

Close the Loop Group

ACN 095 718 317

Aggregated Financial Statements

For the Year Ended 30 June 2021

Close the Loop Group

ACN 095 718 317

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For the Year Ended 30 June 2021

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Close the Loop Group

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Responsible Body's Report

30 June 2021

The responsible body presents its report, together with the aggregated financial statements of the aggregated Group, for the financial year ended 30 June 2021. 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. O F Flexo 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 Patrick Foster
Darren Jay Brits
Silvio Salom
Gregory Leonard Toll
Christopher Kenneth Reading
Trafford
Lacee Lamphere
Regan Foster
Brendan Yee
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 \$ 5,049,398 (2020: \$ (2,279,521)).

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Responsible Body's Report

30 June 2021

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 belief 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 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 2017 and 2016 respectively.

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 2021 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 14th day of October 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 2021 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 14th day of October 2021

Aggregated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 June 2021

		Aggregated	
		2021	2020
	Note	\$	\$
Sales revenue	5	67,401,657	67,416,891
Cost of Sales		(46,640,196)	(47,804,060)
Gross profit		20,761,461	19,612,831
Interest Income		28,918	44,519
Other Income	5	4,761,991	1,675,910
Marketing Expenses and Distribution Costs		(57,172)	(1,089,931)
Occupancy and Restructuring Costs		(999,950)	(1,534,485)
Administrative Expenses		(5,839,616)	(5,599,488)
Depreciation, Amortisation and Impairments		(5,118,844)	(5,681,610)
Other Administrative Expenses		(3,799,527)	(3,975,671)
Research and development		(963,610)	(1,007,487)
Other Expenses		(620,739)	(835,068)
Finance expenses	6	(1,644,696)	(1,821,909)
Profit before income tax		6,508,216	(212,389)
Income tax expense		(1,335,416)	(2,110,566)
Profit for the year		5,172,800	(2,322,955)
Other comprehensive income, net of income tax			
Items that will be reclassified to profit or loss when specific conditions are met			
Exchange differences on translating foreign controlled entities		(140,085)	50,159
Change in value of derivative financial instruments		16,681	(11,079)
Other comprehensive income for the year, net of tax		(123,404)	39,080
Total comprehensive income for the year		5,049,396	(2,283,875)
Profit attributable to:			
Members of the parent entity		5,142,113	(2,133,301)
Non controlling interest		30,687	(189,654)
		5,172,800	(2,322,955)
Total comprehensive income attributable to:			
Members of the parent entity		5,018,709	(2,094,221)
Non-controlling interest		30,687	(189,654)
		5,049,396	(2,283,875)

The accompanying notes form part of these financial statements.

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Aggregated Statement of Financial Position As At 30 June 2021

		Aggregated	
		2021	2020
	Note	\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	8	6,910,297	1,978,339
Trade and other receivables	9	13,036,966	12,993,376
Inventories	10	2,217,100	2,554,336
Current tax receivable	23	-	811,243
Other assets	13	362,815	604,025
TOTAL CURRENT ASSETS		22,527,178	18,941,319
NON-CURRENT ASSETS			
Trade and other receivables	9	528,390	506,629
Investments in associates	29	-	100
Other financial assets	24	210,518	210,938
Property, plant and equipment	11	8,542,368	10,061,116
Deferred tax assets	23	1,235,703	914,094
Intangible assets	12	1,242,604	1,250,527
Right-of-use assets	14	14,831,266	18,514,596
Other assets		465,582	116,885
TOTAL NON-CURRENT ASSETS		27,056,431	31,574,885
TOTAL ASSETS		49,583,609	50,516,204
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	15	11,078,874	10,531,061
Borrowings	16	4,523,443	6,149,087
Current tax liabilities	23	865,579	795,622
Lease liabilities	14	2,153,706	2,185,488
Short-term provisions	17	850,827	960,295
Employee benefits	19	812,845	640,967
Other financial liabilities	18	161,252	145,106
TOTAL CURRENT LIABILITIES		20,446,526	21,407,626
NON-CURRENT LIABILITIES			
Borrowings	16	5,186,612	7,384,836
Deferred tax liabilities	23	307,205	352,827
Lease liabilities	14	13,950,604	17,169,350
Employee benefits		133,824	129,870
Other financial liabilities	18	198,667	106,000
TOTAL NON-CURRENT LIABILITIES		19,776,912	25,142,883
TOTAL LIABILITIES		40,223,438	46,550,509
NET ASSETS		9,360,171	3,965,695

The accompanying notes form part of these financial statements.

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Aggregated Statement of Financial Position As At 30 June 2021

EQUITY

Issued capital	20	16,156,114	15,431,726
Reserves		13,380	(50,131)
Retained earnings		(4,950,890)	(9,526,780)
Total equity attributable to equity holders of the Group		11,218,604	5,854,815
Non-controlling interest		(1,858,433)	(1,889,120)
TOTAL EQUITY		9,360,171	3,965,695

The accompanying notes form part of these financial statements.

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Aggregated Statement of Changes in Equity

For the Year Ended 30 June 2021

2021

Note	Aggregated							Total
	Ordinary Shares	Retained Earnings	Foreign Currency Translation Reserve	Share based payment reserve	Hedging Reserve	Other Reserves	Non- controlling Interests	
	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2020	15,431,726	(9,526,780)	1,331,982	84,196	(45,775)	(1,420,534)	(1,889,120)	3,965,695
Profit attributable to members of the parent entity	-	5,142,113	-	-	-	-	-	5,142,113
Profit attributable to non-controlling interests	-	-	-	-	-	-	30,687	30,687
Total other comprehensive income for the year	-	-	(140,085)	-	16,681	-	-	(123,404)
Transactions with owners in their capacity as owners								
Convertible note issued	724,388	-	-	-	-	-	-	724,388
Dividends paid or provided for	-	(379,308)	-	-	-	-	-	(379,308)
Balance at 30 June 2021	16,156,114	(4,763,975)	1,191,897	84,196	(29,094)	(1,420,534)	(1,858,433)	9,360,171

The accompanying notes form part of these financial statements.

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Aggregated Statement of Changes in Equity

For the Year Ended 30 June 2021

2020

Note	Aggregated							Total
	Ordinary Shares	Retained Earnings	Foreign Currency Translation Reserve	Share-based payment Reserve	Hedging Reserve	Other Reserves	Non- controlling Interests	
	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2019	15,431,608	(6,886,403)	1,281,823	84,196	(34,696)	(1,526,989)	(1,699,466)	6,650,073
Change in accounting policy to reflect the retrospective adjustments - adoption of AASB 16	-	(80,125)	-	-	-	106,455	-	26,330
Balance at 1 July 2019 restated	15,431,608	(6,966,528)	1,281,823	84,196	(34,696)	(1,420,534)	(1,699,466)	6,676,403
Profit attributable to members of the parent entity	-	(2,133,301)	-	-	-	-	-	(2,133,301)
Profit attributable to non-controlling interests	-	-	-	-	-	-	(189,654)	(189,654)
Total other comprehensive income for the year	-	-	50,159	-	(11,079)	-	-	39,080
Transactions with owners in their capacity as owners								
Shares issued during the year	118	-	-	-	-	-	-	118
Dividends paid or provided for	-	(426,951)	-	-	-	-	-	(426,951)
Balance at 30 June 2020	15,431,726	(9,526,780)	1,331,982	84,196	(45,775)	(1,420,534)	(1,889,120)	3,965,695

The accompanying notes form part of these financial statements.

Aggregated Statement of Cash Flows

For the Year Ended 30 June 2021

		Aggregated	
		2021	2020
Note		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:			
	Receipts from customers	74,879,904	73,916,282
	Payments to suppliers and employees	(62,453,820)	(67,724,123)
	Interest paid	(1,644,694)	(1,814,963)
	Income taxes paid	(1,330,333)	(915,111)
	Other receipts	2,665,921	712,018
	Net cash provided by/(used in) operating activities	27 12,116,978	4,174,103
CASH FLOWS FROM INVESTING ACTIVITIES:			
	Proceeds from sale of plant and equipment	-	7,285
	Payment for intangible asset	(52,077)	(272,707)
	Purchase of property, plant and equipment	(958,871)	(2,223,477)
	Payment of subsidiary, net of cash acquired	107,784	(732,500)
	Purchase of financial assets	(315,700)	(96,770)
	Net cash provided by/(used in) investing activities	(1,218,864)	(3,318,169)
CASH FLOWS FROM FINANCING ACTIVITIES:			
	Loans to other parties	5,512	(143,281)
	Proceeds from borrowings	-	2,812,323
	Repayment of borrowings	(3,330,890)	-
	Dividends paid	(495,091)	(426,951)
	Payment of lease liabilities	(2,145,687)	(1,815,679)
	Net cash provided by/(used in) financing activities	(5,966,156)	426,412
	Net increase/(decrease) in cash and cash equivalents held	4,931,958	1,282,346
	Cash and cash equivalents at beginning of year	1,978,339	695,993
	Cash and cash equivalents at end of financial year	8 6,910,297	1,978,339

The accompanying notes form part of these financial statements.

Close the Loop Group

ACN 095 718 317

Notes to the Financial Statements For the Year Ended 30 June 2021

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. O F Flexo 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 13 October 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 2021, the adoption of these standards has not caused any material adjustments to the reported financial position, performance or cash flow of the aggregated Group.

Working Capital Position

The aggregated Group generates significant operating cash inflows. The Responsible Body continually monitor the aggregated Group's working capital position including forecast working capital requirements in light of the aggregated Group's existing debt facilities and are satisfied that the aggregated Group will be able to pay its debts as and when they fall due for period of 12 months from the date of this financial report.

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.

Notes to the Financial Statements

For the Year Ended 30 June 2021

2 Summary of Significant Accounting Policies

Foreign currency transactions and balances

Transaction and balances

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

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

Notes to the Financial Statements

For the Year Ended 30 June 2021

2 Summary of Significant Accounting Policies

Business combinations

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.

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.

Notes to the Financial Statements

For the Year Ended 30 June 2021

2 Summary of Significant Accounting Policies

Financial instruments

Financial assets

Classification

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

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

Notes to the Financial Statements

For the Year Ended 30 June 2021

2 Summary of Significant Accounting Policies

Financial instruments

Financial assets

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

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.

Notes to the Financial Statements

For the Year Ended 30 June 2021

2 Summary of Significant Accounting Policies

Financial instruments

Financial liabilities

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

Convertible Notes

Host contract liabilities contained with the convertible notes are initially recognised at fairvalue and are subsequently recognised on an amortised cost basis until extinguished on conversion or maturity. On maturity, the host liability and related embedded derivative liabilities associate with the convertible note are transferred to equity upon conversion to shares.

Current and non-current classification

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

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

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

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

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.

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

Notes to the Financial Statements

For the Year Ended 30 June 2021

2 Summary of Significant Accounting Policies

Intangible assets

Goodwill

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.

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

Notes to the Financial Statements

For the Year Ended 30 June 2021

2 Summary of Significant Accounting Policies

Revenue and other income

Revenue from contracts with customers

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:

Recycling revenue

Recycling revenue relates to the company's recycling services. Revenue is recognised when the performance obligation is satisfied, which typically occurs at the time of processing. The company has entered into service agreements with its customers, under which the company accepts used ink and toner cartridges from these companies and recycles them in environmentally responsible ways. Recycling may consist of:

- 1) Breaking down the materials in the cartridge and re-purposing them (manufacturing plastic from cartridge pieces)
- 2) Processing the cartridges for re-use printer cartridges
- 3) Disposing of the cartridges without dumping the waste into landfills

The type of recycling performed is governed by the company's service agreements with its customers. Each customer's recycling program is specially tailored to meet the customer's needs and is specifically analysed for revenue recognition.

Re-manufactured Cartridge and Bottle Revenue

Re-manufactured cartridge and bottle revenues are those generated through the sale of the re-manufactured cartridges and bottles or cartridge and bottle component materials (plastic, metals, cartridge sales, and toner). Revenue is recognised when the performance obligation is satisfied, which typically occurs at the point in time when control of the product transfers to the customer. The company processes cartridges and bottles in-house so that they can be re-used. These re-manufactured cartridges and bottles are sold to companies that re-fill the cartridges and bottles and sell them. Component materials are also sold to companies that use plastic to manufacture their products

Sale of packaging materials

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

Notes to the Financial Statements

For the Year Ended 30 June 2021

2 Summary of Significant Accounting Policies

Revenue and other income

Specific revenue streams

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:

- 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.

Notes to the Financial Statements

For the Year Ended 30 June 2021

2 Summary of Significant Accounting Policies

Income Tax

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.

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.

Notes to the Financial Statements

For the Year Ended 30 June 2021

2 Summary of Significant Accounting Policies

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:

Fixed asset class	Depreciation rate
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. 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.

Notes to the Financial Statements

For the Year Ended 30 June 2021

2 Summary of Significant Accounting Policies

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 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

Notes to the Financial Statements

For the Year Ended 30 June 2021

2 Summary of Significant Accounting Policies

Leases

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.

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.

Notes to the Financial Statements

For the Year Ended 30 June 2021

3 Critical Accounting Estimates and Judgments

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 - allowance for expected credit losses

The allowance for expected credit loss assessment requires a degree of estimation and judgement . It is based on the lifetime expected credit loss, grouped base on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates .

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.

Notes to the Financial Statements

For the Year Ended 30 June 2021

3 Critical Accounting Estimates and Judgments

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.

Provision for impairment of inventories

The provision for repairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

4 Retrospective restatement

Close the Loop Ltd

Subsequent to the issuance of the 2020 consolidated financial statements, an error was identified related to income taxes as Close the Loop, Inc. (the "company") did not appropriately assess the eligibility of the deferred tax assets and record a write off of \$2,355,611 as of June 30, 2020. The company determined the facts as of June 30, 2020 supported the recording of a write off. The error in the deferred tax asset valuation resulted in an over statement of the deferred tax asset and an understatement of tax expense in the previously reported 2020 aggregated financial

Notes to the Financial Statements

For the Year Ended 30 June 2021

4 Retrospective restatement

statements. The errors have been corrected by restating each of the affected financial statement line items for prior periods. The following tables summarise the impacts on the Group's aggregated financial statements.

The aggregate effect of the error on the annual financial statements for the year ended 30 June 2021 is as follows:

	Previously stated \$	30 June 2020 Adjustments \$	Restated \$
The Aggregated Group			
Aggregated Statement of Profit or Loss and Other Comprehensive Income			
Income tax benefit/(expense)	247,488	(2,355,611)	(2,108,123)
Aggregated Statement of Financial Position			
Deferred tax asset	3,269,705	(2,355,611)	914,094
Equity			
Total equity	6,321,306	(2,355,611)	3,965,695

Notes to the Financial Statements

For the Year Ended 30 June 2021

5 Revenue and Other Income

Revenue from continuing operations

	Aggregated	
	2021	2020
	\$	\$
Revenue from other sources		
- sale and collections	67,383,974	67,416,891
Total Revenue	67,383,974	67,416,891

	Aggregated	
	2021	2020
	\$	\$
Other Income		
- Profit on Foreign exchange	68,832	118,456
- Other income and government incentives	4,279,545	1,557,454
fair value adjustment to investment property		
- Other financial assets (Designated as at fair value through income)	16,681	(11,079)
	4,796,357	1,760,831

6 Finance Income and Expenses

Finance income

	Aggregated	
Interest income		
Assets measured at amortised cost		
bank	28,918	44,519
Assets measured at amortised cost	28,918	44,519
Dividend income		
Foreign currency gain on financial assets and liabilities	(255,439)	67,106

Finance expenses

	Aggregated	
Interest expense		
Other interest expense	194,999	225,765
Interest expense on lease liability	1,449,541	1,595,974
Other finance expenses	156	170
Total finance expenses	1,644,696	1,821,909

Notes to the Financial Statements

For the Year Ended 30 June 2021

7 Result for the Year

The result for the year includes the following specific expenses:

	Aggregated	
	2021	2020
	\$	\$
Other expenses:		
Employee benefit expenses	3,585,799	3,796,186
Defined contribution superannuation	213,728	179,485

Income Tax Expense

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

	Aggregated	
Current tax expense		
Local income tax - current period	1,342,965	2,110,566
Deferred tax expense		
Origination and reversal of temporary differences	(7,549)	-
Income tax expense for continuing operations	1,335,416	2,110,566
	1,335,416	2,110,566

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

	Aggregated	
Profit	6,508,689	(212,389)
Tax at statutory rates	1,693,569	(70,182)
Add:		
Tax effect of:		
- other non-allowable items	182,499	(96,469)
- Current year losses for which no DT asset recognised	2,736	315,836
- Current year temporary differences not recognised	28,659	-
- Timing differences	107,875	6,550
- Research and development tax benefit	(330,196)	618,128
	1,685,142	773,863
Less:		
Tax effect of:		
- Prior year under provision	(350,573)	(699,661)
- Difference in overseas tax rate	(29,251)	(34,362)
- Adjustment recognised for prior period	-	2,355,611
- Current year tax credits utilised	30,098	(284,885)

Notes to the Financial Statements

For the Year Ended 30 June 2021

Income Tax Expense

	Aggregated	
Income tax expense	2,034,868	(562,840)
	1,335,416	2,110,566

8 Cash and Cash Equivalents

	Aggregated	
	2021	2020
	\$	\$
Cash at bank and in hand	6,910,297	1,978,339
	6,910,297	1,978,339

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:

		Aggregated	
		2021	2020
Cash and cash equivalents		6,910,297	1,978,339
Bank overdrafts	16	(800,587)	(1,645,872)
Balance as per aggregated statement of cash flows		6,109,710	332,467

Notes to the Financial Statements

For the Year Ended 30 June 2021

9 Trade and Other Receivables

	Aggregated	
CURRENT		
Trade receivables	12,888,780	12,984,843
	12,888,780	12,984,843
Sundry Debtors	148,186	8,272
Other receivables	-	261
Total current trade and other receivables	13,036,966	12,993,376

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 2021 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:

	Aggregated	
	2021	2020
	\$	\$
Balance at the beginning of the year	289,611	30,198
Directly to P&L	(66,379)	259,413
Balance at end of the year	223,232	289,611

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.

	Aggregated	
NON-CURRENT		
Other receivables	528,390	506,629
Total non-current trade and other receivables	528,390	506,629

Other receivables represent the following:

Loan advanced to the landlord to remove debris from the adjoining land – repayable monthly over ten years (2021) \$199,545 and (2020) \$199,545

As of 30 June 2021, a loan advanced to a former director from the 2016 financial year remains outstanding. An amending deed was signed on 27 November 2020 to extend the original loan repayment date due on 27 November 2020 to 27 November 2024 with interest at a rate of 3% (2020: 5.4%) per annum which is payable at the end of each calendar month. As at 30 June 2021, the interest receivable capitalised amounted to \$210,600 and no additional

Notes to the Financial Statements

For the Year Ended 30 June 2021

9 Trade and Other Receivables

impairment provision recognised in the current year (\$641,755 impairment on the loan was recognised the financial year ended 30 June 2019).

The loan is secured by the ordinary shares held by the former director and the Directors of the company have agreed to approach the borrower about cancelling the loan and the shares security as part of the listing process

10 Inventories

	Aggregated	
	2021	2020
	\$	\$
CURRENT		
At cost:		
Raw materials and consumables	1,410,962	1,926,800
Finished goods	806,138	627,536
	2,217,100	2,554,336

11 Property, plant and equipment

PLANT AND EQUIPMENT		
Capital works in progress		
At Cost	406,646	1,195,047
Plant and equipment		
At Cost	34,254,943	32,620,321
Accumulated Depreciation	(26,970,855)	(24,671,344)
Total plant and equipment	7,284,088	7,948,977
Furniture, fixtures and fittings		
at cost	50,936	50,936
Accumulated depreciation	(28,381)	(24,643)
Total furniture, fixtures and fittings	22,555	26,293
Motor vehicles		
At cost	393,404	368,225
Accumulated Depreciation	(295,781)	(263,692)
Total motor vehicles	97,623	104,533
Office equipment		
At cost	109,507	105,178
Accumulated depreciation	(57,226)	(52,274)
Total office equipment	52,281	52,904

Close the Loop Group

ACN 095 718 317

Notes to the Financial Statements For the Year Ended 30 June 2021

11 Property, plant and equipment

Computer equipment

At cost

89,479 88,621

Accumulated depreciation

(67,813) (63,481)

Total computer equipment

21,666 25,140

Leasehold Improvements

At Cost

1,475,843 1,416,641

Accumulated Amortisation

(818,334) (708,419)

Total leasehold improvements

657,509 708,222

Total plant and equipment

8,542,368 10,061,116

Close the Loop Group

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Notes to the Financial Statements

For the Year Ended 30 June 2021

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 Improvement s	Total
Aggregated	\$	\$	\$	\$	\$	\$	\$	\$
Year ended 30 June 2021								
Balance at the beginning of the year	1,195,047	7,948,977	26,293	104,533	52,904	25,140	708,222	10,061,116
Additions	455,499	2,053,928	-	25,179	4,329	862	79,163	2,618,960
Transfers	(1,153,613)	-	-	-	-	-	-	(1,153,613)
Depreciation expense	-	(2,299,511)	(3,738)	(32,089)	(9,645)	(4,332)	(109,915)	(2,459,230)
Translation differences	(90,287)	(419,499)	-	-	-	-	(15,079)	(524,865)
Balance at the end of the year	406,646	7,283,895	22,555	97,623	47,588	21,670	662,391	8,542,368

Close the Loop Group

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Notes to the Financial Statements

For the Year Ended 30 June 2021

11 Property, plant and equipment

Movements in carrying amounts of property, plant and equipment

Aggregated	Capital Works in Progress	Plant and Equipment	Furniture, Fixtures and Fittings	Motor Vehicles	Office Equipment	Computer Equipment	Leasehold Improvement s	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Year ended 30 June 2020								
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
Balance at the end of the year	1,195,047	7,948,977	26,293	104,533	52,904	25,140	708,222	10,061,116

Notes to the Financial Statements

For the Year Ended 30 June 2021

12 Intangible Assets

	Aggregated	
	2021	2020
	\$	\$
Intangible assets		
Goodwill		
Cost	969,415	969,415
Patents, trademarks and other rights		
Cost	906,206	863,720
Accumulated amortisation and impairment	(633,017)	(582,608)
Net carrying value	273,189	281,112
Total Intangible assets	1,242,604	1,250,527
Total Intangible assets	1,242,604	1,250,527

Movements in carrying amounts of intangible asset

	Patents, trademarks and other rights	Goodwill	Total
	\$	\$	\$
Aggregated			
Year ended 30 June 2021			
Balance at the beginning of the year	281,112	969,415	1,250,527
Additions	52,077	-	52,077
Additions	52,077	-	52,077
Revaluation decrease			
Amortisation	(60,000)	-	(60,000)
Closing value at 30 June 2021	273,189	969,415	1,242,604

13 Other non-financial assets

	Aggregated	
	2021	2020
	\$	\$
CURRENT		
Prepayments	7,877	26,661
Other asset - Current portion	354,938	577,364
	362,815	604,025

Notes to the Financial Statements

For the Year Ended 30 June 2021

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
	\$	\$	\$
Aggregated			
Year ended 30 June 2021			
Balance at beginning of year	18,307,061	1,246,655	19,553,716
Depreciation charge	(4,054,362)	(668,088)	(4,722,450)
Balance at end of year	14,252,699	578,567	14,831,266

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:

	Aggregated	
	2021	2020
	\$	\$
Interest expense on lease liabilities	(1,449,541)	(1,595,974)
Depreciation of right-of-use assets	(2,155,945)	(2,627,837)
	(3,605,486)	(4,223,811)

Notes to the Financial Statements

For the Year Ended 30 June 2021

15 Trade and Other Payables

	Note	Aggregated	
		2021	2020
		\$	\$
CURRENT			
Trade payables		11,084,550	10,166,923
GST payable		(299,386)	(19,503)
Employee benefits		116,349	186,071
Other payables		(4,715)	39,922
Other payables employees		28,718	(4,643)
Other payables		153,358	162,291
		11,078,874	10,531,061

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.

Contingent consideration in ClozDloop BV Belgium ("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 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.

Notes to the Financial Statements

For the Year Ended 30 June 2021

16 Borrowings

	Aggregated	
	2021	2020
	\$	\$
CURRENT		
Unsecured liabilities:		
Convertible loan	783,470	-
	783,470	-
Secured liabilities:		
Bank overdraft	800,587	1,645,872
Lease liability secured	(1,859)	167,479
Bank loans	3,033,986	4,360,422
Related party payables	(92,741)	(24,686)
Total current borrowings	4,523,443	6,149,087
	Aggregated	
NON-CURRENT		
Unsecured liabilities:		
Related party payables	238,887	136,697
	238,887	136,697
Secured liabilities:		
Lease liability secured	287,295	311,378
Bank loans	4,660,430	6,936,761
	4,947,725	7,248,139
Total non-current borrowings	5,186,612	7,384,836
Total borrowings	9,710,055	13,533,923

Summary of borrowings

Defaults and breaches

During the current and prior year, there were no defaults or breaches on any of the loans.

Notes to the Financial Statements

For the Year Ended 30 June 2021

16 Borrowings

Close the Loop financing arrangements

	Aggregated	
	2021	2020
	\$	\$
Total facilities		
Credit standby arrangement and loan facilities	9,475,086	9,560,834
Used at the reporting date		
Credit standby arrangement and loan facilities	6,232,590	7,758,064
Unused at the reporting date		
Credit standby arrangement and loan facilities	3,242,496	1,802,770

Trade Assist Facility

The Close the Loop and controlled entities Group obtained a trade assist facility with a limit of \$700,000 (2020: \$700,000) with the Commonwealth Bank of Australia ("CBA"). The facility is secured as follows:

- 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 refinanced a bank loan of \$1,350,000 (30 June 2020: 3,000,000) to provide financial assistance for CDL. The loan was obtained from Commonwealth Bank of Australia with a 1 year term and a variable interest rate of 4.15% per annum, which is due to mature on 5 July 2022.

Embedded derivative

Close The Loop Limited (Australia) issued \$500,000 convertible notes in December 2020 and a further \$450,000 convertible notes in June 2021. The convertible notes have a maximum 36 month term, a 10% capitalised coupon rate and convert at the term maturity or earlier at the noteholder's discretion. Under AASB 9 Financial Instruments, an embedded derivative is separated from the host contract, valued first and the residual classified as equity on the basis of a mandatory conversion at maturity as disclosed in note 21. The embedded derivative is valued at fair value

Notes to the Financial Statements

For the Year Ended 30 June 2021

16 Borrowings

Call In Advance

Close theLoop Inc (USA) received funds of AUD\$1,360,478 (30 June 2020: AUD\$1,664,276) 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. The funds received during the 2020 financial year have been fully forgiven. If the loan as at 30 June 2021 is not forgiven, the company will need to repay the loan over 60 months beginning 6 months from the date of the note with interest at 1%

Note payable

AUD\$1,493,512 note payable due in monthly instalments of AUD\$31,777 (USD\$23,890) principal plus interest at a variable rate of LIBOR plus 2.50% (2.64% and 4.33% as at 30 June 2021 and 30 June 2020 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%

AUD\$1,141,405 note payable due in monthly instalments of AUD\$18,887 (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. The company was not in compliance with these covenants as of June 30, 2021, however subsequent to year end all covenant violations were waived and amended going forward to remove all financial covenants and adjust certain non-financial covenants..

On March 3, 2021, the company amended the First Credit Agreement which increased the applicable interest rate. Interest payments are based on a variable rate of LIBOR plus 3.25% (4% and 4.58% at 30 June 2021 and 30 June 2020 respectively). The company had outstanding borrowings of AUD \$672,626 at 30 June 2021 (30 June 2020: AUD 662,462). Subsequent to year end, in addition to the covenant amendments noted above, this agreement was further amended to extend the line of credit expiration to December 2021

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
• Bank overdraft	\$200,000

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.

Notes to the Financial Statements

For the Year Ended 30 June 2021

16 Borrowings

O F Flexo 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..

OF Packaging Pty Ltd issued a convertible note which only convert to ordinary shares on successful completion of the proposed initial public offering. If the listing on the ASX is unsuccessful for whatever reason the convertible notes will be deemed to have zero value and terminate.

17 Provisions

	Aggregated	
	2021	2020
	\$	\$
CURRENT		
Legal proceedings	-	110,639
Unprocessed Inventory	850,827	849,656
	850,827	960,295

Notes to the Financial Statements

For the Year Ended 30 June 2021

18 Other Financial Liabilities

	Aggregated	
CURRENT		
Deferred income	160,728	144,000
Other financial liabilities	524	1,106
Total	161,252	145,106
	Aggregated	
NON-CURRENT		
Deferred income	198,667	106,000
Total	198,667	106,000

19 Employee Benefits

	Aggregated	
	2021	2020
	\$	\$
Current liabilities		
Long service leave	61,000	52,395
Provision for employee benefits	751,845	588,572
	812,845	640,967

20 Issued Capital

	Aggregated	
Ordinary aggregated shares	15,431,726	15,431,726
Treasury Shares	-	-
Convertible note issued	724,388	-
Total	16,156,114	15,431,726

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.

Convertible notes

CtL issued \$724,388 convertible notes by June 2021 to restructure a loan from a shareholder. The convertible notes have a maximum 36-month term and a 10% interest rate. The notes are convertible into CtL shares at the option of the noteholder prior to maturity date.

Notes to the Financial Statements

For the Year Ended 30 June 2021

20 Issued Capital

Employee share plans under the borrowing arrangements

	Aggregated	
	No.	No.
At the beginning of the reporting period	5,623,150	5,623,150
Shares issued during the year		
Shares transferred to treasury shares during the year	(2,563,150)	-
At the end of the reporting period	3,060,000	5,623,150

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

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.

Notes to the Financial Statements

For the Year Ended 30 June 2021

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 (2020: \$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.

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

2021 Grant Date	Expiry Date	Exercise price	Start of the year	Granted during the year	Expired during the year	Balance at the end of the year
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

	Aggregated		
	2021	2020	
	\$	\$	
Tax receivable	-	811,243	
Current tax receivable	-	811,243	
	Aggregated		
Income tax payable	865,579	795,622	
Current tax liabilities	865,579	795,622	
	Opening Balance	Charged to Income	Closing Balance
Aggregated			
Deferred tax assets			
Property, plant and equipment			
- other PPE	(865,937)	301,126	(564,811)
Provisions	8,071	41,858	49,929
Fair value gain adjustments	-	(60,221)	(60,221)
Accruals	784,001	172,258	956,259
Deferred tax assets attributable to tax losses	-	(2,441)	(2,441)
Valuation allowance	(2,355,611)	-	(2,355,611)
Interest rate swap	13,773	(13,773)	-
Net operating loss carried forward	419,112	(233,050)	186,062

Notes to the Financial Statements

For the Year Ended 30 June 2021

23 Tax assets and liabilities

Aggregated

Deferred tax assets

	Opening Balance	Charged to Income	Closing Balance
Tax credit carried forward	1,925,674	331,569	2,257,243
Other	(31,844)	479,529	447,685
Balance at 30 June 2020	(102,761)	1,016,855	914,094
Property, plant and equipment			
- other PPE	(564,811)	(86,657)	(651,468)
Provisions	49,929	(49,929)	-
Fair value gain adjustments	(60,221)	38,570	(21,651)
Accruals	956,259	(253,963)	702,296
Deferred tax assets attributable to tax losses	(2,441)	495,538	493,097
Reserve for bad debts	-	21,163	21,163
Valuation allowance	(2,355,611)	205,231	(2,150,380)
Net operating loss carried forward	186,062	(186,062)	-
Tax credit carried forward	2,257,243	(196,660)	2,060,583
Other	447,685	334,378	782,063
Balance at 30 June 2021	914,094	321,609	1,235,703

Notes to the Financial Statements

For the Year Ended 30 June 2021

23 Tax assets and liabilities

Aggregated

Deferred tax liabilities

Deferred tax assets attributable to tax losses

Accelerated capital allowances for tax purposes

Balance at 30 June 2020

Deferred tax assets attributable to tax losses

Accelerated capital allowances for tax purposes

Balance at 30 June 2021

Opening Balance	Charged to Income	Closing Balance
\$	\$	\$
338,424	-	338,424
13,403	1,000	14,403
351,827	1,000	352,827
338,424	(45,622)	292,802
14,403	-	14,403
352,827	(45,622)	307,205

24 Other Financial Assets

Financial assets at fair value

Aggregated

2021 2020

\$ \$

NON-CURRENT

Equity securities - at fair value through Other Comprehensive Income

93,250 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	1,180,600	1,265,246
Long-term benefits	8,632	15,054
Post-employment benefits	81,317	90,299
Directors Fees	186,667	293,632
	1,457,216	1,664,231

Notes to the Financial Statements

For the Year Ended 30 June 2021

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

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

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 Limited (Canada)
- OF Packaging Pty Ltd
- OF Resource Recovery Holdings Pty Ltd
- OF Resource Recovery Pty Ltd
- OF Flexo 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 management and oversight. These costs are recovered through levying a management fee. During the financial year,

Notes to the Financial Statements

For the Year Ended 30 June 2021

26 Related Parties

CtL Ltd charged CtL Inc management fees, strategic fees, advice and know how charges and recharged corporate salaries of \$750,268 (2020: \$826,026).

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, \$144,634 (2020: \$153,684) 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 2021 totalled \$1,324,630 (2020: \$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 \$5,320,564 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 2021, the balance was \$5,214,661 (2020: \$4,825,972).

Notes to the Financial Statements

For the Year Ended 30 June 2021

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:

	Aggregated	
	2021	2020
	\$	\$
Profit for the year	5,141,957	(2,279,523)
Cash flows excluded from profit attributable to operating activities		
Non-cash flows in profit:		
- amortisation and depreciation	5,178,845	5,634,932
- net gain on disposal of property, plant and equipment	-	91,242
Exchange variance related to controlled entity	(218,688)	112,170
- fair value movements on investments	123,168	(11,079)
Changes in assets and liabilities:		
- (increase)/decrease in trade and other receivables	299,586	(871,702)
- (increase)/decrease in prepayments	222,425	358,406
- (increase)/decrease in inventories	337,236	(477,576)
- (increase)/decrease in deferred tax asset	(367,236)	1,670,317
- increase/(decrease) in trade and other payables	885,952	170,808
- increase/(decrease) in income taxes payable	447,369	(439,678)
- increase/(decrease) in employee benefits	66,364	215,786
Cashflows from operations	12,116,978	4,174,103

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 2021

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 2021

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 Group

ACN 095 718 317

Notes to the Financial Statements

For the Year Ended 30 June 2021

28 Financial Risk Management

Financial liability maturity analysis - Non-derivative

Aggregated	Within 1 Year		1 to 5 Years		Over 5 Years		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
	\$	\$	\$	\$	\$	\$	\$	\$
Financial liabilities due for payment								
Bank overdrafts and loans	1,888,335	4,286,561	950,000	279,799	-	-	2,838,335	4,566,360
Related party loans	60,015	189,497	-	1,940,858	-	-	60,015	2,130,355
Other borrowings	1,328,225	-	163,027	-	-	-	1,491,252	-
Note payable	547,607	1,262,337	2,087,310	2,465,694	-	357,657	2,634,917	4,085,688
Call in advance - PPP Covid loan	43,350	-	1,315,128	1,664,276	-	-	1,358,478	1,664,276
Trade and other payables (excluding estimated annual leave)	11,026,711	11,389,525	-	-	-	-	11,026,711	11,389,525
Finance lease liabilities	215,357	361,806	298,705	412,929	-	-	514,062	774,735
Lease Liability	2,384,928	2,156,076	9,629,335	11,099,964	4,321,268	6,098,798	16,335,531	19,354,838
Total contractual outflows	17,494,528	19,645,802	14,443,505	17,863,520	4,321,268	6,456,455	36,259,301	43,965,777

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 2021

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 Interests in Subsidiaries and related entities

29.1. Composition of the Aggregated Group

	Principal place of business / Country of Incorporation	Percentage Owned (%) [*] 2021	Percentage Owned (%) [*] 2020
Subsidiaries:			
Close the Loop Operations Pty Ltd	Australia	100	100
Close The Loop Technologies Pty Ltd	Australia	100	100
Close the Loop Europe NV	Belguim	100	100
Close The Loop (Europe) Limited	United Kingdom	100	100
Close The Loop Inc	Unites States of America	100	100
ClozDloop BV	Belguim	80	80
ClozDloop France	France	80	80
ClozDloop s.r.o	Csech Republic	80	80
Tonerplas Pty Ltd	Australia	100	100
Close the Loop Recovery Limited	Canada	100	100
Foster International Packaging Pty Ltd	South Africa	100	100
OF Packaging Pty Ltd	Australia	100	100
OF Resource Recovery Pty Ltd	Australia	100	100
OFRR Holdings Pty Ltd	Australia	100	100
OF Flexo Pty Ltd	Australia	100	100

^{*}The percentage of ownership interest held is equivalent to the percentage voting rights for all subsidiaries.

29.2. Significant restrictions relating to subsidiaries

There are no significant restrictions over the group's ability to access or use assets, and settle liabilities, of the group.

Notes to the Financial Statements

For the Year Ended 30 June 2021

30 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.

31 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.

	2021				2020			
	Revenue	Net profit after tax	Segment assets	Segment Liabilities	Revenue	Net profit after tax	Segment assets	Segment liabilities
Australia	41,793	3,741	22,220	18,587	37,575	1,013	21,784	19,048
United States	16,427	824	17,573	15,935	20,833	(473)	23,923	15,320
Europe	5,270	143	4,220	4,683	4,468	(968)	5,515	11,842
South Africa	6,545	341	3,419	1,124	5,204	283	2,765	657

Notes to the Financial Statements

For the Year Ended 30 June 2021

31 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.

32 Contingencies

In the opinion of the Responsible Body, the Group did not have any material contingencies at 30 June 2021 (30 June 2020:None).

33 Events Occurring After the Reporting Date

The aggregated financial report was authorised for issue on 13 October 2021 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 2021, 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

OF Packaging Pty Ltd is actively negotiating acquisitions of complimentary businesses in Australia.

34 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 Australian Accounting Standards and:
 - a. comply with Australian Accounting Standards and
 - b. give a true and fair view of the financial position as at 30 June 2021 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 14 October 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 2021, 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 2021 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 2021 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 skepticisms 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 14th day of October 2021