WasteCo Holdings NZ Limited

Consolidated Financial Statements

For the year ended 31 March 2021

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2021

	Note	2021 (audited) NZ$000	2020 (unaudited) NZ$000
Revenue	5	**10,334**	**8,322**
Other income	6	611	71
Expenses			
Employee benefits expenses	7	(4,204)	(3,095)
Collection, recycling and waste disposal expenses		(1,741)	(1,480)
Fleet operating expenses		(1,290)	(1,145)
Depreciation and amortisation expenses	7	(1,212)	(827)
Other expenses	7	(823)	(715)
Profit from operations		**1,675**	**1,131**
Finance costs	7	(478)	(559)
Profit before income tax		**1,197**	**572**
Income tax expense	8	(333)	(160)
Profit for the year		**864**	**412**
Other comprehensive income			
Other comprehensive income for the year		-	-
Total comprehensive income for the year		**864**	**412**

The accompanying notes form part of these consolidated financial statements and should be read in conjunction with them.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2021

	Note	Share capital NZ$000	Retained earnings NZ$000	Total equity NZ$000
Balance at 1 April 2019 (unaudited)		**10**	**558**	**568**
Total comprehensive income				
Profit for the year		-	412	412
Balance at 31 March 2020 (unaudited)		**10**	**970**	**980**
Balance at 1 April 2020 (unaudited)		**10**	**970**	**980**
Total comprehensive income				
Profit for the year		-	864	864
Transactions with owners in their capacity as owners				
Conversion of shareholder loans to share capital	16.1	631	-	631
Dividends paid		-	(104)	(104)
Balance at 31 March 2021 (audited)		**641**	**1,730**	**2,371**

The accompanying notes form part of these consolidated financial statements and should be read in conjunction with them.

Consolidated Statement of Financial Position

As at 31 March 2021

	Note	2021 (audited) NZ$000	2020 (unaudited) NZ$000
ASSETS			
Current assets			
Cash and cash equivalents	9	616	247
Trade and other receivables	10	1,712	1,497
Inventories	11	196	196
Total current assets		**2,524**	**1,940**
Non-current assets			
Property, plant and equipment	12	10,250	5,940
Right-of-use assets	13.1	2,525	1,655
Intangible assets	14	20	29
Total non-current assets		**12,795**	**7,624**
Total assets		**15,319**	**9,564**
LIABILITIES			
Current liabilities			
Trade and other payables	15	2,438	1,313
Borrowings	16	1,497	736
Lease liabilities	13.2	194	126
Current tax liabilities		122	3
Total current liabilities		**4,251**	**2,178**
Non-current liabilities			
Borrowings	16	5,564	4,332
Lease liabilities	13.2	2,624	1,767
Deferred tax liabilities	8.3	509	307
Total non-current liabilities		**8,697**	**6,406**
Total liabilities		**12,948**	**8,584**
Net assets		**2,371**	**980**
EQUITY			
Share capital	17	641	10
Retained earnings		1,730	970
Total equity		**2,371**	**980**

These financial statements were approved by the Board on 24 August 2022.
Signed on behalf of the Board by:

Shane Edmond
Director

Carl Storm
Director

Consolidated Statement of Cash Flows

For the year ended 31 March 2021

	Note	2021 (audited) NZ$000	2020 (unaudited) NZ$000
Cash flows from operating activities			
Receipts from customers		10,202	8,915
Government grants received		600	31
Payments to suppliers and employees		(6,978)	(6,993)
Income tax paid		(11)	(4)
Net cash received from operating activities	20	**3,813**	**1,949**
Cash flows from investing activities			
Payments for property, plant and equipment		(6,167)	(1,359)
Payments for intangible assets		(10)	(58)
Acquisition of businesses		(325)	(214)
Receipt from loans receivable		440	-
Net cash used in investing activities		**(6,062)**	**(1,631)**
Cash flows from financing activities			
Dividends paid		(104)	-
Proceeds from borrowings		5,503	3,145
Principal repayment of borrowings		(2,132)	(2,645)
Interest paid on borrowings		(305)	(428)
Principal repayment of lease liabilities		(142)	(131)
Interest paid on lease liabilities		(173)	(94)
Net cash generated by (used in) financing activities		**2,647**	**(153)**
Net increase in cash and cash equivalents		**398**	**165**
Cash and cash equivalents at the beginning of the year		247	81
Cash transferred on sale of subsidiary		(29)	-
Cash and cash equivalents at the end of the year	9	**616**	**246**

1. General information

The consolidated financial statements presented are for WasteCo Holdings NZ Limited ('WasteCo' or 'the Company') and its subsidiaries (together 'the Group'). WasteCo and its subsidiaries are limited liability companies, incorporated and domiciled in New Zealand.

The Group provides solutions in the collection of waste and recycling, industrial cleaning and environmental services. WasteCo is a holding company for the Group. Details of subsidiary companies and their principal activities are set out in note 18.

1.1 Corporate restructure

The Company was incorporated on 1 December 2020. On 4 December 2020 the shareholders of the Company undertook a corporate restructure process to bring the ownership of companies that they commonly controlled, under the ownership of the Company. The shareholding of the Company post the restructure reflected the shareholding of the individual companies pre restructure. As a consequence, the Company acquired 100% of the shares of the already operating WasteCo NZ Limited, WasteCo Finance NZ Limited, WasteCo NZ (Southern) Limited and WasteCo Port Services NZ Limited. There has been no change in the ownership control of the group of companies immediately before and after the restructure.

The corporate restructure does not represent a business combination in accordance with NZ IFRS 3: *Business Combinations*. The appropriate accounting treatment for recognising the new group structure is on the basis that the transaction is a form of capital restructure and group reorganisation. Accordingly, the consolidated financial statements have been prepared as a continuation of the combination of WasteCo and its subsidiaries' pre-reorganisation financial results. Therefore, these consolidated financial statements include the financial results of the Group from acquisition on 4 December 2020 and the combined results of the pre-reorganisation companies from 1 April 2019 to the date of acquisition.

1.2 Audit of consolidated financial statements

The Group was audited for the first time in the 2021 financial year. As a result, the comparative information included in these consolidated financial statements is unaudited.

2. Significant accounting policies

The following are the significant accounting policies adopted by the Group in the preparation and presentation of the consolidated financial statements. The accounting policies have been consistently applied, unless otherwise stated.

2.1 Statement of compliance and reporting framework

The consolidated financial statements have been prepared in accordance Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'). The Group is a for-profit entity for the purposes of complying with NZ GAAP. These financial statements comply with New Zealand International Financial Reporting Standards Reduced Disclosure Regime ('NZ IFRS RDR').

The Group qualifies for NZ IFRS RDR as it does not have public accountability and it is not a large for-profit entity. The Group has elected to apply NZ IFRS RDR Tier 2 For-profit Accounting Requirements and has applied the available disclosure concessions.

2.2 Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis apart from those items measured at fair value as described below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services received.

The consolidated financial statements are presented in New Zealand dollars which is the Company's functional and presentation currency, rounded to the nearest thousand dollars unless otherwise stated.

2.3 Going concern

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Group have adequate resources to continue in operational existence for the foreseeable future. They have therefore continued to adopt the going concern basis of accounting in preparing the consolidated financial statements.

2.4 Application of NZ IFRS 1 First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards

These are the first consolidated financial statements prepared by the Group and therefore the first to be prepared in accordance with NZ IFRS RDR. NZ IFRS 1 *First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards* has been applied in preparing these consolidated financial statements.

Previously the Company's subsidiaries each prepared individual financial statements in accordance with the Special Purpose Financial Reporting Framework (SPF). The special purpose financial statements were prepared for taxation purposes only on the principles contained in the Income Tax Act 2007 and in order to meet the disclosure requirements contained in the Tax Administration (Financial Statements) Order 2014. SPF differs in certain respects from NZ IFRS RDR.

When preparing the Group's consolidated financial statements for the year ended 31 March 2021, management has amended certain accounting and valuation methods applied in the SPF financial statements to comply with NZ IFRS RDR. The comparative figures in respect of 2020 have been amended to reflect these adjustments. Comparative balances have been reclassified and restated to conform with changes in presentation and classification adopted in the current period.

The date of the Group's transition to NZ IFRS RDR is 1 April 2019. The Group prepared its opening NZ IFRS RDR Consolidated Statement of Financial Position at that date. The key changes on adoption of NZ IFRS RDR are set out in note 23.

2.5 Principles of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired, and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities, and liabilities related to employee benefit arrangements, are recognised and measured in accordance with NZ IAS 12 *Income Taxes* and NZ IAS 19 *Employee Benefits* respectively; and
- assets (or disposal groups) that are classified as held for sale in accordance with NZ IFRS 5

Goodwill is measured as the excess of the sum of the consideration transferred over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the excess is recognised immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Group in a business combination includes contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognised in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

2.6 Revenue recognition

The Group derives revenue from the following major sources:

- Sweeping services;
- Waste collection, recycling, and disposal services; and
- Industrial cleaning services.

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties, such as goods and service tax and customs duties.

For revenues derived from sweeping services; waste collection, recycling, and disposal services; and industrial cleaning services; the Group considers its performance obligations are satisfied over time, on the basis that the services are provided and consumed by the customer on a simultaneous basis, and so will recognise the related revenue as the performance obligation is satisfied.

2.7 Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Government grants are recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

2.8 Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

2.9 Borrowing costs

Borrowing costs include interest expense calculated using the effective interest method and finance charges in respect of lease arrangements. Borrowing costs are expensed as incurred.

2.10 Leases

The Group assess whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and lease of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefit from the leased assets are consumed.

The lease liability is initially measured at the present value of the future lease payments, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate. The lease liability is measured at amortised cost using the using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate or if the Group changes its assessment of whether it will exercise a purchase, extension of termination option, with a corresponding adjustment made to the carrying value of the right-of-use asset.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs and restoration costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Right-of-use assets are depreciated over the shorter period of lease term and the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group applies NZIAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'property, plant and equipment' policy.

2.11 Income Tax

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

2.12 Goods and services tax

Revenue, expenses, assets, and liabilities are recognised net of the amount of goods and services tax (GST) except:

- where the amount of GST incurred is not recovered from the Inland Revenue Department, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables, which are recognised inclusive of GST.

The net amount of GST recoverable or payable to the Inland Revenue Department is included as part of receivables or payables.

2.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

2.14 Property, plant and equipment

Each class of property, plant and equipment is measured at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable the future economic benefits associated with the item will flow to the Group and the costs of the item can be measured reliably. The carrying amounts of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss in the reporting period in which they are incurred.

Depreciation is recognised so as to write off the cost of assets less their residual values, over their useful lives. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period.

The following depreciation rates are applied:

Class of asset	**Depreciation rates**	**Depreciation basis**
Plant and equipment	10% - 67%	Straight line
Vehicles	8% - 100%	Straight line
Office equipment	16% - 100%	Diminishing value
Premises and leasehold improvements	10% - 100%	Diminishing value

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

2.15 Intangible assets

Acquired intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a diminishing value basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

The following amortisation rates are applied:

Class of asset	**Depreciation rates**	**Depreciation basis**
Computer software	50% - 100%	Diminishing value

2.16 Financial instruments

Financial assets (including trade and other receivables) and financial liabilities are recognised in the Consolidated Statement of Financial Position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately as an expense in the profit or loss.

2.17 Financial assets

Financial assets are measured at amortised cost or fair value on the basis that the Group's business model for managing financial assets and the contractual cash flow characteristics of the financial assets. The Group classifies its financial assets as at amortised cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows; and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

Financial assets at amortised cost

The Group holds receivables with the objective to collect the contractual cash flows, the cash flows are solely payments of principal and interest, and therefore measures them subsequently at amortised cost using the effective interest method.

The Group's financial assets at amortised cost include cash and cash equivalents, short term deposits and trade receivables. Cash and cash equivalents include cash in hand and deposits held on call with banks.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on trade receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group recognises lifetime expected credit losses for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions, and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

The Group has no financial assets at fair value.

2.18 Financial liabilities

Financial liabilities are classified as either financial liabilities 'at fair value profit through profit or loss("FVTPL") or 'other financial liabilities'.

Other financial liabilities

Other financial liabilities (including trade, other payables and borrowings) are subsequently measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Other financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

The Group has no financial liabilities at FVTPL.

2.19 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that 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 expenditure required to settle the present obligation at the end of the reporting period.

2.20 Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions, or valuation where items are re-measured.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in the profit or loss in the period in which they arise.

3. Application of new and revised New Zealand International Financial Reporting Standards (NZ IFRSs)

3.1 New and amended standards and interpretations

The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective. Early adoption of these new standards, interpretations or amendments would not have had a material impact on the financial result or financial position of the Group.

4. Critical accounting estimates and judgements

In the application of the Group's accounting policies, which are described in note 2, the directors of the Group are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Below are the critical accounting judgements.

4.1 Impact of COVID-19

On 11 March 2020, the World Health Organization declared the ongoing global outbreak of a novel coronavirus, known as 'coronavirus disease 2019' ('COVID-19'), as a pandemic. In response, governments have implemented a range of public health and social measures to prevent and contain the transmission of COVID-19 and economic responses to provide financial stimulus and welfare support to mitigate the economic impacts of the COVID-19 pandemic.

It is not possible to estimate the impact of the COVID-19 pandemic's short and long-term effects, or the Government's efforts to combat the outbreak and support businesses. As such, it is not practicable to provide any further quantitative or qualitative estimate of the potential impact of this outbreak on the Group at this time.

The Group's earnings, cash flow and financial position have not been severely impacted since the pandemic was declared and up to the date of the signing of these consolidated financial statements.

The COVID-19 pandemic and responses described above, continue to inhibit economic activity and confidence levels within the community, the economy, and the operations of the Group's business. Consequently, there has been an increase in the level of inherent uncertainty in the critical accounting estimates and judgements applied by management in the preparation of these consolidated financial statements.

In response to the COVID-19 pandemic, and measures implemented, the Directors and Management have:

- implemented appropriate health and safety responses to ensure the continuity of its business operations under each of the levels under the Government's public health and social measures, whilst complying with the applicable public health and social measures for that level;
- actively investigated and implemented further cost-saving measures to manage the variable costs of the Group; and
- considered and reaffirmed the Group's application of the going concern basis of accounting remains appropriate as at date of the signing of these consolidated financial statements.

These consolidated financial statements have been prepared based upon conditions existing as at 31 March 2021 and consider those events occurring subsequent to that date that provide evidence of conditions that existed at the end of the reporting date. As the outbreak of the COVID-19 pandemic occurred before 31 March 2021 its impacts are considered an event that is indicative of conditions that arose prior to the reporting period date. Accordingly, as at the date of signing these consolidated financial statements, all reasonably known and available information with respect to the COVID-19 pandemic have been taken into consideration in the critical accounting estimates and judgements applied and all reasonably determinable adjustments have been made in preparing these consolidated financial statements.

4.2 Impairment of non-financial assets

All assets are assessed for impairment at each reporting date by evaluating whether indicators of impairment exist in relation to the continued use of the asset by the Group. Impairment triggers include technology changes, adverse changes in the economic or political environment and future product expectations. If an indicator of impairment exists, the recoverable amount of the asset is determined.

4.3 Calculation of expected credit loss allowance

When measuring expected credit losses ('ECL') the Group uses reasonable and supportable forward-looking information, which is based on assumptions for future movement of different economic drivers and how these drivers will affect each other.

Management specifically reviews its financial assets measured at amortised cost and analyses historical bad debts, customer concentrations, customer credit worthiness, current economic trends and changes in the customer payment terms when making a judgement to evaluate the adequacy of the expected credit loss allowance.

4.4 Determining the lease term and incremental borrowing rate

In determining the lease term, judgement is required in determining whether it is reasonably certain that an extension option will be exercised. The Group considers all relevant factors that create an economic incentive for it to exercise the extension. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to extend. Refer note 13. The Group included the extension period as part of the lease term for leases of premises.

Lease liabilities are measured by discounting the lease payments using the interest rate implicit in the lease. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right of use asset in a similar economic environment with similar terms, security, and conditions. To determine the incremental borrowing rate, the Group uses recent third-party financing received as a starting point, adjusted to reflect any changes in financing conditions since the third-party financing was received.

4.5 Revenue recognition

Management base their judgments of revenue recognition on the latest available information. In some cases, the results reflect the expected outcome of long-term contractual obligations which span more than one reporting period. Revenue is affected by many uncertainties that depend on the outcome of future events and often need to be revised as events unfold and uncertainties are resolved. Estimates of revenue are based on the progress towards complete satisfaction of each performance obligation and are updated regularly. Internal reviews focus on the timing and recognition of revenue and the age and recoverability of any unagreed revenue from variations to the contract scope or claims.

5. Revenue

	2021 (audited) NZ$000	**2020 (unaudited) NZ$000**
Revenue from sweeping services	1,280	1,113
Revenue from waste collection, recycling and disposal services	5,712	4,931
Revenue from industrial cleaning services	3,342	2,278
Total revenue from customers	**10,334**	**8,322**

The details above disaggregate the Group's revenue from contracts with customers into primary markets and major service lines. All revenue is generated in New Zealand.

6. Other income

	2021 (audited) NZ$000	**2020 (unaudited) NZ$000**
Covid-19 wage subsidy	600	31
Outsourced labour income	11	40
	611	**71**

Government grants

Government grants primarily relate to the New Zealand COVID-19 wage subsidy. There are no unfulfilled conditions or other contingencies attaching to this grant.

7. Expenses

The profit for the year includes the following expenses.

	2021 (audited) NZ$000	2020 (unaudited) NZ$000
Directors' fees	(67)	(94)
Depreciation of property, plant and equipment	(998)	(629)
Depreciation of right-of-use assets	(196)	(171)
Amortisation of intangible assets	(18)	(27)
Expenses relating to short term leases	(9)	(76)
Net foreign currency gains/(losses)	24	(3)
Employee benefit expenses		
Salary and wages	(4,133)	(3,045)
Employer Kiwisaver contributions	(71)	(50)
	(4,204)	(3,095)
Finance costs:		
Interest expense on borrowings	(305)	(428)
Interest expense on lease liabilities	(173)	(131)
	(478)	(559)

8. Taxation

8.1 Income tax recognised in profit or loss

The analysis of income tax expense is as follows:

	2021 (audited) NZ$000	2020 (unaudited) NZ$000
Current income tax		
Current income tax charge	131	-
Deferred tax expense	202	160
Total income tax expense recognised in the current year	**333**	**160**

8.2 Reconciliation of income tax expense

The charge for the year can be reconciled to the profit before tax as follows:

	2021 (audited) NZ$000	2020 (unaudited) NZ$000
Profit before income tax	1,197	572
Prima facie tax at 28% (2020: 28%)	335	160
Non deductible expenses	(2)	-
Income tax expense	**333**	**160**

8.3 Deferred tax

	Opening balance	Recognised in profit or loss	Closing balance
	NZ$000	NZ$000	NZ$000
31 March 2021 (audited)			
Deferred tax assets/(liabilities) in relation to:			
Provisions	11	-	11
Accrued expenses	20	24	44
Property, plant & equipment	(491)	(158)	(649)
Right-of-use assets	112	63	175
Lease liabilities	(45)	(45)	(90)
Tax losses	86	(86)	-
	(307)	**(202)**	**(509)**

	Opening balance	Recognised in profit or loss	Closing balance
	NZ$000	NZ$000	NZ$000
31 March 2020 (unaudited)			
Deferred tax assets/(liabilities) in relation to:			
Provisions	-	11	11
Accrued expenses	25	(5)	20
Property, plant & equipment	(344)	(147)	(491)
Right-of-use assets	64	48	112
Lease liabilities	(19)	(26)	(45)
Tax losses	127	(41)	86
	(147)	**(160)**	**(307)**

9. Cash and cash equivalents

	2021 (audited)	2020 (unaudited)
	NZ$000	NZ$000
Cash at bank	616	247
	616	**247**

10. Trade and other receivables

	2021 (audited) NZ$000	2020 (unaudited) NZ$000
Trade receivables from contracts with customers	1,482	1,349
Other receivables	44	35
GST receivable	15	-
Prepayments	165	113
Related party receivable (refer note 21.6)	6	-
Total trade and other receivables	**1,712**	**1,497**

The standard credit term on sales is 30 days. No interest is charged on outstanding trade receivables.

No loss allowance was recognised at 31 March 2021 (2020: nil). The Group's bad debts expense was $28,000 (2020: nil).

11. Inventories

	2021 (audited) NZ$000	2020 (unaudited) NZ$000
Finished goods	196	196
	196	**196**

No inventory was written off to profit and loss in the current year (2020: $40,000 write down of inventory to net realisable value).

12. Property, plant and equipment

	Plant and equipment	Vehicles	Office equipment	Premises and leasehold improvement	Total
	NZ$000	NZ$000	NZ$000	NZ$000	NZ$000
Cost:					
Balance at 1 April 2019	**2,037**	**3,989**	**50**	**-**	**6,076**
Additions	806	588	14	-	1,408
Business acquisition	184	30	-	-	214
Balance at 31 March 2020	**3,027**	**4,607**	**64**	**-**	**7,698**
Additions	1,749	3,214	25	1,179	6,167
Business acquisitions (note 22)	122	203	-	-	325
Disposals	(21)	-	-	(1,167)	(1,188)
Balance at 31 March 2021	**4,877**	**8,024**	**89**	**12**	**13,002**
Accumulated depreciation:					
Balance at 1 April 2019	**(474)**	**(637)**	**(18)**	**-**	**(1,129)**
Depreciation expense	(108)	(508)	(13)	-	(629)
Balance at 31 March 2020	**(582)**	**(1,145)**	**(31)**	**-**	**(1,758)**
Depreciation expense	(298)	(666)	(30)	(4)	(998)
Disposals	4	-	-	-	4
Balance at 31 March 2021	**(876)**	**(1,811)**	**(61)**	**(4)**	**(2,752)**
Carrying Amounts:					
2020					
Cost	3,027	4,607	64	-	7,698
Accumulated depreciation	(582)	(1,145)	(31)	-	(1,758)
Carrying amounts	**2,445**	**3,462**	**33**	**-**	**5,940**
2021					
Cost	4,877	8,024	89	12	13,002
Accumulated depreciation	(876)	(1,811)	(61)	(4)	(2,752)
Carrying amounts	**4,001**	**6,213**	**28**	**8**	**10,250**

13. Leases

The Group leases warehouse and administration premises.

13.1 Right-of-use asset

	Premises	Total
	NZ$000	NZ$000
Cost:		
Balance at 1 April 2019	**2,054**	**2,054**
Additions	-	-
Balance as at 31 March 2020	**2,054**	**2,054**
Additions	1,066	1,066
Balance as at 31 March 2021	**3,120**	**3,120**
Accumulated depreciation:		
Balance at 1 April 2019	(228)	**(228)**
Depreciation expense	(171)	(171)
Balance as at 31 March 2020	**(399)**	**(399)**
Depreciation expense	(196)	(196)
Balance as at 31 March 2021	**(595)**	**(595)**
Carrying amounts:		
2020		
Cost	2,054	2,054
Accumulated amortisation	(399)	(399)
Carrying amounts	**1,655**	**1,655**
2021		
Cost	3,120	3,120
Accumulated amortisation	(595)	(595)
Carrying amounts	**2,525**	**2,525**

The average lease term is 13.5 years (2020: 12 years). The average IBR rate is 6.46% (2020: 6.82%).

13.2 Lease liabilities

	2021 (audited)	2020 (unaudited)
	NZ$000	NZ$000
Total undiscounted lease liabilities at reporting date	3,903	2,585
Less: future finance charges	(1,085)	(692)
Total discounted lease liabilities at reporting date	2,818	1,893
Lease liabilities included in the Consolidated Statement of Financial Position at reporting date		
Current	194	126
Non-current	2,624	1,767
	2,818	1,893

14. Intangible assets

	Computer software	Total
	NZ$000	NZ$000
Cost:		
Balance at 1 April 2019	**60**	**60**
Additions	8	8
Balance at 31 March 2020	**68**	**68**
Additions	9	9
Balance at 31 March 2021	**77**	**77**
Accumulated amortisation:		
Balance at 1 April 2019	**(12)**	**(12)**
Amortisation expense	(27)	(27)
Balance at 31 March 2020	**(39)**	**(39)**
Amortisation expense	(18)	(18)
Balance at 31 March 2021	**(57)**	**(57)**
Carrying amounts:		
2020		
Cost	68	68
Accumulated amortisation	(39)	(39)
Carrying amounts	**29**	**29**
2021		
Cost	77	77
Accumulated amortisation	(57)	(57)
Carrying amounts	**20**	**20**

15. Trade and other payables

	2021 (audited)	2020 (unaudited)
	NZ$000	NZ$000
Trade payables	1,986	830
Accrued expenses	330	366
GST payable	-	47
PAYE payable	122	70
	2,438	**1,313**

The carrying amount of trade and other payables are assumed to be the same as fair value due to the short-term nature of these amounts.

16. Borrowings

	Note	2021 (audited) NZ$000	2020 (unaudited) NZ$000
Unsecured borrowing at amortised cost			
Shareholder loans	16.1	-	1,671
Secured borrowing at amortised cost			
Asset finance	16.2	7,061	3,397
Total borrowings		**7,061**	**5,068**
Current		1,497	736
Non-current		5,564	4,332
		7,061	**5,068**

All borrowings are denominated in NZD.

16.1 Shareholder loans

	2021 (audited) NZ$000	2020 (unaudited) NZ$000
Shareholder loans:		
Balance at 1 April	**1,671**	**2,215**
Repayment of loans	(1,040)	(544)
Conversion to share capital	(631)	-
Balance at 31 March	-	**1,671**

The shareholder loans were unsecured and repayable on demand, subject to the availability of funds. Interest was paid monthly at a rate set at 2.5% above the Official Cash Rate. In June 2020 the shareholders converted $631,000 of shareholder loans into equity of WasteCo NZ Limited. As this was pre the Group's corporate restructure on 4 December 2020 (refer note 1.1) the conversion to equity has resulted in an increase in the Group's equity but does not impact on the number of shares on issue by the current parent company, WasteCo Holdings NZ Limited as shown in note 17.

16.2 Asset finance

	2021 (audited) NZ$000	2020 (unaudited) NZ$000
Asset finance:		
Balance at 1 April	**3,397**	**2,354**
New asset finance	4,744	3,145
Repayment of loans	(1,080)	(2,102)
Balance at 31 March	**7,061**	**3,397**

Asset finance is used to fund purchases of assets and businesses. Each finance drawdown is secured by the respective assets acquired through the transaction and by guarantees from James Redmayne and Carl Storm (refer note 21.3). The terms of the asset finance arrangements are between 4 to 5 years.

The weighted average interest rates on asset finance loans during the period was 6.09% (2020: 5.96%).

17. Share capital

	2021 (audited) Number of shares	2020 (unaudited) Number of shares
Issued and paid-up capital		
Ordinary shares issued at 1 April	**-**	**-**
Ordinary shares issued on incorporation	10,000	-
Ordinary shares issued at 31 March	**10,000**	**-**

The Company was incorporated on 1 December 2020 and issued 10,000 shares on incorporation. On 4 December 2020 the shareholders of the Company undertook a corporate restructure process to bring the ownership of the companies that the commonly controlled, under the ownership of the Company (refer note 1.1)

All ordinary shares on issue are fully paid, have equal voting rights, and share equally in dividends and any surplus on winding up.

18. Subsidiaries

Name of subsidiary	Principal activity	Ownership interest held by Group 2021	2020
WasteCo NZ Limited	Waste collection, recycling & disposal	100%	-
WasteCo Finance NZ Limited	Credit card merchant account holder for Group	100%	-
WasteCo NZ (Southern) Limited	Waste collection, recycling & disposal	100%	-
WasteCo Port Services NZ Limited	Industrial cleaning	100%	-

All subsidiaries are domiciled in New Zealand and have a balance date of 31 March.

On 6 June 2020 the Group incorporated a 100% owned subsidiary, Bastre Properties NZ Limited. On 28 November 2020 Bastre Properties NZ Limited was sold to the Group's shareholders (refer note 21.6).

19. Financial instruments

The Group has entered into a number of non-derivative financial instruments all of which are classified as financial assets and liabilities at amortised cost. The carrying values of these items approximate their fair value and represent the maximum exposures for each type of financial instrument. They are listed as follows:

	Note	2021 (audited) NZ$000	2020 (unaudited) NZ$000
Financial assets at amortised cost			
Cash and cash equivalents	9	616	247
Trade and other receivables	10	1,532	1,384
Total financial assets		**2,148**	**1,631**
Financial liabilities at amortised cost			
Trade and other payables	15	2,438	1,266
Borrowings - current	16	1,497	736
Borrowings - non current	16	5,564	4,332
Lease liabilities - current	13	194	126
Lease liabilities - non current	13	2,624	1,767
Total financial liabilities		**12,317**	**8,227**

The Group does not have any derivative financial instruments (2020: nil).

20. Reconciliation of profit after taxation with cash flow from operating activities

	2021 (audited) NZ$000	2020 (unaudited) NZ$000
Net profit after taxation	**864**	**412**
Adjustments for:		
Depreciation on property, plant and equipment	998	629
Depreciation on right-of-use assets	196	171
Amortisation of intangible assets	18	27
Movement in deferred tax	203	159
Interest paid on borrowings	305	428
Interest paid on lease liabilities	173	131
Write off of property, plant & equipment	17	-
Other non-cash adjustments	10	-
Movements in working capital		
(Increase) / decrease in trade and other receivables	(215)	555
(Increase) / decrease in inventory	-	40
Increase / (decrease) in trade and other payables	1,125	(599)
Increase / (decrease) in income tax liabilities	119	(4)
Net cash outflows from operating activities	**3,813**	**1,949**

21. Related parties

21.1 Directors

During the period the directors of the Company were Carl Storm, James Redmayne and Robert Baan.

21.2 Key management personnel compensation

The key management personnel are the directors of the Company. Key management personnel compensation is set out below.

	2021 (audited) NZ$000	2020 (unaudited) NZ$000
Directors fees		
Carl Storm	18	26
James Redmayne	19	26
Robert Baan	30	43
Total Directors fees	**67**	**94**

No fees were payable to directors at 31 March 2021 (2020: nil).

Carl Storm received total remuneration of $158,000 in the current year in his role as CEO (2020: $140,000). Carl's wife, Dawn Storm, received total remuneration of $44,000 as an employee of the Group (2020: $56,000).

Variable Financial Solutions (NZ) Limited, a company owned by James Redmayne and his wife, Samantha Redmayne, received $218,000 in consulting fees (2020: $140,000) for services provided by James and Samantha to the Group. During the financial year ended 31 March 2020 the Group purchased $398,250 plant and equipment from Variable Financial Solutions (NZ) Limited.

21.3 Personal guarantees of asset finance

All asset finance loans are secured by personal guarantees from Carl Storm and James Redmayne (refer note 16.2).

21.4 Shareholder loans (refer to note 16.1)

At 31 March 2020 $237,000 of shareholder loans were payable to Carl and Dawn Storm. In the year ended 31 March 2021 $4,130 of interest was paid on this loan (2020: $15,067).

At 31 March 2020 $584,000 of shareholder loans were payable to James and Samantha Redmayne. At 31 March 2020 $60,000 of shareholder loans were payable to Hazmit Limited, a company owned and controlled by James and Samantha Redmayne. In the year ended 31 March 2021 $7,341 of interest was paid on these loans (2020: $91,112).

At 31 March 2020 $428,000 of shareholder loans were payable to Robert Baan and his wife, Rowena Baan-Mathias. A further $90,000 was payable to Sibare Investments Limited, of which Robert Baan and Rowena Baan-Mathias are directors. In the year ended 31 March 2021 $9,032 of interest was paid on these loans (2020: $35,089).

At 31 March 2020 $252,500 of shareholder loans were payable to Gleneig Holdings Limited, of which Robert Baan is a director. In the year ended 31 March 2021 $14,739 of interest was paid on this loan (2020: $5,332).

All shareholder loans were either converted to equity or repaid during the year ended 31 March 2021.

21.5 Other transactions with related parties

During the year ended 31 March 2021 the Group provided $5,000 of sponsorship to Carl Storm's motor racing team (2020 $nil).

21.6 Bastre Properties NZ Limited

On 28 November 2020 the Group sold its subsidiary Bastre Properties NZ Limited ("Bastre Properties") to entities associated with Carl Storm, James Redmayne and Robert Baan for $6,000. This balance was included in receivables at 31 March 2021 (refer note 10). Following the sale 44% of the share capital of Bastre Properties is owned by the Storm Commercial Trust, of which Carl and Dawn Storm are trustees, 44% by the James & Sam Family Trust, of which James and Samantha Redmayne are trustees, and 22% by Gleneig Holdings Limited, of which Robert Baan is a director.

At the date of sale, Bastre Properties owed the Group $440,000. This balance was repaid on 3 December 2020.

Bastre Properties owns premises that are leased by the Group. The initial term of the lease is five years and the Group hold rights of renewal for two further five-year terms. The initial rent is $110,000 per annum. $47,000 was paid in rent to Bastre Properties between 28 November 2020 and 31 March 2021 (2020: nil). As at 31 March 2021 the Group recognised $1,050,000 of lease liabilities due to Bastre Properties (2020: nil).

22. Business acquisitions

On 20 April 2020 the Group purchased the Mainland Liquid Waste liquid waste management business and assets for $85,000.

On 26 February 2021 the Group purchased the Peter Murdoch Transport waste management business and assets for $240,000.

The amounts recognised in respect of the identifiable assets acquired as at the dates of acquisition are set out in the table below.

	Mainland Liquid Waste	Peter Murdoch Transport	Total
	NZ$000	NZ$000	NZ$000
Net assets / (liabilities) acquired at fair value:			
Property, plant and equipment	85	240	325
Net assets acquired	**85**	**240**	**325**
Satisfied by:			
Cash	85	240	325
Total consideration transferred	**85**	**240**	**325**

23. Adoption of NZ IFRS RDR

As detailed in note 2.4, these are the first consolidated financial statements prepared by the Group and therefore the first to be prepared in accordance with NZ IFRS RDR.

The date of the Group's transition to NZ IFRS RDR is 1 April 2019. The Group prepared its opening NZ IFRS RDR Consolidated Statement of Financial Position at that date. The key changes on adoption of NZ IFRS RDR are as follows:

a) Adoption of NZ IAS 16 Property, Plant and Equipment

The Group adopted NZ IAS 16 for the first time.

Previously certain assets were revalued based upon market valuations. With the transition to NZ IFRS RDR the Group has reversed all asset revaluations and all property, plant and equipment is now valued at cost less accumulated depreciation.

Previously depreciation of property, plant and equipment was determined using depreciation rates approved by the Inland Revenue Department. NZ IAS 16 requires the depreciable amount of an asset to be allocated on a systematic basis over its useful life. Following the adoption of NZ IAS 16 the Group has amended depreciation rates to reflect the useful life of the relevant assets.

b) Adoption of NZ IAS 12 Income taxes

The Group adopted NZ IAS 12 for the first time. Previously the taxation expense was based upon the taxation payable. Following the adoption of NZ IAS 12, the Group has recognised deferred tax. A deferred tax liability of $172,000 was recognised at 1 April 2019.

c) Adoption of NZ IFRS 16 Leases

The Group adopted NZ IFRS 16 for the first time. The Group has elected to record a right-of-use asset and the corresponding lease liability as if IFRS 16 had been applied from the commencement of the lease. A right-of-use asset of $1,826,000 and lease obligations of $1,987,000 were recorded as at 1 April 2019, with a net impact on retained earnings of $161,000. When measuring lease liabilities, the Group discounted the remaining lease payments using its incremental borrowing rate at 1 April 2019. The rate applied is 6.82%.

d) Recognition of annual leave

The Group has recognised an accrued for annual leave payable in both the 2020 and 2021 financial years. Previously the Group had only recognised an annual leave accrual in the 2021 financial year.

e) Inventory recognised at lower of cost and net realisable value

The Group has adopted NZ IAS 2 *Inventories* for the first time. NZ IAS 2 requires inventory to be measured at the lower of cost and net realisable value. Previously inventory was measured at cost. With the adoption of NZ IAS 2 the Group has reduced the carrying value of some inventory items to their estimated net realisable value.

f) Designation of financial assets and liabilities

All financial assets and liabilities are classified at amortised cost.

23.1 Reconciliations between NZ IFRS RDR and Special Purpose Framework

The reconciliation below provides a quantification of the effect of the transition to NZ IFRS RDR showing the impact to total equity at both the current reporting date and at the date of transition.

	31 March 2021 NZ$000	1 April 2019 NZ$000
Total equity per previous SPF financial reporting	**3,701**	**1,574**
Reversal of asset revaluations	(2,775)	(1,838)
Reduction in depreciation expense to reflect useful lives of property, plant and equipment	2,354	1,230
Additional tax expense on recognition of deferred tax	(540)	(147)
Recognition of leases per IFRS 16 - reduction in rental expense, and increase in interest expense and ROU asset depreciation	(304)	(161)
Recognition of annual leave accrual	-	(69)
Write down of inventory to net realisable value	(40)	-
Elimination of intercompany profits	(23)	-
Other expenses recognised	(13)	(21)
Total equity per NZ IFRS RDR compliant reporting	**2,360**	**568**

24. Contingent liabilities

There are no contingent liabilities as at 31 March 2021 (2020: nil).

25. Commitments

The Company had no commitments for future capital expenditure as at 31 March 2021 (2020: nil).

26. Events subsequent to reporting date

26.1 Business and asset acquisitions

On 21 June 2021 the Group purchased the Duffy's Skips waste management business and assets for $1,150,000.

On 30 July 2021 the Group purchased the Otago Metals gantry waste bin business and assets for $1,000,000.

On 30 September 2021 the Group purchased the City Care street sweeping and cleaning business, and assets and liabilities, for $642,917. As part of the City Care purchase, the Group also entered into leases for 3 sweeper trucks. The monthly payment and minimum lease periods for each leased vehicle were $8,220 for 26 months, $8,466 for 26 months, and $7,231 for 16 months.

On 14 April 2022 the Group purchased the Total Waste Solutions waste handling and collection business and assets for $3,750,000. The Group is yet to complete the acquisition accounting in respect of these business combinations.

On 6 September 2021 the Group entered into a warehouse premises lease. Initial rent is $339,000 per annum. The term of the lease is six years with two rights of renewal for three years each. A $300,000 incentive payment was received from the landlord on signing the lease.

26.2 Issue of mandatory convertible notes

During March to July 2022 the Company issued $3.75 million of unsecured mandatory convertible notes. The proceeds from the notes were used for working capital and to assist in completing business acquisitions. Unless conversion occurs, the convertible notes are repayable to the noteholder on 11 March 2023. The notes are convertible at any time by the noteholder up until 11 March 2023. The convertible notes will be converted to ordinary shares representing 3.448% of the Company's issued shares. Unless already converted, the Company shall convert the notes on completion of a sale of the Company to Goodwood Capital Limited ('Goodwood Capital') (refer note 26.3). Interest of 8% per annum is payable on the unconverted balance.

26.3 Conditional reverse listing agreement

On 24 April 2022 the Company entered into a reverse listing agreement with Goodwood Capital. Goodwood Capital is a non-trading company listed on the NZX Main Board. The transaction is subject to approval by the Goodwood Capital's shareholders.

The transaction agreed between the parties values the Company at $29.2 million, whilst the listed shell of Goodwood Capital has been valued at circa $1.2 million (post the capitalisation of existing indebtedness).

If the transaction completes, the Company's existing shareholders will be issued 540 million fully paid ordinary shares in Goodwood Capital at an issue price of NZ$0.05 per share as consideration for all of the shares in the Company. In addition, Goodwood will issue fully paid ordinary shares at an issue price of NZ$0.05 per share, to the holders of mandatory convertible notes previously issued, or to be issued by the Company prior to completion of the transaction.

26.4 Incorporation of new subsidiaries

On 5 August 2021 Sortco NZ Limited was incorporated as a 100% owned subsidiary of WasteCo Holdings NZ Limited. Sortco NZ Limited is a company registered in New Zealand and provides waste sorting and recycling services.

On 5 August 2021 Safeco Training NZ Limited was incorporated as a 100% owned subsidiary of WasteCo Holdings NZ Limited. Safeco Training NZ Limited is a company registered in New Zealand and provides training services.

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of WasteCo Holdings NZ Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of WasteCo Holdings NZ Limited and its subsidiaries ('the Group') on pages 2 to 29, which comprise the consolidated statement of financial position as at 31 March 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime ('NZ IFRS RDR').

Our report is made solely to the Shareholders of the Group. Our audit work has been undertaken so that we might state to the Shareholders of the Group those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Shareholders of the Group as a body, for our audit work, for our report or for the opinions we have formed.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ('IESBA Code'), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, WasteCo Holdings NZ Limited or any of its subsidiaries.

Responsibilities of the Directors for the Consolidated Financial Statements

The Directors are responsible on behalf of the Group for the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS RDR, and for such internal control as the Directors determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible on behalf of the Group 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 Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are 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 ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of the auditor's responsibilities for the audit of the consolidated financial statements is located at the External Reporting Board's website at:
https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-7/

Baker Tilly Staples Rodway

BAKER TILLY STAPLES RODWAY AUCKLAND

Auckland, New Zealand

24 August 2022