



Close the Loop GROUP

Create - Recover - Reuse

Close the Loop Ltd

ABN: 91 095 718 317

Report for the half year ended 31 December 2023

Create - Recover - Reuse

APPENDIX 4D

1.1 Company details

Name of entity: Close the Loop Limited
 ABN: 91 095 718 317
 Reporting period: For the half-year ended 31 December 2023
 Previous period: For the half-year ended 31 December 2022

1.2 Results for announcement to the market

				\$'000
Revenues from ordinary activities	Up/Down	76%	to	103,125
Profit/(Loss) from ordinary activities after tax attributable to the owners of Close the Loop Limited	Up/Down	21.8%	to	4,927
Profit/(Loss) for the half year attributable to the owners of Close the Loop Limited	Up/Down	21.8%	to	4,927

Dividends

Close the Loop Limited has not paid any dividends in the half year ending 31 December 2023 nor does it propose to pay any dividends.

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

Comments

Please refer to the Review of Operations in the Directors' Report for an explanation of the results.

This Appendix 4D should be read in conjunction with the Consolidated Interim Financial Report of Close the Loop Limited for the half year ended 31 December 2023 that has been reviewed by Nexia Melbourne Audit Pty Ltd. This report should be read in conjunction with the ASX announcement on 26 February 2023. This report should also be read in conjunction with any public announcements made by Close the Loop Limited in accordance with the continuous disclosure requirements arising under the Corporations Act 2001 and ASX listing rules.

The profit for the half year ended 31 December 2023 has been impacted by the amortisation of intangible assets of \$8,245,000 that occurs as a result of the consolidated group recognising customer relationships, brand names and internal generated software upon the business combinations accounting standard and that is required to be amortised over their useful lives.

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

1.3 Net tangible assets

	31 December 2023	31 December 2022
Net tangible assets per ordinary security	(2.55 cents)	7.5 cents

1.4 Control gained over entities

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

1.5 Loss of Control over entities

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

1.6 Details of associated and joint venture entities

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

1.7 Audit review

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

All foreign entities in the Close the Loop Limited group have used International Financial Reporting Standards as the accounting standards by which they have reported and been included in the Interim Report for the period ending 31 December 2023.

1.8 Attachments

The Interim Report of Close the Loop Limited for the half-year ended 31 December 2023 is attached.

1.9 Signed



Signed:

Gregory Toll
Director

Date: 26 February 2024



Close the Loop GROUP

Create - Recover - Reuse

Report for the half year ended 31 December 2023

Close the Loop Ltd

ABN: 91 095 718 317

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DIRECTORS' REPORT

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Close the Loop Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2023.

Directors

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

- Gregory Toll
- Marc Lichtenstein
- Joseph Foster
- Grant Carman
- Sammy Saloum (appointed 23 November 2023)
- Lawrence Jaffe

Principle Activities

The principal activity of the consolidated group during the financial half year was the creation of innovative products and packaging solutions as well as recovering a wide range of electronic products, print consumables, cosmetics, plastics, paper and cartons and any other activity incidental thereto, through to the reusing of toner and post-consumer soft plastics for an asphalt additive, TonerPlas. The consolidated entity is also a leading supplier of thermal paper and associated paper products and services in Australia. The Company is focused on the future, sustainability and the circular economy.

There were no significant changes in the nature of the activities of the Group during the half year.

Review of Operations

With locations across Australia, United States, Europe and South Africa, Close the Loop collects waste products through takeback programs across its resource recovery businesses for recovery and reuse; and provides packaging products through its packaging businesses which allow for recovery and recyclability. The Company's overall premise is zero waste to landfill. From recovering a wide range of electronic products, print consumables, eyewear, cosmetics, plastics, paper and cartons and any other activity incidental thereto, through to the reusing of toner and post-consumer soft plastics for an asphalt additive, the Group is a global circular economy leader with a focus on the future, sustainability and the circular economy.

	31 December 2023	31 December 2022
	\$'000	\$'000
Revenue	103,125	58,587
Gross Margin %	36.2%	32.8%
EBITDA	22,689	9,491
Net Profit before tax	6,988	5,598
Net Profit after tax	5,009	4,004
Amortisation of intangible assets	8,245	1,006
Underlying Net Profit after tax	13,254	5,010

	31 December 2023	31 December 2022
	\$'000	\$'000
Current Assets	108,966	51,552
Current Liabilities	61,452	27,766
Current Ratio	1.77	1.86
Total Assets	303,197	103,561
Equity	132,899	54,598

The profit before interest, tax, depreciation, and amortisation charges ("EBITDA") attributable to the members of the parent entity for the half year ended 31 December 2023 is \$22,689,000 (31 December 2022: \$9,491,000) which is a 139% increase compared to the previous corresponding reporting period. The growth in the financial results for the period ending 31 December 2023 are a result of this being the first reporting period that includes the full impact of the ISP Tek Services, Alliance Paper and Close the Loop Plastic Recycling acquisitions.

The profit for the consolidated group after providing for income tax and non-controlling interest amounted to \$4,927,000 (2022: \$4,044,000). The profit for the half year ended 31 December 2023 has been impacted by the amortisation of intangible assets of \$8,245,000 that occurs as a result of the consolidated group recognising customer relationships, brand names and internally generated software upon the business combinations accounting standard and that is required to be amortised over their useful lives.

The Group has generated \$12,324,000 cash from operations for the half year that has been invested into the upgraded TonerPlas manufacturing line in Melbourne; and working capital to fund the growth of the overall business. The cash flows from operations have been used to reduce the overall debt position of the Group. Net debt which is calculated as total borrowings less cash on hand at 31 December 2023 has reduced by \$11,810,000 to \$26,246,000 since the last reporting date, 30 June 2023. The Close the Loop recycling division increased its processing volumes during the period, introducing several new collection programs, complementing its traditional imaging consumables business, and the half year inclusion of ISP Tek Services' performance.

ISP Tek Services have made a strong contribution to the overall performance of the Group since the acquisition of this business. The financial performance is ahead of the expectations at the time of the completion of the acquisition due diligence investigation. The company is continuing to work towards delivering on new sales opportunities with existing customers and with a view to expanding its service offering to a wider market base. During the reporting period, Close the Loop Operations in Australia has commenced and successfully completed a number of new Information Technology Asset Disposition ("ITAD") projects. The ITAD projects could become a significant revenue stream for this business unit in the future. The Australian ITAD engagement is a direct result of the ISP Tek Services acquisition. ISP Tek Services' industry knowledge and the group utilising cross selling opportunities has led to new ITAD opportunities in Australia and Europe, utilising the ClozDloop infrastructure.

ISP Tek Services entered into an exclusive North American Alternative Recovery Program agreement with HP Inc. during the period. The agreement is effective for 3 years from 1 November 2023 with the following products being exclusive to ISP Tek Services; Consumer Notebooks, Consumer Chrome OS, Consumer Monitors, Consumer Accessories and Hyper X products including headsets, microphones, keyboards and mice. ISP Tek Services has entered into a revenue share model with HP Inc. for the products listed above. The revenue share model is expected to improve the profitability, recovery value and cash generated from this agreement for all parties. All other product lines continue to be processed with no change to existing "as-is" arrangements.

The core recycling operations in Australia, United States and Europe have continued to grow and provide services across the respective geographies. New activity has been progressed with the installation of a new TonerPlas line in Melbourne, which will produce revenue in the second half. O F Resource Recovery, which provides recycling, reuse, and waste services, for the paper, board and magazine industries in Australia has been impacted by its exposure to reducing commodity prices during the period. Commodity prices have started to improve towards the end of the reporting period and the business has generated profits in December 2023 and January 2024.

The European business launched a pan-European multi-vendor collection program, which resulted in significant interest from all the major print original equipment manufacturers (“OEMs”) with the majority of the OEMs joining the program. The program was launched on 1 November 2023 in Benelux, Germany and the United Kingdom. The multi-vendor collection program is being expanded across Europe, with more OEMs joining the program. The full financial impact of this collection program will begin to be reflected in the 2025 financial year.

The Close the Loop packaging businesses have not achieved the sales growth expected due to some challenging economic conditions, namely inflation, shipping issues, industry demand and pricing impacts. However, these obstacles are diminishing as we enter the second half. Despite these challenges, the packaging segment has delivered similar EBITDA to previous period after adjusting costs to meet the market. Management have ensured that margins are upheld whilst taking steps to ensure the cost base of the business unit is commensurate with revenue. The Packaging business continues to have strong demand for its specialised range of sustainable packaging. The future forecasts see a return to planned growth. The South African operations have performed exceptionally well during the period.

Significant Changes in the State of Affairs

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

Events Subsequent to Reporting Date

On 31 January 2024 Close the Loop Plastic Recycling Inc. (“Plastic Recycling”) acquired plant and equipment together with some inventory from Material Processing and Handling Company (“MPH”). MPH was paid US\$1,140,000 in cash and US\$400,000 worth of shares in Close the Loop Limited have been issued. The plant and equipment together with the inventory have been acquired to increase the footprint of the Plastic Recycling business in the USA, as well as to facilitate growth and expansion of this business unit.

Since 31 December 2023, the company has commenced or continued discussions with a number of potential acquisition targets for share and or asset purchases for businesses that are complementary to the current service offerings of the Group. At the time of this report no binding agreements have been entered into with any of these potential acquisition targets.

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

Rounding of Amounts

The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to ‘rounding-off’. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



Signed:

Gregory Toll
Director

Date: 26 February 2024

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

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2023 there has been:

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



**Nexia Melbourne Audit Pty Ltd
Melbourne**



**Benjamin Bester
Director**

Dated this 26th day of February 2024

Advisory. Tax. Audit.

Registered Audit Company 291969

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General Information

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

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

Registered office

43 – 47 Cleeland Road
 Oakleigh South VIC 3167
 Australia

Principal place of business

43 – 47 Cleeland Road
 Oakleigh South VIC 3167
 Australia

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

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 22 February 2024.

Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2023

	Note	Consolidated 31 Dec 2023 \$'000	31 Dec 2022 \$'000
Revenue from continuing operations			
Revenue	3	103,125	58,587
Cost of Sales		(65,834)	(39,373)
Gross Profit		37,291	19,214
Expenses			
Other Income	4	3,030	478
Selling and distribution expenses		(121)	(110)
Administration expenses		(5,718)	(2,460)
Occupancy costs		(2,484)	(200)
Employee benefits		(8,659)	(7,357)
Depreciation and amortisation	5	(10,988)	(3,188)
Other expenses		-	(74)
Operating Profit		12,351	6,303
Finance costs	5	(5,363)	(705)
Profit before income tax expense from continuing operations		6,988	5,598
Income tax expense		(1,979)	(1,594)
Profit after income tax expense from continuing operations		5,009	4,004
Profit after income tax expense for the half year		5,009	4,004
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
<i>Foreign currency translation</i>		(1,069)	3
Other comprehensive income for the half-year, net of tax		(1,069)	3
Total comprehensive income for the half year		3,940	4,007
Profit for the half-year is attributable to:			
Non-controlling interest		82	(40)
Owners of Close the Loop Limited		4,927	4,044
		5,009	4,004
Total comprehensive income for the half-year is attributable to:			
Continuing operations		3,858	4,047
Non-controlling interest		82	(40)
Continuing operations		3,940	4,007

Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2023
Consolidated

Note	31 Dec 2023	31 Dec 2022
	Cents	Cents
Earnings per share for profit attributable to the owners of Close the Loop Limited		
Basic earnings per share	15	0.95
Diluted earnings per share	15	0.92

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

**Statement of financial position
As at 31 December 2023**

		Consolidated	
	Note	31 Dec 2023 \$'000	30 Jun 2023 \$'000
Assets			
Current assets			
Cash and cash equivalents		55,675	49,458
Trade and other receivables		29,921	26,148
Inventories		19,716	15,875
Other		3,653	5,156
Total current assets		108,965	96,637
Non-current assets			
Investments		198	155
Property, plant, and equipment		20,727	20,168
Right-of-use assets		22,782	20,838
Intangibles	13	146,405	131,269
Deferred tax		1,974	1,674
Other		2,146	638
Total non-current assets		194,232	174,742
Total assets		303,197	271,379
Liabilities			
Current liabilities			
Trade and other payables		26,501	29,180
Borrowings	14	14,772	16,094
Lease liabilities		3,360	3,766
Income tax		4,144	1,642
Provisions		2,085	2,695
Deferred revenue		861	-
Other		9,729	439
Total current liabilities		61,452	53,816
Non-current liabilities			
Borrowings	14	67,149	71,420
Lease liabilities		20,963	19,577
Provisions		95	265
Deferred tax liability		19,692	1,372
Deferred revenue		152	152
Other		795	717
Total non-current liabilities		108,846	93,503
Total liabilities		170,298	147,319
Net assets		132,899	124,060
Equity			
Issued capital	6	105,247	100,588
Reserves		(2,217)	(1,260)
Retained profits		29,270	24,215
Non-controlling interest		599	517
Total equity		132,899	124,060

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

Statement of changes in equity
For the half-year ended 31 December 2023

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

	Issued capital \$'000	Reserves \$'000	Retained profits \$'000	Non- controlling interest \$'000	Total equity \$'000
Consolidated					
Balance at 1 July 2023	100,588	(1,260)	24,215	517	124,060
Profit after income tax expense for the half year, net of tax	-	-	4,927	82	5,009
Foreign exchange movement	-	(1,069)	-	-	(1,069)
Total comprehensive income for the half-year	-	(1,069)	4,927	82	3,940
Transactions with owners in their capacity as owners: Movement in issued shares (Note 6)	4,659	-	-	-	4,659
Transfer of Share Based Payments to Retained Profits	-	(128)	128	-	-
Share based payments	-	240	-	-	240
Balance at 31 December 2023	<u>105,247</u>	<u>(2,217)</u>	<u>29,270</u>	<u>599</u>	<u>132,899</u>

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

Statement of cash flows
For the half-year ended 31 December 2023
Cash flows from operating activities

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

Government grants

Other revenue

Interest and other finance costs paid

Business combination costs

Income taxes paid

Net cash (used in)/from operating activities

Cash flows from investing activities

Payment for purchase of business, net of cash acquired

Acquisition of subsidiary

Payments for property, plant, and equipment

Net cash used in investing activities

Cash flows from/(used in) financing activities

Proceeds from share issue net of issue costs

Net Proceeds from borrowings

Repayment of borrowings

Repayment of lease liabilities

Net cash from/(used in) financing activities

Net increase/(decrease) in cash and cash equivalents

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

Effects of exchange rate changes on cash and cash equivalents

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

Bank balances

Bank overdrafts repayable on demand and used for cash management purposes

Cash and cash equivalents in the statement of cashflows

Consolidated	
31 Dec 2023	31 Dec 2022
\$'000	\$'000
98,338	64,675
(81,176)	(58,054)
17,162	6,621
-	411
1,509	40
(4,111)	(705)
-	(315)
(2,236)	(78)
12,324	5,974
-	(47)
-	(2,624)
(3,195)	(2,218)
(3,195)	(4,889)
4,680	-
-	6,022
(4,216)	(2,061)
(2,578)	(1,699)
(2,114)	2,262
7,015	3,347
49,458	9,660
(798)	-
55,675	13,007
55,675	13,151
-	(144)
55,675	13,007

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

Notes to the Financial Statements

31 December 2023

Note 1. Significant accounting policies

These general-purpose financial statements for the interim half-year reporting period ended 31 December 2023 have been prepared in accordance with Australian Accounting Standard AASB134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general-purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2023 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

New or amended Accounting Standards and Interpretations adopted

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

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

Basis of preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2023 annual financial report for the financial year ended 30 June 2023 except as discussed in the adoption of new and revised Australian Accounting Standards. The accounting policies are consistent with Australian Accounting Standards and with IFRS Accounting Standards.

Statements of financial position

The Statement of Financial Position as at 30 June 2023 represents Close the Loop Group. The Statement of Financial Position for 31 December 2023 reflects the consolidated position of Close the Loop Group.

Statement of profit and loss and other comprehensive income

The Consolidated Statement of Profit or Loss and Other Comprehensive Income for the period 1 July 2023 to 31 December 2023 represent the results of Close the Loop.

Statement of changes in equity

The Consolidated Statement of Changes in Equity for the period 1 July 2023 to 31 December 2023 comprises Close the Loop Group.

Statement of cash flows

The Statement of Cash Flows represents cash flows of Close the Loop Group for the period 1 July 2023 to 31 December 2023.

Critical accounting estimates and assumptions

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

Notes to the Financial Statements

31 December 2023

Note 2. Operating segments

Identification of reportable operating segments

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

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

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

Types of products and services

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

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

Intersegment transactions

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

Intersegment receivables, payables, and loans

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

Operating segment information

Consolidated 31 December 2023	Resource Recovery \$'000	Packaging \$'000	Total \$'000
Revenue			
Sales to external customers	71,154	31,971	103,125
Intersegment sales	-	-	-
Total sales revenue	71,154	31,971	103,125
Other revenue	1,763	1,267	3,030
Total segment revenue	72,917	33,238	106,155
Intersegment eliminations			-
Unallocated revenue			-
Total revenue			106,155
EBITDA	16,941	5,748	22,689
Depreciation and amortisation	(10,364)	(624)	(10,988)
Net finance costs	(4,626)	(87)	(4,713)
Profit before income tax expense	1,951	5,037	6,988
Income tax expenses	(402)	(1,577)	(1,979)
Profit after income tax expense	1,549	3,460	5,009

Notes to the Financial Statements
31 December 2023
Consolidated 31 December 2023
Assets

	Resource Recovery \$'000	Packaging \$'000	Total \$'000
Segment assets	260,864	50,623	311,487
Intersegment eliminations		-	(8,290)
Unallocated assets			-
Total assets			303,197

Liabilities

Segment liabilities	154,683	23,905	178,588
Intersegment eliminations			(8,290)
Unallocated liabilities:			-
Total liabilities			170,298

Consolidated 31 December 2022
Revenue

	Resource Recovery \$'000	Packaging \$'000	Total \$'000
Sales to external customers	21,504	37,083	58,587
Intersegment sales	-	-	-
Total sales revenue	21,504	37,083	58,587
Other revenue	29	449	478
Total segment revenue	21,533	37,531	59,065
Intersegment eliminations			-
Unallocated revenue			-
Total revenue			59,065

EBITDA

	3,708	5,783	9,491
Depreciation and amortisation	(1,782)	(1,406)	(3,188)
Finance costs	(425)	(280)	(705)
Profit before income tax expense	1,501	4,097	5,598
Income tax expenses	(637)	(957)	(1,594)
Profit after income tax expense	864	3,140	4,004

Assets

Segment assets	47,313	56,248	103,561
Intersegment eliminations	-	-	-
Unallocated assets			-
Total assets			103,561

Liabilities

Segment liabilities	30,266	18,697	48,963
Intersegment eliminations			-
Unallocated liabilities:			-
Total liabilities			48,963

Notes to the Financial Statements
31 December 2023
Geographical segment information

Consolidated 31 December 2023	Australia \$'000	USA \$'000	Europe \$'000	South Africa \$'000	Total \$'000
Revenue					
Sales to external customers	31,017	62,199	3,384	6,525	103,125
Intersegment sales	-	-	-	-	-
Total sales revenue	31,017	62,199	3,384	6,525	103,125
Other revenue	1,987	435	506	102	3,030
Total segment revenue	33,004	62,634	3,890	6,627	106,155
Intersegment eliminations					-
Unallocated revenue					-
Total revenue					106,155
EBITDA	4,880	16,664	313	832	22,689
Depreciation and amortisation	(1,638)	(9,201)	(128)	(21)	(10,988)
Net finance costs	(695)	(4,100)	(6)	88	(4,713)
Profit before income tax expense	2,547	3,363	179	899	6,988
Income tax expenses	(928)	(800)	-	(251)	(1,979)
Profit after income tax expense	1,619	2,563	179	648	5,009
Assets					
Segment assets	164,119	176,971	3,635	7,632	352,357
Intersegment eliminations	-	-	-	-	-
Unallocated assets					(49,160)
Total assets					303,197
Liabilities					
Segment liabilities	45,054	157,799	13,693	2,912	219,458
Intersegment eliminations	-	-	-	-	-
Unallocated liabilities					(49,160)
Total liabilities					170,298

Consolidated 31 December 2022	Australia \$'000	USA \$'000	Europe \$'000	South Africa \$'000	Total \$'000
Revenue					
Sales to external customers	37,564	11,791	2,405	6,827	58,587
Intersegment sales	-	-	-	-	-
Total sales revenue	37,564	11,791	2,405	6,827	58,587
Other revenue	415	-	11	52	478
Total segment revenue	37,979	11,791	2,416	6,879	59,065
Intersegment eliminations					-
Unallocated revenue					-
Total revenue					59,065

Notes to the Financial Statements
31 December 2023

Consolidated 31 December 2022	Australia \$'000	USA \$'000	Europe \$'000	South Africa \$'000	Total \$'000
EBITDA	6,055	2,603	254	579	9,491
Depreciation and amortisation	(1,723)	(1,000)	(459)	(6)	(3,188)
Finance costs	(425)	(277)	(25)	22	(705)
Profit before income tax expense	3,907	1,326	(230)	595	5,598
Income tax expenses	(1,070)	(391)	-	(133)	(1,594)
Profit after income tax expense	2,837	935	(230)	462	4,004
Assets					
Segment assets	74,536	21,207	3,221	4,597	103,561
Intersegment eliminations	-	-	-	-	-
Unallocated assets					-
Total assets					103,561
Liabilities					
Segment liabilities	25,398	9,330	13,347	888	48,963
Intersegment eliminations	-	-	-	-	-
Unallocated liabilities					-
Total liabilities					48,963

Note 3. Revenue

	Consolidated	
	31 Dec 2023 \$'000	31 Dec 2022 \$'000
From continuing operating activities		
<i>Revenue from contracts with customers</i>		
Sale of goods	80,751	43,470
Collection revenue	22,374	15,117
	103,125	58,587

Note 4. Other income

	Consolidated	
	31 Dec 2023 \$'000	31 Dec 2022 \$'000
Interest Income	652	27
Government grants	310	411
Foreign Exchange Gains	858	30
Other Income	1,210	10
Other income	3,030	478

Notes to the Financial Statements
31 December 2023
Note 5. Expenses

	Consolidated	
	31 Dec 2023	31 Dec 2022
	\$'000	\$'000
Profit before income tax from continuing operations includes the following expenses:		
<i>Depreciation and Amortisation</i>		
Depreciation of property, plant and equipment	1,096	906
Amortisation of right-of-use assets	1,621	1,276
Total depreciation	<u>2,717</u>	<u>2,182</u>
Amortisation of non-current assets	8,271	1,006
Total depreciation and amortisation	<u>10,988</u>	<u>3,188</u>
<i>Finance costs</i>		
Interest and finance charges paid/payable on borrowings	4,501	304
Interest and finance charges paid/payable on lease liabilities	862	401
Finance costs expensed	<u>5,363</u>	<u>705</u>

Note 6. Equity - issued capital

	31 Dec 2023	30 Jun 2023	31 Dec 2023	30 Jun 2023
	Shares	Shares	\$'000	\$'000
Ordinary shares – fully paid	<u>530,297,981</u>	<u>515,656,791</u>	<u>105,247</u>	<u>100,588</u>

Movements in ordinary share capital

	Date	Shares	Issue price	\$'000
Balance at the beginning of the year	1 Jul 2022	335,451,478		41,695
Shares issued to acquire ClozDloop BV minority interest	20 Mar 2023	2,000,000	\$0.33	660
Issue of shares pursuant to capital raise (Tranche 1)	23 Mar 2023	80,000,000	\$0.33	26,400
Shares issued upon conversion of Close the Loop options	29 Mar 2023	168,189	\$0.30	50
Issue of shares pursuant to capital raise (Tranche 2)	27 Apr 2023	56,363,637	\$0.33	18,600
Shares issued to ISP Tek Services and Captive Trade Corp vendors	1 May 2023	40,560,560	\$0.3708	15,040
Issue of shares for management services	3 May 2023	750,000	\$0.33	248
Shares issued upon conversion of Close the Loop options	9 Jun 2023	246,677	\$0.30	74
Issue of shares to employees	23 Jun 2023	116,250	\$0.43	50
Transaction costs relating to share issues				(2,229)
Balance	30 Jun 2023	<u>515,656,791</u>		<u>100,588</u>

Notes to the Financial Statements
31 December 2023

	Date	Shares	Issue price	\$'000
Balance at the beginning of the half year	1 Jul 2023	515,656,791		100,588
Shares issued to ISP Tek Services and Captive Trade Corp vendors	19 Jul 2023	4,056,056	\$0.3708	1,504
Shares issued upon conversion of Close the Loop options	1 Dec 2023	10,585,134	\$0.30	3,176
Transaction costs relating to share issues				(21)
		530,297,981		105,247
Balance				

Note 7. Share Based Payments

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

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

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

Set out below are summaries of options granted as at 31 December 2023:

Grant Date	Expiry Date	Exercise Price	Balance at the start of the financial half year	Granted	Exercised	Expired/ Forfeited/ other	Balance at the end of the financial half year
2 Dec 2021	1 Dec 2023	\$0.30	10,585,134	-	10,585,134	-	-

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

Set out below are summaries of performance rights granted as at 31 December 2023. The valuation of the performance rights has been split into 4 Tranches.

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

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

Notes to the Financial Statements

31 December 2023

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

Grant Date	Expiry Date	Exercise Price	Balance at the start of the financial half year	Granted	Exercised	Expired/ Forfeited/ other	Balance at the end of the financial half year
20 Dec 2022	19 Dec 2027	\$0.00	7,250,000	-	-	1,500,000	5,750,000
15 Dec 2023	14 Dec 2028	\$0.00	-	8,400,000	-	-	8,400,00

Tranche	Share price at grant date	Volatility	Dividend Yield	Number of Performance Rights	Fair value at grant date
Tranche 1	\$0.38	60%	\$nil	2,900,000	\$0.38
Tranche 2	\$0.38	60%	\$nil	1,450,000	\$0.29
Tranche 3	\$0.38	60%	\$nil	1,450,000	\$0.262
Tranche 4	\$0.38	60%	\$nil	1,450,000	\$0.248
Tranche 5	\$0.335	60%	\$nil	3,360,000	\$0.335
Tranche 6	\$0.335	60%	\$nil	1,680,000	\$0.256
Tranche 7	\$0.335	60%	\$nil	1,680,000	\$0.231
Tranche 8	\$0.335	60%	\$nil	1,680,000	\$0.219

Note 8. Equity - dividends

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

	Consolidated	
	31 Dec 2023 \$'000	30 Jun 2023 \$'000
No dividend paid for the half year ended 31 December 2023	-	-

There have been no dividends declared or paid from 30 November 2021 onwards.

Note 9. Contingent liabilities

As part of the acquisition of ISP Tek Services there is potential contingent consideration payable in the form of a 12 month earn out capped at US\$5,000,000 (A\$7,279,000) based on the entity achieving EBITDA performance hurdles in the 12 months period post settlement. This has been taken up as a liability at 30 June 2023.

The Directors are not aware of any other material contingent liabilities as at 31 December 2023.

Note 10. Related party transactions

The group's only material related party transaction during the period is the receipt of a licence fee from Foster International Packaging Pty Ltd of 7% of revenue per annum which generated intercompany licence fees of \$384,000 (2022: \$290,000).

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

On 1 December 2023, the Australian based directors entered into loan agreements with the company to exercise the 30 cent options that expired on that date as disclosed in Note 7. The key terms of the loans are that 80% of

Notes to the Financial Statements

31 December 2023

the value of the aggregate issue price of the shares are provided as the loan amount in the form of an interest-bearing loan. The loan is for 3 years, which can be extended for a further term of 3 years and interest is charged at 4% per annum. On 1 December each year, 10% of the loan amount and interest accrued for the year to 1 December are required to be paid to the company.

Note 11. Business combinations

No new business combinations took place during the half year ended 31 December 2023.

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

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

The goodwill of \$20,000 represents the expected synergies from merging this business with the packaging division and expanding the service offering of the Group. The acquired business contributed revenues of \$5,017,000 and profit after tax of \$233,000 to the consolidated entity for the period from 31 August to 31 December 2022. If the acquisition occurred on 1 July 2022, the full half-year contributions would have been revenues of \$7,516,000 and loss after tax of \$57,000. The values identified in relation to the acquisition of Alliance Paper Pty Ltd were accounted for on a provisional basis as at 31 December 2022 and finalised during the current reporting period with no changes being made to the provisional accounting from the prior period.

Details of the acquisition are as follows:

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

Notes to the Financial Statements

31 December 2023

On 1 October 2022, Close the Loop Limited acquired 100% of the ordinary shares of The Pouch Shop Proprietary Limited for total consideration of ZAR8,000,000 plus the value of inventory less trade and statutory liabilities. At settlement date on 1 October 2022 ZAR4,000,000 plus 50% of the inventory on hand less 50% trade liabilities was paid with the balance of the consideration paid on the second anniversary of the settlement date. The balance of the purchase amount accrues interest at 5% per annum calculated in arrears on a monthly basis.

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

The acquired business contributed revenues of \$483,000 and profit after tax of \$46,000 to the consolidated entity for the period from 1 October to 31 December 2022. If the acquisition occurred on 1 July 2022, the full half-year contributions would have been revenues of \$960,000 and profit after tax of \$111,000. The values identified in relation to the acquisition of The Pouch Shop Proprietary Limited were accounted for on a provisional basis as at 31 December 2022 and finalised during the current reporting period with no changes being made to the provisional accounting from the prior period.

Details of the acquisition are as follows:

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

On 28 February 2023, Close the Loop Plastic Recycling Inc. acquired the assets and liabilities of In-Plas Recycling Inc. for total consideration of US\$4,000,000 plus inventory of US\$300,000 with a value of up to \$US\$500,000 at settlement. US\$3,300,000 was paid at settlement which includes the payment of up to US\$500,000 for inventory and deferred cash payments totalling US\$1 million. Close the Loop will pay in the form of four equal annual deferred cash payments of US\$250,000 each, paid on the anniversary date of the settlement. There is no interest payable on the deferred cash settlement amount, which has been guaranteed by Close the Loop Inc.

Notes to the Financial Statements

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In-Plas Recycling is a recycler and processor of post-industrial scrap, pellets, regrind and by-products, and also sells a broad range of recovered plastic products on the market. It operates at three sites in Ohio and Indiana. The acquisition expands Close the Loop's recycling scope and capabilities in North America. It strengthens the service offering in the plastic recycling market in the region and complements the existing business service offering.

The goodwill of \$254,000 represents the expected synergies from merging this business with the USA resource recovery division and leveraging the current knowledge and know-how of Close the Loop Inc's management and business. The acquired business contributed revenues of \$2,285,000 and loss after tax of \$232,000 to the consolidated entity for the period from 1 March to 30 June 2023. If the acquisition occurred on 1 July 2022, the full year contributions would have been revenues of \$8,062,000 and loss after tax of \$427,000. The values identified in relation to the acquisition of In-Plas Recycling were accounted for on a provisional basis as at 30 June 2023 and have now been finalised during this reporting period.

Details of the acquisition are as follows:

	Fair value \$'000
Plant and equipment / Right of use assets	4,096
Inventory	933
Deferred consideration	(870)
Deferred tax liability	(1,456)
Lease liabilities	(1,232)
Employee benefits	(45)
	<hr/>
Net assets acquired	1,426
Goodwill	254
Brand name	372
Customer Relationships	3,770
	<hr/>
Acquisition-date fair value of the total consideration transferred	5,822
	<hr/>
Representing:	
Cash paid or payable to vendors	5,822
	<hr/>
Acquisition costs expensed to profit or loss	-
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	5,822
Less: inventory on consignment	(435)
Less: payments to be made in future periods	(1,456)
	<hr/>
Net cash used	3,931
	<hr/>

On 30 April 2023, Close the Loop Limited acquired 100% of the ordinary shares of ISP Tek Services LLC and Captive Trade Corporation for total consideration of up to US\$66 million. At settlement US\$35 million was paid in cash, 40,560,560 shares with a value of US\$10 million (A\$15,039,856) were issued to the vendors and two convertible notes worth US\$7.5 million each were issued. On 18 July 2023 4,056,056 shares were issued with a value of US\$1 million (A\$1,503,985) to the vendors. The balance of the consideration is to be paid in the form of an earn out of up to US\$5,000,000 based on the financial performance of the business in the 12 months to 30 March 2024.

ISP Tek Services LLC and Captive Trade Corp. is a US-based electronics refurbisher and trading platform businesses based in Southlake, Texas, USA. The acquisition provides the Group with significant consumer and commercial electronics remanufacturing and technological capabilities, a considerable US market sales and trading presence, and extensive distribution networks. It also adds reuse capabilities to the Company's portfolio and further strengthen its service offering to original equipment manufacturers (OEMs), supporting sustainability and circular economy initiatives.

Notes to the Financial Statements

31 December 2023

The acquired business contributed revenues of \$16,382,000 and profit before tax of \$5,407,000 to the consolidated entity for the period from 1 May to 30 June 2023. If the acquisition occurred on 1 July 2022, the full year contributions would have been revenues of \$81,699,000 and profit before tax of \$22,175,000. The values identified in relation to the acquisition of ISP Tek Services and Captive Trade Corporation are accounted for on a provisional basis as at 30 June 2023 and have now been finalised during this reporting period.

Details of the acquisition are as follows:

	Fair value \$'000
Cash and cash equivalents	-
Trade receivables	-
Prepayments	-
Plant and equipment / Right of use assets	8,028
Inventory	-
Deferred tax asset	-
Trade payables	-
Financial liabilities	-
Lease liabilities	(3,153)
Employee benefits	-
Net assets acquired	4,875
Goodwill	16,217
Software	8,114
Customer relationships	86,803
Deferred tax liability	(19,933)
Acquisition-date fair value of the total consideration transferred	<u>96,076</u>
Representing:	
Cash paid or payable to vendors	51,178
Convertible notes payable	22,490
Deferred consideration	7,279
Close the Loop shares issued to vendors	15,129
Total	<u>96,076</u>
Acquisition costs expensed to profit or loss	<u>-</u>
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	96,076
Less: share issued upon settlement	(15,129)
Less: cash and cash equivalents	-
Less: payments to be made in future periods	(29,769)
Net cash used	<u>51,178</u>

Note 12. Events after the reporting period

On 31 January 2024 Close the Loop Plastic Recycling Inc. ("Plastic Recycling") acquired plant and equipment together with some inventory from Material Processing and Handling Company ("MPH"). MPH was paid US\$1,140,000 in cash and US\$400,000 worth of shares in Close the Loop Limited have been issued. The plant and equipment together with the inventory have been acquired to increase the footprint of the Plastic Recycling business in the USA, as well as to facilitate growth and expansion of this business unit.

Since 31 December 2023, the company has commenced or continued discussions with a number of potential acquisition targets for share and or asset purchases for businesses that are complementary to the current service offerings of the Group. At the time of this report no binding agreements have been entered into with any of these potential acquisition targets.

Notes to the Financial Statements

31 December 2023

No other matter or circumstance has arisen since 31 December 2023 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 13. Intangibles

	Consolidated	
	31 Dec 2023	31 Dec 2022
	\$'000	\$'000
Goodwill	41,512	15,249
Less: Impairment	-	-
	<u>41,512</u>	<u>15,249</u>
Customer Relationships	99,571	9,175
Less: Accumulated amortisation	(7,832)	(1,280)
	<u>91,739</u>	<u>7,895</u>
Patents and trademarks - at cost	1,331	1,281
Less: Accumulated amortisation	(835)	(760)
	<u>496</u>	<u>521</u>
Brand Names - at cost	5,342	5,005
Less: Accumulated amortisation	(435)	(108)
	<u>4,907</u>	<u>4,897</u>
Software created - at cost	9,960	1,500
Less: Accumulated amortisation	(2,209)	(493)
	<u>7,751</u>	<u>1,007</u>
	<u>146,405</u>	<u>29,569</u>

Reconciliations

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

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

Notes to the Financial Statements
31 December 2023

	Goodwill \$'000	Customer Relationships \$'000	Patents and Trademarks \$'000	Brand Names \$'000	Software Created \$'000	Total \$'000
Consolidated						
Balance at 1 July 2023	117,525	7,566	556	4,802	820	131,269
Additions	-	-	22	-	-	22
Purchase price adjustment	(75,983)	90,649	(62)	229	8,202	23,035
Movement in foreign exchange rate	(30)	317	-	1	57	345
Amortisation expense	-	(6,793)	(20)	(125)	(1,328)	(8,266)
Balance at 31 December 2023	<u>41,512</u>	<u>91,739</u>	<u>496</u>	<u>4,907</u>	<u>7,751</u>	<u>146,405</u>

Note 14. Borrowings

During the previous corresponding period and with effect from 30 August 2022, the Group entered into two new finance facilities with Octet to fund the working capital requirements of Alliance Paper Pty Ltd. A debtor funding facility with a funding limit of \$3,000,000 and a trade finance facility of \$2,500,000. On 23 December 2022 the trade finance facility was increased to \$4,500,000. As a result of the Group entering into the new syndicated loan facility, the Octet trade finance facility was repaid in full and a new trade finance facility of \$1,000,000 was put in place with effect from 4 May 2023. At 31 December 2023 \$255,000 (31 December 2022: \$1,386,046) of the trade finance facility and \$1,466,000 (31 December 2022: \$1,183,302) of the debtor funding facility had been utilised. The loan is secured over Alliance Paper's trade receivables and inventory.

During the half-year ended 31 December 2022, the Group obtained new business bank loans to the amount of \$5,200,000. The proceeds from the loans were used to repay Commonwealth Bank of Australia loans and fund the Crasti and Co. acquisition. Repayments of other bank loans amounting to \$2,061,000 were made in line with previously disclosed repayment terms during the half year ended 31 December 2022. As a result of entering into the PGIM Inc. facilities all National Australia Bank bank loans were repaid in full during the year ended 30 June 2023.

On 26 April 2023 the Group entered into a Multi-Currency Revolving Credit Facility ("Revolver") of US\$7,500,000 with PGIM Inc., the global investment management business of Prudential Financial Inc. This facility is part of the Senior Secured Term Loan facility taken out on the same date. The facility was not used at 30 June 2023 or at any time during the half year ended 31 December 2023 and has a maturity date of 26 December 2029. The facility incurs interest at a rate of 2.36250% if it is undrawn with interest required to be paid quarterly at the end of March, June, September and December. Security over the Revolver is provided by way of a first lien over all assets of the business via a floating charge.

On 26 April 2023 the Group entered into a Senior Secured Term Loan of US\$40,000,000 with PGIM Inc., the global investment management business of Prudential Financial Inc. The facility was fully drawn on 26 April 2023 and unpaid principal balance as of 31 December 2023 was US\$39,250,000 (30 June 2023: \$39,750,000). The facility matures on 26 October 2029 and incurs interest at a variable rate of 12.14187% paid quarterly at the end of March, June, September and December. Security over the Senior Secured Term Loan is provided by way of a first lien over all assets of the businesses via a floating charge. At the end of each quarter 0.625% of the principal is required to be repaid in years 1 and 2. Thereafter 1.25% of the principal is required to be repaid each quarter. The initial drawdown was used to finance the ISP Tek Services acquisition and provide working capital for this business post-acquisition.

As part of the Senior Secured Term Loan, US\$5,000,000 has been committed as a Delayed Draw Term Loan Facility. The facility was not used at 30 June 2023 or 31 December 2023 and has a maturity date of 26 October 2029. The facility incurs interest at a rate of 2.36250% if it is undrawn with interest required to be paid quarterly at the end of March, June, September and December. Security over the Revolver is provided by way of a first lien over all assets of the business via a floating charge.

Notes to the Financial Statements

31 December 2023

The Group has complied with all banking covenants throughout the period and as at 31 December 2023.

On 28 April 2023 Close the Loop Limited promised to issue to the order of the vendors of ISP Tek Services, 7,500,000 convertible notes ("Notes"), each having a face value of US\$1.00 and the principal sum of US\$7,500,000 in the aggregate, together with interest thereon from the date of issuance of the convertible at maturity notes. Interest will accrue at a simple rate of 4% per annum on these notes. The principal and accrued interest of the Notes issued will be due and payable by Close the Loop on 28 April 2026. The Notes will be convertible into Close the Loop's ordinary shares at the discretion of the company at a set price of A\$0.74 cents per share converted at the rate published by the Reserve Bank of Australia as at the trading day immediately preceding the date of conversion.

A second note was issued on 28 April 2023 by Close the Loop Limited which promised to issue to the order of the vendors of ISP Tek Services, 7,500,000 convertible notes ("Notes"), each having a face value of US\$1.00 and the principal sum of US\$7,500,000 in the aggregate, together with interest thereon from the date of issuance of the convertible on demand notes. Interest will accrue at a simple rate of 4% per annum on these notes. Unless earlier repaid in cash or converted into shares at Close the Loop's election, the principal and accrued interest of the Notes issued will be due and payable by Close the Loop on 28 April 2026. The Notes will be convertible into Close the Loop's ordinary shares at the discretion of the company at a set price of A\$0.74 cents per share converted at the rate published by the Reserve Bank of Australia as at the trading day immediately preceding the date of conversion. This note is classified as a current liability as it can be converted any time at the Company's discretion prior to the maturity date.

There were no other changes to the Group's borrowings as reported in the 30 June 2023 financial report.

Note 15. Earnings per share

	Consolidated	
	31 Dec 2023	31 Dec 2022
	\$'000	\$'000
Earnings per share for profit from continuing operations		
Profit after income tax	5,009	4,004
Non-controlling interest	(82)	40
	<u>4,927</u>	<u>4,044</u>
Profit after income tax attributable to the owners of Close the Loop Limited		
	Cents	Cents
Basic earnings per share	0.95	1.21
Diluted earnings per share	0.92	1.17
	Number	Number
<i>Weighted average number of ordinary shares</i>		
Weighted average number of ordinary shares used in calculating basic earnings per share	521,121,468	335,451,478
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	9,216,635	11,000,000
Performance Rights	6,526,087	435,792
	<u>536,864,190</u>	<u>346,887,270</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share		

2 DIRECTORS DECLARATION

In the directors' opinion:

- The attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- The attached financial statements and notes give a true and fair value of the consolidated entity's financial position as at 31 December 2023 and of its performance for the financial half-year ended on that date; and
- There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



Signed:

Gregory Toll
Director

Date: 26 February 2024

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF CLOSE THE LOOP LTD

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Close the Loop Ltd, which comprises the Consolidated Statement of Financial Position as at 31 December 2023, the Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' Declaration.

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

- i) giving a true and fair view of Close the Loop Ltd's financial position as at 31 December 2023 and of its performance for the half-year ended on that date; and
- iii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Responsibility of the Directors for the Financial Report

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

Advisory. Tax. Audit.

Registered Audit Company 291969

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Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2023 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



**Nexia Melbourne Audit Pty Ltd
Melbourne**



**Benjamin Bester
Director**

Dated this 26th day of February 2024