140)
- (increase)/decrease in deferred tax asset	(685,294)	(1,360,361)
- increase/(decrease) in trade and other payables	170,808	2,210,948
- increase/(decrease) in income taxes payable	(439,678)	182,589
- increase/(decrease) in employee benefits	215,786	332,408
Cashflows from operations	<u>4,174,103</u>	<u>2,152</u>

#### 28 Financial Risk Management

##### Objectives, policies and processes

The Responsible Body has overall responsibility for the establishment of the aggregated Group's financial risk management framework. This includes the development of policies covering specific areas such as foreign exchange risk, interest rate risk, liquidity risk, credit risk and the use of derivatives. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the aggregated Group's activities.

The day-to-day risk management is carried out by the aggregated Group's finance function under policies and objectives which have been approved by the Responsible Body. The Chief Financial Officer has been delegated the authority for designing and implementing processes which follow the objectives and policies. This includes monitoring the levels of exposure to interest rate and foreign exchange rate risk and assessment of market forecasts for interest rate and foreign exchange movements. Mitigation strategies for specific risks faced are described below:

## **Notes to the Financial Statements**

### **For the Year Ended 30 June 2020**

#### **28 Financial Risk Management**

##### **Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The group is exposed to foreign exchange movements due to subsidiary companies operating in the source currency of the region in which they trade. These foreign currency exposures are not hedged by the group. Future profit and losses from ongoing operations of subsidiary companies which are consolidated to form the group and cash flow generated by these business units will be impacted by foreign currency movements.

##### **Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the aggregated Group.

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposure to wholesale and retail customers, including outstanding receivables and committed transactions.

The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

##### *Trade receivables and contract assets*

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

The Aggregated Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The risk management committee has established a credit policy under which each new customer is analysed individually for creditworthiness before the aggregated Group's standard payment and delivery terms and conditions are offered. The Aggregated Group review includes external ratings, if they are available, financial statements, credit agency information and industry information. Credit limits are established for each customer and the utilisation of credit limits by customers is regularly monitored by line management. Customers who subsequently fail to meet their credit terms are required to make purchases on a prepayment basis until creditworthiness can be re-established.

The Aggregated Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which the customers operate.

Management considers that all the financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due. Aggregates of such amounts are detailed in note 9

The Aggregated Group has no significant concentration of credit risk with respect to any single counterparty or group of counterparties.

##### **Liquidity risk**

Vigilant liquidity risk management requires the aggregated Group to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The consolidated group manages liquidity risk through the following mechanisms:

## **Notes to the Financial Statements**

### **For the Year Ended 30 June 2020**

#### **28 Financial Risk Management**

##### **Liquidity risk**

- preparing forward-looking cash flow analyses in relation to its operating, investing and financing activities;
- using derivatives that are only traded in highly liquid markets;
- monitoring undrawn credit facilities;
- obtaining funding from a variety of sources;
- maintaining a reputable credit profile;
- managing credit risk related to financial assets;
- only investing surplus cash with major financial institutions;
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets; and
- the Directors monitor borrowings maturity periods, effect on cash flow and the need to renegotiate borrowings terms.

The table below reflects the undiscounted contractual maturity analysis for financial liabilities (excluding lease liabilities for the current year - refer to note 14).

## Close The Loop

ACN 095 718 317

## Notes to the Financial Statements

For the Year Ended 30 June 2020

### 28 Financial Risk Management

*Financial liability maturity analysis - Non-derivative*

	Within 1 Year		1 to 5 Years		Over 5 Years		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Financial liabilities due for payment</b>								
Bank overdrafts and loans	4,286,561	2,923,481	279,799	1,432,358	-	-	4,566,360	4,355,839
Related party loans	189,497	-	1,940,858	-	-	-	2,130,355	-
Other borrowings	-	279,103	-	47,781	-	-	-	326,884
Note payable	1,262,337	3,229,776	2,465,694	2,009,840	357,657	-	4,085,688	5,239,616
Call in advance - PPP Covid loan	-	-	1,664,276	-	-	-	1,664,276	-
Trade and other payables (excluding estimated annual leave)	11,389,525	10,463,139	-	-	-	-	11,389,525	10,463,139
Finance lease liabilities	361,806	455,275	412,929	890,766	-	-	774,735	1,346,041
Lease Liability	2,156,076	-	11,099,964	-	6,098,798	-	19,354,838	-
<b>Total contractual outflows</b>	<b>19,645,802</b>	<b>17,350,774</b>	<b>17,863,520</b>	<b>4,380,745</b>	<b>6,456,455</b>	<b>-</b>	<b>43,965,777</b>	<b>21,731,519</b>

The timing of expected outflows is not expected to be materially different from contracted cashflows.



## Notes to the Financial Statements

### For the Year Ended 30 June 2020

#### 28 Financial Risk Management

##### (i) Interest rate risk

The aggregated Group's main interest rate risk arises from long-term borrowings and cash and cash equivalents. The group has no material exposure to floating rate instruments.

##### (ii) Price risk

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

#### 29 Fair Value Measurement

##### Accounting policy for fair value measurement

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

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

#### 30 Operating Segments

##### Geographical information

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers whereas segment assets are based on the location of the assets.

	2020				2019			
	Revenue	Net profit after tax	Segment assets	Segment Liabilities	Revenue	Net profit after tax	Segment assets	Segment liabilities
Australia	37,575	1,013	21,784	19,048	34,425	(9,170)	30,843	448
United States	20,833	(473)	23,923	15,320	23,923	(10,749)	20,539	3,347
Europe	4,468	(968)	5,515	11,842	5,120	(3,256)	4,269	(798)
South Africa	5,204	283	2,765	657	5,274	(523)	9,094	767

## **Notes to the Financial Statements**

### **For the Year Ended 30 June 2020**

#### **30 Operating Segments**

##### **Identification of reportable segments**

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

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

All such transactions are eliminated on consolidation of the aggregated Group's financial statements.

Corporate charges are allocated to reporting segments based on the segments' overall proportion of revenue generation within the aggregated Group. The Responsible Body believes this is representative of likely consumption of head office expenditure that should be used in assessing segment performance and cost recoveries.

Inter-segment loans payable and receivable are initially recognised at the consideration received/to be received net of transaction costs. If inter-segment loans receivable and payable are not on commercial terms, these are not adjusted to fair value based on market interest rates.

#### **31 Contingencies**

In the opinion of the Responsible Body, the Group did not have any material contingencies at 30 June 2020 (30 June 2019:None).

#### **32 Events Occurring After the Reporting Date**

The aggregated financial report was authorised for issue on \_\_\_\_\_ by the Responsible Body.

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has affected the consolidated group up to 30 June 2020, it is not practicable to estimate the full potential impact, positive or negative, after the reporting date, particularly with the European, South African and USA businesses being subject to large second and third waves of the Coronavirus. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other foreign governments, such as maintaining social distancing requirements, quarantine, travel restrictions and any further economic stimulus that may be provided .

Except for the above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the aggregated Group, the results of those operations, or the state of affairs of the aggregated Group in future financial years.

#### **33 Statutory Information**

The registered office and principal place of business of the company is:

Close The Loop  
208 Hume Highway  
Somerton  
VIC 3062

## Close The Loop Group

ACN 095 718 317

### Statement by the Responsible Body

The responsible body of the Group declare that:

1. The aggregated financial statements and notes, as set out on pages 4, are in accordance with the *Corporations Act 2001* and:
  - a. comply with Australian Accounting Standards; and
  - b. give a true and fair view of the financial position as at 30 June 2020 and of the performance for the year ended on that date of the Group and aggregated group.
2. In the responsible body's opinion, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

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

Director .....  
Darren Jay Brits

Director .....  
Gregory Leonard Toll

Dated 01 September 2021

## **Independent Auditor's Report to the Responsible Body of the Close The Loop Group Ltd**

### **Report on the Audit of the Financial Report**

#### ***Opinion***

We have audited the aggregated financial report of Close The Loop Group Ltd (as defined below), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the Responsible Body's declaration.

Close The Loop Group comprises the aggregation of:

- Close The Loop Ltd (A C N 095 718 317)
- O F Packaging Pty Ltd (A C N 166 108 176)

and the entities they controlled as at 30 June 2020 or from time to time during the period.

In our opinion, the accompanying financial report of the aggregated Group is in accordance with Australian Accounting Standards; and give a true and fair view of the Group's financial position as at 30 June 2020 and of its performance for the year then ended.

#### ***Basis for Opinion***

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

### ***Other Information***

The responsible body are responsible for the other information.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information we are required to report that fact. We have nothing to report in this regard.

### ***Responsibilities of the Responsible Body for the Financial Report***

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

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

### ***Auditor's Responsibilities for the Audit of the Financial Report***

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the responsible body's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going

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

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Group financial report.

We provided the responsible body with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.



**Nexia Melbourne Audit Pty Ltd**  
**Melbourne**



**Benjamin Bester**  
**Director**

Dated on this 01st day of September 2021