

WasteCo Holdings NZ Limited

Consolidated Financial Statements

For the year ended 31 March 2022

Consolidated Financial Statements

For the year ended 31 March 2022

Table of Contents

	Page
Consolidated Statement of Profit or Loss and Other Comprehensive Income	2
Consolidated Statement of Changes in Equity	3
Consolidated Statement of Financial Position	4
Consolidated Statement of Cash Flows	5
Notes to the Consolidated Financial Statements	6
Independent Auditor's Report	31

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2022

	Note	2022	2021
		NZ\$000	*restated NZ\$000
Revenue	5	18,777	10,334
Other income	6	713	611
Expenses			
Employee benefits expenses	7	(8,146)	(4,321)
Collection, recycling and waste disposal expenses		(3,840)	(1,741)
Fleet operating expenses		(2,579)	(1,290)
Depreciation and amortisation expenses	7	(2,394)	(1,212)
Other expenses	7	(1,702)	(876)
Profit from operations		829	1,505
Finance costs	7	(971)	(478)
(Loss)/profit before income tax		(142)	1,027
Income tax benefit/(expense)	8	138	(285)
(Loss)/profit for the year		(4)	742
Other comprehensive income			
Other comprehensive income for the year		-	-
Total comprehensive (loss)/income for the year		(4)	742

* The comparative information has been restated as a result of the prior period errors as discussed in note 3.2.
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 2022

	Note	Share capital NZ\$000	Convertible notes reserve NZ\$000	Retained earnings NZ\$000	Total equity NZ\$000
Balance at 31 March 2020		10	-	970	980
Profit for the year (*restated)		-	-	742	742
<i>Transactions with owners in their capacity as owners</i>					
Conversion of shareholder loans to share capital	16.2	631	-	-	631
Dividends paid		-	-	(104)	(104)
Balance at 31 March 2021		641	-	1,608	2,249
Balance at 1 April 2021		641	-	1,608	2,249
Loss for the year		-	-	(4)	(4)
<i>Transactions with owners in their capacity as owners</i>					
Equity component recognised in convertible notes reserve	16.1	-	38	-	38
Balance at 31 March 2022		641	38	1,604	2,283

* The comparative information has been restated as a result of the prior period errors as discussed in note 3.2.
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 2022

	Note	2022	2021
		NZ\$000	*restated NZ\$000
ASSETS			
Current assets			
Cash and cash equivalents	9	698	616
Trade and other receivables	10	3,697	1,712
Inventories	11	72	196
Total current assets		4,467	2,524
Non-current assets			
Property, plant and equipment	12	24,532	10,250
Right-of-use assets	13.1	5,299	2,525
Intangible assets	14	147	20
Total non-current assets		29,978	12,795
Total assets		34,445	15,319
LIABILITIES			
Current liabilities			
Trade and other payables	15	5,527	2,608
Payable for acquisition of business	20	3,562	-
Current tax liabilities		37	108
Lease liabilities	13.2	644	194
Borrowings	16	4,906	1,497
Total current liabilities		14,676	4,407
Non-current liabilities			
Borrowings	16	11,807	5,564
Lease liabilities	13.2	5,355	2,624
Deferred tax liabilities	8.3	324	475
Total non-current liabilities		17,486	8,663
Total liabilities		32,162	13,070
Net assets		2,283	2,249
EQUITY			
Share capital	17	641	641
Retained earnings		1,604	1,608
Convertible notes reserve	16.1	38	-
Total equity		2,283	2,249

These consolidated financial statements were approved by the Board on 7 October 2022.

Signed on behalf of the Board by:

Shane Edmond
Director



Carl Storm
Director



* The comparative information has been restated as a result of the prior period errors as discussed in note 3.2.
The accompanying notes form part of these consolidated financial statements and should be read in conjunction with them.

Consolidated Statement of Cash Flows

For the year ended 31 March 2022

	Note	2022 NZ\$000	2021 NZ\$000
Cash flows from operating activities			
Receipts from customers		16,979	10,202
Government grants received		206	600
Payments to suppliers and employees		(13,354)	(6,978)
Income tax paid		(87)	(11)
Net cash received from operating activities	21	3,744	3,813
Cash flows from investing activities			
Payments for property, plant and equipment		(9,276)	(6,167)
Payments for intangible assets		-	(10)
Acquisition of businesses		(2,831)	(325)
Receipt from loans receivable		-	440
Net cash used in investing activities		(12,107)	(6,062)
Cash flows from financing activities			
Proceeds from borrowings		12,221	5,503
Principal repayment of borrowings		(2,680)	(2,132)
Interest paid on borrowings		(660)	(305)
Lease incentive received		300	-
Principal repayment of lease liabilities		(425)	(142)
Interest paid on lease liabilities		(311)	(173)
Dividends paid		-	(104)
Net cash generated by (used in) financing activities		8,445	2,647
Net increase in cash and cash equivalents		82	398
Cash and cash equivalents at the beginning of the year		616	247
Cash transferred on sale of subsidiary		-	(29)
Cash and cash equivalents at the end of the year	9	698	616

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

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.

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 with 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 consolidated 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 the NZ IFRS RDR Tier 2 For-profit Accounting Requirements and has applied the available disclosure concessions.

The consolidated financial statements have been prepared in accordance with the Companies Act 1993 and the Financial Reporting Act 2013.

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.

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

Some comparatives have been adjusted to align with current year disclosures.

2.3 Going concern

The Directors have, at the time of approving the consolidated 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 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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

2.5 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.

2.6 Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attached 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.

2.7 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.

2.8 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.

2.9 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 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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

The Group applies NZ IAS 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.

2.10 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.

2.11 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.

2.12 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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

2.13 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% - 100%	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.

2.14 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

Goodwill is measured at cost less accumulated impairment losses. Goodwill is tested for impairment annually and reviewed at each balance date to determine whether there is any objective evidence of impairment.

2.15 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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

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.

2.16 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 at 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.

2.17 Financial liabilities

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

Other financial liabilities

Other financial liabilities (including trade and other payables) 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.

The Group has no financial liabilities at FVTPL.

2.18 Compound financial instruments

Convertible notes

The compound financial instruments issued by the Group comprise convertible notes.

The component parts of convertible loan notes issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share capital. Where the conversion option remains unexercised at the maturity date of the convertible loan note, the balance recognised in equity will be transferred to retained earnings. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the lives of the convertible loan notes using the effective interest method.

2.19 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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

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

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.

3.2 Prior period errors

During the 2022 audit, Management discovered several expenses that had not been fully accrued at 31 March 2021. The errors resulted in a material overstatement of profit in the 2021 financial year. The errors have been corrected by restating each of the affected financial statement line items for the prior period as follows:

	<u>2021</u> NZ\$000
Consolidated Statement of Profit or Loss and Other Comprehensive Income	
<i>Increase/(decrease) in profit:</i>	
Employee benefits expenses	(50)
Other expenses	(120)
Income tax benefit/(expense)	48
Decrease in profit for the financial year	<u>(122)</u>
Consolidated Statement of Changes in Equity	
<i>Increase/(decrease) in retained earnings:</i>	
Profit for the year	(122)
Decrease in retained earnings	<u>(122)</u>
Consolidated Statement of Financial Position	
<i>Increase/(decrease) in net assets:</i>	
Trade and other payables	(170)
Deferred tax liabilities	34
Current tax liabilities	14
Decrease in net assets	<u>(122)</u>

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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

4.1 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.

4.2 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.

4.3 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.

4.4 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.

4.5 Determining fair values on acquisition

During the reporting period the Group made several business acquisitions (refer note 20). At acquisition date the identifiable assets acquired, and the liabilities assumed, are recognised at their fair value.

Judgement is required in determining fair value of the assets acquired. The fair value of assets acquired is determined by reference to market prices for similar items. For larger acquisitions independent valuers were engaged to determine fair value.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

5. Revenue

	<u>2022</u>	<u>2021</u>
	NZ\$000	NZ\$000
Revenue from sweeping services	4,002	1,280
Revenue from waste collection, recycling and disposal services	10,025	5,712
Revenue from industrial cleaning services	4,750	3,342
Total revenue from customers	18,777	10,334

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

	<u>2022</u>	<u>2021</u>
	NZ\$000	NZ\$000
Covid-19 wage subsidy	106	600
Ministry for the Environment grant	250	-
Gain on business acquisition (note 20)	349	-
Outsourced labour income	8	11
	713	611

Government grants

Government grants primarily relate to the New Zealand COVID-19 wage subsidy and a grant from the Ministry for the Environment. There are no unfulfilled conditions or other contingencies attached to these grants.

7. Expenses

The profit or loss for the year includes the following expenses:

	<u>2022</u>	<u>2021</u>
	NZ\$000	NZ\$000
Directors' fees (note 22)	(63)	(67)
Expenses relating to short term leases	(92)	(9)
Net foreign currency gains/(losses)	(4)	24
Depreciation and amortisation expenses		
Depreciation of property, plant and equipment	(1,851)	(998)
Depreciation of right of use assets	(533)	(196)
Amortisation of intangible assets	(10)	(18)
	(2,394)	(1,212)
Employee benefit expenses		
Salary and wages	(7,983)	(4,183)
Employer Kiwisaver contributions	(163)	(71)
	(8,146)	(4,254)

Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

	<u>2022</u>	<u>2021</u>
	NZ\$000	NZ\$000
Finance costs		
Interest expense on borrowings	(660)	(305)
Interest expense on lease liabilities	(311)	(173)
	<u>(971)</u>	<u>(478)</u>

8. Taxation**8.1 Income tax recognised in profit or loss**

The analysis of income tax expense is as follows:

	<u>2022</u>	<u>2021</u>
	NZ\$000	NZ\$000
Current income tax		
Current income tax charge	13	117
Deferred tax expense	(151)	168
Total income tax (benefit)/expense recognised in the current year	<u>(138)</u>	<u>285</u>

8.2 Reconciliation of income tax expense

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

	<u>2022</u>	<u>2021</u>
	NZ\$000	NZ\$000
Profit/(loss) before income tax	(142)	1,027
Prima facie tax at 28% (2021: 28%)	(40)	288
Non assessable income	(98)	(3)
Income tax (benefit)/expense	<u>(138)</u>	<u>285</u>

Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

8.3 Deferred tax

	Opening balance	Recognised in profit or loss	Closing balance
	NZ\$000	NZ\$000	NZ\$000
31 March 2022			
Deferred tax assets/(liabilities) in relation to:			
Provisions	11	-	11
Accrued expenses	78	71	149
Property, plant & equipment	(649)	(460)	(1,109)
Right-of-use assets	175	141	316
Lease liabilities	(90)	(30)	(120)
Tax losses	-	429	429
	(475)	151	(324)

	Opening balance	Recognised in profit or loss	Closing balance
	NZ\$000	NZ\$000	NZ\$000
31 March 2021			
Deferred tax assets/(liabilities) in relation to:			
Provisions	11	-	11
Accrued expenses	20	58	78
Property, plant & equipment	(491)	(158)	(649)
Right-of-use assets	112	63	175
Lease liabilities	(45)	(45)	(90)
Tax losses	86	(86)	-
	(307)	(168)	(475)

9. Cash and cash equivalents

	2022	2021
	NZ\$000	NZ\$000
Cash at bank	136	616
Funds held in trust	562	-
	698	616

Cash and cash equivalents include cash at the bank and \$562,000 held on trust by the Group's lawyer ahead of the settlement for the Total Waste Solutions business acquisition (refer note 20).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

10. Trade and other receivables

	<u>2022</u>	<u>2021</u>
	NZ\$000	NZ\$000
Trade receivables from contracts with customers	3,307	1,482
Other receivables	122	44
GST receivable	29	15
Prepayments	233	165
Related party receivable (refer note 22.6)	6	6
Total trade and other receivables	<u>3,697</u>	<u>1,712</u>

The standard credit terms on sales are 30 days. No interest is charged on outstanding trade receivables. No loss allowance was recognised at 31 March 2022 (2021: nil).

11. Inventories

	<u>2022</u>	<u>2021</u>
	NZ\$000	NZ\$000
Finished goods	72	196
	<u>72</u>	<u>196</u>

\$124,000 of inventory was included as an expense in the net loss for the current year (2021: nil).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

12. Property, plant and equipment

	Plant and equipment	Vehicles	Office equipment	Premises and leasehold improvements	Total
	NZ\$000	NZ\$000	NZ\$000	NZ\$000	NZ\$000
Cost:					
At 1 April 2020	3,027	4,607	64	-	7,698
Additions	1,749	3,214	25	1,179	6,167
Business acquisitions	122	203	-	-	325
Disposals	(21)	-	-	(1,167)	(1,188)
At 31 March 2021	4,877	8,024	89	12	13,002
Additions	3,981	5,044	153	98	9,276
Business acquisitions (note 20)	4,183	2,663	11	-	6,857
At 31 March 2022	13,041	15,731	253	110	29,135
Accumulated depreciation:					
At 1 April 2020	(582)	(1,145)	(31)	-	(1,758)
Depreciation expense	(298)	(666)	(30)	(4)	(998)
Disposals	4	-	-	-	4
At 31 March 2021	(876)	(1,811)	(61)	(4)	(2,752)
Depreciation expense	(1,049)	(731)	(57)	(14)	(1,851)
At 31 March 2022	(1,925)	(2,542)	(118)	(18)	(4,603)
Carrying Amount:					
At 31 March 2022	11,116	13,189	135	92	24,532
At 31 March 2021	4,001	6,213	28	8	10,250
At 1 April 2020	2,445	3,462	33	-	5,940

Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

13. Leases

The Group leases vehicles, and warehouse and administration premises.

13.1 Right-of-use asset

	Vehicles	Premises	Total
	NZ\$000	NZ\$000	NZ\$000
Cost:			
Balance at 1 April 2020	-	2,054	2,054
Additions	-	1,066	1,066
Balance as at 31 March 2021	-	3,120	3,120
Additions	-	2,784	2,784
Lease modifications	-	5	5
Business acquisition (note 20)	518	-	518
Balance as at 31 March 2022	518	5,909	6,427
Accumulated depreciation:			
Balance at 1 April 2020	-	(399)	(399)
Depreciation expense	-	(196)	(196)
Balance as at 31 March 2021	-	(595)	(595)
Depreciation expense	(136)	(397)	(533)
Balance as at 31 March 2022	(136)	(992)	(1,128)
Carrying Amounts:			
2021			
Cost	-	3,120	3,120
Accumulated depreciation	-	(595)	(595)
Carrying amounts	-	2,525	2,525
2022			
Cost	518	5,909	6,427
Accumulated depreciation	(136)	(992)	(1,128)
Carrying amounts	382	4,917	5,299

The average lease term is 7.5 years (2021: 13.5 years). The average IBR rate is 6.30% (2021: 6.46%).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

13.2 Lease liabilities

	2022	2021
	NZ\$000	NZ\$000
Total undiscounted lease liabilities at reporting date	8,218	3,903
Less: future finance charges	(2,219)	(1,085)
Total discounted lease liabilities at reporting date	5,999	2,818
Lease liabilities included in the Consolidated Statement of Financial Position at reporting date		
Current	644	194
Non-current	5,355	2,624
	5,999	2,818

14. Intangible assets

	Goodwill	Computer software	Total
	NZ\$000	NZ\$000	NZ\$000
Cost:			
At 1 April 2020	-	68	68
Additions	-	9	9
At 31 March 2021	-	77	77
Additions (note 20)	137	-	137
At 31 March 2022	137	77	214
Accumulated amortisation/impairment:			
At 1 April 2020	-	(39)	(39)
Amortisation expense	-	(18)	(18)
At 31 March 2021	-	(57)	(57)
Amortisation expense	-	(10)	(10)
At 31 March 2022	-	(67)	(67)
Carrying Amount:			
At 31 March 2022	137	10	147
At 31 March 2021	-	20	20
At 1 April 2020	-	29	29

The provisional goodwill arose on the acquisition of the Total Waste Solutions business (refer note 20). The goodwill relates to expected synergies, and the capability and expertise developed within the acquired business.

The post-acquisition financial performance of the Total Waste Solutions business is in line with the expectations at acquisition date. The Directors have assessed the goodwill for impairment as at the reporting date and have therefore concluded that no impairment has occurred.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

15. Trade and other payables

	2022	2021
	NZ\$000	NZ\$000
Trade payables	3,391	1,986
Accrued expenses	1,853	500
PAYE payable	283	122
	5,527	2,608

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	2022	2021
		NZ\$000	NZ\$000
Unsecured borrowings at amortised cost			
Convertible notes	16.1	962	-
Shareholder loans	16.2	173	-
Secured borrowings at amortised cost			
Asset finance	16.3	15,578	7,061
Total borrowings		16,713	7,061
Current		4,906	1,497
Non-current		11,807	5,564
		16,713	7,061

All borrowings are denominated in NZD.

16.1 Convertible notes

During March 2022 the Company issued \$1.0 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 noteholders on 11 March 2023. The notes are convertible at any time by the noteholders 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 25). Interest of 8% per annum is payable on the unconverted balance.

If the Company is unable to repay the outstanding balance on the maturity date due to the inability of the Company to comply with the solvency test immediately after the date of the proposed repayment, the Company may extend the maturity date by up to a further 12 months. The interest rate payable to noteholders will increase to 12% after 11 March 2023.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

Subsequent to year end, on 3 June 2022, the Company agreed to a variation to the Convertible Note Agreement under which it was agreed the convertible notes will be converted to ordinary shares representing 3.816% of the Company's issued shares.

	2022	2021
	NZ\$000	NZ\$000
Convertible notes liability:		
Balance at 1 April	-	-
Value of convertible notes issued	1,000	-
Equity component recognised in convertible notes reserve	(38)	-
Balance at 31 March	962	-

The interest expensed for the year is calculated by applying an effective annual interest rate of 13% to the liability component due. The interest expensed in the financial year \$3,288 (2021: nil).

16.2 Shareholder loans

	2022	2021
	NZ\$000	NZ\$000
Shareholder loans:		
Balance at 1 April	-	1,671
Proceeds from loans	173	-
Repayment of loans	-	(1,040)
Conversion to share capital	-	(631)
Balance at 31 March	173	-

2022:

Interest is payable on the outstanding balance at 10% per annum (refer note 22.4). The loan is unsecured and repayable on demand.

2021:

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 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.

16.3 Asset finance

	2022	2021
	NZ\$000	NZ\$000
Asset finance:		
Balance at 1 April	7,061	3,397
Proceeds from asset finance	11,047	4,744
Vendor loan on business acquisition (note 20)	150	-
Repayment of loans	(2,680)	(1,080)
Balance at 31 March	15,578	7,061

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 22.3). The terms of the asset finance arrangements are between 2 to 5 years.

The weighted average interest rates on asset finance loans during the period was 6.0% (2021: 6.1%).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

17. Share capital

	2022	2021
	Number of shares	Number of shares
Issued and paid-up capital		
Ordinary shares as at 1 April	10,000	-
Ordinary shares issued on incorporation	-	10,000
Ordinary shares as at 31 March	10,000	10,000

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	
		2022	2021
WasteCo NZ Limited	Waste collection, recycling & disposal	100%	100%
WasteCo NZ (Southern) Limited	Waste collection, recycling & disposal	100%	100%
WasteCo Port Services NZ Limited	Industrial cleaning	100%	100%
WasteCo Finance NZ Limited	Credit card merchant account holder for group	100%	100%
Sortco NZ Limited	Waste sorting and recycling	100%	-
Safeco Training NZ Limited	Safety management training	100%	-

Sortco NZ Limited and Safeco Training NZ Limited were incorporated on 5 August 2021. Safeco Training NZ Limited commenced operations in the same month. Sortco NZ Limited did not trade in the year to March 2022.

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

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	2022 NZ\$000	2021 NZ\$000
Financial assets at amortised cost			
Cash and cash equivalents	9	698	616
Trade and other receivables	10	3,435	1,532
Total financial assets		4,133	2,148
	Note	2022 NZ\$000	2021 NZ\$000
Financial liabilities at amortised cost			
Trade and other payables	15	5,527	2,608
Payable for acquisition of business	20	3,562	-
Borrowings - current	16	4,906	1,497
Borrowings - non current	16	11,807	5,564
Lease liabilities - current	13	644	194
Lease liabilities - non current	13	5,355	2,624
Total financial liabilities		31,801	12,487

The Group does not have any derivative financial instruments (2021: nil).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

20. Business acquisitions

During the reporting period the Group made several business acquisitions. All acquisitions were for the business, assets and, where relevant, liabilities. No shares in companies were acquired.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below.

	Total	Duffy's Skips	Otago Metal	City Care	Total Waste Solutions
Nature of business acquired		waste management	waste management	sweeping and cleaning	waste management
Acquisition date		21/6/2021	30/7/2021	30/9/2021	31/3/2022
	NZ\$000	NZ\$000	NZ\$000	NZ\$000	NZ\$000
Net assets / (liabilities) acquired:					
Property, plant and equipment	6,857	1,150	1,000	1,094	3,613
Right-of-use assets	518	-	-	518	-
Trade and other payables	(102)	-	-	(102)	-
Lease liabilities	(518)	-	-	(518)	-
Net assets acquired	6,755	1,150	1,000	992	3,613
Goodwill	137	-	-	-	137
Gain on acquisition	(349)	-	-	(349)	-
Total consideration	6,543	1,150	1,000	643	3,750
Satisfied by:					
Cash	6,393	1,000	1,000	643	3,750
Loan	150	150	-	-	-
Total consideration transferred	6,543	1,150	1,000	643	3,750

The loan for the acquisition of the Duffy's Skip business was provided by the vendor. The loan is repayable by 24 monthly payments of \$6,250. No interest is payable on the loan. The loan is secured by personal guarantees from directors James Redmayne, Carl Storm and Robert Baan.

The Group acquired control of the Total Waste Solutions business on 31 March 2022. Settlement took place on 14 April 2022. \$187,500 was paid to the vendor prior to 31 March 2022. The remaining \$3.56 million payable at 31 March 2022 for the acquisition of the Total Waste Solutions business is disclosed as a payable for acquisition of business in the Consolidated Statement of Financial Position.

20.1 Provisional accounting for the acquisition

The initial accounting for these acquisitions has only been provisionally determined during the reporting period. The acquisition accounting is expected to be finalised by the next reporting date, and this may impact the fair value of net assets acquired. Potentially of most impact is the recognition of the gain on acquisition in the City Care business acquisition, and the recognition of identifiable intangible assets in the Total Waste Solutions acquisition.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

21. Reconciliation of profit or loss after taxation with cash flow from operating activities

	2022	2021
	NZ\$000	NZ\$000
Net profit/(loss) after taxation	(4)	742
Adjustments for:		
Depreciation on property, plant and equipment	1,851	998
Depreciation on right of use assets	533	196
Amortisation of intangible assets	10	18
Movement in deferred tax	(152)	169
Interest paid on borrowings	660	305
Interest paid on lease liabilities	311	173
Gain on business acquisition	(349)	-
Write off of property, plant & equipment	-	17
Other non-cash adjustments		10
Movements in working capital		
(Increase) / decrease in trade and other receivables	(1,984)	(215)
Increase / (decrease) in trade payables and other liabilities	2,918	1,295
(Increase) / decrease in tax benefit	-	-
(Increase) / decrease in inventory	124	-
Increase / (decrease) in tax liabilities	(72)	105
Movement in assets and liabilities due to acquisition	(102)	-
Net cash received from operating activities	3,744	3,813

22. Related parties**22.1 Directors**

During the period the directors of the Company were Carl Storm, James Redmayne, Robert Baan (up until October 2021), and Shane Edmonds (since October 2021).

22.2 Key Management Personnel Compensation

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

	2022	2021
	NZ\$000	NZ\$000
Directors fees		
Carl Storm	17	18
James Redmayne	17	19
Rob Baan	15	30
Shane Edmonds	15	-
Total Directors fees	63	67

No fees were payable to directors at 31 March 2022 (2021: nil).

Carl Storm received total remuneration of \$178,133 in the current year in his role as CEO (2021: \$158,000). Carl's wife, Dawn Storm, received total remuneration of \$48,833 as an employee of the Group (2021: \$44,000).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

James Redmayne's wife, Samantha Redmayne, received remuneration of \$7,333 as an employee of the Group (2021: nil).

Variable Financial Solutions (NZ) Limited, a company owned by James Redmayne and his wife, Samantha Redmayne, received \$240,695 in consulting fees (2021: \$218,000) for services provided by James and Samantha to the Group. James Redmayne received remuneration of \$20,800 in the current year, in his role as CFO (2021:nil).

22.3 Personal guarantees of asset finance

All asset finance loans are secured by personal guarantees from Carl Storm and James Redmayne (refer note 16.3) (2021: same).

22.4 Shareholder loans (refer to note 16.2)

2022:

During the year ended 31 March 2022 the Group received \$173,298 of loans from James and Samantha Redmayne (refer note 16.2). This amount remained payable at reporting date. Interest of \$1,471 accrued on this balance during the reporting period.

2021:

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 \$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 \$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).

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

22.5 Other transactions with related parties

During the year ended 31 March 2022 the Group provided \$5,000 of sponsorship to Carl Storm's motor racing team (2021: \$5,000).

22.6 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 2022 (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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

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. \$110,000 was paid in rent to Bastre Properties in the reporting period ended 31 March 2022 (2021: \$47,000). As at 31 March 2022 the Group recognised \$1,002,000 of lease liabilities due to Bastre Properties (2021: \$1,050,000).

23. Contingent liabilities

There are no contingent liabilities as at 31 March 2022 (2021: nil).

24. Commitments

The Company had \$361,000 commitments for future capital expenditure as at 31 March 2022 (2021: nil). These amounts were settled in full subsequent to the reporting date.

25. Events subsequent to reporting date

25.1 Issue of mandatory convertible notes

During April to July 2022 the Company issued a further \$2.75 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 noteholders on 11 March 2023. The notes are convertible at any time by the noteholders up until 11 March 2023. The convertible notes will be converted to ordinary shares representing 3.816% 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 25.2). Interest of 8% per annum is payable on the unconverted balance.

25.2 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 initially valued the Company at \$31 million and this was subsequently revised to \$29.2 million in June 2022. The revised purchase price comprises \$25.2 million for the Company's commercial business operations, and \$4 million for the redemption of mandatory convertible notes that are expected to have been issued by the date of completion of the transaction.

The listed shell of Goodwood Capital was valued at circa \$1.2 million (post the capitalisation of existing indebtedness).

If the transaction completes, the Company's existing shareholders will be issued 504 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 80,000,000 fully paid ordinary shares to the holders of \$4 million of mandatory convertible notes previously issued, or to be issued by the Company prior to completion of the transaction.

25.3 Financing arrangements

In April 2022 the Group entered into a first ranking General Security Agreement (GSA) for \$750,000 available funding and a \$5,250,000 second ranking financing agreement with Kiwi Asset Finance Limited.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

To date the Group has not utilised any of the available financing under the GSA. The GSA is secured by all present and after acquired personal property, together with all proceeds arising from that property, including goods, money, accounts receivable, chattel paper, intangibles, negotiable instruments, documents of title and investment securities.

The financing agreement with Kiwi Asset Finance Limited was used to fund the settlement for the Total Waste business acquisition on 14 April 2022 (refer note 20). The finance agreement was secured by the GSA and by guarantees from each company in the Group and guarantees from James Redmayne and Carl Storm.

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 30, which comprise the consolidated statement of financial position as at 31 March 2022, 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 2022, 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 AUCKLAND

Auckland, New Zealand

7 October 2022