

CLOSE THE LOOP

Close the Loop Ltd

ABN: 91 095 718 317

**Annual Report
2024**

APPENDIX 4E

1.1 Company details

Name of entity:	Close the Loop Limited
ABN:	91 095 718 317
Reporting period:	For the year ended 30 June 2024
Previous period:	For the year ended 30 June 2023

1.2 Results for announcement to the market

				\$'000
Revenues from ordinary activities	Up/Down	57%	to	212,962
Profit/(Loss) from ordinary activities after tax attributable to the members of Close the Loop Limited	Up/Down	8.8%	to	11,166
Net Profit/(Loss) for the year attributable to the members of Close the Loop Limited	Up/Down	8.8%	to	11,166

Dividends

Close the Loop Limited has not paid any dividends in the year ending 30 June 2024 nor does it propose to pay any dividends.

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

Comments

Revenue increased compared to the comparative year primarily due to the current financial year being the first year that the Group is reporting as a combined entity with the ISP Tek Services acquisition being included for a full 12 month period as well as the organic and inorganic growth of the Group. Profits from continuing operations in the financial year decreased due to the impact of the amortisation of the intangible asset as required by the business combination accounting standard. The growth of the net profit after tax and adding back the impact of the business combination amortisation (NPATA) is 87% and the NPATA is \$25,895,000.

On the 28 April 2023, Close the Loop Limited (ASX: CLG) completed the acquisition of 100% of the share capital of ISP Tek Services and Captive Trade Corp. The transaction was expected to be transformative for the Group and has had a material impact on the current financial results of the Group. Details of this transaction and the financial impact of the transaction are included in the Annual Report of Close the Loop Limited.

Please refer to the Review of Operations section of the Directors' Report in the Annual Report of Close the Loop Limited for an explanation of the results.

This Appendix 4E should be read in conjunction with the Annual Report of Close the Loop Limited for the year ended 30 June 2024. Refer to ASX announcement on the 26 August 2024. This report should also be read in conjunction with any public announcements made by Close the Loop Limited in accordance with the continuous disclosure requirements arising under the Corporations Act 2001 and ASX listing rules.

The information provided in this report contains all the information required by ASX Listing Rule 4.3A.

1.3 Net tangible assets

	30 June 2024	30 June 2023
Net tangible assets per ordinary security	(0.24) cents	(1.40) cents

Net tangible assets per ordinary security are impacted by the goodwill on consolidation accruing as a result of the acquisitions made in the prior financial year.

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 Details of returns to shareholders

Close the Loop Limited did not make any distributions to shareholders nor were there any share buy backs during the year ended 30 June 2024.

1.8 Audit

The financial statements were subject to an audit by the auditors and the unmodified audit report is attached as part of the Annual 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 Annual Report for the period ending 30 June 2024.

1.9 Attachments

The Annual Report of Close the Loop Limited for the year ended 30 June 2024 is attached.

1.10 Signed



Signed:
Greg Toll
Director

Date: 26 August 2024

CLOSE THE LOOP

**Annual Report
30 June 2024**

Close the Loop Ltd

ABN: 91 095 718 317

Corporate governance statement.....	6
Directors report.....	7
Auditor's independence declaration.....	31
Consolidated statement of profit or loss and other comprehensive income.....	32
Consolidated statement of financial position	33
Consolidated statement of changes in equity	34
Consolidated statement of cash flows.....	35
Notes to the consolidated financial statements	36
Consolidated entity disclosure statement	87
Directors' declaration	89
Independent auditor's report to the members of Close the Loop Limited.....	90
ASX additional information	94
Corporate directory.....	97

1.10.1 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 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:

Principal registered office	Principal place of business
43-47 Cleeland Road Oakleigh South VIC 3167 Australia	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.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 23 August 2024.

Corporate Governance Framework

The Board is committed to ensuring the sustained, long-term growth, performance and success of the Company, as well as representing and serving the best interests of all Company stakeholders, including security holders, customers and employees.

Close the Loop Limited maintains the highest standards of corporate governance in accordance with the ASX Corporate Governance Principles and Recommendations (4th edition).

The Australian Stock Exchange Principles for listed entities are intended to promote investor confidence and assist companies in meeting stakeholder's expectations. A copy of Close the Loop's corporate governance statement that is current as at 30 June 2024, that meets the requirements of the Australian Stock Exchange Listing Rules, can be found on its website at www.ctlgroup.com.au/investors.

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 year ended 30 June 2024.

Directors

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

Name, and independence status	Appointment/ Resignation Date	Qualifications, experience, special responsibilities, and other directorships
Greg Toll Independent Non-Executive Director	appointed 23 November 2017	<p>Greg was appointed a director of Close the Loop in November 2017 and became the chairman of Close the Loop in November 2019.</p> <p>Before joining Close the Loop, Greg was CEO and Executive Chairman of Clean TeQ Holdings Limited (ASX: CLQ) (now known as Sunrise Energy Metals Limited (ASX: SRL)), where he was appointed as CEO in 2007 then to the chair role, which he held until November 2013.</p> <p>Greg holds a Bachelor of Science (Veterinary) degree with first class honours and is a graduate of the Australian Institute of Company Directors.</p> <p>Greg is a member of the Board's Audit and Risk Committee and the chair of the Board's Nomination and Remuneration Committee.</p>
Joe Foster Executive Director Chief Executive Officer	appointed 30 November 2021	<p>Joe has more than 40 years' experience in the flexible packaging industry, with experience in engineering, production, technical, sales and marketing.</p> <p>Joe was the original founder of the packaging business which originated in South Africa back in 1998 and has successfully run his own business in South Africa, Ireland, UK and Australia over the past 26 years, supplying products across Europe, Africa, America and Australia.</p> <p>Joe is a fellow of the Australian Institute of Packaging and a co-founder of the O F Packaging Group.</p> <p>Joe was a member of the Board's Nomination and Remuneration Committee until 14 December 2023.</p>
Marc Lichtenstein Executive Director, Chief Financial Officer, and Company Secretary	appointed 4 October 2021	<p>Marc joined Close the Loop in 2017 as CFO and is a Director of Close the Loop. Marc has been the Company Secretary of Close the Loop since 8 August 2017.</p> <p>For more than 25 years, Marc has led and worked in a number of senior roles in a range of listed and private companies across a wide range of industries. He has extensive experience in leading businesses through significant periods of change including IPOs, significant capital raises, exponential periods of growth and major acquisitions.</p> <p>Marc is a Fellow of Chartered Accountants Australia & New Zealand (FCA), qualified as a Chartered Secretary (FCIS) and Graduate of the Australian Institute of Company Directors. Marc also holds a Bachelor of Business, with distinction, degree from RMIT University.</p> <p>Marc was a member of the Board's Nomination and Remuneration Committee until 14 December 2023.</p>
Grant Carman Non-Executive Director	appointed 30 November 2021	<p>Grant has more than 30 years' experience in corporate finance. Previous roles have included CFO for ORIX Australia, GM Finance & Shared Services NAB, CEO of National Australia Corporate Advisory, Director of Acquisitions at Ferrier Hodgson CA, and Group Financial Controller at Faulding.</p> <p>Grant is currently a Non-Executive Director of RPM Automotive Group Limited (ASX:RPM). He holds a B.Ec (Comm) and an MBA from The University of Adelaide and he is a Fellow of Chartered Accountants Australia & New Zealand (FCA).</p> <p>Grant is the chair of the Board's Audit and Risk Committee and a member of the Board's Nomination and Remuneration Committee.</p>

Name, and independence status	Appointment/ Resignation Date	Qualifications, experience, special responsibilities, and other directorships
Lawrence Jaffe Executive Director Chief Commercial Officer	appointed 30 November 2021	Lawrence was CEO and Managing Director of RPM Australasia until 2015 and stepped down when the company sold off its largest divisions. He remained on as Non-Executive Chairman until the company listed on ASX and is now Chairman of that group. In 2016, Lawrence brought together the founders of the O F Packaging Group, becoming CFO and executive chairman. Lawrence holds a Bachelor of Commerce and Graduate Diploma of Accounting from Rhodes University. Lawrence is a member of the Board's Audit and Risk Committee. Lawrence is currently a Chairman of RPM Automotive Group Limited (ASX: RPM).
Sammy Saloum Non-Executive Director	appointed 23 November 2023	Sammy was the chief executive of ISP Tek Services, a leading refurbisher and distributor of consumer electronics based in Texas that the Company acquired full ownership of in April 2023. For over 25 years, Sammy Saloum has been a leader in omnichannel retail, merchandising, marketing, financial services and reverse logistics. Sammy has developed a global network in all aspects of retail, managing billions of dollars of profitable growth. As CEO of ISP Tek Services, Sammy supported some of the world's largest consumer electronics businesses through leading circularity, reuse and re-manufacture services in the US. Prior to his involvement with ISP Tek Services, Sammy served in senior level executive positions with key brick and mortar retailers including RadioShack, CSK Auto and CompUSA Inc. Sammy is a member of the Board's Nomination and Remuneration Committee. Appointed 14 December 2023.

Directors' Meetings

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of the Company during the financial year are:

	Board Meetings		Audit Committee Meetings		Nomination and Remuneration Committee Meetings	
	Attended	Held	Attended	Held	Attended	Held
Greg Toll	6	6	2	2	1	1
Marc Lichtenstein	6	6			1	1
Sammy Saloum	4	4				
Grant Carman	6	6	2	2	1	1
Joe Foster	6	6			1	1
Lawrence Jaffe	6	6	2	2		

Principal Activities

The principal activity of the consolidated group during the financial year was the creation of innovative products and packaging solutions as well as 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, TonerPlas. The Company is focused on the future, sustainability and the circular economy.

The consolidated entity also provides premium and innovative flexible and carton packaging, flexographic print packaging, seafood packaging and bulk storage solutions. The consolidated entity is also a leading supplier of thermal paper and associated paper products and services in Australia.

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

Operating and financial review

Overview of the Group

With locations across Australia, Europe, South Africa and the United States, Close the Loop create innovative products and packaging that includes recyclable and made-from recycled content, as well as collect, sort, reclaim and reuse resources that would otherwise go to landfill. From recovering 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 focused on the future, sustainability and the circular economy.

Well positioned within the circular economy, Close the Loop consists of the merging of two secondary business groups. The merger of the O F Pack Group with Close the Loop Limited on 30 November 2021 and ASX listing, allows for end-to-end solutions across packaging and consumables to a variety of markets, with advanced innovation in product development, as well as end of life take-back and recovery systems for complex commodities to greatly reduce waste to landfill.

Shareholder Returns

	2024	2023	2022
Profit attributable to the owners of the company	\$11,166,174	\$12,237,926	\$4,606,000
Basic EPS	2.08 cents	3.23 cents	2.39 cents
Dividends paid	-	-	\$1,023,000
Dividends per share	-	-	\$5,115
Change in share price	(31%)	21%	103%
Return on capital employed	16.9%	14.0%	3.1%

Net profit amounts and earnings per share have been calculated in accordance with Australian Accounting Standards. Dividends were paid by O F Packaging Pty Ltd prior to the acquisition of O F Packaging Pty Ltd by Close the Loop Limited on 30 November 2021.

Returns to shareholders increased through capital growth in 2024 and 2023. Dividends for 2022 were fully franked and it is expected that dividends in future years will continue to be fully franked.

The return on capital employed in 2022 had been impacted by the profit attributed to owners of the company as this includes the performance of the combined group for a seven-month period rather than the full 12 month period in 2022 and includes the initial public offer costs. The return on capital employed for the full 2024 year is 16.9%. The return on capital for the 2024 financial year of 16.9% is greater than the prior year's full year return on capital for the combined Group due to the growth and improved performance of the consolidated group.

Investments for future performance

During the prior reporting period, Close the Loop Limited entered into an agreement to acquire 100% of ISP Tek Services LLC and Captive Trade Corporation ("ISP Tek"), US-based electronics refurbisher and trading platform businesses based in Southlake, Texas, USA, for a total consideration of up to US\$66 million (A\$99.6 million). The acquisition of ISP Tek settled on 28 April 2023. As part of the acquisition there was an amount of US\$5 million that was deferred consideration. The deferred consideration was required to be paid if the EBITDA for the 12 month period post settlement was equal to or greater than US\$12 million. This milestone was achieved and the deferred consideration of US\$5 million was paid in full to the ISP Tek vendors prior to 30 June 2024.

The ISP Tek Services acquisition provides the Company 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 strengthens its service offering to original equipment manufacturers (OEMs), supporting sustainability and circular economy initiatives.

At 30 June 2024 Close the Loop was in a strong position to pursue future organic and inorganic growth opportunities with a cash balance of \$41 million.

Review of financial condition

Details of the financial condition of the company and its capital structure and treasury policy are included in the financial statements for the year ending 30 June 2024.

Review of principal business (Close the Loop Limited)

The financial results for the year ending 30 June 2024 (FY24) are the first financial statements that show the performance of the combined Group for a full 12 month period.

The profit for the consolidated group after providing for income tax and non-controlling interest amounted to \$11,166,000 (2023 profit of \$12,238,000). Once the impact of the amortisation associated with the business combinations is taken into account the NPATA has increased by 87% to \$25,895,000 (30 June 2023: \$13,851,000)

The profit before interest, tax, depreciation, and amortisation ("EBITDA") attributable to the members of the parent entity for the year ended 30 June 2024 is \$44,932,000 (30 June 2023: \$24,302,000). This is an 85% year on year increase.

Close the Loop performance was underpinned by strong growth in the resource recovery businesses. This growth is attributed to both organic and inorganic growth. The packaging division had revenue growth for the period albeit not at the desired level. We are seeing strong demands for recyclable ready packaging and recycled content which are products that are readily available through the various divisions.

The large increase in both NPATA and EBITDA in the current financial year is a result of this being the first full year of earnings for the merged businesses along with the acquisitions from the prior financial year providing a full year's contribution to the group. The contribution from the ISP Tek Services acquisition and organic growth in the core Close the Loop businesses have contributed to the large improvement of profitability for the Group.

Review of Operating Segments

North America

The acquisition of ISP Tek Services (now rebranded Close the Loop Renew Solutions) in April 2023 has successfully positioned the Company as a fast growing and highly profitable provider of IT-refurbishment services in North America and provided the opportunity to expand in new geographies and service areas. North America now represents 58% of the Company's revenue and 74% of the Company's EBITDA.

Close the Loop Renew Solutions has made a strong contribution to the overall performance of the Group in the fourteen months since the acquisition of this business was complete. The financial performance of this business continues to exceed expectations that we had at 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.

Close the Loop has strengthened and broadened its relationship with HP Inc (HP) in FY24. As the first HP Renew Solutions Platinum Partner, the Company is the first, and often exclusive, port of call for HP products that are returned within 30 days of purchase in North America. The Company extended its contract with HP during the reporting period. The agreement is effective for three years from 1 November 2023, with the following products being exclusive to Renew Solutions - Notebooks, Chrome OS, Monitors, Accessories and Hyper X products. The Company has entered into a revenue share model with HP for the products listed above which has improved the profitability, recovery value and cash generated from this agreement for both parties. An additional facility in Mexicali, Mexico is in the process of being set-up to facilitate the future growth of the Close the Loop Renew Solutions business.

Feedstock volume from 30-day customer returns has proven to be reliable and predictable and is linked to HP new product sales. HP is a leading provider of electronics in North America and Close the Loop is confident that it will extend and broaden its services to HP for 30-day customer return products in the coming years, particularly as the impact from HP's ambitious circularity strategy to achieve 75% circularity by 2030 is felt, and a new wave of Artificial Intelligence (AI) computing products are introduced into the market.

A significant milestone was achieved in FY24 with Close the Loop becoming a HP Certified Refurbished Platinum Partner. This development takes the Company's relationship with HP deeper into the product lifecycle, where Close the Loop can collect and acquire HP products back from the market to refurbish and then sell as a certified refurbished HP product with an HP warranty. It also broadens the relationship, where the Certified Refurbished accreditation from HP applies to Close the Loop globally. The Certified Refurbished relationship is new and is in addition to the 30-day customer returns product.

New dedicated printer refurbishment facilities were brought online in Kentucky during the year, adding capacity to the Company's existing printer refurbishment service, which is expected to grow strongly in coming years as synergies between the Renew Solutions and print consumables businesses are realised.

The Company's print consumable business in North America performed well during the reporting period. An investment into new take back programmes has added volume and revenue to the business, leveraging the same equipment and cost base. Additionally, investment into value added services has resulted in growing operational efficiencies and deeper, more imbedded supply chain relationships with the OEMs.

The Close the Loop Plastics Recycling business in the US has turned around in second half of the current reporting period, following investment into plant and equipment and the introduction of new management. The plastics recycling plant now has ample additional capacity and was profitable for the second half of the year, following an unprofitable first half.

Australia

Revenue in Australia is down 9% and EBITDA is down 6% compared to the previous corresponding period. Australia now represents 32% of the Company's revenue and 18% of the Company's EBITDA. As reported with the 31 December 2023 half year result, the Packaging business did not achieve the expected growth in FY24. Packaging has had a better second half of FY24 from a revenue perspective, however the profitability has slipped following a realignment and restructure program in the second half of the year. Following the remedial action, the Packaging Division has seen an uptick in demand for its specialised range of sustainable packaging. Management expects a return to planned profitable growth in future periods in the Australian packaging business.

During the year the Company was awarded up to \$2.2m in government funding that will be used towards the commissioning of a second TonerPlas facility outside of Victoria, to be constructed over the next 24 months. In Melbourne, following consultation with regulators regarding some of the challenges experienced in the commissioning of the TonerPlas plant, the Company has resolved to relocate the existing TonerPlas line to a new site. Relocating the TonerPlas site will mitigate the risk of operating the Company's print consumable line within the same facility as the TonerPlas line but had no impact on EBITDA. Despite the small effect on profitability, the reuse of soft plastic waste is a critical initiative for the Company and the community.

South Africa

The South African packaging operations have grown revenue by 10% while EBITDA is up by 19%. The South African businesses now represent 6% of the Company's revenue and 5% of the Company's EBITDA. The South African business has delivered a solid result, particularly considering a challenging macroeconomic environment. During the year the South African team has targeted work with much larger, multinational organisations and has been successful in winning work with several of these customers. This bodes well for the coming year as the business looks to build sustainable long-term relationships with large tier-1 customers.

Europe

The European business represents 4% of the Company's revenue and 3% of the Company's EBITDA. Revenue from Europe was up 48% and EBITDA up 13% compared to the previous corresponding period as the benefits of the investment made in Europe into the multi-vendor take back programme called "Circular Planet" is reflected in the financial performance of the current reporting period.

Close the Loop's Circular Planet initiative is a strategic and coordinated industry response to assist the original equipment manufacturers (OEMs) achieve their sustainability and product circularity goals, while complying with upcoming EU legislation aimed at reducing electronic waste. The Company expanded the program into Spain and Portugal in June 2024 following the success of the launch of the Circular Planet program in Germany, UK, Belgium, Netherlands and Luxembourg. The Company plans to deploy its Circular Planet program in several additional European and Scandinavian regions in the next 12 months. The addition of HP to the program in May 2024 was a boost to the program with the OEM joining the founding participants Brother, Fujifilm, Konica Minolta, Lexmark, Oki, Printronix, Ricoh, Sharp, Toshiba and Xerox.

Review of prospects for future financial years

The Consolidated Entity is exposed to environmental (including climate change), social and governance ('ESG') risks which may affect the Consolidated Entity's ability to achieve the financial performance or outcomes disclosed herein.

Environmental Risks (including climate change)

The Consolidated Entity must comply with a range of environmental performance and reporting requirements which are conditions of its resource recovery and packaging activities. There is a risk that the Consolidated Entity may not be able to achieve the financial performance, or outcomes disclosed herein if it

fails to comply with those environmental performance and reporting requirements or if the requirements change in the future and the Consolidated Entity is no longer able to comply with the requirements or must incur material unplanned expenditure in order to remain compliant. There is also a risk that future business partners and customers may seek to have the Consolidated Entity comply with additional environmental performance and reporting requirements which the Consolidated Entity may not be able to comply with or must incur material unplanned expenditure in order to be compliant. The Consolidated Entity seeks to manage and minimise this risk through its existing risk management framework and through detailed environmental management plans and systems.

Social Risks

The Consolidated Entity is exposed to social risks as a result of the many stakeholders who are involved in its operations including but not limited to employees, contractors, local community members residing in areas where the Consolidated Entity operates, governments and government agencies (local, state and federal) as well as customers and suppliers. The Consolidated Entity is subject to reputational damage as well as potential claims for damages as a result of any harm or loss sustained by any stakeholder as a result of the operations of the Consolidated Entity and its representatives. There is a risk that the Consolidated Entity may not be able to achieve the financial performance or outcomes disclosed herein if it incurs reputational damage or claims for damages. The Consolidated Entity seeks to manage and minimise this risk through its existing risk management framework, including Board approved policies on stakeholder management and through established stakeholder consultation processes.

Governance Risks

The Consolidated Entity must comply with a range of governance requirements which are conditions of its listing on the ASX and of its resource recovery and packaging activities. There is a risk that the Consolidated Entity may not be able to achieve the financial performance or outcomes disclosed herein if it fails to comply with those governance requirements or if the requirements change in the future and the Consolidated Entity is no longer able to comply with the requirements or must incur material unplanned expenditure in order to remain compliant. The Consolidated Entity seeks to manage and minimise this risk through its existing risk management framework including Board-approved governance policies which are subject to regular review.

Significant Changes in the State of Affairs

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

Dividends

There were no dividends paid, recommended or declared during the current or previous financial year by Close the Loop Limited.

On 28 May 2024 a dividend of R1,250,000 (A\$103,488) was declared and paid by Foster International Packaging (Pty) Ltd to its black empowerment minority shareholder.

Events Subsequent to reporting date

Since 30 June 2024, the company has identified some potential acquisition targets for share and or asset purchases for their businesses that are complimentary to the current service offerings of the Group. At the time of this report no binding agreements have been entered into with any of these potential acquisition targets.

Other than the matters discussed above, there has not arisen in the interval between the end of the financial year 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, in future financial years.

Likely developments

The Group will continue to pursue its policy of increasing the profitability and market share of its major business sectors during the next financial year. This will require further investment in areas such as recycling capability and sale of goods and services, which have performed well over recent years and offer sound opportunities for future development.

Further information about likely developments in the operations of the Group and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Group.

Environmental regulation

The Group's operations are subject to significant environmental regulation under both Commonwealth and State legislation in relation to its recycling and packaging activities.

The operations of the consolidated group are subject to certain environmental regulations under the Commonwealth and State legislation in Australia, the European Union legislation, South African legislation and the States of Kentucky, Ohio and Texas, in the United States of America.

Compliance with the requirements of environmental regulations and with specific requirements of site environmental licences was substantially achieved across all operations with no instances of non-compliance in relation to licence requirements noted. Based on the results of enquiries made, the board is not aware of any significant breaches during the period covered by this report.

Directors' interests

The relevant interest of each director in the shares, debentures, interests in registered schemes and rights or options over such instruments issued by the companies within the Group and other related bodies corporate, as notified by the directors to the ASX in accordance with S205G(1) of the *Corporations Act 2001*, at the date of this report are as follows:

	Ordinary Fully Paid	Options	Performance Rights
Grant Carman	1,250,000	-	-
Greg Toll	3,600,000	-	-
Joe Foster	65,008,920	-	2,500,000
Lawrence Jaffe	68,316,294	-	2,500,000
Marc Lichtenstein	4,500,081	-	2,500,000
Sammy Saloum	45,116,616	-	-

Share options

Unissued shares under options

During the course of the financial year ended 30 June 2024 options were issued for services rendered in relation to the acquisition of ISP Tek Services and Captive Trade Corp. All other options were granted in the financial year ended 30 June 2022. No other options have been granted in the current financial year or since the end of the financial year.

At the date of this report unissued shares of the Group under option are:

Grant Date	Expiry Date	Exercise Price	Number of shares
18 January 2024	18 January 2027	0.38	500,000
18 January 2024	18 January 2027	0.90	500,000

All unissued shares are ordinary shares of the Company.

All options expire on the earlier of their expiry date or the exercise of the options. 1,000,000 options were issued for services rendered, in relation to the acquisition of ISP Tek Services and Captive Trade Corp. the individual was entitled to options or a cash incentive if the transaction successfully completed. Options have been issued in lieu of a cash incentive payment.

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

No options were issued to Directors and executives as remuneration during the year. During the financial year, no options expired without being exercised. All options that expired during the year were exercised in full, with no options lapsing.

No other options over issued shares or interests in a controlled entity were granted during or since the end of the financial year and there were no options in controlled entities outstanding at the date of this report.

Shares issued on exercise of options

During or since the end of the financial year, the Group issued ordinary shares of the Company as a result of the exercise of options as follows (there are no amounts unpaid on the shares issued):

Number of shares	Amount paid on each share
10,585,134	30 cents

There were no other ordinary shares of Close the Loop Limited issued on the exercise of options during the year ended 30 June 2024 and up to the date of this report.

Indemnification and insurance of officers and auditors

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Non-audit services

The Group's auditor appointment of Nexia Melbourne Audit Pty Ltd was ratified at the company's Annual General Meeting held on 16 November 2022. Nexia and the lead audit partner, Ben Bester, was the auditor of the Group for the first time for the year ended 30 June 2022. In accordance with the Corporations Act 2001 and Nexia Australia partner rotation requirements, the next rotation of the lead partner of Close the Loop Limited is planned to occur after the completion of the 30 June 2027 financial year audit.

During the year Nexia Melbourne Pty Ltd, a company associated with the Group's auditor, has performed certain other services in addition to the audit and review of the financial statements performed by Nexia Melbourne Audit Pty Ltd.

The board has considered the non-audit services provided during the year by the auditor and in accordance with written advice provided by resolution of the audit committee, is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Group and have been reviewed by the audit committee to ensure they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Group, acting as an advocate for the Group or jointly sharing risks and rewards.

Details of the amounts paid to the auditor of the Group, Nexia Melbourne Audit Pty Ltd, and its component audit firms for audit and non-audit services provided during the year are set out below.

	2024 \$
Services other than audit and review of financial statements:	
Regulatory assurance services	
Government Grant Audit	-
Other assurance services	
Due diligence services	-
Other services	
Business services undertaken by Nexia Melbourne Pty Ltd	9,000
Taxation Advice and Tax Compliance Services	31,000
Overseas component audit firms - tax services	365
Overseas component audit firms - other accounting services	-
Audit and review of financial statements by overseas auditors	410,635
Audit and review of financial statements – Nexia Melbourne Audit Pty Ltd	192,000
Total paid	643,000

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

Lead 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.

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.

Remuneration report – audited

The Directors present the Remuneration Report (the Report) for the Company for the year ended 30 June 2024. This Report forms part of the Directors' Report and has been audited in accordance with Section 300A of the Corporations Act 2001. The information provided in this report has been audited as required by section 308(3C) of the Corporations Act 2001.

This Remuneration Report (Report) sets out Close the Loop's Executive remuneration framework, as well as the remuneration arrangements for the Key Management Personnel (KMP) of Close the Loop for the year ended 30 June 2024. References to Executives in this Report are to Executive KMP who report to the Chief Executive Officer. (CEO)

Key Developments in FY24

There were no acquisitions or disposals made in the financial year ended 30 June 2024. (FY24) The financial year ended 30 June 2024 is the first full year that sets the benchmark in terms of the increased size and complexity of the expanded Group as a result of the ISP Tek Services and Captive Trade Corp acquisitions that were completed on 28 April 2023.

Refer to note 40 in the Financial Statements, for further information regarding the acquisitions completed in the prior financial year.

Review of remuneration structure - audited

Remuneration strategy and governance

The Board is responsible for ensuring that Close the Loop's remuneration strategy and framework support the Group's performance and that executives and Non-Executive Directors are rewarded fairly and responsibly with regard to legal and corporate governance requirements. The responsibilities of the Remuneration Committee are that it oversees remuneration matters and, where appropriate, makes recommendations on any changes to remuneration structure. The Committee is comprised of Greg Toll and Grant Carman, two independent Non-Executive Directors and two Executive Directors: Joe Foster (CEO) and Marc Lichtenstein (CFO) until 14 December 2023. On 14 December 2023, Sammy Saloum, who is a Non-Executive Director, replaced Joe Foster and Marc Lichtenstein on the Remuneration Committee.

Close the Loop's Key Management Personnel are assessed each year and comprise the Executive Directors of the Company and select senior executives who have the authority and responsibility for planning, directing and controlling the Company's activities directly or indirectly. As a result of the most recent review, this involved rebalancing executive remuneration by changing the mix of long-term incentive plans (LTIP), base salary, and short-term incentive (STI) components for both the CEO and executives. These changes capture Close the Loop's continued evolution from its unlisted private origins to a global circularly integrated sustainability company, where competitive remuneration is an important factor in attracting and retaining executive talent.

Principles of compensation - audited

Compensation packages include a mix of fixed and variable compensation, and short and long-term performance-based incentives.

As a global end-to-end solutions providing company, Close the Loop is dependent on highly-skilled, specialist team members to execute our strategy. Our ability to attract, retain, reward, and motivate our

people is fundamental to our long-term success. The remuneration strategy is aligned with the Company's purpose, vision and shareholders' interests.

The objective of determining remuneration levels is to:

- Set competitive remuneration packages to attract, retain and motivate high quality directors and executives who will generate value for shareholders and ensure they are consistent with the Company's strategic goals and human resources objectives; and
- Establish remuneration strategies that are fair and reasonable having regard to the performance of the Company and the relevant director or executive.

Our executive remuneration framework has been carefully and purposefully developed to enable this by offering:

- Fixed remuneration competitive with the market;
- Short-term incentives based on challenging individual and Company-wide targets; and
- An equity plan that is aligned with Close the Loop's strategy, ensuring a focus on execution and long-term value creation.

The Board reviews and makes recommendations on the Company's remuneration policies, procedures and practices. It also defines the individual packages offered to Executive Directors and KMP's for recommendation to the Board. During the current and previous financial years, matters of remuneration and nomination were determined at a board level by the Nomination and Remuneration Committee.

During the year to 30 June 2024, a comprehensive review of the Company's remuneration strategy was carried out to ensure alignment with its strategy and appropriate levels of remuneration relative to its industry peers, and this was completed in conjunction with the recent acquisitions and growth of the Company.

As part of this review, advisors were not engaged to review the remuneration structure of the Company, or incentive practises. Third-party software was used for market research for KMPs and employees. The Board did not receive a report that included provision of remuneration recommendations, as defined in the Corporations Act.

In accordance with Corporate Governance best practice (Recommendation 8.2), the structure of Non-Executive Director and executive remuneration is separate and distinct as follows:

Executive KMPs

The table below represents the target remuneration mix for group executives in the current year. The short-term incentive is provided at target levels, and the long-term incentive amount is provided based on the value granted in the current year.

	Fixed remuneration	At Risk	
		Short-term incentive	Long-term incentive
CEO	50%	25%	25%
CFO, CCO	50%	25%	25%
Other executives	50%	25%	25%

Fixed Compensation

The fixed remuneration component which consists of the base salary and retirement benefits (superannuation), is reviewed annually based on individual skills, experience, accountabilities, performance, leadership and behaviours.

Performance linked compensation

Short-term incentives

An at-risk component of remuneration is set as a percentage of base salary which is calculated based on achievement against a range of Company-wide performance measures (financial and non-financial) and individual objectives. The STI rewards the delivery of key strategic and financial objectives and is aligned to Close the Loop's goals for growth and operational discipline.

Short-term incentives are an at risk component of remuneration that is structured to reward progress towards and alignment with Close the Loop's strategic and financial objectives and create value for

customers, employees and shareholders in the financial period. STI payments are set as a percentage of base salary and are based on level of responsibility.

STI is calculated based on achievement against a range of organisational performance measures (financial and non-financial). The STI performance metrics have been chosen as they focus the CEO, CFO and CCO on growing global revenue and creating valued customer experiences while at the same time maintaining operational discipline. STI payments comprise 100% cash.

Element	Details
Purpose	Focus participants on delivery of business objectives over a one-year period
Target opportunity (% base salary)	CEO 50%, CFO 50%, CCO 50%
Maximum opportunity (% base salary)	100% satisfaction of the STI performance metrics results in the following STI opportunity as a % of base salary: <ul style="list-style-type: none"> • CEO 50%, CFO 50%, CCO 50% • Outperformance is possible
Performance period	Performance is measured from 1 July 2023 to 30 June 2024 (FY24).
Conditions	The award of any 2024 STI will be subject to the following performance gateways, that is, no 2024 STI award will be paid unless: the Group's EBITDA for FY24 meets or exceeds the forecast total revenue and other income of \$215 million and EBITDA of \$43 million.
Financial objectives (50%)	The percentage of the Group Performance Component of the 2024 STI Award that will be paid out will be determined by reference to Group revenue and EBITDA generated during the Performance Period. In order for any of the 2024 Group Performance Component to be paid out, a threshold level of performance must be achieved which is the achievement of the revenue and EBITDA targets for FY24.
Non-financial objectives (50%)	Non-financial metrics are based on: <ul style="list-style-type: none"> • Business growth; and • Individual key performance indicators (KPIs) – Goals aligned to Company strategic objectives.
Target setting	The targets set at the beginning of each financial year are reviewed and approved by the Board and are aligned to Close the Loop's longer-term strategic objectives.
Evaluation of performance	Performance against financial and non-financial objectives are determined at the end of the financial period after review of executive performance by the CEO and CFO. All STI calculations are subsequently then presented to the Board for final approval.
Pay vehicle	100% of STI awarded is paid in cash.
Forfeiture and termination	Unless the Board determines otherwise, if the executive ceases employment, all STI awards not yet paid are forfeited.

Malus and clawback

If the Board becomes aware of a material misstatement in the Company's financial statements, or a KMP has committed an act of fraud, negligence or gross misconduct, engaged in an act which has brought a Group Company into disrepute, breached their duties or obligations to the Group, failed to comply with any restrictive covenant or that some other event has occurred which, as a result, means the 2024 STI Award should be reduced or extinguished, or should not vest, then the Board may clawback or adjust any such award at its discretion to ensure that key management personnel do not derive any unfair benefit.

Close the Loop's performance and short-term incentive outcomes

Close the Loop achieved record revenue growth in FY24, to achieve our strongest year ever. In FY24, EBITDA, NPATA and operating cash flow increased strongly compared to FY23. This reflects top-line growth together with close management of expenses and considered capital allocation. Also, there was no major security breach in FY24 so all initial conditions for short term incentives were met. Whilst record results have been achieved by the Group consistently since listing STIs will only be considered for FY24 once the final audited results have been published.

Long-term incentives (LTI)

An at-risk component is set as a percentage of base salary and granted annually subject to approval at the Annual General Meeting to participating executives, which entitles the executive to Close the Loop shares on vesting of the performance rights. Performance rights are subject to a three-year vesting period and vest based on satisfaction of the vesting conditions. Vesting is subject to continued employment, which provides an additional time-based retention incentive. The LTI rewards delivery against longer-term strategy and shareholder value creation. The creation and approval of the LTI was established at the Company's first Annual General Meeting post-acquisition which was held in November 2022.

In November 2021, upon completion of the IPO process and the acquisition of the O F Pack Group by Close the Loop, the Company made a onetime grant at the time of the acquisition of 5,000,000 Long Term Incentive (LTI) options under the employee share option plan (ESOP) to assist in the motivation, reward and retention of key personnel. All share options refer to options over ordinary shares of Close the Loop Limited, which are exercisable on a one-for-one basis under the Employee Share Option Plan (ESOP). Vested LTI Options are exercisable from the end of the relevant Vesting Period until the Expiry Date. The LTI Options cannot be cash settled. The options vested immediately upon issue and must be exercisable within 2 years of the issue date. All the options were exercised in full on 1 December 2023.

Element	Details
Purpose	Rewards delivery against longer-term strategy and sustained shareholder value creation. Provides alignment between shareholder, customer, and executive outcomes and time-based retention through multi-year exercisable timeframe.
Grant Date	2 December 2021
Vesting Conditions	Options vested in full upon successful completion of the IPO process.
Performance period	\$0.30 calculated as a 50% premium on the Offer Price set out in the Company's Prospectus. The exercise price acts as an in-built performance hurdle, incentivising executives to create value that increases the Close the Loop share price above the exercise price over the vesting period.
Expiry Date	Any vested but unexercised Options will lapse on the 2 nd anniversary of the grant date.
Forfeiture and termination	If an employee's employment is terminated or they resign prior to the Vesting date, all unvested options will lapse and they will have 30 days to exercise any vested options.

The FY24 LTI has been adopted to align employees' interests directly with shareholders by linking employee remuneration to the Company's share price performance over the medium to longer term. The LTI comprises grants of performance rights to KMP and senior executives, pursuant to the Company's Performance Rights Plan Rules which were approved by shareholders on 16 November 2022.

The Board believes that the Performance Rights Plan will:

- (a) encourage participants to focus on creating value for Shareholders;
- (b) link reward with the achievement of long-term performance in the Company;

- (c) encourage participants to remain with the Company by providing them with the opportunity to hold a financial stake in the Company; and
- (d) assist in the Company attracting and retaining high calibre KMP and employees.

Performance rights are granted at the discretion of the Board to KMP and employees by way of issue at nil cost both at the time of grant and vesting. Performance rights are granted on an annual basis, with the at-risk value of the annual grant over the vesting period, typically three years, representing a percentage of the employee's total fixed remuneration and priced based on the Company's share price at the time of grant. Vesting is contingent on the Company meeting or exceeding defined performance hurdles over the performance period. The performance hurdles involve an assessment of the Company's total shareholder returns in absolute terms based on the movement in the share price.

The performance criteria for the tranches of new performance rights granted to KMP during the financial year are detailed below:

Element	Details		
Purpose	Rewards delivery against longer-term strategy and sustained shareholder value creation. Provides alignment between shareholder, customer, and executive outcomes and time-based retention through multi-year exercisable timeframe.		
Grant Date	15 December 2023		
Exercise Price	Nil (i.e. no amount is payable to exercise a Performance Right to acquire a Share in the Company once the Vesting Conditions are satisfied)		
Price payable to acquire Performance Rights	Nil		
Expiry Date	Performance Rights will vest 3 years after the grant date. Any vested but unexercised Performance Rights will lapse on the 5 th anniversary of the grant date.		
Forfeiture and termination	If an employee's employment is terminated or they resign prior to the Vesting date, all unvested Performance Rights will lapse and they will have 30 days to exercise any vested Performance Rights.		
Vesting Conditions	The Performance Rights granted will vest in the manner set out in the tables below, provided the following conditions are met:		
	No. of Performance Rights	Performance Condition	Service Condition
	Performance Rights, being 40% of the total Performance Rights granted to the KMP or employee. (Tranche A Performance Rights)	Not Applicable	The KMP or employee is continuously employed or continue to provide services to the Company from the Grant Date up to the date the Board makes a determination that the Vesting Conditions are met.
	Performance Rights, being 20% of the total Performance Rights granted to the KMP or employee. (Tranche B Performance Rights)	The volume weighted average market price (VWAP) of the Shares being equal to or more than \$0.70 for 20 consecutive trading days.	
Performance Rights, being 20% of the total Performance Rights granted to the KMP or employee. (Tranche C Performance Rights)	The VWAP of the Shares being equal to or more than \$0.85 for 20 consecutive trading days.		

Element	Details	
	Performance Rights, being 20% of the total Performance Rights granted to the KMP or employee. (Tranche D Performance Rights)	The VWAP of the Shares being equal to or more than \$1.00 for 20 consecutive trading days.

If the above Vesting Conditions are not satisfied, or if the Board determines that they cannot be satisfied, the relevant KMP or employee will forfeit Performance Rights (unless the Board exercises its discretion to permit those Performance Rights to vest in accordance with the terms of the Performance Rights Plan Rules).

No Performance Rights have been issued to any of the KMP or employees prior to 20 December 2022.

Future LTI plan not yet granted

Annual Executive Director KMP LTI grants are subject to approval at the Annual General Meeting which is expected to occur in November 2024. Shareholder approval will be required for the number of performance rights issued and vesting conditions. The performance rights granted will be subject to the satisfaction of vesting conditions relating to the Company's total shareholder return (TSR) and continued employment with the Company.

TSR measures the growth in the price of the Company's shares as a percentage factoring in dividends notionally being reinvested in shares. The vesting conditions for the FY25 Performance Rights will be similar to those of the FY24 grant.

The second grant under this scheme was approved at the 23 November 2023 AGM. The third grant is under consideration for the FY25 AGM.

Consequences of performance on shareholder wealth

In considering the Group's performance and benefits for shareholder wealth, the remuneration committee have regard to the following indices in respect of the current financial year and the previous financial years.

	2024 \$'000	2023 \$'000	2022 \$'000	2021 \$'000
Revenue	\$212,962	\$135,934	\$70,132	\$26,812
EBITDA	\$44,932	\$24,302	\$9,500	\$6,336
EBITDA growth	85%	156%	50%	N/A
NPATA	\$25,895	\$13,851	\$5,606	\$4,399
NPATA growth	87%	147%	27%	N/A
Profit attributable to owners of the company	\$11,166	\$12,238	\$4,606	\$4,252
Dividends paid*	-	-	\$1,023	\$393
Change in share price	(15 cents)	8.5 cents	20.5 cents	N/A
Share price at 30 June	34 cents	49 cents	40.5 cents	20 cents**
Return on capital employed	16.9%	14.0%	3.1%	53.3%

- Dividends were paid by O F Packaging Pty Ltd prior to the acquisition of O F Packaging by Close the Loop Limited.

** This is the share price that was set to raise funds as part of the initial public offer as part of the listing process.

Revenue and profit are some of the financial performance targets considered in setting the Short-Term Incentive. Revenue and profit amounts have been calculated in accordance with Australian Accounting Standards. Operating income is operating profit as reported in the statement of profit or loss.

Key management personnel

The Report details the remuneration arrangements for the Company's Key Management Personnel (KMP):

- Executive KMP
- Non-Executive Directors

Close the Loop's KMP comprise all Directors and those executives who have specific authority and responsibility for planning, directing and controlling the activities of the Group. In this report, the term "Executive KMP" refers to KMP excluding Non-Executive Directors.

	Country of Residence	Position	Period position was held during the year
Executive Directors			
Joe Foster	Australia	Chief Executive Officer (CEO)	Full Year
Marc Lichtenstein	Australia	Chief Financial Officer (CFO)	Full Year
Lawrence Jaffe	Australia	Chief Commercial Officer (CCO)	Full Year
Non-Executive Directors			
Greg Toll	Australia	Chairman, Independent Non-Executive Director	Full Year
Grant Carman	Australia	Independent Non-Executive Director	Full Year
Sammy Saloum	USA	Non-Executive Director	Appointed 23 November 2023
Executive KMP			
Michael Welton	USA	Chief Executive Officer – North America	Appointed 1 January 2024
Tom Ogonek	USA	President USA & EU	Ceased being KMP from 1 January 2024

As a result of Micheal Welton joining the Group there was a restructure of the North American operations. Tom Ogonek is only considered to be part of the KMP to 31 December 2023.

Service contracts

The following is a summary of the current major provisions of the agreement relating to remuneration of the Executive Directors and executive KMP.

Joe Foster – Chief Executive Officer

Employment Conditions

Commencement date:	30 November 2021
Remuneration and other benefits:	Base remuneration of \$400,000 per annum plus superannuation
Incentives:	Target STI of 50% of base salary, awarded as cash, subject to achievement of target.
Term:	Ongoing until notice is given by either party
Review:	Annually
Notice period required on termination	6 months by either party

Marc Lichtenstein – Chief Financial Officer

Employment Conditions

Commencement date:	30 November 2021
Remuneration and other benefits:	Base remuneration of \$350,000 per annum plus superannuation
Incentives:	Target STI of 50% of base salary, awarded as cash, subject to achievement of target.
Term:	Ongoing until notice is given by either party
Review:	Annually
Notice period required on termination	6 months by either party

Lawrence Jaffe – Chief Commercial Officer

Employment Conditions

Commencement date:	30 November 2021
Remuneration and other benefits:	Base remuneration of \$350,000 per annum plus superannuation
Incentives:	Target STI of 50% of base salary, awarded as cash, subject to achievement of target. For any new entity or new business sourced or identified directly by Lawrence, which is successfully acquired by Close the Loop, Lawrence is entitled to: A one-off bonus payment equivalent to 1.5% of the acquisition price, subject to the Board approving that acquisition.
Term:	Ongoing until notice is given by either party
Review:	Annually
Notice period required on termination	6 months by either party

Michael Welton – President USA & EU

Employment Conditions

Commencement date:	1 January 2024
Remuneration and other benefits:	Base remuneration of US\$300,000 per annum plus 401K retirement plan with matching contributions of up to 3% of the base remuneration and a 50% match for contributions between 3% and 5% of the base remuneration.
Incentives:	Target STI of 50% of base salary, awarded as cash, subject to achievement of target.
Term:	Ongoing until notice is given by either party
Review:	Annually
Notice period required on termination	6 months by either party

Tom Ogonek – President USA & EU

Employment Conditions

Commencement date:	30 November 2021
Remuneration and other benefits:	Base remuneration of US\$250,000 per annum plus 401K retirement plan with matching contributions of up to 3% of the base remuneration and a 50% match for contributions between 3% and 5% of the base remuneration.
Incentives:	Target STI of 50% of base salary, awarded as cash, subject to achievement of target.
Term:	Ongoing until notice is given by either party
Review:	Annually
Notice period required on termination	6 months by either party

Services from remuneration consultants

During and since the year ended 30 June 2024 the Nomination and Remuneration Committee has not engaged any remuneration consultant to the board to review the amount and elements of the key management personnel remuneration and provide recommendations in relation thereto.

Non-executive directors

The Board seeks to set Non-Executive Directors' remuneration at a level that provides the Company with the ability to attract and retain Directors of a high calibre whilst incurring a cost that is acceptable to shareholders.

Shareholders approve the maximum aggregate remuneration for Non-Executive Directors. The Board recommends the actual payments to Directors and the Board is responsible for ratifying any recommendations, if appropriate. Under the Constitution, the Board may decide the total amount paid by the Company to each Director as remuneration for their services as a Director. However, under the Constitution and the ASX Listing Rules, the total amount of fees paid to all Non-Executive Directors in any financial year must not exceed the aggregate amount of Non-Executive Directors, fees approved by Shareholders at the Company's general meeting. This amount has been fixed by the Company at \$300,000 per annum and is set based on advice from external advisors with reference to fees paid to other non-executive directors of comparable companies. The base fee for the Chairperson is \$90,000 per annum. Base fees for other directors are \$40,000 per annum.

The amount of aggregate remuneration and the manner in which it is apportioned amongst Directors is reviewed annually.

Directors' base fees cover all main board activities and membership of committees. Directors will not receive additional fees for being a member of a Board Committee or any committee meetings they attended.

Non-Executive Directors do not receive performance-related compensation and are not provided with retirement benefits apart from statutory superannuation. All Non-Executive Directors' fees are inclusive of statutory superannuation contributions.

Directors' and executive officers' remuneration – audited

The following table of Directors and KMP remuneration has been prepared in accordance with accounting standards and the Corporations Act 2001 requirements, for the period from 1 July 2023 to 30 June 2024.

		Short term			Post-employment	Other long term	Share-based payments	Total	Proportion of remuneration performance related
		Salary and fees (B)	STI cash bonus (A)	Non-monetary benefits	Super-annuation benefits	(B)	Performance Rights and Options ©		
Directors									
Non-executive directors									
Greg Toll (Chairperson)	2024	90,000	-	-	-		-	90,000	-
	2023	90,000	-	-	-		-	90,000	-
Grant Carman	2024	40,000	-	-	-		-	40,000	-
	2023	40,000	-	-	-		-	40,000	-
Sammy Saloum	2024	23,333	-	-	-	-	-	23,333	-
Sub-total non-executive directors' remuneration	2024	153,333	-	-			-	153,333	-
	2023	130,000	-	-			-	130,000	-
Executive directors									
Joe Foster CEO	2024	400,001	160,000	-	44,000	49,077	103,658	756,736	21.1%
	2023	308,251	157,500	-	35,516	25,550	54,657	581,474	27.1%
Lawrence Jaffe CCO	2024	350,000	157,500	-	34,100	-	103,658	645,258	24.4%
	2023	333,324	175,000	-	25,000	-	54,657	587,981	29.8%
Marc Lichtenstein CFO and Company Secretary	2024	350,000	157,500	-	38,500	52,868	103,658	702,526	22.4%
	2023	337,500	155,313	-	35,438	32,483	54,657	615,391	25.2%
Darren Brits COO (D)	2023	269,752	-	-	28,324	22,903	54,657	375,636	-%
Total directors' remuneration	2024	1,100,001	475,000	-	116,600	101,945	310,974	2,104,520	22.6%
	2023	1,248,827	487,813	-	124,278	80,936	218,628	2,160,482	22.6%

		Short term			Post-employment	Other long term	Share-based payments	Total	Proportion of remuneration performance related
		Salary and fees (B)	STI cash bonus (A)	Non-monetary benefits	Super-annuation benefits	(B)	Performance Rights and Options ©		
Executives									
Michael Welton – CEO North America (E)	2024	154,895	-	-	11,323	-	-	166,218	-%
Tom Ogonek President USA & EU (F)	2024	191,500	-	-	9,575	-	23,400	224,475	-%
	2023	371,250	141,403	-	16,537	15,954	40,993	586,137	24.1%
Total executives' remuneration	2024	346,395	-	-	20,898	-	23,400	390,693	-%
	2023	371,250	141,403	-	16,537	15,954	40,993	586,137	24.1%
Total directors' and executive officers' remuneration	2024	1,599,729	475,000	-	137,498	101,945	334,374	2,648,546	17.9%
	2023	1,750,077	629,216	-	140,815	96,890	259,621	2,876,619	21.9%

A The short-term incentive bonus is for performance during the respective financial year using the criteria set out above. Bonus payments are presented on an accruals basis and do not reflect the actual timing of payments.

B In accordance with AASB 119 Employee Benefits, annual leave is classified as an other long term employee benefit as are long service leave entitlements.

C Amounts relate to the fair value of grants options and performance rights made pursuant to the LTI Plan attributable to the financial year measured in accordance with AASB 2 Share Based Payments. The fair value of performance rights with the share price target condition are calculated using the Black-Scholes option pricing model and binomial option pricing model. The value disclosed is the portion of the fair value of the rights recognised as an expense in each reporting period.

D Darren Brits ceased employment effective 30 June 2023 and resigned as a director on this date.

E Michael Welton commenced employment on 1 January 2024 and thus became part of the KMP on that date.

F Tom Ogonek ceased to be deemed to be part of the KMP during the year ended 30 June 2024. His remuneration is disclosed for the period that he was part of the KMP group up to 31 December 2023.

Analysis of bonuses included in remuneration – audited

Details of the vesting profile of the short-term incentive cash bonuses awarded as remuneration to each director of the Company, and other key management personnel are detailed below.

	Short-term incentive bonus		
	Included in remuneration \$(A)	% vested in year	% forfeited in year (B)
KMP			
2024			
Joe Foster	\$160,000	80%	20%
Marc Lichtenstein	\$157,500	90%	10%
Lawrence Jaffe	\$157,500	90%	10%
Michael Welton (C)	-	-%	100%
Tom Ogonek (C)	-	-%	100%
2023			
Joe Foster	\$157,500	90%	10%
Marc Lichtenstein	\$155,313	89%	11%
Lawrence Jaffe	\$175,000	100%	-%
Darren Brits	\$-	-%	100%
Tom Ogonek	\$141,403	75%	25%

A Amounts included in remuneration for the financial year represent the amount related to the financial year based on achievement of personal goals and satisfaction of specified performance criteria. The remuneration committee approved these amounts on 15 August 2024.

B The amounts forfeited are due to the performance or service criteria not being met in relation to the current financial year and the amount of the short-term bonus forfeited in the year ending 30 June.

C Michael Welton and Tom Ogonek were not entitled to a bonus during the six month period that they were considered to be part of the KMP.

Equity Instruments

All options refer to options over ordinary shares of Close the Loop Limited, which are exercisable on a one-for-one basis under the executive share plan (ESP).

Rights and options over equity instruments granted as compensation - audited

Details of rights and options over ordinary shares in the Company that were granted as compensation to each key management person during the reporting period and details of options that vested during the reporting period are as follows:

No options were issued in the financial years ended 30 June 2024 and 2023 as compensation to key management personnel. All options issued in the year ended 30 June 2022 that expired on 2 December 2023 were exercised during the financial year ended 30 June 2024.

Rights granted	Number of rights granted during 2023-24	Grant date	Fair value at grant date \$	Expiry date	Vesting condition
Joe Foster	600,000	15 December 2023	0.335	15 December 2026	Tenure
	300,000	15 December 2023	0.256	15 December 2026	Share price target
	300,000	15 December 2023	0.231	15 December 2026	Share price target
	300,000	15 December 2023	0.219	15 December 2026	Share price target
Lawrence Jaffe	600,000	15 December 2023	0.335	15 December 2026	Tenure
	300,000	15 December 2023	0.256	15 December 2026	Share price target
	300,000	15 December 2023	0.231	15 December 2026	Share price target
	300,000	15 December 2023	0.219	15 December 2026	Share price target
Marc Lichtenstein	600,000	15 December 2023	0.335	15 December 2026	Tenure
	300,000	15 December 2023	0.256	15 December 2026	Share price target
	300,000	15 December 2023	0.231	15 December 2026	Share price target
	300,000	15 December 2023	0.219	15 December 2026	Share price target
Tom Ogonek	200,000	15 December 2023	0.335	15 December 2026	Tenure
	100,000	15 December 2023	0.256	15 December 2026	Share price target
	100,000	15 December 2023	0.231	15 December 2026	Share price target
	100,000	15 December 2023	0.219	15 December 2026	Share price target

Rights granted	Number of rights granted during 2022-23	Grant date	Fair value at grant date \$	Expiry date	Vesting condition
Joe Foster	400,000	20 December 2022	0.380	20 December 2025	Tenure
	200,000	20 December 2022	0.290	20 December 2025	Share price target
	200,000	20 December 2022	0.262	20 December 2025	Share price target
	200,000	20 December 2022	0.248	20 December 2025	Share price target
Darren Brits	400,000	20 December 2022	0.380	20 December 2025	Tenure
	200,000	20 December 2022	0.290	20 December 2025	Share price target
	200,000	20 December 2022	0.262	20 December 2025	Share price target
	200,000	20 December 2022	0.248	20 December 2025	Share price target
Lawrence Jaffe	400,000	20 December 2022	0.380	20 December 2025	Tenure
	200,000	20 December 2022	0.290	20 December 2025	Share price target
	200,000	20 December 2022	0.262	20 December 2025	Share price target
	200,000	20 December 2022	0.248	20 December 2025	Share price target
Marc Lichtenstein	400,000	20 December 2022	0.380	20 December 2025	Tenure
	200,000	20 December 2022	0.290	20 December 2025	Share price target
	200,000	20 December 2022	0.262	20 December 2025	Share price target
	200,000	20 December 2022	0.248	20 December 2025	Share price target
Tom Ogonek	300,000	20 December 2022	0.380	20 December 2025	Tenure
	150,000	20 December 2022	0.290	20 December 2025	Share price target
	150,000	20 December 2022	0.262	20 December 2025	Share price target
	150,000	20 December 2022	0.248	20 December 2025	Share price target

All rights and options expire on the earlier of their expiry date or termination of the individual's employment.

The rights vest three years from grant date. In addition to a continuing employment service condition, vesting is conditional on the Group achieving share price targets. Details of the performance criteria are included in the long-term incentives discussion. For rights granted in the current year, the earliest vesting date is 15 December 2026

Exercise of options granted as compensation – audited

During the current reporting period, the following shares were issued on the exercise of options previously granted as compensation to a Close the Loop KMP as part of the IPO process. These options were issued on the same terms and conditions as the IPO advisors.

	Number of shares	Amount paid \$/share
Lawrence Jaffe	1,500,000	30 cents
Marc Lichtenstein	1,500,000	30 cents

There were 5,000,000 employee options with a strike price of 30 cents per share that expired on 2 December 2023 that were exercised by the directors. These options were issued as part of the IPO process in 2021 to the promoters of the listing.

There are no amounts unpaid on the shares issued as a result of the exercise of the options in the 2023-24 financial year.

No options granted as compensation were exercised in the financial year ending 30 June 2023.

Details of equity incentives affecting current and future remuneration – audited

Details of vesting profiles of the rights held by each key management person of the Group are detailed below.

	Instrument		Grant date	% vested in year	% forfeited in year (A)	Financial years in which grant vests	Maximum value yet to vest (B)
Joe Foster	Rights	1,500,000	15 December 2023	-%	-%	1 July 2026	\$371,321
	Rights	1,000,000	20 December 2022	-%	-%	1 July 2025	\$257,343
Lawrence Jaffe	Rights	1,500,000	15 December 2023	-%	-%	1 July 2026	\$371,321
	Rights	1,000,000	20 December 2022	-%	-%	1 July 2025	\$257,343
Marc Lichtenstein	Rights	1,500,000	15 December 2023	-%	-%	1 July 2026	\$371,321
	Rights	1,000,000	20 December 2022	-%	-%	1 July 2025	\$257,343
Tom Ogonek	Rights	500,000	15 December 2023	-%	-%	1 July 2026	\$123,774
	Rights	750,000	20 December 2022	-%	-%	1 July 2025	\$193,007

A The percentage forfeited in the year represents the reduction from the maximum number of instruments available to vest due to performance criteria not being achieved.

B The maximum value of share rights yet to vest is determined based on the amount of the grant date fair value that is yet to be expensed. The minimum value of share rights yet to vest is nil since the shares will be forfeited if the vesting conditions are not met.

Analysis of movements in equity instruments - audited

The value of rights or options over ordinary shares in the Company granted and exercised by each key management person during the reporting period is detailed below.

	Granted in year (A)	Value of rights or options exercised in year \$(B)
Joe Foster	\$412,579	\$31,500
Lawrence Jaffe	\$412,579	\$67,500
Marc Lichtenstein	\$412,579	\$67,500
Michael Welton	-	-
Tom Ogonek	\$137,526	-

A The value of rights granted in the year is the fair value of the rights calculated at grant date. The total value of the rights granted is included in the table above. This amount is allocated to remuneration over the vesting period (i.e. in years 1 July 2023 to 1 July 2026).

B The value of options exercised during the year is calculated as the market price of shares of the Company as at close of trading on the date the options were exercised after deducting the price paid to exercise the option.

Options and rights over equity instruments

The movement during the reporting period, by number of rights and options over ordinary shares in the Company held, directly, indirectly, or beneficially, by each key management person, including their related parties, is as follows:

	Held at 1 July 2023	Granted as compensation	Exercised	Lapsed	Forfeited	Held at 30 June 2024	Vested during the year	Vested and exercisable at 30 June 2024
Options								
Lawrence Jaffe	3,000,000	-	1,500,000	1,500,000	-	-	-	-
Marc Lichtenstein	1,000,000	-	1,000,000	-	-	-	-	-
Tom Ogonek	1,000,000	-	-	1,000,000	-	-	-	-
Rights								
Joe Foster	1,000,000	1,500,000	-	-	-	2,500,000	-	-
Lawrence Jaffe	1,000,000	1,500,000	-	-	-	2,500,000	-	-
Marc Lichtenstein	1,000,000	1,500,000	-	-	-	2,500,000	-	-
Tom Ogonek	750,000	500,000	-	-	-	1,250,000	-	-

Key management personnel transactions - audited

Loans to and from key management personnel and their related parties

Details regarding loans outstanding at the end of the reporting period due and payable to key management personnel and their related parties, where the individual's aggregate loan balance exceeded \$10,000 in the reporting period, are as follows:

	Balance 1 July 2023 \$	Balance 30 June 2024 \$	Interest not paid \$	Highest balance in period \$
Joe Foster	11,990	(72,532)	-	(72,532)

Unsecured loans issued by Joe Foster to the company during the year ended 30 June 2023 amounted to \$11,990. During the year ended 30 June 2024, Foster International Packaging (Pty) Ltd incurred costs on behalf of Joe Foster. The KMP loan increased to \$72,532 at 30 June 2024. The KMP loan will be offset against the final instalment for the purchase The Pouch Shop (Pty) Ltd in October 2024. No interest is payable on the loans.

	Balance 1 July 2023 \$	Balance 30 June 2024 \$	Interest not paid \$	Highest balance in period \$
Joe Foster	-	168,000	3,920	168,000
Lawrence Jaffe	-	360,000	8,400	360,000
Marc Lichtenstein	-	360,000	8,400	360,000

On 1 December 2023 the company provided a 3 year loan to KMP. Principal and interest, at a fixed rate of 4%, is to be paid annually on the anniversary of the drawdown date.

There were no other loans or any other related party transactions which have not been mentioned in this report to KMP or their related parties during the current or previous financial years.

Other transactions with key management personnel

A number of key management personnel (KMP), or their related parties, hold positions in other entities that result in them having control, or joint control, over the financial or operating policies of those entities.

A number of these entities transacted with the Group during the year. The terms and conditions of the transactions with KMP and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

From time to time, directors of the Group, or their related entities, may purchase goods from the Group. These purchases are on the same terms and conditions as those entered into by other Group employees or customers and are trivial or domestic in nature.

Movements in shares

The movement during the reporting period in the number of ordinary shares in the Company held, directly, indirectly, or beneficially, by each key management person, including their related parties, is as follows:

	Held at 1 July 2023	Received on exercise of options	Other changes (A)	Held at 30 June 2024
Greg Toll	2,400,000	1,200,000	-	3,600,000
Grant Carman	50,000	1,200,000	-	1,250,000
Joe Foster	64,324,025	700,000	-	65,024,025
Marc Lichtenstein	1,500,081	1,500,000	1,500,000	4,500,081
Lawrence Jaffe	65,928,058	1,440,000	-	67,368,058
Sammy Saloum	40,560,560	500,000	4,056,056	45,116,616
Tom Ogonek	2,000,080			2,000,080
Michael Welton	-	-	1,125,000	1,125,000
Total	176,762,804	6,540,000	6,681,056	189,983,860

A Other changes represent shares that were purchased, issued or transferred during the year.

This Directors' report is made out in accordance with a resolution of the directors:



Signed: _____
Greg Toll
Director

Date: 26 August 2024

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

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2024 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 26th day of August 2024

Advisory. Tax. Audit.

Registered Audit Company 291969

Nexia Melbourne Audit Pty Ltd (ABN 86 005 105 975) is a firm of Chartered Accountants. It is affiliated with, but independent from Nexia Australia Pty Ltd. Nexia Australia Pty Ltd is a member of Nexia International, a leading, global network of independent accounting and consulting firms. For more information please see www.nexia.com.au/legal. Neither Nexia International nor Nexia Australia Pty Ltd provide services to clients.

Liability limited under a scheme approved under Professional Standards Legislation.

Consolidated statement of profit or loss and other comprehensive income For the year ended 30 June 2024		Consolidated	
		30 June 2024 \$'000	30 June 2023 \$'000
	Note		
Revenue from continuing operations			
Revenue	8	212,962	135,934
Cost of sales		(132,919)	(88,339)
Gross profit		<u>80,043</u>	<u>47,595</u>
Expenses			
Other income	9A	6,853	1,918
Selling and distribution expenses		(5,154)	(221)
Administration expenses		(12,094)	(11,698)
Employee benefits		(18,535)	(12,039)
Occupancy costs		(4,849)	(1,253)
Asset impairment	9B	-	(1,613)
Depreciation and amortisation	9B	(21,069)	(5,327)
Operating profit		<u>25,195</u>	<u>17,362</u>
Finance costs	9B	(11,093)	(2,481)
Profit before income tax expense from continuing operations		14,102	14,881
Income tax benefit / (expense)	12	(2,936)	(2,643)
Profit after income tax expense from continuing operations		<u>11,166</u>	<u>12,238</u>
Profit after income tax expense for the year		11,166	12,238
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		657	(626)
Total comprehensive income for the year		<u>11,823</u>	<u>11,612</u>
Profit for the year is attributable to:			
Non-controlling interest		214	128
Owners of Close the Loop Limited		10,952	12,110
		<u>11,166</u>	<u>12,238</u>
Total comprehensive income for the year is attributable to:			
Continuing operations		11,609	11,484
Non-controlling interest		214	128
Continuing operations		<u>11,823</u>	<u>11,612</u>
		Cents	Cents
Earnings per share for profit attributable to the owners of Close the Loop Limited			
Basic earnings per share	10	2.08	3.23
Diluted earnings per share	10	2.02	3.11

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

Consolidated statement of financial position
As at 30 June 2024

		Consolidated	
	Note	30 June 2024 \$'000	30 June 2023 \$'000
Assets			
Current assets			
Cash and cash equivalents	13	40,644	49,458
Trade and other receivables	14	36,056	26,148
Inventories	15	19,946	15,875
Other	16	3,116	5,156
Total current assets		<u>99,762</u>	<u>96,637</u>
Non-current assets			
Investments	17	200	155
Property, plant, and equipment	18	26,417	20,168
Right-of-use assets	19	23,800	20,838
Intangibles	20	142,812	131,269
Deferred tax assets	12	1,816	1,674
Other	16	2,195	638
Total non-current assets		<u>197,240</u>	<u>174,742</u>
Total assets		<u>297,002</u>	<u>271,379</u>
Liabilities			
Current liabilities			
Trade and other payables	21	20,901	29,180
Borrowings	22	14,260	16,094
Lease liabilities	23	3,805	3,766
Income tax	12	541	1,642
Provisions	24	3,449	2,695
Deferred revenue	25	1,226	-
Other	26	1,345	439
Total current liabilities		<u>45,527</u>	<u>53,816</u>
Non-current liabilities			
Borrowings	22	68,960	71,420
Lease liabilities	23	21,633	19,577
Provisions	24	112	265
Deferred tax liabilities	12	19,233	1,372
Deferred revenue	25	-	152
Other		-	717
Total non-current liabilities		<u>109,938</u>	<u>93,503</u>
Total liabilities		<u>155,465</u>	<u>147,319</u>
Net assets		<u>141,537</u>	<u>124,060</u>
Equity			
Issued capital	27	105,852	100,588
Reserves	28	(110)	(1,260)
Retained profits		35,167	24,215
Non-controlling interest		628	517
Total equity		<u>141,537</u>	<u>124,060</u>

The above consolidated statement of financial position is to be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity
For the year ended 30 June 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 year, net of tax	-	-	12,110	128	12,238
Foreign exchange movement	-	(688)	-	62	(626)
Total comprehensive income for the year	-	(688)	12,110	190	11,612
Transactions with owners in their capacity as owners:					
Movement in issued shares (Note 27)	58,893	-	-	-	58,893
Movement in provisions	-	327	-	-	327
Balance at 30 June 2023	<u>100,588</u>	<u>(1,260)</u>	<u>24,215</u>	<u>517</u>	<u>124,060</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 year, net of tax	-	-	10,952	214	11,166
Foreign exchange movement	-	657	-	-	657
Total comprehensive income for the year	-	657	10,952	214	11,823
Transactions with owners in their capacity as owners:					
Movement in issued shares (Note 27)	5,264	-	-	-	5,264
Movement in provisions	-	493	-	-	493
Dividends paid	-	-	-	(103)	(103)
Balance at 30 June 2024	<u>105,852</u>	<u>(110)</u>	<u>35,167</u>	<u>628</u>	<u>141,537</u>

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

Consolidated statement of cash flows For the year ended 30 June 2024	Notes	Consolidated	
		30 June 2024 \$'000	30 June 2023 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		205,227	127,219
Payments to suppliers and employees (inclusive of GST)		(173,280)	(106,858)
		<u>31,947</u>	<u>20,361</u>
Other revenue		5,851	4,379
Interest and other finance costs paid		(8,174)	(2,113)
Income taxes refund / (paid)		(7,907)	51
		<u>(10,230)</u>	<u>(9,847)</u>
Net cash (used in)/from operating activities	31	<u>21,717</u>	<u>22,678</u>
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired		(9,511)	(70,251)
Payments for property, plant, and equipment		(10,091)	(15,724)
Proceeds from related companies		-	-
		<u>(19,602)</u>	<u>(85,975)</u>
Net cash used in investing activities		<u>(19,602)</u>	<u>(85,975)</u>
Cash flows from/(used in) financing activities			
Proceeds from share issue net of issue costs		1,712	42,895
Proceeds from borrowings		-	82,956
Dividends paid		(103)	-
Repayment of borrowings		(7,702)	(20,950)
Repayment of lease liabilities		(5,240)	(1,806)
		<u>(11,333)</u>	<u>103,095</u>
Net cash from/(used in) financing activities		<u>(11,333)</u>	<u>103,095</u>
Net increase/(decrease) in cash and cash equivalents		(9,218)	39,798
Cash and cash equivalents at the beginning of the financial year		49,458	9,660
Effects of Exchange Rate Changes on Bank		404	-
		<u>40,644</u>	<u>9,660</u>
Cash and cash equivalents at the end of the financial year	13	<u>40,644</u>	<u>49,458</u>

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

Note 1. Reporting entity

Close the Loop Limited (the “Company”) is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange (“ASX”).

The Company’s registered office is at 43-47 Cleeland Road, Oakleigh South, Victoria, 3167. These consolidated financial statements comprise the Company and its subsidiaries (together referred to as the “Group” or “Close the Loop” and individually “Group companies”).

The Group is a for-profit entity and is primarily involved in collection and recycling of electronic equipment, imaging consumables, plastics, paper and cartons and any other activity incidental thereto as well as providing premium and innovative flexible and carton packaging, flexographic print packaging, seafood packaging, storage solutions and the supply of thermal paper and associated paper products.

Note 2. Basis of accounting

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards adopted by the Australian Accounting Standards Board (“AASBs”) and the *Corporations Act 2001*. The consolidated financial statements comply with International Financial Reporting Standards (“IFRS”) adopted by the International Accounting Standards Board (“IFRIC”). They were authorised for issue by the Board of Directors on 23 August 2024.

This report is to be read in conjunction with any public announcements made by Close the Loop Limited during the reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001 and Australian Securities Exchange Listing Rules.

The Group is of a kind referred to in *ASIC Corporations (Rounding in Financial/ Directors’ Reports) Instrument 2016/191* and in accordance with that instrument, amounts in the consolidated financial statements and directors’ report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Details of the Group’s accounting policies are included in Note 5. Changes to significant accounting policies are described in Note 5.

i. Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Note 3. Functional and presentation currency

Items included in the Consolidated Financial Statements of each Group’s entities are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The Consolidated Financial Statements are presented in Australian dollars, which is the Company’s functional and presentation currency.

Foreign currency transactions are translated to Australian dollars at the rates of exchange ruling at the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date are translated at the rates of exchange ruling on that date. Exchange differences relating to amounts payable and receivable in foreign currencies are brought to account as exchange gains or losses in statement of Consolidated Profit or Loss and other Comprehensive Income in the financial period in which the exchange rates change.

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Note 4. Use of judgements estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

i. Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based 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.

ii. Provision for impairment of inventories

The provision for impairment 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.

iii. Impairment of property, plant and equipment

The consolidated group assesses impairment of property, plant and equipment at each reporting date by evaluating conditions specific to the consolidated group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in use calculations, which incorporate a number of key estimates and assumptions.

iv. Lease term

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; incurrance 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.

v. Incremental borrowing rate

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the consolidated group estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

vi. Employee benefits provision

As discussed in note 24, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Notes to the Financial Statements
30 June 2024

vii. Unprocessed inventory provision

ClozDloop BV ("CDL") has unprocessed recycling consumables on hand. The Directors have estimated the cost of processing these consumables to be \$395,171 (2023: \$790,000) for the current year under review. As a reliable estimate can be made of the amount of the obligation and it is a present obligation as a result of a past event, the amount has been recognised as a provision. This provision was recognised as an expense in the accounting records of CDL for year end 30 June 2017 which was prior to the acquisition of a 60% interest in CDL at 1 October 2016. At the date of this report Close the Loop has full ownership of CDL.

viii. Business combinations

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

Note 5. Material accounting policies

The principal accounting policies adopted in these Consolidated Financial Statements are the same as those applied in the Group's Financial Statements as at, and for the year ended 30 June 2023.

i. 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.

The principal accounting policies adopted in the preparation of the financial statements are set out either in the respective notes or below. These policies have been consistently applied to all the years presented, unless otherwise stated.

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

ii. Going concern

The Financial Statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

As at 30 June 2024, the Group's net asset position was \$141.537 million (30 June 2023: \$124.060 million). The improvement in the Group's net asset position is due to the profit generated in the current financial year. The current financial year is the first full reporting period that includes the acquisition of ISP Tek Services and Captive Trade Corporation. The increase in revenue and general business activity has led to a stronger financial position for the Group.

There is a surplus in current assets less current liabilities of \$54.235 million at 30 June 2024 (30 June 2023 \$42.821 million). The Company has borrowings of \$83.220 million at 30 June 2024 (30 June 2023 \$87.514 million) and has sufficient cash to meet all committed liabilities and future expected liabilities for a period of at least 12 months from the date of signing of these financial statements.

iii. Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated group only. Supplementary information about the parent entity is disclosed in note 36.

iv. 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

Notes to the Financial Statements
30 June 2024

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.

v. Inventories

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

vi. 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.

vii. Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated group has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

Financial assets at fair value through profit or loss

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial

Notes to the Financial Statements
30 June 2024

assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

Impairment of financial assets

The consolidated group recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated group's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expense in profit or loss during the financial period in which they are incurred.

viii. Foreign currency translation

The financial statements are presented in Australian dollars, which is Close the Loop Limited's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

ix. Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

x. Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

**Notes to the Financial Statements
30 June 2024**

xi. Goods and Services Tax ("GST") and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Note 6. Principles of Consolidation

i. Subsidiaries included in the financial statements

Subsidiaries are all those entities over which the consolidated group has control. The consolidated group controls an entity when the consolidated group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated group.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated group. Losses incurred by the consolidated group are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the consolidated group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Note 7. Operating segments

i. 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 review 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 monthly.

ii. 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 packaging solutions and thermal paper supply.
-----------	---

Notes to the Financial Statements
30 June 2024

Resource recovery	The takeback, recovery and reuse of complex waste streams including imaging consumables, cosmetics, plastics, paper and cartons and products associated there with as well as refurbishing consumer and enterprise electronic equipment.
-------------------	--

iii. 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.

iv. 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 30 June 2024	Resource Recovery \$'000	Packaging \$'000	Total \$'000
Revenue			
Sales to external customers	146,128	66,834	212,962
Intersegment sales	-	-	-
Total sales revenue	<u>146,128</u>	<u>66,834</u>	<u>212,962</u>
Other revenue	4,760	2,093	6,853
Total segment revenue	<u>150,888</u>	<u>68,927</u>	219,815
Intersegment eliminations			-
Unallocated revenue			-
Total revenue			<u>219,815</u>
EBITDA			
Depreciation and amortisation	34,582	10,350	44,932
Finance costs	(19,515)	(1,554)	(21,069)
Profit before income tax expense	<u>(9,619)</u>	<u>(142)</u>	<u>(9,761)</u>
Income tax expenses	5,448	8,654	14,102
Profit after income tax expense	<u>4,441</u>	<u>6,725</u>	<u>11,166</u>
Assets			
Segment assets	239,688	67,074	306,762
Intersegment eliminations			(9,760)
Unallocated assets			-
Total assets			<u>297,002</u>
Liabilities			
Segment liabilities	139,493	25,732	165,225
Intersegment eliminations			(9,760)
Unallocated liabilities:			-
Total liabilities			<u>155,465</u>

Notes to the Financial Statements
30 June 2024

Consolidated 30 June 2023	Resource Recovery \$'000	Packaging \$'000	Total \$'000
Revenue			
Sales to external customers	74,293	61,641	135,934
Intersegment sales	-	-	-
Total sales revenue	<u>74,293</u>	<u>61,641</u>	<u>135,934</u>
Other revenue	1,006	912	1,918
Total segment revenue	<u>75,299</u>	<u>62,553</u>	<u>137,852</u>
Intersegment eliminations			-
Unallocated revenue			-
Total revenue			<u>137,852</u>
EBITDA			
Depreciation and amortisation	(4,874)	(2,066)	(6,940)
Finance costs	<u>(2,205)</u>	<u>(276)</u>	<u>(2,481)</u>
Profit before income tax expense	<u>4,940</u>	<u>9,941</u>	<u>14,881</u>
Income tax expenses	<u>(1,736)</u>	<u>(907)</u>	<u>(2,643)</u>
Profit after income tax expense	<u>3,204</u>	<u>9,034</u>	<u>12,238</u>
Assets			
Segment assets	218,515	52,864	271,379
Intersegment eliminations			-
Unallocated assets			-
Total assets			<u>271,379</u>
Liabilities			
Segment liabilities	141,432	5,887	147,319
Intersegment eliminations			-
Unallocated liabilities:			-
Total liabilities			<u>147,319</u>

Geographical segment information

Consolidated 30 June 2024	Australia \$'000	USA \$'000	Europe \$'000	South Africa \$'000	Total \$'000
Revenue					
Sales to external customers	67,758	123,030	8,865	13,309	212,962
Intersegment sales	-	-	-	-	-
Total sales revenue	<u>67,758</u>	<u>123,030</u>	<u>8,865</u>	<u>13,309</u>	<u>212,962</u>
Other revenue	4,951	494	1,363	45	6,853
Total segment revenue	<u>72,709</u>	<u>123,524</u>	<u>10,228</u>	<u>13,354</u>	<u>219,815</u>
Intersegment eliminations					-
Unallocated revenue					-
Total revenue					<u>219,815</u>
EBITDA					
Depreciation and amortisation	(3,638)	(17,170)	(213)	(48)	(21,069)
Finance costs	<u>(1,097)</u>	<u>(8,848)</u>	<u>2</u>	<u>182</u>	<u>(9,761)</u>

Notes to the Financial Statements
30 June 2024

Consolidated 30 June 2024	Australia \$'000	USA \$'000	Europe \$'000	South Africa \$'000	Total \$'000
Profit before income tax expense	3,211	7,303	950	2,638	14,102
Income tax expenses	(536)	(1,952)	85	(533)	(2,936)
Profit after income tax expense	2,675	5,351	1,035	2,105	11,166

Assets

Segment assets	170,611	164,722	4,615	8,476	348,424
Intersegment eliminations					(51,422)
Unallocated assets					-
Total assets					297,002

Liabilities

Segment liabilities	48,572	140,890	13,801	3,624	206,887
Intersegment eliminations					(51,422)
Unallocated liabilities					-
Total liabilities					155,465

Consolidated 30 June 2023	Australia \$'000	USA \$'000	Europe \$'000	South Africa \$'000	Total \$'000
Revenue					
Sales to external customers	74,614	43,205	5,995	12,120	135,934
Intersegment sales	-	-	-	-	-
Total sales revenue	74,614	43,205	5,995	12,120	135,934
Other revenue	1,790	12	(1)	117	1,918
Total segment revenue	76,404	43,217	5,994	12,237	137,852
Intersegment eliminations					-
Unallocated revenue					-
Total revenue					137,852

EBITDA	8,452	12,718	1,023	2,109	24,302
Depreciation and amortisation	(3,024)	(2,853)	(1,034)	(29)	(6,940)
Finance costs	(659)	(1,888)	(1)	67	(2,481)
Profit before income tax expense	4,769	7,977	(12)	2,147	14,881
Income tax expenses	(43)	(2,106)	(83)	(411)	(2,643)

Notes to the Financial Statements
30 June 2024

Consolidated 30 June 2023	Australia \$'000	USA \$'000	Europe \$'000	South Africa \$'000	Total \$'000
Profit after income tax expense	4,726	5,871	(95)	1,736	12,238
Assets					
Segment assets	100,208	162,357	3,039	5,775	271,379
Intersegment eliminations					-
Unallocated assets					-
Total assets					271,379
Liabilities					
Segment liabilities	29,667	113,527	2,599	1,526	147,319
Intersegment eliminations					-
Unallocated liabilities					-
Total liabilities					147,319

v. Accounting policy for operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Note 8. Revenue

A. Revenue Streams

The Group generates revenue primarily from the sale of packaging materials and collection and recycling services provided to its customers. Other sources of revenue include government grants and interest revenue.

	Consolidated	
	30 June 2024 \$'000	30 June 2023 \$'000
From continuing operating activities		
Revenue from contracts with customers		
Sale of goods	159,893	100,717
Collection revenue	53,069	35,217
	<u>212,962</u>	<u>135,934</u>

B. Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by primary geographical segment, major products and service lines and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments.

Notes to the Financial Statements
30 June 2024

Consolidated	Reporting segments					
	Resource Recovery		Packaging		Total	
	30 June 2024 \$'000	30 June 2023 \$'000	30 June 2024 \$'000	30 June 2023 \$'000	30 June 2024 \$'000	30 June 2023 \$'000
Primary geographical markets						
Australia	14,234	25,093	53,524	49,521	67,758	74,614
USA	123,030	43,205	-	-	123,030	43,205
Europe	8,865	5,995	-	-	8,865	5,995
South Africa	-	-	13,309	12,120	13,309	12,120
	<u>146,129</u>	<u>74,293</u>	<u>66,833</u>	<u>61,641</u>	<u>212,962</u>	<u>135,934</u>
Timing of revenue recognition						
Products transferred at a point in time	93,060	39,076	66,833	61,641	159,893	100,717
Products and services transferred over time	<u>53,069</u>	<u>35,217</u>	<u>-</u>	<u>-</u>	<u>53,069</u>	<u>35,217</u>
Revenue from contracts with customers	<u>146,129</u>	<u>74,293</u>	<u>66,833</u>	<u>61,641</u>	<u>212,962</u>	<u>135,934</u>

C. Revenue recognition policies

The consolidated group recognises revenue as follows:

i. Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the consolidated group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated group: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

ii. 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 plastics,

Notes to the Financial Statements 30 June 2024

used ink and toner cartridges from these companies and recycles them in environmentally responsible ways. Recycling may consist of:

- Breaking down the materials in the cartridge and re-purposing them (manufacturing plastic from cartridge pieces);
- Processing the cartridges for re-use printer cartridges; and
- 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.

iii. 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 remanufactured 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 and metals to manufacture their products.

iv. 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 there will be no significant returns.

v. Sale of thermal paper

For sales of thermal paper 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 use of the paper or distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods. A receivable is recognised by the company when the goods are delivered to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due. No element of financing is deemed present as the sales are made with a credit term of 30 to 60 days (dependent on specific customers), which is consistent with market practice.

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

vi. Sale of electronic equipment

For sales of electronic equipment 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 use of the electronic equipment or 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

Notes to the Financial Statements 30 June 2024

the sales are made with a credit term of 30 days (dependent on specific customers), which is consistent with market practice.

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

vii. 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.

viii. 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.

ix. Other revenue

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

Note 9. Income and expenses

A. Other income

	Note	Consolidated	
		30 June 2024 \$'000	30 June 2023 \$'000
Interest Income		1,331	-
Government grants		621	854
Foreign Exchange Gains		1,348	492
Supplier Rebates		159	142
Profit/(Loss) on Disposal of Fixed Assets		(3)	-
Other Income		3,397	430
Other income		<u>6,853</u>	<u>1,918</u>

B. Other expenses

	Note	Consolidated	
		30 June 2024 \$'000	30 June 2023 \$'000
Profit before income tax from continuing operations includes the following expenses:			
Depreciation			
Depreciation on property, plant and equipment		2,624	1,749
Depreciation on right-of-use assets		3,716	3,578
Total depreciation		<u>6,340</u>	<u>5,327</u>
Amortisation			
Amortisation of non-current assets		14,729	1,613
Total depreciation and amortisation		<u>21,069</u>	<u>6,940</u>

Notes to the Financial Statements
30 June 2024

	Consolidated	
	30 June 2024	30 June 2023
	\$'000	\$'000
Finance costs		
Interest and finance charges paid/payable on borrowings	9,581	2,443
Interest and finance charges paid/payable on lease liabilities	1,512	367
Interest income received	-	(329)
	<u>11,093</u>	<u>2,481</u>
Finance costs expensed		
Net foreign exchange movement		
Net foreign exchange (gain)	<u>(1,348)</u>	<u>(589)</u>

C. Accounting policy for cost of sales

When inventories are sold, the carrying amount of those inventories will be recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories shall be recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, shall be recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

There was not any write-down of inventories to fair value less costs to sell. There was no amount reversed of any write-down of inventories recognised during the current financial year arising from an increase in net realisable value.

Note 10. Earnings per share

	Consolidated	
	30 June 2024	30 June 2023
	\$'000	\$'000
Earnings per share for profit from continuing operations		
Profit after income tax	11,166	12,238
Non-controlling interest	<u>(214)</u>	<u>(128)</u>
	<u>10,952</u>	<u>12,110</u>
Profit after income tax attributable to the owners of Close the Loop Limited		
Basic earnings per share (cents)	2.08	3.23
Diluted earnings per share (cents)	2.02	3.11

Weighted average number of ordinary shares

Weighted average number of ordinary shares used in calculating basic earnings per share	526,290,989	374,712,429
Adjustments for calculation of diluted earnings per share:		
Options and rights over ordinary shares	<u>15,607,832</u>	<u>14,755,516</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>541,898,821</u>	<u>389,467,945</u>

Note 11. Share-based payment arrangements

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the

Notes to the Financial Statements
30 June 2024

number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

A. Description of share-based payment arrangements

At 30 June 2024, the Group had the following share-based payment arrangements.

i. Rights and options over equity instruments granted as compensation

Details of rights and options over ordinary shares in the Company that were granted as compensation to each key management person during the reporting period and details of rights and options that vested during the reporting period are as follows:

Options	Number of options granted during 2021-22	Grant date	Fair value per option at grant date \$	Exercise price per option \$	Expiry date	Number of options vested during 2021-22
Lawrence Jaffe	3,000,000	2 December 2021	0.059	0.30	2 December 2023	3,000,000
Marc Lichtenstein	1,000,000	2 December 2021	0.059	0.30	2 December 2023	1,000,000
Tom Ogonek	1,000,000	2 December 2021	0.059	0.30	2 December 2023	1,000,000

No options were issued in the financial year ending 30 June 2023.

All the options listed above were exercised prior to their expiry date during the current financial year.

On 15 December 2023 rights were granted as compensation to key management personnel (KMP) and senior employees as follows:

Grant date	Expiry Date	Exercise price	Balance at the start of the year	Granted	Vested	Expired / forfeited / Other (A)	Balance at the end of the year
KMP							
15 December 2023	15 December 2028	\$0.00	-	4,500,000	-	-	4,500,000
Senior Employees							
15 December 2023	15 December 2028	\$0.00	-	3,900,000	-	-	3,900,000

On 20 December 2022 rights were granted as compensation to key management personnel (KMP) and senior employees as follows:

Grant date	Expiry Date	Exercise price	Balance at the start of the year	Granted	Vested	Expired / forfeited / Other (A)	Balance at the end of the year
KMP							
20 December 2022	20 December 2027	\$0.00	3,750,000	-	-	-	3,750,000
Senior Employees							
20 December 2022	20 December 2027	\$0.00	2,500,000	-	-	500,000	2,000,000

A. Performance rights forfeited as they did not meet the vesting conditions prior to the expiry date or due to the employee ceasing employment.

All rights and options expire on the earlier of their expiry date or termination of the individual's employment. The options vested in full upon the listing of Close the Loop Limited on 2 December 2021. The options were exercisable up to two years from grant date.

The rights vest three years from grant date and expire five years from grant date. In addition to a continuing employment service condition, vesting is conditional on the Group achieving share price targets. For rights granted in the current year, the earliest vesting date is 15 December 2026.

On 18 January 2024 options were issued for services rendered in relation to the acquisition of ISP Tek Services and Captive Trade Corp. Details of the options are as follows:

Options	Number of options granted during 2023-24	Grant date	Fair value per option at grant date \$	Exercise price per option \$	Expiry date	Number of options vested during 2023-24
Tranche 1	500,000	18 January 2024	0.102	0.38	18 January 2027	500,000
Tranche 2	500,000	18 January 2024	0.021	0.90	18 January 2027	500,000

No other options or share based payments were made during the year ending 30 June 2024.

B. Measurement of fair values

i. Equity-settled share-based payment arrangements

The fair value of the employee share options (see (A)(i)) has been measured using the Black-Scholes formula. Service and non-market performance conditions attached to the arrangements were not taken into account in measuring fair value.

The inputs used in the measurement of the fair values at grant date of the option equity-settled share-based payment plans were as follows.

	Grant date 30 November 2021	Measurement date 2 December 2021
Fair value	5.9 cents	5.9 cents
Share price	20 cents	20 cents
Exercise price	30 cents	30 cents
Expected volatility (weighted-average)	75%	75%
Expected life (weighted-average)	2 years	2 years
Expected dividends	-	-
Risk-free interest rate (based on government bonds)	1.5%	1.5%

Notes to the Financial Statements
30 June 2024

	Grant date 18 January 2024	Measurement date 18 January 2024
Fair value	10.2 cents	10.2 cents
Share price	36 cents	36 cents
Exercise price	38 cents	38 cents
Expected volatility (weighted-average)	40%	40%
Expected life (weighted-average)	3 years	3 years
Expected dividends	-	-
Risk-free interest rate (based on government bonds)	3.00%	3.00%

	Grant date 18 January 2024	Measurement date 18 January 2024
Fair value	2.1 cents	2.1 cents
Share price	36 cents	36 cents
Exercise price	90 cents	90 cents
Expected volatility (weighted-average)	40%	40%
Expected life (weighted-average)	3 years	3 years
Expected dividends	-	-
Risk-free interest rate (based on government bonds)	3.00%	3.00%

Expected volatility has been based on an evaluation of the historical volatility of the Company's share price, particularly over the historical period commensurate with the expected term. The expected term of the instruments has been based on historical experienced and general option holder behaviour.

The valuation of the performance rights has been split into 4 Tranches. For the performance rights granted during the current financial period, a Binomial Option Valuation model was used to value the performance rights for Tranche 1. A probability adjustment for market vesting conditions is then attached to the value of the performance rights. Each performance right, once vested, entitles the performance right holder to receive one fully paid ordinary share in the Company for zero consideration.

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

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

2024

Tranche	Share price at grant date	Volatility	Dividend Yield	Number of Performance Rights	Fair value at grant date
Tranche 1	\$0.335	60%	\$nil	3,360,000	\$0.335
Tranche 2	\$0.335	60%	\$nil	1,680,000	\$0.256
Tranche 3	\$0.335	60%	\$nil	1,680,000	\$0.231
Tranche 4	\$0.335	60%	\$nil	1,680,000	\$0.219

Notes to the Financial Statements
30 June 2024

2023

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

C. Reconciliation of outstanding share options

The number and weighted-average exercise prices of share options under the share option programs (see (A)(i) and (A)(ii)) were as follows.

	2024		2023	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at 1 July	5,000,000	30 cents	5,000,000	30 cents
Forfeited during the year	-	-	-	-
Exercised during the year	(5,000,000)	30 cents	-	-
Granted during the year	1,000,000	64 cents	-	-
Outstanding at 30 June	1,000,000	64 cents	5,000,000	30 cents
Exercisable at 30 June	1,000,000	64 cents	5,000,000	30 cents

D. Expense recognised in profit or loss

During the financial year end 30 June 2024 an amount of \$1,098,000 (30 June 2023: \$258,000) was expensed as result of the share based payment for the issue of the rights and options.

Note 12. Income taxes

A. Amounts recognised in profit or loss

	Consolidated	
	30 June 2024 \$'000	30 June 2023 \$'000
Current tax expense		
Current year tax	7,832	1,657
Deferred tax	(4,896)	986
Aggregate income tax expense	<u>2,936</u>	<u>2,643</u>
Numerical reconciliation of income tax expense/(benefit) and tax at the statutory rate		
Profit before income tax expense	14,102	14,881
Tax at the statutory tax rate of 30% (2023: 30%)	4,231	4,464
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non-assessable income	(272)	(341)
Non-deductible expenses	299	99
Timing differences	(22)	-
	<u>4,236</u>	<u>4,222</u>
Current year tax losses not recognised	-	-
Difference in overseas tax rates	(907)	(519)
Prior year tax adjustment	705	(22)

Notes to the Financial Statements
30 June 2024

	Consolidated	
	30 June 2024	30 June 2023
	\$'000	\$'000
USA State and Local impact	97	-
Listing costs recognised in current period	-	85
Research and development tax benefit	(193)	(255)
Prior year under provision of deferred income tax	(244)	-
Recognition of previously unrecognised tax losses	(758)	-
Recognition of prior year deferred tax balances	-	(868)
Income tax expense	2,936	2,643

B. Deferred tax asset

	Consolidated	
	30 June 2024	30 June 2023
	\$'000	\$'000
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Property, plant and equipment - tax allowance	(2,098)	(1,348)
Provisions	237	-
Employee benefits	691	486
Leases	450	68
Accrued expenses	82	533
Business interest deduction carry forward	101	-
USA uniform capitalisation adjustments	159	-
Intangible assets	(17,377)	-
Black hole expense	-	451
Research and development tax offsets	346	834
Other	(8)	650
Deferred tax asset / (liability)	(17,417)	1,674

C. Current tax liability

	Consolidated	
	30 June 2024	30 June 2023
	\$'000	\$'000
Current tax liability comprises:		
Income tax liability		
Australian entity	215	-
Foreign entity	326	1,642
	541	1,642

D. Unrecognised tax losses:

The company has accumulated tax losses which have not been recognised as deferred tax assets. The consolidated balance of the tax losses carried forward as of 30 June 2024 was \$13,634,546. (30 June 2023: \$14,392,804)

E. Accounting policy for income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable. The 100% owned Australian companies have formed a tax consolidated group with effect from 30 November 2021 with Close the Loop Limited being the head entity in the tax consolidated group.

Notes to the Financial Statements
30 June 2024

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Note 13. Cash and cash equivalents

	Consolidated	
	30 June 2024	30 June 2023
	\$'000	\$'000
Current assets		
Bank balances	26,007	49,458
Call deposits	14,637	-
Cash and cash equivalents in the statement of financial position	40,644	49,458
Bank overdrafts repayable on demand and used for cash management purposes	-	-
Cash and cash equivalents in the statement of cash flows	<u>40,644</u>	<u>49,458</u>

A. Accounting policy for cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

Note 14. Trade and other receivables

		Consolidated	
	Note	30 June 2024 \$'000	30 June 2023 \$'000
Current Assets			
Trade receivables		36,717	25,362
Less: Provision for doubtful debts	14A	(573)	(300)
Less: Provision for estimated credit losses	14A	(293)	(232)
		<u>35,851</u>	<u>24,830</u>
Loan advanced to landlord		-	30
Other trade receivables		205	1,288
		<u>36,056</u>	<u>26,148</u>
Non-Current Assets			
Loan advanced to landlord	16	<u>109</u>	<u>109</u>

As at 30 June 2024, a loan advanced to the landlord to remove debris from the adjoining land remains outstanding. The loan is repayable monthly over 10 years.

A. Allowance for expected credit losses

Movements in the allowance for expected credit losses are as follows:

	Consolidated	
	30 June 2024 \$'000	30 June 2023 \$'000
Opening balance	532	288
Receivables written off during the year as uncollectable	(587)	(56)
Receivables deemed to be uncollectable and specifically provided for in provision for doubtful debts	921	300
	<u>866</u>	<u>532</u>
Closing balance		

B. Accounting policy for trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The consolidated group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Note 15. Inventories

	Consolidated	
	30 June 2024 \$'000	30 June 2023 \$'000
Current		
At cost:		
Raw materials and consumables	3,558	3,166
Finished goods	13,311	12,170
Goods in transit	3,204	539
Provision for Obsolete/Damaged Stock	(127)	-
	<u>19,946</u>	<u>15,875</u>

Notes to the Financial Statements
30 June 2024

A. Accounting policy for inventories

Inventories represent mainly packaging materials, consumables, electronic equipment, thermal paper, plastics and processed toner. Inventories are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises of purchase, import duties and other taxes and transport, handling and other costs directly attributable to the acquisition of materials and services.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Note 16. Other Assets

	Consolidated	
	30 June 2024	30 June 2023
	\$'000	\$'000
Current Assets		
Prepayments	1,906	456
Income tax refund due	-	949
Other deposits	496	108
Directors' loans	285	-
Other current assets	429	3,643
	<u>3,116</u>	<u>5,156</u>

	Consolidated	
	30 June 2024	30 June 2023
	\$'000	\$'000
Non-Current Assets		
Loan receivable	109	109
Directors' loans	1,344	-
Capitalised costs	494	332
Other deposits	248	197
	<u>2,195</u>	<u>638</u>

Note 17. Investments

	Consolidated	
	30 June 2024	30 June 2023
	\$'000	\$'000
Non-Current Assets		
Investments	200	155
	<u>200</u>	<u>155</u>

Note 18. Property, plant and equipment

	Consolidated	
	30 June 2024 \$'000	30 June 2023 \$'000
Non-Current Assets		
Leasehold improvements - at cost	9,529	7,364
Less: Accumulated depreciation	(1,890)	(1,855)
	<u>7,639</u>	<u>5,509</u>
Plant and equipment - at cost	42,528	40,338
Less: Accumulated depreciation	(30,873)	(30,251)
	<u>11,655</u>	<u>10,087</u>
Office and Computer Equipment	3,329	2,889
Less: Accumulated depreciation	(3,049)	(2,759)
	<u>280</u>	<u>130</u>
Motor Vehicles	539	536
Less: Accumulated depreciation	(154)	(113)
	<u>385</u>	<u>423</u>
Capital works in progress	6,458	4,019
	<u>26,417</u>	<u>20,168</u>

A. Reconciliation of carrying amount

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

	Note	Leasehold Improvements \$'000	Plant and equipment \$'000	Office and Computer Equipment \$'000	Motor Vehicles \$'000	Capital works in progress \$'000	Total \$'000
Balance at 1 July 2022		453	5,241	182	68	250	6,194
Additions		218	2,124	18	129	3,759	6,248
Acquisitions through business combinations	40	4,946	4,315	4	250	-	9,515
Transfers in/(out)		-	-	-	-	-	-
Disposals		(25)	(167)	-	-	-	(192)
Effect of movements in exchange rates		9	155	(21)	-	10	153
Depreciation expense		(92)	(1,581)	(53)	(24)	-	(1,750)
Balance at 30 June 2023		<u>5,509</u>	<u>10,087</u>	<u>130</u>	<u>423</u>	<u>4,019</u>	<u>20,168</u>

Notes to the Financial Statements
30 June 2024

Note	Leasehold Improvements \$'000	Plant and equipment \$'000	Office and Computer Equipment \$'000	Motor Vehicles \$'000	Capital works in progress \$'000	Total \$'000
Balance at 1 July 2023	5,509	10,087	130	423	4,019	20,168
Additions	1,286	4,062	240	138	4,365	10,091
Transfers in/(out)	1,450	476	-	-	(1,926)	-
Disposals	(188)	(614)	(20)	(140)	-	(962)
Effect of movements in exchange rates	4	(260)	(1)	1	-	(256)
Depreciation expense	(422)	(2,096)	(69)	(37)	-	(2,624)
Balance at 30 June 2024	7,639	11,655	280	385	6,458	26,417

B. Accounting policy for property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment over their expected useful lives. The depreciation rates used for each class of depreciable assets are:

Property, plant and equipment:

- Office and computer equipment 15% to 33%
- Plant and equipment 10% to 25%
- Motor vehicles 25%
- Leasehold improvements 10%
- Others 10% to 25%

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised in profit or loss. A formal assessment of recoverable amount is made when impairment indicators are present.

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Capital work in progress represents costs incurred to construct, assemble and/or install an asset. Once completed, the asset will be transferred to its relevant class of property, plant and equipment.

Note 19. Right of use assets

	Consolidated	
	30 June 2024 \$'000	30 June 2023 \$'000
Non-Current Assets		
Buildings - right-of-use	33,146	24,666
Less: Accumulated amortisation	(9,935)	(4,244)
	<u>23,211</u>	<u>20,422</u>
Plant and equipment - right-of-use	1,091	629
Less: Accumulated amortisation	(502)	(213)
	<u>589</u>	<u>416</u>
	<u>23,800</u>	<u>20,838</u>

	Note	Buildings \$'000	Plant and equipment \$'000	Total \$'000
Balance at 1 July 2022		5,491	8,224	13,715
Reclassification from prior year		8,165	(8,165)	-
Additions		3,810	73	3,883
Acquisitions through business combinations	41	6,499	298	6,797
Disposals		-	-	-
Effect of movements in exchange rates		19	2	21
Amortisation expense		(3,562)	(16)	(3,578)
Balance at 30 June 2023		<u>20,422</u>	<u>416</u>	<u>20,838</u>
Balance at 1 July 2023		20,422	416	20,838
Additions		6,654	419	7,073
Disposals		-	-	-
Effect of movements in exchange rates		(353)	(42)	(395)
Amortisation expense		(3,512)	(204)	(3,716)
Balance at 30 June 2024		<u>23,211</u>	<u>589</u>	<u>23,800</u>

The consolidated group leases land and buildings for its offices and warehouses under agreements of between 1 to 10 years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated. The consolidated group also leases plant and equipment under agreements of between 1 to 5 years.

The consolidated group leases office equipment under agreements of less than one year. These leases are either short-term or low-value, so have been expensed as incurred and not capitalised as right-of-use assets.

A. Accounting policy for right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over

Notes to the Financial Statements
30 June 2024

its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Note 20. Intangible assets and goodwill

	Consolidated	
	30 June 2024	30 June 2023
	\$'000	\$'000
Non-Current Assets		
Goodwill	40,783	117,526
Less: Impairment	-	(1)
	40,783	117,525
Customer Relationships	102,950	9,175
Less: Accumulated amortisation	(13,158)	(1,609)
	89,792	7,566
Patents and trademarks - at cost	1,359	1,404
Less: Accumulated amortisation	(920)	(848)
	439	556
Brand Names - at cost	5,356	5,005
Less: Accumulated amortisation	(550)	(203)
	4,806	4,802
Software created – at cost	10,275	1,500
Less: Accumulated amortisation	(3,283)	(680)
	6,992	820
	142,812	131,269

A. Reconciliations

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

	Goodwill	Customer	Patents and	Brand	Software	Total
	\$'000	relationships	Trademarks	Names	created	\$'000
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Consolidated						
Balance at 1 July 2022	20,265	7,878	572	-	1,195	29,910
Purchase price adjustment	(5,681)	676	-	5,005	-	-
Additions through business combinations (Note 40)	102,941	-	-	-	-	102,941
Amortisation expense	(-)	(988)	(16)	(203)	(375)	(1,582)
Balance at 30 June 2023	117,525	7,566	556	4,802	820	131,269

Notes to the Financial Statements
30 June 2024

	Goodwill \$'000	Customer relationships \$'000	Patents and Trademarks \$'000	Brand Names \$'000	Software created \$'000	Total \$'000
Balance at 1 July 2023	117,525	7,566	556	4,802	820	131,269
Purchase price adjustment	(76,742)	94,028	-	243	8,415	25,944
Additions	-	-	-	-	97	97
Transfers in/(out)	-	-	(16)	-	-	(16)
Exchange difference	-	209	-	-	38	247
Amortisation expense	-	(12,011)	(101)	(239)	(2,378)	(14,729)
Balance at 30 June 2024	40,783	89,792	439	4,806	6,992	142,812

B. Impairment considerations

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of the recoverable amount. Where the carrying value of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

The recoverable amount is the greater of fair value less costs to sell or the asset's value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

An impairment is recorded if its recoverable amount is less than its carrying amount. The recoverable amount is the higher of fair value less cost to disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using pre-tax discount rate.

C. Goodwill and goodwill impairment testing

Goodwill represents the excess of purchase consideration over the fair value of net assets acquired in a business combination. Goodwill is carried at cost less accumulated impairment losses and is tested for impairment annually or more frequently, if events or changes in circumstances indicate that it might be impaired.

For the purpose of impairment testing, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash generating units). Goodwill is allocated to cash generating units (CGUs), or groups of CGUs, expected to benefit from synergies of the business combination.

The majority of the Company's goodwill at 30 June 2024 relates to the acquisition of Close the Loop Limited, O F Resource Recovery Pty Ltd, Oceanic Agencies Pty Ltd, Foster International Packaging (Pty) Ltd, Crasti & Company Pty Ltd, In-Plas Recycling, Captive Trade Corporation and ISP Tek Services. These acquisitions were acquired with the intention of delivering benefits of revenue growth and synergy to the group. The lowest level within the group for which information about goodwill is monitored for internal management purposes is the CGUs for each acquisition. The Group has determined that goodwill is tested at a CGU level.

The O F Pack Group had some historical goodwill at 1 July 2021 which relates to the historical business combination that formed O F Pack and the business combination regarding the acquisition of O F Flexo Pty Ltd by O F Packaging Pty Ltd. This historical goodwill has been tested at year end and no impairment was necessary at 30 June 2024.

The recoverable amount of the Company CGUs was calculated on the basis of value in use using a discounted cash flow model. Future cash flows were projected for 5 years for each CGU, with key assumptions being CGU earnings which is based on expected future performance indicators of the CGU.

**Notes to the Financial Statements
30 June 2024**

i. Key assumptions

Key assumptions used in the value in use approach to test for impairment relate to the discount rate and the medium-term and long-term growth rates applied to projected cash flows. A value in use model is sensitive to the following inputs:

ii. Discount rate

The discount rates used in the discounted cash flow model reflect the Group's estimate of the time value of money and risks specific to the Company CGU. Discount rates are based on the Group's weighted average cost of capital (WACC), adjusted for market risk and specific risk factors. The post-tax discount rate for each relevant CGU is as follows:

Cash Generating Unit	Discount Rate	
	30 June 2024	30 June 2023
O F Packaging	16.0%	15.0%
O F Flexo	16.0%	15.0%
O F Resource Recovery	16.0%	15.0%
Oceanic Agencies	17.5%	17.0%
Crasti & Company	15.0%	14.0%
Alliance Paper	15.0%	-
Foster International Packaging	28.0%	28.0%
The Pouch Shop	28.0%	-
Close the Loop Limited CGUs:		
- Australia	16.0%	15.0%
- USA	13.0%	12.8%
- Europe	17.0%	16.5%
In-Plas Recycling	25.0%	24.0%
ISP Tek Services and Captive Trade Corp	14.0%	12.5%

iii. Projected cash flows

The projected cash flows are derived from 2024 actual results and 2025 to 2029 financial projections approved by the Board. This reflects the best estimate of the of the CGU group cash flows at the time of this report. Projected cash flows can differ from future actual cash flows and results of operations.

iv. Long-term growth rate into perpetuity

Long-term growth rate of 2.5% is used into perpetuity, based on the expected long-range growth rate for the industry.

v. Sensitivity range for impairment testing assumptions

As at 30 June 2024, management has identified that for the carrying amount to exceed the recoverable amount the discount rate would need to increase significantly for each CGU before any impairment was required to be made.

No impairment arose as a result of goodwill impairment testing for the periods ended 30 June 2024 or 30 June 2023.

D. Accounting policy for intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Notes to the Financial Statements
30 June 2024

i. Customer Relationships, Patents and trademarks

Patents, trademarks, customer relationships and licences are recognised at cost of acquisition. Patents and trademarks have a finite life and are carried at cost less accumulated amortisation and any impairment losses. Intangible assets are amortised over their estimated useful life which range from 10 to 15 years.

Note 21. Trade and other payables

	Consolidated	
	30 June 2024	30 June 2023
	\$'000	\$'000
Trade payables	19,058	12,612
Sundry payables and accruals	1,274	8,306
Deferred consideration	569	-
Contingent consideration	-	8,262
	<u>20,901</u>	<u>29,180</u>

Contingent consideration – ISP Tek Services

AASB 3: Business Combinations requires Close the Loop Limited 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 represented an estimate of the fair value of future instalments payable to the vendors of ISP Tek Services which was based on future estimates of earnings before interest, tax, depreciation and amortisation (EBITDA). At 30 June 2023 Close the Loop made an assessment of the performance of ISP Tek Services over future accounting periods when consideration was payable.

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

During the year ended 30 June 2024 the maximum amount of contingent consideration of US\$5 million was paid to the vendors of ISP Tek Services.

A. Accounting policy for trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated group prior to the end of the financial year and which are unpaid. Due to their short-term nature, they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Note 22. Borrowings

	Consolidated	
	30 June 2024	30 June 2023
	\$'000	\$'000
Current liabilities		
Bank loans	1,887	1,885
Other borrowings	-	1,445
Notes payable	377	377
Directors' loan	-	12
Trade finance	224	795
Convertible note	11,464	11,312
Finance lease liabilities	308	268
	<u>14,260</u>	<u>16,094</u>

Notes to the Financial Statements
30 June 2024

	Consolidated	
	30 June 2024	30 June 2023
	\$'000	\$'000
Non-current liabilities		
Bank loans	56,614	58,397
Notes payable	755	1,131
Convertible note	11,464	11,312
Finance lease liabilities	127	580
	<u>68,960</u>	<u>71,420</u>
	<u>83,220</u>	<u>87,514</u>

i. Trade assist facility

During the year ended 30 June 2023 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 30 June 2023 \$794,687 of the trade finance facility and \$1,454,108 of the debtor funding facility had been utilised. The loan was secured over Alliance Paper's trade receivables and inventory with a cross guarantee in place between Alliance Paper Pty Ltd and its fully owned subsidiary Sustain Paper Pty Ltd.

During the year ended 30 June 2024 the Octet funding facilities were repaid in full and the facility was closed.

ii. Bank loans

During the year ended 30 June 2023, the Group obtained new business bank loans to the amount of \$5,200,000 from National Australia Bank. The loans incurred interest at variable market rates and were repayable within five years. As a result of entering into the PGIM Inc. facilities all National Australia Bank bank loans were repaid during the year ended 30 June 2023. Repayments of National Australia Bank debt amounting to \$7,659,027 were made in line with previously disclosed repayment terms during the year ended 30 June 2023. All National Australia Bank loans and facilities were repaid in full during the financial year ended 30 June 2023.

iii. Line of credit facility

CtL Inc established a US\$600,000 line of credit with a US bank during June 2022. The line of credit was secured by business assets of CtL Inc and required CtL Inc to meet certain restrictive covenants. The company was in compliance with these covenants as of 1 July 2022 and none of this facility was in use at that date. This facility was extinguished during the year ended 30 June 2023.

As of 1 July 2022, the line of credit required the Company to meet certain restrictive covenants. Management believes the Company was in compliance with these covenants throughout the previous financial year whilst this facility was in place.

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 2024 or since its inception and has a maturity date of 26 December 2029. The facility incurs interest at a rate of 35% of the margin of the lender on the unused facility, which was 2.1% at 30 June 2024, (30 June 2023: 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.

During the year ended 30 June 2024, the company entered into a new corporate credit card facility with a limit of \$1.4 million.

Notes to the Financial Statements
30 June 2024

iv. Senior Secured Term Loan

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 30 June 2024 was \$38,750,000 (30 June 2023: \$39,750,000). The facility matures on 26 October 2029 and incurs interest at a variable rate of 11.48458% at 30 June 2024 (30 June 2023: 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 2024 or 30 June 2023 and has a maturity date of 26 October 2029. The facility incurs interest at a rate of 2.1% at 30 June 2024 (30 June 2023: 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.

The PGIM Inc. facilities have a variable interest rate based on a variable base rate plus a margin. The facilities contain financial covenants which the Company is in compliance with.

The Group has complied with all banking covenants throughout the period and as at 30 June 2024.

v. Note payable

As part of the In-Plas Recycling acquisition on 28 February 2023, Close the Loop entered into a promissory note which would be paid in the form of four equal annual deferred cash payments of US\$250,000, paid on the anniversary date of the settlement of the acquisition. There is no interest payable on the deferred cash settlement amount, which has been guaranteed by Close the Loop Inc. On 28 February 2024 the first of the four payments of US\$250,000 was made.

vi. Convertible notes

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.

Notes to the Financial Statements
30 June 2024

vii. O F Packaging group facilities

O F Packaging Pty Ltd has the following facilities with NAB Australia:

	30 June 2024 \$'000	30 June 2023 \$'000
Commercial Cards	195	285
Revolving leasing limit	-	230
Bank Guarantees	171	171

Facilities were 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 was 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. These facilities were extinguished during the year ended 30 June 2023, with the exception of the commercial cards facility which has a balance of \$195,000 (30 June 2023: \$285,000) at 30 June 2024 and the bank guarantees. The revolving leasing facility was unused at 30 June 2023 and extinguished during the 30 June 2024 financial year.

viii. Finance lease liability

Lease liabilities are secured by the underlying leased assets.

Financing arrangements

Unrestricted access was available at the reporting date to the following lines of credit:

	Consolidated	
	30 June 2024 \$'000	30 June 2023 \$'000
Total facilities		
Credit standby arrangement and loan facilities	78,967	83,186
Used at the reporting date		
Credit standby arrangement and loan facilities	60,292	62,581
Unused at the reporting date		
Credit standby arrangement and loan facilities	18,675	20,605

ix. Accounting policy for borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Note 23. Lease Liabilities

	Consolidated	
	30 June 2024 \$'000	30 June 2023 \$'000
Current liabilities		
Lease liabilities	3,805	3,766
	3,805	3,766
Non-current liabilities		
Lease liabilities	21,633	19,577
	21,633	19,577
	25,438	23,343

Notes to the Financial Statements
30 June 2024

Refer to note 38 for further information on financial instruments.

i. Accounting policy for lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Note 24. Provisions

	Consolidated	
	30 June 2024	30 June 2023
	\$'000	\$'000
Current liabilities		
Employee benefits	3,054	1,897
Other - unprocessed inventory	395	798
	3,449	2,695
Non-current liabilities		
Employee benefits	112	265
	112	265
	3,561	2,960

	Consolidated	
	30 June 2024	30 June 2023
	\$'000	\$'000
Other - unprocessed inventory		
Carrying amount at the start of the year	798	766
Reversal of provision due to processing inventory	(381)	-
Translation difference	(22)	32
	395	798
Carrying amount at the end of the year	395	798

i. Accounting policy for provisions

Provisions are recognised when the consolidated group has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Notes to the Financial Statements
30 June 2024

ii. Accounting policy for employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the (undiscounted) amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Note 25. Deferred revenue

	Consolidated	
	30 June 2024	30 June 2023
	\$'000	\$'000
Current liabilities		
Deferred revenue - government grants	1,226	-
Deferred revenue - customer contracts	-	-
	<u>1,226</u>	<u>-</u>
Non-current liabilities		
Deferred revenue	-	152
	<u>-</u>	<u>152</u>
	<u>1,226</u>	<u>152</u>

i. Accounting policy for deferred revenue

Government grants are not recognised until there is reasonable assurance that the consolidated group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the consolidated group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the consolidated group should purchase, construct or otherwise acquire non-current assets (including property, plant and equipment) are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Receipts from customers without any services being provided are recognised as deferred revenue until such time as goods or services are provided to the customer and the company is entitled to the revenue that then is recognised in the profit or loss for the period.

Note 26. Other current liabilities

	Consolidated	
	30 June 2024	30 June 2023
	\$'000	\$'000
Other current liabilities		
Customer deposits	159	-
Other liabilities	1,186	-
Contract liabilities	-	439
	<u>1,345</u>	<u>439</u>

Note 27. Equity – issued capital

	30 June 2024	30 June 2023	30 June 2024	30 June 2023
	Shares	Shares	\$'000	\$'000
Ordinary shares – fully paid	<u>531,849,866</u>	<u>515,656,791</u>	<u>105,852</u>	<u>100,588</u>

A. 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 (Refer to Note 40)	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				<u>(2,229)</u>
Balance	30 Jun 2023	<u>515,656,791</u>		<u>100,588</u>
	Date	Shares	Issue price	\$'000
Balance at the beginning of the year	1 Jul 2023	515,656,791		100,588
Shares issued to ISP Tek Services and Captive Trade Corp vendors (Refer to Note 40)	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
Shares issued for acquisition of plant and equipment	9 Feb 2024	1,551,885	\$0.39	605
Transaction costs relating to share issues				<u>(21)</u>
Balance	30 Jun 2024	<u>531,849,866</u>		<u>105,852</u>

i. Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

Every member present at a meeting in person or by proxy shall have one vote.

Shares issued to key management personnel and Directors as part of the employee share plans under borrowing arrangements are disclosed in note 28.

ii. Accounting policy for issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Note 28. Reserves

	Consolidated	
	30 June 2024 \$'000	30 June 2023 \$'000
Foreign currency reserve	(883)	(1,560)
Hedging reserve	-	58
Share-based payments reserve	754	258
Other reserves	19	(16)
	<u>(110)</u>	<u>(1,260)</u>

i. Foreign currency reserve

The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars. It is also used to recognise gains and losses on hedges of the net investments in foreign operations.

ii. Hedging reserve - cash flow hedges

The reserve is used to recognise the effective portion of the gain or loss of cash flow hedge instruments that is determined to be an effective hedge in relation to interest swap contracts.

iii. Other reserve

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

iv. Share-based payments reserve

Options under the Employee Share Option Plan or contractual arrangement:

As part of the Australian Stock Exchange (ASX) 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. In the previous financial year options were issued with the following characteristics:

Grant Date	Expiry date	Number of options granted	Exercise price per option
2 December 2021	2 December 2023	11,000,000	\$0.30

All the options that expired on 2 December 2023 were exercised in the current and prior financial year.

Services were rendered, in relation to the acquisition of ISP Tek Services and Captive Trade Corp, that were entitled to options or a cash incentive if the transaction successfully completed. Options have been issued in lieu of a cash incentive payment.

Grant Date	Expiry date	Number of options granted	Exercise price per option
18 January 2024	18 January 2027	500,000	\$0.38
18 January 2024	18 January 2027	500,000	\$0.90

Notes to the Financial Statements
30 June 2024

	30 June 2024	30 June 2023
	No. of options	No. of options
A summary of the movements of all company options issued is as follows:		
Options outstanding at the beginning of the year	10,585,134	11,000,000
Options expired that were not exercised	-	-
Options issued for services rendered as part of the ISP Tek Services and Captive Trade Corp acquisition	1,000,000	-
Options exercised	<u>(10,585,134)</u>	<u>(414,866)</u>
Options outstanding at the end of the year	<u>1,000,000</u>	<u>10,585,134</u>

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.

Set out below are summaries of performance rights granted as at 30 June 2024:

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

Set out below are summaries of performance rights granted as at 30 June 2023:

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

v. Measurement of fair values

Fair value of options granted to employees and short-term borrowings is deemed to represent the value of employee services received over the vesting periods.

The weighted average fair value of options granted during the year ended 30 June 2024 was \$0.062. As at reporting date, no options have been exercised. No options were issued during the year ended 30 June 2023. These values were calculated using the Black Scholes Merton option-pricing model applying the following inputs:

- Weighted average expected life of the option 3 years
- Expected share price volatility 40%
- Risk-free interest rate 3%

Notes to the Financial Statements 30 June 2024

Historical share price volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future volatility.

The life of the options is based on the historical exercise patterns, which may not eventuate in the future.

The valuation of the performance rights has been split into 4 Tranches. For the performance rights granted during the current and prior financial periods, a Binomial Option Valuation model was used to value the performance rights for Tranche 1. A probability adjustment for market vesting conditions is then attached to the value of the performance rights. Each performance right, once vested, entitles the performance right holder to receive one fully paid ordinary share in the Company for zero consideration.

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

A risk-free rate of 3% (30 June 2023: 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:

Performance rights granted in the 30 June 2024 financial year:

Tranche	Share price at grant date	Volatility	Dividend Yield	Number of Performance Rights	Fair value at grant date
Tranche 1	\$0.335	60%	\$nil	3,360,000	\$0.335
Tranche 2	\$0.335	60%	\$nil	1,680,000	\$0.256
Tranche 3	\$0.335	60%	\$nil	1,680,000	\$0.231
Tranche 4	\$0.335	60%	\$nil	1,680,000	\$0.219

Performance rights granted in the 30 June 2023 financial year:

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

vi. Movements in Reserves

Movements in each class of reserve during the current and previous financial year are set out below:

	Foreign currency translation reserves \$'000	Hedge reserve \$'000	Share-based Payments reserves \$'000	Other reserve \$'000	Total \$'000
Balance at 30 June 2022	(933)	29	-	5	(899)
Foreign operations – foreign currency translation differences	(627)	-	-	-	(627)
Movement in reserves as a result of business combination	-	29	-	(21)	8
Performance rights granted	-	-	258	-	258
Balance at 30 June 2023	(1,560)	58	258	(16)	(1,260)

Notes to the Financial Statements
30 June 2024

	Foreign currency translation reserves \$'000	Hedge reserve \$'000	Share-based Payments reserves \$'000	Other reserve \$'000	Total \$'000
Balance at 30 June 2023	(1,560)	58	258	(16)	(1,260)
Foreign operations – foreign currency translation differences	677	-	-	-	677
Payout of hedging reserve	-	(58)	-	-	(58)
Share-based payments transferred to retained earnings	-	-	(710)	-	(710)
Movement in other reserves	-	-	-	35	35
Options granted during the year	-	-	605	-	605
Performance rights granted	-	-	601	-	601
Balance at 30 June 2024	(883)	-	754	19	(110)

Note 29. Equity – dividends

Dividends paid during the financial year were as follows:

	Consolidated	
	30 June 2024 \$'000	30 Jun 2023 \$'000
Dividend for the year ended 30 June 2024 of nil cents (30 June 2023: nil cents) per ordinary share	-	-

On 28 May 2024 a dividend of R1,250,000 (A\$103,488) was declared and paid by Foster International Packaging (Pty) Ltd to its minority shareholder.

i. Accumulated profits reserve

The accumulated profits reserve represents profits of entities within the Group transferred to a separate reserve to preserve their profit character. Such profits are available to enable payment of franked dividends in future years. Dividends of \$Nil (2023: \$Nil) were distributed from the profits reserve during the year.

	30 June 2024 \$'000	30 June 2023 \$'000
Dividend franking account		
Amount of franking credits available to shareholders of Close the Loop Limited for subsequent financial years	3,208	3,208

The ability to use franking credits is dependent upon the ability to declare dividends. In accordance with the tax consolidation legislation, the Company as the head entity in the tax-consolidated group has also assumed the benefit of \$3,208,000 (2023: \$3,208,000) franking credits.

Note 30. Capital management

The key objectives of the Company when managing capital is to safeguard its ability to continue as a going concern and maintain optimal benefits to stakeholders. The Company defines capital as its equity and net debt. There has been no change to capital risk management policies during the year.

The Company manages its capital structure and makes funding decisions based on the prevailing economic environment and has a number of tools available to manage capital risk. These include maintaining a diversified debt portfolio, the ability to adjust the size and timing of dividends paid to shareholders and the issue of new shares.

The Board monitors a range of financial metrics including return on capital employed and gearing ratios. A key objective of the Company's capital risk management is to maintain compliance with the covenants attached to the Company's debts. The company complied with all lending covenants throughout the year ended 30 June 2024.

Notes to the Financial Statements 30 June 2024

The Group monitors capital using a ratio of 'net debt' to 'adjusted equity'. Net debt is calculated as total borrowings (as shown in the statement of financial position) less cash and cash equivalents. Adjusted equity comprises all components of equity other than amounts accumulated in the hedging and cost of hedging reserves.

The Group's policy is to keep the ratio below 2.00. The Group's net debt to adjusted equity ratio at 30 June 2024 was as follows.

		Consolidated	
	Note	30 June 2024	30 June 2023
		\$'000	\$'000
Total borrowings		83,220	87,514
Less: cash and cash equivalents		(40,644)	(49,458)
Net debt		42,576	38,056
Total equity		141,537	124,060
Less: hedging reserve	28	-	(58)
Adjusted equity		141,537	124,002
Net debt to adjusted equity ratio		0.30 times	0.31 times

Note 31. Reconciliation of cash flows from operating activities

	Consolidated	
	30 June 2024	30 June 2023
	\$'000	\$'000
Cash flows from operating activities		
Profit for the year after income tax expense	11,166	12,238
Adjustments for:		
Depreciation	2,624	1,749
Amortisation	18,445	5,190
Tax expense	2,936	2,643
	<u>35,171</u>	<u>21,820</u>
Changes in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(9,287)	(6,249)
Decrease/(increase) in inventories	(1,298)	(10,422)
Decrease/(increase) in deferred tax assets	-	148
Increase in prepayments	(470)	856
Decrease/(increase) in other current assets	3,449	-
Increase/(decrease) in trade and other payables	(7,529)	11,291
Increase/(decrease) in provisions and employee benefits	(590)	947
Increase/(decrease) in provision for income tax	1,045	4,287
Increase/(decrease) in deferred revenue	1,226	-
Net cash from operating activities	<u>21,717</u>	<u>22,678</u>

Note 32. Commitments

As part of the In-Plas Recycling acquisition, 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 of the acquisition. There is no interest payable on the deferred cash settlement amount, which has been guaranteed by Close the Loop Inc. The first instalment was paid during the financial year ended 30 June 2024 and thus there are three instalments due and payable in future periods. For more information regarding the acquisition refer to Note 40.

Notes to the Financial Statements
30 June 2024

As at 1 July 2022, the consolidated group's lease commitments have been captured within the lease liability amount on the statement of financial position following the adoption of AASB 16 Leases. The company did not have any other commitments as at 30 June 2024 or 30 June 2023.

Note 33. Key management personnel disclosures

	Consolidated	
	30 June 2024	30 June 2023
	\$'000	\$'000
Short-term employee benefits	1,575	2,249
Post-employment benefits	117	141
Long-term benefits	102	97
Director fees (short-term benefits)	153	130
Share-based payments	311	219
	2,258	2,836

Key management personnel disclosures

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, and the Chief Financial Officer who is the Company Secretary.

Note 34. Contingent liabilities

As part of the acquisition of ISP Tek Services there was potential contingent consideration payable in the form of a 12 month earn out capped at US\$5,000,000 (A\$7,541,000) 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 and was paid in full during the 30 June 2024 financial year.

The Directors are not aware of any other material contingent liabilities as at 30 June 2024 except for the matters noted in note 22 in respect of borrowings and facilities.

Note 35. Related party transactions

The group's main related parties are the Directors of the company and key management personnel.

i. Key management personnel

Disclosures relating to key management personnel are set out in note 33.

ii. 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 arrangements. All borrowing arrangements were settled during the course of the year ended 30 June 2022 and none of these options or borrowing arrangements remain outstanding at 30 June 2022.

Performance Rights

On 20 December 2022 performance rights were granted to certain employees pursuant to a Performance Rights Plan passed at the AGM held in November 2022.

On 15 December 2023 performance rights were granted to certain employees pursuant to a Performance Rights Plan passed at the AGM held in November 2023.

No rights vested during the year ended 30 June 2024 or 30 June 2023.

iii. Transactions with directors and director related entities

Close the Loop acquired The Pouch Shop on 1 October 2022, a niche provider of ready-to-label packaging and pouches for food products in South Africa, which was majority owned by Joe Foster. The second and final instalment for the purchase of this business is due and payable on 1 October

Notes to the Financial Statements 30 June 2024

2024. On this date an amount of ZAR4,000,000 plus 50% of the inventory on hand less 50% trade liabilities at the acquisition date will be due and payable.

On 1 December 2023 the company provided 3-year loans to directors, Greg Toll, Grant Carman, Lawrence Jaffe, Joe Foster and Marc Lichtenstein. Principal and interest, at a fixed rate of 4%, is to be paid annually on the anniversary of the drawdown date. The principal to be paid on each drawdown date anniversary is 10% of the loan amount. The loans are secured and can be extended for a further 3-year term if the parties so agree. At 30 June 2024 the total balance outstanding of director loans was \$1,464,000 and no amounts were considered to be doubtful debts at the reporting date or at any time since the loans were provided on 1 December 2023.

Sammy Saloum became a director on 23 November 2023. Sammy Saloum was one of the vendors of ISP Tek Servies and Captive Trade Corp (ISP). Prior to this date the company entered into convertible notes as part of the acquisition. Details of the terms and conditions of the convertible notes are included in Note 22. As part of the ISP acquisition Sammy Saloum entered into a 12-month consulting agreement, on an arm's length basis, that expired on 28 April 2024.

iv. Receivable from and payable to related parties

The wholly owned group consists of Close the Loop Ltd ("CtL Ltd") and its wholly owned controlled 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 ("CDL")
- ClozDloop France
- ClozDloop s.r.o.
- TonerPlas Pty Ltd
- Close the Loop Recovery Limited
- O F Packaging Pty Ltd
- O F Flexo Pty Ltd
- O F Resource Recovery Pty Ltd
- O F Resource Recovery Holdings Pty Ltd
- Foster International Packaging (Pty) Ltd
- Oceanic Agencies Pty Ltd
- Crasti & Company Pty Ltd
- Close the Loop Polymers Pty Ltd
- Close the Loop Paper Pty Ltd
- Alliance Paper Pty Ltd
- Sustain Paper Pty Ltd
- The Pouch Shop Proprietary Limited
- Close the Loop Group USA, Inc.
- Close the Loop Plastic Recycling, Inc.
- Captive Trade Corporation
- ISP Tek Services LLC

Percentage interests in these controlled entities are set out in note 37.

v. Management fees, strategic fees and advice and know how charged to/from controlled entities

Close the Loop Ltd incurs costs managing and overseeing its operations in Australia, Europe, South Africa and the USA. In addition, it incurs certain costs in relation to management and oversight. These costs are recovered through levying a management fee as and when required. During the 2023 financial year, CtL Ltd charged each operating business in the consolidated group management fees in proportion to their estimated annual revenue contribution to the consolidated group. During the prior financial year, CtL Ltd charged management fees, strategic fees, advice and know how charges and recharged corporate salaries to group companies of \$2,161,596. During the year ended 30 June 2024 no management fees, strategic fees, advice and know how charges and recharged corporate salaries to group companies were made.

Close the Loop Ltd has received a licence fee from Foster International Packaging Pty Ltd based on 7% of revenue per annum which generated intercompany licence fees of \$869,000 (2023: \$578,597).

Notes to the Financial Statements
30 June 2024

The 7% licence fee is paid after any other head office intercompany management fees are deducted from the gross amount of the licence fee due and payable.

vi. 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, \$162,464 (US\$108,000) (30 June 2023: \$160,380) as a dividend on its shares.

vii. 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 \$6,038,800 (US\$4 million) 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 a result of ClozDloop BV becoming a 100% owned subsidiary of the Close the Loop Limited during the previous financial year, it was agreed that no further interest would be charged on the outstanding loan amount post settlement. As at 30 June 2024, the balance was \$6,247,186 (US\$4,138,031) which includes principal and interest (30 June 2023: \$6,090,544).

Note 36. Parent entity information

	Parent 2024 \$'000	Parent 2023 \$'000
Result of parent entity		
Profit/(Loss) for the period	(4,005)	(925)
Other comprehensive income for the year, net of tax	-	-
Total comprehensive income/(loss) for the period	<u>(4,005)</u>	<u>(925)</u>
Financial position of parent entity at year end		
Total current assets	24,268	27,081
Total non-current assets	116,877	36,364
Total assets	<u>141,145</u>	<u>63,445</u>
Total current liabilities	13,731	1,522
Total non-current liabilities	11,464	-
Total liabilities	<u>25,195</u>	<u>1,522</u>
Total equity of the parent entity comprising of		
Share capital	105,852	70,364
Reserves	6,065	-
Retained earnings	4,033	(8,441)
Total equity	<u>115,950</u>	<u>61,923</u>

i. Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity has provided a letter of support to ClozDloop BV for audit purposes.

ii. Contingent liabilities

The parent entity had no contingent liability as at 30 June 2024 which is disclosed in note 34 and one contingent liabilities at 30 June 2023.

iii. Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2023 or 30 June 2024, other than the balance of capital equipment that will be required to complete the rebuild of the Somerton facility as a result of the fire.

Notes to the Financial Statements
30 June 2024

iv. Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated group, as disclosed in note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 37. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 6:

Name	Principal place of business / Country of incorporation	Ownership interest	
		30 June 2024 %	30 June 2023 %
Close the Loop Operations Pty Ltd	Australia	100%	100%
Close the Loop Technologies Pty Ltd	Australia	100%	100%
Close the Loop Europe NV	Belgium	100%	100%
Close the Loop (Europe) Limited	United Kingdom	100%	100%
Close the Loop Inc	United States of America	100%	100%
ClozDloop BV	Belgium	100%	100%
ClozDloop France	France	100%	100%
ClozDloop s.r.o.	Czech Republic	100%	100%
TonerPlas Pty Ltd	Australia	100%	100%
Close the Loop Recovery Limited	Canada	100%	100%
O F Packaging Pty Ltd	Australia	100%	100%
O F Flexo Pty Ltd	Australia	100%	100%
O F Resource Recovery Pty Ltd	Australia	100%	100%
O F Resource Recovery Holdings Pty Ltd	Australia	100%	100%
Foster International Packaging (Pty) Ltd	South Africa	84.75%	84.75%
Oceanic Agencies Pty Ltd	Australia	100%	100%
Crasti & Company Pty Ltd	Australia	100%	100%
Close the Loop Polymers Pty Ltd	Australia	100%	100%
Close the Loop Paper Pty Ltd	Australia	100%	100%
Alliance Paper Pty Ltd	Australia	100%	100%
Sustain Paper Pty Ltd	Australia	100%	100%
The Pouch Shop Proprietary Limited	South Africa	100%	100%
Close the Loop Group USA, Inc.	United States of America	100%	100%
Close the Loop Plastic Recycling, Inc.	United States of America	100%	100%
Captive Trade Corporation	United States of America	100%	100%
ISP Tek Services LLC	United States of America	100%	100%

Subsidiary financial statements used in the preparation of these consolidated financial statements have also been prepared as at the same reporting date as the group's financial statements.

On 20 March 2023 the balance of the shares in ClozDloop BV and its fully owned subsidiaries were acquired by Close the Loop Limited for \$660,000 via the issue of 2,000,000 shares at an issue price of 33 cents per share.

i. Significant restrictions

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

Note 38. Financial instruments – Fair values and risk management**A. Financial risk management objectives**

The consolidated group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The consolidated group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated group. The consolidated group uses derivative financial instruments such as forward foreign exchange contracts to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments. The consolidated group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the consolidated group and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the consolidated group's operating units. Finance reports to the Board on a monthly basis.

B. Market risk**i. Foreign currency risk**

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 flows generated by these business units will be impacted by foreign currency movements.

ii. Price risk

The consolidated group is not exposed to any significant price risk.

iii. Interest rate risk

The consolidated 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.

iv. Sensitivity analysis

There are no exposures to changes in interest rates that would have a material impact on how profit and equity values are reported at the end of the reporting period. These sensitivities also assume that the movement in a particular variable is independent of other variables.

C. Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated group. The consolidated group has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The consolidated group obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated group does not hold any collateral.

Credit risk is managed through maintaining procedures ensuring, to the extent possible, that customers and counterparties to transactions are of sound credit worthiness, which includes the utilisation of systems for the approval, granting and renewal of credit limits, the regular monitoring of exposures against such limits and the monitoring of the financial stability of significant customers and counterparties. Such monitoring is used in assessing receivables for impairment. Depending on the division within the group, credit terms are generally 30 days from the date of invoice.

Risk is also minimised through investing surplus funds in financial institutions that maintain a high credit rating or in entities that the Board has otherwise assessed as being financially sound.

Notes to the Financial Statements
30 June 2024

The consolidated group has no significant concentrations of credit risk exposure with any single counterparty or group of counterparties. Details with respect to credit risk of trade and other receivables are provided in note 14. Trade and other receivables that are neither past due nor impaired are considered to be of high credit quality. Aggregates of such amounts are detailed in note 14.

Credit risk related to balances with banks and other financial institutions is managed by the Board. Such policy requires that surplus funds are only invested with counterparties with a Standard and Poor's rating of at least AA-.

D. Liquidity risk

Vigilant liquidity risk management requires the consolidated 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:

- 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.

i. Remaining contractual maturities

The table below reflects an undiscounted contractual maturity analysis for non-derivative financial liabilities. The timing of cash flows presented in the table to settle financial liabilities reflect the earliest contractual settlement dates and do not reflect management's expectations that banking facilities will not be rolled forward.

The following tables detail the consolidated group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated - 2024	1 year or less \$'000	Between 1 and 5 years \$'000	Over 5 years \$'000	Remaining contractual maturities \$'000
Non-derivatives				
<i>Non-interest bearing</i>				
Trade payables	19,058	-	-	-
Sundry payables and accruals	1,274	-	-	-
<i>Interest-bearing - variable</i>				
Other borrowings				
Bank loans	1,887	9,819	46,795	-
Notes payable	377	755	-	-
Convertible note	11,464	11,464	-	-
Finance lease liability	307	128	-	-
Operating lease liability	3,805	21,633	-	-
Trade finance	224	-	-	-
Total non-derivatives	35,396	43,799	46,795	-

Notes to the Financial Statements
30 June 2024

Consolidated - 2023	1 year or less \$'000	Between 1 and 5 years \$'000	Over 5 years \$'000	Remaining contractual maturities \$'000
Non-derivatives				
<i>Non-interest bearing</i>				
Trade payables	12,612	-	-	-
Related party borrowings	12			
<i>Interest-bearing - variable</i>				
Other Borrowings	1,445			
Bank loans	1,885	10,558	47,839	
Notes payable	377	1,131		
Convertible note	11,312	11,312		
Lease liability	268	580		
Trade Finance	795			
Total non-derivatives	28,706	23,581	47,839	

ii. **Financial assets pledged as collateral**

Certain financial assets have been pledged as security for debt and their realisation into cash may be restricted subject to terms and conditions attached to the relevant debt contracts.

E. Fair value of financial instruments

Investments are carried at fair value based on market rates at 30 June 2024.

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

F. Fair value measurement

i. **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. Due to the short-term nature of trade receivables and payables, the cost is assumed to be fair value.

Note 39. Auditors remuneration

During the financial year the following fees were paid or payable for services provided by the auditor of the company:

Notes to the Financial Statements
30 June 2024

	Consolidated	
	30 June 2024	30 June 2023
	\$'000	\$'000
Audit and review services		
Auditors of the Group – Nexia Melbourne Audit Pty Ltd		
Audit and review of financial statements	192	180
	<u>192</u>	<u>180</u>
Other auditors		
Half year review	40	-
Audit and review of financial statements	371	181
	<u>411</u>	<u>181</u>
Assurance services		
Auditors of the Group – Nexia Melbourne Audit Pty Ltd		
Other assurance services	-	11
	<u>-</u>	<u>11</u>
Other auditors		
Other assurance services	-	38
	<u>-</u>	<u>38</u>
Other services		
Auditors of the Group – Nexia Melbourne Pty Ltd		
Taxation advice and tax compliance services	31	-
Business services	9	8
	<u>40</u>	<u>8</u>
Other auditors		
Due diligence services	-	157
Taxation advice and tax compliance services	-	37
	<u>-</u>	<u>194</u>
Total Auditors remuneration	<u><u>643</u></u>	<u><u>612</u></u>

Note 40. Business combinations

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 to be 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 is 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 values identified in relation to the acquisition of The Pouch Shop were accounted for on a provisional basis as at 30 June 2023 and were 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:

Notes to the Financial Statements
30 June 2024

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

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.

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 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. There are no changes in values compared to what was reported previously.

Details of the acquisition are as follows:

Notes to the Financial Statements
30 June 2024

	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	<u>5,822</u>
Representing:	
Cash paid or payable to vendors	<u>5,822</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	5,822
Less: inventory on consignment	(435)
Less: payments to be made in future periods	(1,456)
	<hr/>
Net cash used	<u>3,931</u>

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 was paid in the form of an earn out of US\$5,000,000 based on the financial performance of the business in the 12 months to 30 April 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.

The goodwill of \$16,217,000 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 values identified in relation to the acquisition of ISP Tek Services and Captive Trade Corporation were accounted for on a provisional basis as at 30 June 2023 and have now been finalised during this reporting period. There are no changes in values compared to what was reported previously.

Details of the acquisition are as follows:

Notes to the Financial Statements
30 June 2024

	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	-
Deferred tax liability	-
Financial liabilities	-
Lease liabilities	(3,153)
Employee benefits	-
	<hr/>
Net assets acquired	4,875
Goodwill	16,217
Software	8,114
Customer relationships	86,803
Deferred tax liability	(19,933)
	<hr/>
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>
	<hr/>
Acquisition costs expensed to profit or loss	-
	<hr/>
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)
	<hr/>
Net cash used	<u>51,178</u>

Note 41. Events after the reporting period

Since 30 June 2024, the company has identified some potential acquisition targets for share and or asset purchases for their businesses that are complimentary to the current service offerings of the Group. At the time of this report no binding agreements have been entered into with any of these potential acquisition targets.

No other matter or circumstance has arisen since 30 June 2024 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.

CONSOLIDATED ENTITY DISCLOSURE STATEMENT

Name of entity*	Type of entity	Trustee, partner or participant in joint venture**	% of share capital held	Country of incorporation	Australian resident or foreign resident (for tax purposes)	Foreign tax jurisdiction(s) of foreign residents
Close the Loop Limited	Body Corporate	N/A	N/A	Australia	Australian	N/A
Close the Loop Operations Pty Ltd	Body Corporate	N/A	100%	Australia	Australian	N/A
Close the Loop Technologies Pty Ltd	Body Corporate	N/A	100%	Australia	Australian	N/A
Close the Loop Europe NV	Body Corporate	N/A	100%	Belgium	Foreign	Belgium
Close the Loop (Europe) Limited	Body Corporate	N/A	100%	United Kingdom	Foreign	United Kingdom
Close the Loop Inc	Body Corporate	N/A	100%	United States of America	Foreign	United States of America
ClozDloop BV	Body Corporate	N/A	100%	Belgium	Foreign	Belgium
ClozDloop France	Body Corporate	N/A	100%	France	Foreign	France
ClozDloop s.r.o.	Body Corporate	N/A	100%	Czech Republic	Foreign	Czech Republic
TonerPlas Pty Ltd	Body Corporate	N/A	100%	Australia	Australian	N/A
Close the Loop Recovery Limited	Body Corporate	N/A	100%	Canada	Foreign	Canada
O F Packaging Pty Ltd	Body Corporate	N/A	100%	Australia	Australian	N/A
O F Flexo Pty Ltd	Body Corporate	N/A	100%	Australia	Australian	N/A
O F Resource Recovery Pty Ltd	Body Corporate	N/A	100%	Australia	Australian	N/A
O F Resource Recovery Holdings Pty Ltd	Body Corporate	N/A	100%	Australia	Australian	N/A
Foster International Packaging (Pty) Ltd	Body Corporate	N/A	84.75%	South Africa	Foreign	South Africa
Oceanic Agencies Pty Ltd	Body Corporate	N/A	100%	Australia	Australian	N/A
Crasti & Company Pty Ltd	Body Corporate	N/A	100%	Australia	Australian	N/A

Name of entity*	Type of entity	Trustee, partner or participant in joint venture**	% of share capital held	Country of incorporation	Australian resident or foreign resident (for tax purposes)	Foreign tax jurisdiction(s) of foreign residents
Close the Loop Polymers Pty Ltd	Body Corporate	N/A	100%	Australia	Australian	N/A
Close the Loop Paper Pty Ltd	Body Corporate	N/A	100%	Australia	Australian	N/A
Alliance Paper Pty Ltd	Body Corporate	N/A	100%	Australia	Australian	N/A
Sustain Paper Pty Ltd	Body Corporate	N/A	100%	Australia	Australian	N/A
The Pouch Shop Proprietary Limited	Body Corporate	N/A	100%	South Africa	Foreign	South Africa
Close the Loop Group USA, Inc.	Body Corporate	N/A	100%	United States of America	Foreign	United States of America
Close the Loop Plastic Recycling, Inc.	Body Corporate	N/A	100%	United States of America	Foreign	United States of America
Captive Trade Corporation	Body Corporate	N/A	100%	United States of America	Foreign	United States of America
ISP Tek Services LLC	Body Corporate	N/A	100%	United States of America	Foreign	United States of America

* Entities listed here are those that are part of the consolidated entity at the end of the financial year.

**At no time during the financial year was any entity in the consolidated group: a trustee of a trust within the consolidated entity, a partner in a partnership within the consolidated entity, or a participant in a joint venture within the consolidated entity.

Basis of Preparation

This Consolidated Entity Disclosure Statement (CEDs) has been prepared in accordance with the Corporations Act 2001. It includes certain information for each entity that was part of the consolidated entity at the end of the financial year.

Determination of Tax Residency

Section 295 (3A) of the Corporation Acts 2001 defines tax residency as having the meaning in the Income Tax Assessment Act 1997. The determination of tax residency involves judgment as there are currently several different interpretations that could be adopted, and which could give rise to a different conclusion on residency.

In determining tax residency, the consolidated entity has applied the following interpretations:

Australian tax residency

The consolidated entity has applied current legislation and judicial precedent, including having regard to the Tax Commissioner's public guidance in Tax Ruling TR 2018/5.

Foreign tax residency

Where necessary, the consolidated entity has used independent tax advisers in foreign jurisdictions to assist in determining tax residency and ensure compliance with applicable foreign tax legislation.

DIRECTORS' DECLARATION

In the opinion of the directors of Close the Loop Limited:

- The attached consolidated financial statements and notes comply with the *Corporations Act 2001*, the Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated group's financial position as at 30 June 2024 and of its performance for the financial year ended on that date;
- There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- The information disclosed in the attached consolidated entity disclosure statement is true and correct.

The directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the chief executive officer and chief financial officer for the financial year ended 30 June 2024.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the *Corporations Act 2001*.

On behalf of the directors



Signed:
Greg Toll
Director

Date: 26 August 2024

Independent Auditor's Report to the Members of Close the Loop Group Ltd

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Close the Loop Group Ltd (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2024, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information, the consolidated entity disclosure statement and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2024 and of its performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

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 directors of the Company, would be in the same terms if given to the directors 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Advisory. Tax. Audit.

Registered Audit Company 291969

Nexia Melbourne Audit Pty Ltd (ABN 86 005 105 975) is a firm of Chartered Accountants. It is affiliated with, but independent from Nexia Australia Pty Ltd. Nexia Australia Pty Ltd is a member of Nexia International, a leading, global network of independent accounting and consulting firms. For more information please see www.nexia.com.au/legal. Neither Nexia International nor Nexia Australia Pty Ltd provide services to clients.

Liability limited under a scheme approved under Professional Standards Legislation.

Key audit matter	How our audit addressed the key audit matter
<p>Impairment assessment Goodwill</p> <p><i>Refer to note 20</i></p> <p>The impairment assessment of for goodwill is considered a be a key audit matter due to the size of the balance and the range of judgements and assumptions used in the impairment assessment model.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> • We ensured that the recoverable amount calculations are based on the latest business plans. • We have assessed the reasonableness of the business plan by comparing the implicit growth rates to the market and assessed that overall, the growth rate appears to be reasonable and obtain an independent expert's assessment. • We performed procedures to ensure that model inputs are consistent with observable market data and did not note material deviations. • We reperformed through sensitivity analyses on the key assumptions to ascertain the extent of change in those assumptions that would be required for the goodwill to be impaired. We discussed the headroom of the sensitivity analyses with management and are of the view that no impairment is necessary.

Other Information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2024 but does not include the financial report and the auditor's report thereon.

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 Directors for the Financial Report

The directors of the Company are responsible for the preparation of:

- a) the financial report (other than the consolidated entity disclosure statement) that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*; and
- b) the consolidated entity disclosure statement that is true and correct in accordance with the *Corporations Act 2001*, and

for such internal control as the directors determine is necessary to enable the preparation of:

- i) the financial (other than the consolidated entity disclosure statement) report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- ii) the consolidated entity disclosure statement that is true and correct and is free of misstatement, whether due to fraud or error.

In preparing the financial report, the directors 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 directors 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 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 scepticism 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 directors' 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 are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 15 to 30 of the Directors' Report for the year ended 30 June 2024.

In our opinion, the Remuneration Report of Close the Loop Group Ltd for the year ended 30 June 2024 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



**Nexia Melbourne Audit Pty Ltd
Melbourne**



**Benjamin Bester
Director**

Dated on this 26th day of August 2024

ASX ADDITIONAL INFORMATION

This section contains additional information required by the Australian Securities Exchange Limited listing rules not disclosed elsewhere in this report.

Shareholdings (as at 23 August 2024)

Substantial shareholders

A substantial shareholder is one who has a relevant interest in 5 per cent or more of the total issued shares in the Company. Substantial holders in the Company as detailed in the most recent public filings of Form 604 Notice of Change of Interests of Substantial Holder or Appendix 3Y Change of Director's Interest Notice are set out below. Percentage of total shares issued is based on the total shares on issue as at 23 August 2024 of 531,849,866

Shareholder	Ordinary shares	Percentage
Foster Packaging Holdings Pty Ltd	65,024,025	12.23%
Omniverse Holdings Pty Ltd	60,094,279	11.30%
Wilson Asset Management Group	50,403,671	9.48%
ASLDH LP\C	45,116,616	8.48%
Greencape Capital Pty Ltd	33,618,510	6.32%

Substantial option holders

A substantial option holder is one who has a relevant interest in 20 per cent or more of the equity securities in an unquoted class total issued shares in the Company. Following are the substantial shareholders in the Company based on notifications provided to the Company under the Corporations Act 2001:

Option holder	Options	Percentage
James Tocash	1,000,000	100%

Unquoted equity securities

Options

There are 1,000,000 options on issue that are not quoted securities.

Performance rights

There are 14.15 million performance rights on issue that are not quoted securities.

Voting rights

Ordinary shares

Each Shareholder entitled to vote may vote in person or by proxy, attorney or representative. On a poll, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder shall, in respect of each Share held by that person or in respect of which the person is appointed proxy, attorney or representative, has one vote for each Share held.

Options

There are no voting rights attached to the options or performance rights.

Distribution of equity security holders

The number of shareholders by size of holding of ordinary shares is:

Category	Total holders	Units	Percentage of issued capital
1 – 1,000	30	6,090	0.00%
1,001 – 5,000	819	2,223,553	0.42%
5,001 – 10,000	488	4,065,988	0.76%
10,001 – 100,000	1,213	44,068,185	8.29%
100,001 and over	304	481,486,050	90.53%
	2,854	531,849,866	100.00%

There are 181 shareholders holding less than a marketable parcel of shares each (that is, less than \$500 per parcel of shares) based on the closing price of AUD 0.315 on 23 August 2024 representing a total of 217,399 shares. The minimum marketable parcel of shares is 1,588 shares on 23 August 2024.

The number of holders by size of holding of unquoted options over ordinary shares is:

Category	Total holders	Units	Percentage of issued options
1 – 1,000	-	-	-
1,001 – 5,000	-	-	-
5,001 – 10,000	-	-	-
10,001 – 100,000	-	-	-
100,001 and over	1	1,000,000	100
	1	1,000,000	100

The number of holders by size of holding of unquoted performance rights is:

Category	Total holders	Units	Percentage of issued rights
1 – 1,000	-	-	-
1,001 – 5,000	-	-	-
5,001 – 10,000	-	-	-
10,001 – 100,000	-	-	-
100,001 and over	20	14,150,000	100
	20	14,150,000	100

Securities purchased on-market

There were no securities purchased on market.

Securities exchange

The Company is only listed on the Australian Securities Exchange.

On-market buy-back

There is no current, past or planned on-market buy-back activity.

Twenty largest shareholders

	Name	Number of ordinary shares held	Percentage of capital held
1	CITICORP NOMINEES PTY LIMITED	91,176,849	17.14%
2	FOSTER PACKAGING HOLDINGS PTY LTD	62,640,114	11.78%
3	OMNIVERSE HOLDINGS PTY LTD	60,094,279	11.30%
4	ASLDH LP\C	45,116,616	8.48%
5	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	20,455,873	3.85%
6	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT>	18,620,282	3.50%
7	BOND STREET CUSTODIANS LIMITED <SALTER - D79836 A/C>	16,000,000	3.01%
8	DE SIMONE NOMINEES PTY LTD <MICROHELP SUPER FUND A/C>	10,480,215	1.97%
9	BNP PARIBAS NOMS PTY LTD	8,585,396	1.61%
10	REGAN PATRICK FOSTER	6,892,688	1.30%
11	WARBONT NOMINEES PTY LTD <UNPAID ENTREPOT A/C>	5,174,918	0.97%
12	CUPCAKE AND LOICH PTY LTD <Z&F LICHTENSTEIN A/C>	4,500,081	0.85%
13	UBS NOMINEES PTY LTD	3,855,597	0.72%
14	MR LAWRENCE WARREN JAFFE + MRS PAULEY JAFFE <JK SUPERANNUATION FUND A/C>	3,660,000	0.69%
15	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	3,312,604	0.62%
16	GIUSEPPE DE SIMONE	3,235,137	0.61%
17	1 PITWO PTY LTD	2,973,468	0.56%
18	BNP PARIBAS NOMINEES PTY LTD <HUB24 CUSTODIAL SERV LTD>	2,897,011	0.54%
19	ANGELA KRISTEN OGONEK	2,500,000	0.47%
20	TOLL ASSOCIATES PTY LIMITED	2,400,000	0.45%
	Total Securities of Top 20 Holdings	374,571,128	70.43%
	Total Remaining Holders Balance	157,278,738	29.57%
	Total Securities on Issue	531,849,866	100.00%

Restricted securities

The company has the following fully paid ordinary restricted securities that are subject to voluntary escrow:

Name	Number of ordinary shares	Date escrow period ends	Holders
Shares Escrowed 12 Months from Date of Quotation	1,551,885	9 February 2025	2
Total Restricted Securities	1,551,885		2

Other information

Close the Loop Limited, incorporated and domiciled in Australia, is a publicly listed company limited by shares.

CORPORATE DIRECTORY

Directors

Greg Toll (Chairman and Independent Non-Executive Director)
Joe Foster (Executive Director & CEO)
Marc Lichtenstein (Executive Director & CFO)
Lawrence Jaffe (Executive Director & CCO)
Grant Carman (Independent Non-Executive Director)
Sammy Saloum (Non-Executive Director)

Company Secretary

Marc Lichtenstein

Principal place of business and registered office

43-47 Cleeland Road
Oakleigh South VIC 3167
Australia
Telephone: 1800 242 473
Facsimile: 03 9930 8695
Internet: www.ctlgroupp.com.au

Location of Share Registry

Computershare Investor Services Pty Limited

Yarra Falls, 452 Johnston Street
Abbotsford VIC 3067
Telephone: 1300 850 505
Telephone: +61 3 9415 4000 (international)

Auditors

Nexia Melbourne Audit Pty Ltd

Level 35, 600 Bourke Street
Melbourne Victoria 3000

Legal Advisors

Thomson Geer

Level 23, Rialto South Tower, 525 Collins Street
Melbourne Victoria 3000 Australia

Stock Exchange Listing

Close the Loop Limited shares are listed on the Australian Securities Exchange (ASX: CLG).

Website

www.ctlgroupp.com.au