

WasteCo Group Limited

Consolidated financial statements

For the year ended 31 March 2024

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2024

	Note	2024 NZ\$000	2023 NZ\$000
Revenue	5	48,233	34,392
Other income	6	99	98
Expenses			
Employee benefits expenses	7.1	(21,624)	(15,020)
Collection, recycling and waste disposal expenses		(8,988)	(6,695)
Fleet operating expenses		(6,876)	(4,762)
Depreciation and amortisation expenses	7	(6,192)	(4,054)
Property expenses		(730)	(500)
Other expenses		(6,710)	(1,910)
Profit/(loss) from operations		(2,788)	1,549
Gain on bargain purchase	23	762	-
Acquisition costs		(639)	-
Finance costs	7.2	(3,078)	(2,063)
Reverse acquisition share based payment	24	-	(1,239)
Reverse listing expenses		-	(403)
Loss before income tax		(5,743)	(2,156)
Income tax benefit	9	1,608	236
Loss for the year		(4,135)	(1,920)
Other comprehensive income			
Other comprehensive income for the year		-	-
Total comprehensive loss for the year		(4,135)	(1,920)
Earnings/(loss) per share			
Basic and diluted loss per share (NZ\$)	10	(0.0052)	(0.0034)

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 2024

	Note	Convertible		Share based	Retained earnings	Total equity
		Share capital	notes reserve	payments reserve		
		NZ\$000	NZ\$000	NZ\$000	NZ\$000	NZ\$000
Balance at 1 April 2022		641	38	-	1,604	2,283
Loss for the year		-	-	-	(1,920)	(1,920)
Other comprehensive income net of income tax		-	-	-	-	-
Total comprehensive loss		-	-	-	(1,920)	(1,920)
<i>Transactions with owners in their capacity as owners</i>						
Equity component recognised in convertible notes reserve						
	17.4	-	39	-	-	39
Shares issued on reverse acquisition	18	1,153	-	-	-	1,153
Shares issued for convertible notes	18	4,077	(77)	-	-	4,000
Shares issued during the year	18	4,000	-	-	-	4,000
Share options issued	19, 20	-	-	326	-	326
Share options forfeited	19, 20	-	-	(22)	-	(22)
Balance at 31 March 2023		9,871	-	304	(316)	9,859
Balance at 1 April 2023		9,871	-	304	(316)	9,859
Loss for the year		-	-	-	(4,135)	(4,135)
Other comprehensive income net of income tax		-	-	-	-	-
Total comprehensive loss		-	-	-	(4,135)	(4,135)
<i>Transactions with owners in their capacity as owners</i>						
Equity component recognised in convertible notes reserve						
	17.4	-	343	-	-	343
Shares issued during the year	18	10,527	-	-	-	10,527
Less: Share issue costs	18	(507)	-	-	-	(507)
Share options issued	19, 20	-	-	321	-	321
Share options forfeited	19, 20	-	-	(46)	-	(46)
Share options exercised	18, 20	40	-	(15)	-	25
Balance at 31 March 2024		19,931	343	564	(4,451)	16,387

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 2024

	Note	2024 NZ\$000	2023 NZ\$000
ASSETS			
Current assets			
Cash at bank	25.1	1,751	873
Trade receivables and other current assets	11	7,622	5,038
Income tax receivable		26	100
Inventories	12	273	230
Total current assets		9,672	6,241
Non-current assets			
Property, plant and equipment	13	41,279	30,853
Right-of-use assets	14.1	10,545	5,863
Intangible assets	15	6,163	157
Total non-current assets		57,987	36,873
Total assets		67,659	43,114
LIABILITIES			
Current liabilities			
Trade payables and other current liabilities	16	5,859	5,203
Lease liabilities	14.2	1,162	711
Borrowings	17	10,640	5,657
Payable for acquisition of business		-	115
Total current liabilities		17,661	11,686
Non-current liabilities			
Deferred tax liability	9.3	-	86
Lease liabilities	14.2	10,422	5,964
Borrowings	17	23,189	15,519
Total non-current liabilities		33,611	21,569
Total liabilities		51,272	33,255
Net assets		16,387	9,859
EQUITY			
Share capital	18	19,931	9,871
Convertible notes reserve	17.4	343	-
Share based payments reserve	19	564	304
Retained earnings		(4,451)	(316)
Total equity		16,387	9,859

These consolidated financial statements were approved by the Board on 30 May 2024.

Signed on behalf of the Board by:



Shane Edmond
Director



Roger Gower
Director

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 2024

	Note	2024 NZ\$000	2023 NZ\$000
Cash flows from operating activities			
Receipts from customers		46,022	33,296
Government grants received	6	15	100
Payments to suppliers and employees		(44,913)	(29,670)
Income tax (paid)/refunded		73	(139)
Net cash from operating activities	25.2	1,197	3,587
Cash flows from investing activities			
Payments for property, plant and equipment	13	(3,560)	(8,529)
Acquisition of businesses	23	(13,458)	(4,463)
Payments for intangible assets	15	(35)	(19)
Receipts from sale of fixed assets		299	-
Cash received on reverse listing acquisition		-	2
Net cash used in investing activities		(16,754)	(13,009)
Cash flows from financing activities			
Proceeds from issue of share capital		8,347	4,000
Payments for share issue costs		(507)	-
Proceeds from borrowings		18,858	13,953
Principal repayment of borrowings	25.3	(8,202)	(5,644)
Interest paid on borrowings		(2,264)	(1,574)
Other interest paid		(15)	-
Principal repayment of lease liabilities		(1,323)	(725)
Interest paid on lease liabilities	25.2	(799)	(413)
Net cash from financing activities		14,095	9,597
Net increase in cash and cash equivalents		(1,462)	175
Cash and cash equivalents at the beginning of the year		873	698
Cash and cash equivalents at the end of the year	25.1	(589)	873

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

1. General information

WasteCo Group Limited ('WasteCo' or 'the Company') and its subsidiaries (together 'the Group') are limited liability companies, incorporated under the Companies Act 1993 and domiciled in New Zealand. The Group was formed by a reverse acquisition on 5 December 2022 of WasteCo Group Limited and WasteCo Holdings NZ Limited ('WasteCo Holdings') (refer note 24).

The Group provides solutions in the collection of waste and recycling, sweeping services and industrial cleaning services. WasteCo is a holding company for the Group. Details of subsidiary companies and their principal activities are set out in note 21.

The address of the Company's registered office is 421 Blenheim Road, Christchurch.

2. Material accounting policies

The following are the material accounting policies adopted by the Group in the preparation and presentation of the consolidated financial statements. There have been no changes in the material accounting policies since the previous year end 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. The consolidated financial statements comply with New Zealand Equivalents to IFRS Accounting Standards ('NZ IFRS'), IFRS Accounting Standards ('IFRS'), and other applicable New Zealand Financial Reporting Standards as appropriate for for-profit entities. The Group is a Tier 1 for-profit entity in accordance with XRB A1 Application of the Accounting Standards Framework.

The Company is an FMC reporting entity under the Financial Markets Conduct Act 2013. The Company is listed on the NZX Main Board ("NZX"). These consolidated financial statements have been prepared in accordance with the requirements of the Financial Markets Conduct Act 2013 and the NZX Main Board Listing Rules.

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.

Comparative information in the consolidated financial statements has been adjusted in order to be consistent with the presentation of the current period. These adjustments are limited to classification and disclosure and had no significant net impact on total assets, total equity, profit or cash flow classification.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

2.3 Going concern

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Group has the intention and ability to continue its operations for the foreseeable future.

The Group incurred an after-tax loss of \$4.1 million in the year to 31 March 2024 (2023: \$1.9 million loss). The Group's net cashflows from operating activities was \$1.2 million (2023: \$3.6 million).

At the reporting date the Group had cash of \$1.8 million (2023: \$0.9 million), negative working capital of \$8.0 million (2023: \$5.5 million negative) and net assets of \$16.4 million (2023: \$9.9 million).

As at 31 March 2024, the Group had borrowings of \$33.8 million (2023: \$21.2 million) of which \$10.6 million were current (2023: \$5.7 million) and \$23.2 million were non-current (2023: \$15.5 million). Borrowings were allocated between current and non-current liabilities based upon the terms of the funding arrangements at the reporting date.

On 6 May 2024 WasteCo NZ Limited entered into a new funding arrangement with Kiwibank Limited (note 29). The funding arrangement with Kiwibank Limited comprises a mix of principal and interest, and an interest-only facility of \$15.45 million structured to provide cash flow benefits to WasteCo. The current debt maturity has been extended into future years as a result of the debt restructure.

The Group forecasts it will be compliant with all bank covenants during the 2025 financial year.

The Directors have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has 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.

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.

Where 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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

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.

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.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

2.6 Revenue recognition

The Group derives revenue from the following major sources:

- Waste collection and recycling services;
- Sweeping 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.

Waste collection and recycling services

The Group provides waste collection and recycling services via front load bins, hook bins, skip bins and wheelie bins from both commercial and private customers. Recycling services include a dedicated sorting facility with a focus on diversion from landfill.

Revenue from collection and disposal of waste is recognised when the performance obligation to the customer has been fulfilled, which is generally when the waste has been collected from the customer. Costs to dispose of the waste are generally incurred at, or close to, the time of collection.

Revenue from the sale of recycled materials is recognised when control of the goods has transferred, being when the goods have been shipped to the customer's specific location or when the customer collects the goods.

Sweeping services

The Group provides sweeping services for Councils and commercial customers. Contracts for the provision of sweeping services to Councils are usually for ongoing sweeping over multi-year periods. Revenue from sweeping services provided to Councils are recognised over time as the services are performed. Revenue from sweeping services provided to commercial customers is recognised when the performance obligation to the customer has been fulfilled, which is generally when the sweeping service has been provided.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

Industrial cleaning services

The Group provides industrial scrubbing, high pressure water blasting, urgent spill response services, port-a-loo hire and collection, and septic tank cleaning. Revenue from industrial cleaning services is recognised when the performance obligation to the customer has been performed, which is generally when the cleaning services have been performed, or in the case of port-a-loos, when the regular cleaning and waste collection has been completed.

2.7 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.

2.8 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 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, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised 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, unless the initial recognition gives rise to equal amounts of taxable and deductible temporary differences.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

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, liabilities, cash receipts and cash payments 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. Cost comprises direct materials and, where applicable, costs that have been incurred in bringing the inventories to their present location and condition. 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.

2.13 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	5% - 25%	Straight line
	10% - 67%	Diminishing value
Vehicles	7% - 15%	Straight line
	13% - 30%	Diminishing value
Office equipment	16% - 50%	Diminishing value
Leasehold improvements	10%	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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

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.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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
Customer contracts	30.77%	Straight line
Computer software	50%	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.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

2.15 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 subsequently 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 2024

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

2.16 Short-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

2.17 Financial instruments

Financial assets 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.

2.18 Financial assets

Financial assets are measured at amortised cost on the basis of the Group's business model for managing financial assets and the contractual cash flow characteristics of the financial assets.

Financial assets at amortised cost

The Group's financial assets at amortised cost include cash at bank and trade and other receivables.

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.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

2.19 Financial liabilities

Financial liabilities (including trade and other payables, borrowings and lease liabilities) are measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

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. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. 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.

2.20 Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions 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.

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

2.21 Share capital

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

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2.22 Share based payment transactions

The fair value of share options issued to directors and employees is determined at the grant date and is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the share options that will eventually vest, with a corresponding increase in equity.

At the end of each reporting period, the Group revises its estimate of the number of share options expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payments reserve.

3. Application of new and revised New Zealand IFRS Accounting Standards (NZ IFRSs)

3.1 New and amended standards and interpretations

All new and amended standards were implemented and the impact deemed not to be material.

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.

The Group has not yet assessed the impact of the recently released NZ IFRS 18 *Presentation and Disclosure in Financial Statements*. It is expected that the standard will impact the presentation of the financial statements.

4. Key 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 key accounting judgements.

4.1 Determining fair values on acquisition

During the reporting period the Group made two business acquisitions (note 23). 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. Independent valuers were engaged to determine fair value.

4.2 Impairment of goodwill

Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. The Board has undertaken value in

use impairment testing and reviewed sensitivity analysis relating to the carrying value of the goodwill. Judgement is required in determining whether there has been an impairment in goodwill (note 15.1).

4.3 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.

4.4 Recognition of deferred tax asset

The future benefit of tax losses is recognised as a deferred tax asset to the extent that it is probable that taxable profits will be available against which those tax losses can be utilised. Judgement is required in determining the probability and timing of future profits.

4.5 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.

4.6 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. 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.

4.7 Share options

The directors used judgement in determining the fair value of the share options. Share options were independently valued using the Black-Scholes model to estimate fair value at grant date. The expected volatility in the measure of fair value has been based on the observed volatility levels of movements in WasteCo's share price from 5 December 2022 up to 17 May 2023 and for overseas comparable companies, as a proxy of the Company's future volatility. The Company did not have three years' trading history at the valuation date to provide a three-year historical volatility to support the share option valuation (refer note 20).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

5. Revenue

	2024	2023
	NZ\$000	NZ\$000
Revenue from waste collection and recycling	25,431	19,995
Revenue from sweeping services	11,027	8,214
Revenue from industrial cleaning services	11,775	6,183
	48,233	34,392

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

	2024	2023
	NZ\$000	NZ\$000
Interest income	35	17
Rental income	34	-
Government grants	15	-
Insurance claims	14	-
Covid-19 wage subsidy	1	52
Outsourced labour income	-	29
	99	98

Government grants

Government grants primarily relate to a grant from the Ministry for the Environment. There are no unfulfilled conditions or other contingencies attached to this grant.

7. Expenses

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

	2024	2023
	NZ\$000	NZ\$000
Expenses relating to short term leases	(222)	(161)
Net foreign currency (losses)/gains	(4)	5
Loss on disposal of property, plant and equipment	(199)	-
Depreciation and amortisation expenses		
Depreciation of property, plant and equipment (note 13)	(3,902)	(3,208)
Depreciation of right of use assets (note 14.1)	(1,550)	(837)
Amortisation of intangible assets (note 15)	(740)	(9)
	(6,192)	(4,054)
Fees paid to the auditor		
For the current year audit of the consolidated financial statements	(215)	(110)
For prior year audit - paid to previous auditor	(79)	-
Total fees paid to the auditor	(294)	(110)

During the year the Group changed its auditor to Deloitte Limited.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

7.1 Employee benefit expenses

	2024	2023
	NZ\$000	NZ\$000
Salary and wages	(20,838)	(14,394)
Employer Kiwisaver contributions	(554)	(366)
Share based payments (refer note 19)	(232)	(260)
	(21,624)	(15,020)

7.2 Finance costs

	2024	2023
	NZ\$000	NZ\$000
Interest on asset finance borrowings	(2,105)	(1,369)
Interest on lease liabilities	(799)	(413)
Interest on bank overdraft	(159)	-
Interest charged by suppliers	(13)	-
Use of money interest	(2)	-
Interest on convertible notes	-	(256)
Interest on shareholder loans	-	(25)
	(3,078)	(2,063)

8. Segment information

The Group provides solutions in the collection of waste and recycling, sweeping services and industrial cleaning services. All of these collection and disposal services are provided in New Zealand.

The Group has identified its operating segments based on the internal reports reviewed and used by the Chief Operating Decision Maker ('CODM'), being the Board of Directors, in assessing the Group's performance and in determining the allocation of resources.

The operating segments are identified by the CODM based upon the nature of services provided.

The Group has provided only a measure of profit and loss for each reportable segment as the CODM is not provided with total assets and liabilities for each segment when assessing the Group's performance and allocating resources.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

	2024				Total
	Waste collection & recycling	Sweeping services	Industrial cleaning	Corporate / unallocated	
	NZ\$000	NZ\$000	NZ\$000	NZ\$000	
Total revenue	25,431	11,027	11,775	-	48,233
Operating EBITDA	5,439	4,529	2,897	(9,496)	3,369
Finance income	-	-	-	35	35
Finance costs	(27)	-	-	(3,051)	(3,078)
Depreciation and amortisation	(428)	(80)	(284)	(5,400)	(6,192)
Gain on bargain purchase	-	-	-	762	762
Acquisition expenses	-	-	-	(639)	(639)
Net profit/(loss) before taxation	4,984	4,449	2,613	(17,789)	(5,743)
Income tax benefit	-	-	-	1,608	1,608
Net profit/(loss) for the year	4,984	4,449	2,613	(16,181)	(4,135)

	2023				Total
	Waste collection	Sweeping services	Industrial cleaning	Corporate / unallocated	
	NZ\$000	NZ\$000	NZ\$000	NZ\$000	
Total revenue	19,995	8,214	6,183	-	34,392
Operating EBITDA	3,544	1,554	1,450	(962)	5,586
Finance income	-	-	-	17	17
Finance costs	-	-	-	(2,063)	(2,063)
Depreciation and amortisation	(1,843)	(611)	(662)	(938)	(4,054)
Reverse acquisition - share based payment	-	-	-	(1,239)	(1,239)
Reverse listing expenses	-	-	-	(403)	(403)
Net profit/(loss) before taxation	1,701	943	788	(5,588)	(2,156)
Income tax benefit	-	-	-	236	236
Net profit/(loss) for the year	1,701	943	788	(5,352)	(1,920)

8.1 Information about major customers

For the year ended 31 March 2024 there was one customer who individually accounted for more than 10% of the Group's total sales. Sales to this customer totalled \$6.3 million (31 March 2023: one customer with sales of \$3.61 million). The customer purchased sweeping, industrial & waste services.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

9. Taxation

9.1 Income tax expense

The analysis of income tax expense is as follows:

	2024	2023
	NZ\$000	NZ\$000
Current tax on losses for the year	-	2
Deferred tax movement in the current year	(1,608)	(190)
Adjustment for prior years	-	(48)
Total deferred tax benefit	(1,608)	(238)
Total income tax benefit recognised in the current year	(1,608)	(236)

9.2 Reconciliation of income tax expense

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

	2024	2023
	NZ\$000	NZ\$000
Loss before income tax	(5,743)	(2,156)
Prima facie tax at 28% (2023: 28%)	(1,608)	(604)
Non-assessable income	(213)	-
Non-deductible expenses	88	416
Adjustment recognised in the current year in relation to prior years	-	(48)
Tax losses not recognised	125	-
Income tax (benefit)/expense	(1,608)	(236)

9.3 Deferred tax

	Opening balance	Recognised in loss	Acquisition of business	Closing balance
	NZ\$000	NZ\$000	NZ\$000	NZ\$000
2024				
Deferred tax assets/(liabilities) in relation to:				
Provisions	21	(4)	-	17
Accrued expenses	177	227	-	404
Customer contracts asset	-	203	(1,522)	(1,319)
Property, plant & equipment	(1,978)	(1,324)	-	(3,302)
Leases	227	64	-	291
Share options	85	(85)	-	-
Tax losses offset against deferred tax liability	1,382	2,527	-	3,909
	(86)	1,608	(1,522)	-

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

	Opening balance	Recognised in loss	Acquisition of business	Closing balance
	NZ\$000	NZ\$000	NZ\$000	NZ\$000
2023				
Deferred tax assets/(liabilities) in relation to:				
Provisions	11	10	-	21
Accrued expenses	149	28	-	177
Property, plant & equipment	(1,109)	(869)	-	(1,978)
Leases	196	31	-	227
Share options	-	85	-	85
Tax losses offset against deferred tax liability	429	953	-	1,382
	(324)	238	-	(86)

9.4 Imputation credits

	2024	2023
	NZ\$000	NZ\$000
Imputation credits available for use in subsequent periods	235	228

10. Earnings/(loss) per share

	2024	2023
Basic and diluted (loss) per share (NZ\$)	(0.0052)	(0.0034)
The loss and weighted average number of ordinary shares used in the calculation of earnings per share are as follows:		
Loss from continuing operations (NZ\$000)	(4,135)	(1,920)
Weighted average number of ordinary shares used in the calculation of basic and diluted loss per share ('000)	800,946	562,637

The 20.8 million share options on issue at the reporting date were not considered to be dilutive due to the Group's net loss for the year (2023: 21.3 million share options issued at reporting date were not considered to be dilutive due to the Group's net loss for the year).

On 28 March 2024 the Group issued \$3 million convertible notes (refer note 17.3). These notes are not considered to be dilutive as their share price for conversion of \$0.05 was higher than the market price of the Company's shares at that date, and also due to the Group's loss.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

11. Trade receivables and other current assets

	2024	2023
	NZ\$000	NZ\$000
Trade receivables from contracts with customers	6,760	4,222
Other receivables	38	272
Prepayments	824	536
Related party receivable	-	8
Total trade and other receivables	7,622	5,038

The standard credit terms on sales are 30 days. No interest is charged on outstanding trade receivables. Due to the short-term nature of current receivables, their carrying amount is considered to be the same as their fair value.

11.1 Allowance for expected credit loss

	2024	2023
	NZ\$000	NZ\$000
Reconciliation for allowance for expected credit losses		
Balance at the beginning of the year	34	-
Impairment losses recognised on receivables	56	42
Amounts written off as uncollectable	(28)	(8)
Balance at the end of the year	62	34

The Group has assessed expected loss rates for trade receivables based on its judgement of the impact of current economic conditions and its experiences with customers to date. There has been no significant change in the estimation techniques used for assessing the expected loss rates during the current reporting period.

The Group's receivables aging is as follows:

NZ\$000	Less than 30 days past due				Total
	Current	30 to 60 days past due	30 to 60 days past due	More than 60 days past due	
2024					
Trade receivables	3,649	1,603	1,002	506	6,760
Loss allowance	(4)	(1)	(1)	(56)	(62)
					6,698
2023					
Trade receivables	3,576	453	83	144	4,256
Loss allowance	-	-	-	(34)	(34)
					4,222

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

12. Inventories

	2024	2023
	NZ\$000	NZ\$000
Finished goods	273	230
	273	230

\$182,793 of inventory was included as an expense in the net loss for the current year (2023: \$42,774).

13. Property, plant and equipment

	Plant and equipment	Vehicles	Office equipment	Leasehold improvements	Assets under construction	Total
	NZ\$000	NZ\$000	NZ\$000	NZ\$000	NZ\$000	NZ\$000
Cost:						
At 1 April 2022	13,041	15,731	253	110	-	29,135
Additions	4,378	3,976	108	67	-	8,529
Business acquisitions	-	1,000	-	-	-	1,000
At 31 March 2023	17,419	20,707	361	177	-	38,664
Additions	1,655	1,227	214	140	324	3,560
Transfers	21	-	-	114	(135)	-
Business acquisitions (note 23)	783	10,745	10	-	-	11,538
Disposals	(449)	(460)	-	-	-	(909)
At 31 March 2024	19,429	32,219	585	431	189	52,853
Accumulated depreciation:						
At 1 April 2022	(1,925)	(2,542)	(118)	(18)	-	(4,603)
Depreciation expense	(1,623)	(1,463)	(99)	(23)	-	(3,208)
At 31 March 2023	(3,548)	(4,005)	(217)	(41)	-	(7,811)
Depreciation expense	(1,642)	(2,039)	(179)	(42)	-	(3,902)
Disposals	107	32	-	-	-	139
At 31 March 2024	(5,083)	(6,012)	(396)	(83)	-	(11,574)
Carrying amount:						
At 31 March 2024	14,346	26,207	189	348	189	41,279
At 31 March 2023	13,871	16,702	144	136	-	30,853
At 1 April 2022	11,116	13,189	135	92	-	24,532

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

14. Leases

The Group leases vehicles, and premises for waste sorting, vehicle storage and administration.

14.1 Right-of-use asset

	Vehicles NZ\$000	Premises NZ\$000	Total NZ\$000
Cost:			
At 1 April 2022	518	5,909	6,427
Additions	1,008	179	1,187
Lease modifications	-	214	214
At 31 March 2023	1,526	6,302	7,828
Additions	2,500	1,376	3,876
Lease modifications	(322)	72	(250)
Business acquisition (note 23)	-	2,089	2,089
At 31 March 2024	3,704	9,839	13,543
Accumulated depreciation:			
At 1 April 2022	(136)	(992)	(1,128)
Depreciation expense	(347)	(490)	(837)
At 31 March 2023	(483)	(1,482)	(1,965)
Depreciation expense	(741)	(809)	(1,550)
Disposals	-	-	-
Lease modifications	517	-	517
At 31 March 2024	(707)	(2,291)	(2,998)
Carrying amount:			
At 31 March 2024	2,997	7,548	10,545
At 31 March 2023	1,043	4,820	5,863
At 1 April 2022	382	4,917	5,299

The average lease term is 7.77 years (2023: 7.1 years). The average IBR rate is 8.81% (2023: 7.33%).

14.2 Lease liabilities

	2024 NZ\$000	2023 NZ\$000
Maturity analysis - contractual undiscounted cash flows		
Up to one year	2,021	1,123
One to two years	1,901	993
Two to five years	5,615	2,942
More than five years	6,349	3,732
Total undiscounted lease liabilities at reporting date	15,886	8,790
Less: future finance charges	(4,452)	(2,115)
Total discounted lease liabilities at reporting date	11,584	6,675

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

Lease liabilities included in the Consolidated Statement of Financial Position at reporting date

Current	1,162	711
Non-current	10,422	5,964
	11,584	6,675

15. Intangible assets

	Goodwill	Customer Contracts	Computer software	Total
	NZ\$000	NZ\$000	NZ\$000	NZ\$000
Cost:				
At 1 April 2022	137	-	77	214
Additions	-	-	19	19
At 31 March 2023	137	-	96	233
Additions	-	-	35	35
Business acquisitions (note 23)	1,276	5,435	-	6,711
At 31 March 2024	1,413	5,435	131	6,979
Accumulated amortisation/impairment:				
At 1 April 2022	-	-	(67)	(67)
Amortisation expense	-	-	(9)	(9)
At 31 March 2023	-	-	(76)	(76)
Amortisation expense	-	(725)	(15)	(740)
At 31 March 2024	-	(725)	(91)	(816)
Carrying amount:				
At 31 March 2024	1,413	4,710	40	6,163
At 31 March 2023	137	-	20	157
At 1 April 2022	137	-	10	147

The goodwill relates to expected synergies, and the capability and expertise developed within the acquired businesses.

15.1 Impairment testing for cash-generating units containing goodwill

The Directors have assessed the goodwill for impairment as at the reporting date and have concluded that no impairment has occurred.

The carrying amount of goodwill has been allocated to CGUs as follows:

	2024	2023
	NZ\$000	NZ\$000
Waste collection	137	137
Industrial services	1,276	-
Balance at reporting date	1,413	137

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

Value in use was determined by discounting the future cash flows generated from the continuing use of each CGU and was based on the key assumptions set out below. Cash flows were projected on actual operating results, the 12-month budget reviewed and approved by the Board of Directors and multi-year forecasts.

Waste collection

The calculated value in use of the cash generating unit is \$38.9 million and is determined based on a value in use calculation which uses cash flow projections based on financial projections covering a five-year period (2023: eight-year period) to align with IAS 36 *Impairment of Assets*. The calculation uses the weighted average cost of capital at a rate of 14.83% per annum (2023: 6.81% per annum). A terminal value of the CGU has then been determined after this 5-year forecast and applied to the calculated value in use.

Solely for the purposes of this assessment, anticipated annual revenue growth of the CGU has been projected at 20% in 2025, with no further growth assumed for the remaining forecast years as a conservative estimate.

Gross margin percentages are projected as remaining consistent and other operating costs increasing by 6% per annum.

Industrial services

The calculated value in use of the cash generating unit is \$19.3 million and is determined based on a value in use calculation which uses cash flow projections based on financial projections covering an 5-year period to align with IAS 36 *Impairment of Assets*. The calculation uses the weighted average cost of capital at a rate of 14.83% per annum. A terminal value of the CGU has then been determined after this 5-year forecast and applied to the calculated value in use.

Solely for the purposes of this assessment, anticipated annual revenue growth of the CGU has been projected at 10% in 2025, with no further growth assumed for the remaining forecast years as a conservative estimate.

Gross margin percentages are projected as remaining consistent and other operating costs increasing by 6% per annum.

16. Trade and other payables

	2024	2023
	NZ\$000	NZ\$000
Trade payables	2,812	3,535
Accrued expenses	1,959	1,152
PAYE payable	511	401
GST payable	338	-
Revenue received in advance	183	-
Other payables	56	-
Payable for business acquisition	-	115
	5,859	5,203

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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

17. Borrowings

	Note	2024	2023
		NZ\$000	NZ\$000
Secured borrowings at amortised cost			
Bank overdraft	17.1	2,340	-
Asset finance	17.2	28,177	21,176
Unsecured borrowings at amortised cost			
Other loans	17.3	655	-
Convertible notes	17.4	2,657	-
Total borrowings		33,829	21,176
Current		10,640	5,657
Non-current		23,189	15,519
		33,829	21,176

All borrowings are denominated in NZD.

17.1 Bank overdraft

	2024	2023
	NZ\$000	NZ\$000
Balance at 1 April	-	-
Net drawdown on overdraft facility	2,340	-
Balance at 31 March	2,340	-

At 31 March 2024 the Group had a total available overdraft facility of \$3 million (31 March 2023: \$650,000). Interest is payable at a rate of 12.1% per annum (2023: no interest was payable as the Group was not utilising the facility). The bank overdraft is secured under the General Security Agreement detailed in note 17.2.

17.2 Asset finance

	2024	2023
	NZ\$000	NZ\$000
Balance at 1 April	21,176	15,578
Proceeds from asset finance	14,433	10,953
Repayment of loans	(7,432)	(5,355)
Balance at 31 March	28,177	21,176

Asset finance is used to fund the purchase of assets and business acquisitions. The Group borrows from a range of lenders. Each finance drawdown is secured by the respective assets acquired through the transaction and by guarantees from James Redmayne and Carl Storm (refer note 26.3). The terms of the asset finance arrangements are between 2 to 5 years.

The Group has the following financing facilities with Kiwibank Limited:

- a \$12.1 million KiwiPlus Facility dated 13 April 2022 (2023: \$2.6 million). The facility has a variable interest rate which was 9.25% per annum at the reporting date was (2023: 8.35%). The Group had \$10.5 million in borrowings under this facility at the reporting date (2023: \$2.6 million); and
- a \$2.25 million fixed term Facility dated 27 September 2021 which is to be repaid over 5 years. The interest rate on this facility at the reporting date was 9.19% per annum (2023: 9.19%). The Group had \$584,621 in borrowings under this facility at the reporting date (2023: \$700,270).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

Both facilities are secured by a first ranking General Security Agreement (GSA) and second ranking financing agreement with Kiwi Asset Finance Limited. 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.

Subsequent to the reporting date, the Group entered into a new funding facility with Kiwibank Limited (note 29).

The weighted average interest rates on asset finance loans during the period was 8.27% (2023: 6.0%).

17.3 Other loans

	2024	2023
	NZ\$000	NZ\$000
Balance at 1 April	-	-
Proceeds from loans	1,425	-
Repayment of loans	(770)	-
Balance at 31 March	655	-

17.4 Convertible notes

On 27 March 2024 the Group issued \$3 million unsecured convertible notes to two wholesale investors. The proceeds from the notes are to be used to support the Group's operations, specifically aimed at:

- expanding recycling capabilities
- investing in technology to increase capability to divert waste from landfill; and
- operational growth.

The notes mature on 15 October 2025. They offer the holders the right to redeem for cash on the maturity date, or convert to fully paid ordinary shares at \$0.05 each prior to maturity. The notes pay the holders interest of 10% per annum, paid quarterly, up until the date of conversion or redemption.

	2024	2023
	NZ\$000	NZ\$000
Balance at 1 April	-	962
Value of convertible notes issued	3,000	3,000
Equity component recognised in convertible notes reserve	(343)	(39)
Interest expense	-	256
Interest paid	-	(179)
Converted to ordinary share capital	-	(4,000)
Balance at 31 March	2,657	-

The interest expense on the liability component of the convertible notes is calculated by applying an effective annual interest rate of 18%.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

17.5 Shareholder loans

	2024	2023
	NZ\$000	NZ\$000
Balance at 1 April	-	173
Repayment of loans	-	(173)
Balance at 31 March	-	-

The shareholder loans were unsecured and repayable on demand. Interest was payable on the outstanding balance at 10% per annum.

18. Share capital

The following table shows the movement in share capital for the consolidated group.

	2024	2023
	NZ\$000	NZ\$000
At 1 April	9,871	641
Ordinary share placements	8,322	4,000
Share issue costs	(507)	-
Shares issued on acquisition of Cleanways (note 23)	2,205	-
Share options exercised (note 19, 20)	40	-
Shares issued on reverse acquisition (note 24)	-	1,153
Shares issued for convertible notes	-	4,077
At 31 March	19,931	9,871

The table below details the movement in ordinary shares issued by the Company.

	2024	2023
	'000	'000
Ordinary shares as at 1 April	688,000	33,410
Shares issued during the year	160,373	90,636
2.5 for 1 share consolidation	-	(20,046)
Shares issued for convertible notes	-	80,000
Shares issued on reverse acquisition	-	504,000
Ordinary shares as at 31 March	848,373	688,000

On 1 June 2023 the Company issued 31,850,353 ordinary shares at \$0.06923 per share, being a total value of \$2,205,000, as part payment of the purchase price for the acquisition of the Cleanways business (refer note 23).

On 15 June 2023 the Company issued 66,484,000 ordinary shares at \$0.065 per share to selected wholesale investors.

On 26 June 2023 500,000 ordinary shares were issued at \$0.05 per share following the exercising of options under the Group's employee share ownership plan.

On 30 August 2023 the Company issued 46,153,797 ordinary shares under a share purchase plan and a private share placement, at a share issue price of \$0.065.

On 6 November 2023 the Company issued 15,384,615 ordinary shares at \$0.065 per share to a wholesale investor.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

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

19. Share based payments reserve

	2024	2023
	NZ\$000	NZ\$000
Balance as at 1 April	304	-
Share options issued (note 20)	321	326
Share options exercised (note 20)	(15)	-
Share options forfeited (note 20)	(46)	(22)
Balance as at 31 March	564	304

Share based payments are included in:

Directors' remuneration (as directors of the Company)	43	44
Employees' remuneration (note 7.1)	232	260
	275	304

20. Share options

The Company has a share option scheme for directors and selected employees of the Company and its subsidiaries to purchase ordinary shares in the Company.

Each share options converts into one ordinary share of the Company on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry no rights to dividends and no voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

	2024		2023	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance as at 1 April	21,300,000	\$0.05	-	-
Granted during the year	6,000,000	\$0.05	22,800,000	\$0.05
Exercised during the year	(500,000)	\$0.05	-	-
Forfeited during the year	(6,000,000)	\$0.05	(1,500,000)	\$0.05
Balance as at 31 March	20,800,000	\$0.05	21,300,000	\$0.05
Exercisable at 31 March	11,200,000	\$0.05	7,100,000	\$0.05

The options vest in 3 equal tranches: one third on the grant date, one third on the first anniversary of the grant date and the final third on second anniversary of the grant date. Each tranche can be exercised at any time within 3 years from the vesting date.

At 31 March 2024, 9.6 million of the share options granted had not yet vested to option holders (31 March 2023: 14.2 million).

The weighted average contractual life of the share options outstanding at 31 March 2024 was 2.8 years (31 March 2023: 3.8 years).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

20.1 Fair value of share options granted in the year

The fair values of the share options granted during the year were:

	Vesting date	Fair value per option \$
Tranche 1	3 May 23	0.0285
Tranche 2	3 May 24	0.031
Tranche 3	3 May 25	0.0331

Options were valued using the Black-Scholes option pricing model. The key inputs used in valuing the options are detailed in the table below.

	Options granted
Grant date	3 May 23
Options granted	6,000,000
Grant date one month VWAP	\$0.073
Exercise price	\$0.05
Expected volatility	0.4-0.5
Option life (from vesting date)	36 months
Dividend yield	0%
Average risk free interest rate	4.33%

The expected volatility in the measurement of fair value at grant date has been based on the volatility of the Company's share price from 5 December 2022 up to 17 May 2023 and for overseas comparable companies, as a proxy of the Company's future volatility.

The Black-Scholes formula assumes that the options being valued can be sold on a secondary market. The terms of the options forbid their trading. Accordingly, a 20% discount to the values derived from the Black-Scholes formula was applied to reflect the restrictive terms.

21. Subsidiaries

Name of subsidiary	Principal activity	Ownership interest held by Group	
		2024	2023
WasteCo Holdings NZ Limited	Holding company	100%	100%
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%	100%
Safeco Training NZ Limited	Safety management training	100%	100%

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 2024

22. Financial instruments

22.1 Classes and categories of 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	2024 NZ\$000	2023 NZ\$000
Financial assets at amortised cost			
Cash at bank		1,751	873
Trade and other receivables	11	6,798	4,502
Total financial assets		8,549	5,375
Financial liabilities at amortised cost			
Trade and other payables	16	4,827	4,687
Payable for acquisition of business		-	115
Borrowings - current	17	10,640	5,657
Borrowings - non current	17	23,189	15,519
Lease liabilities - current	14.2	1,162	711
Lease liabilities - non current	14.2	10,422	5,964
Total financial liabilities		50,240	32,653

The Group does not have any derivative financial instruments (2023: nil).

22.2 Financial risk management objectives

The Group's activities expose it to a variety of financial risks: market risk (including interest rate risk and currency risk), credit and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance.

Risk management is carried out under policies approved by the Board of Directors.

22.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control the market risk exposures within acceptable parameters, while optimising the return on risk.

The Group's main market risk relates to interest rate risk. Interest rate risk is the risk that the fair value of the financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates.

The Group's interest rate risk exposure primarily relates to its exposure to variable interest rates on borrowings. The Group has mitigated this risk exposure through entering into borrowings with fixed interest rates. With the exception of the two flexible lending facilities below, the asset finance (note 17.2), other loans (note 17.3) and convertible notes (note 17.4), all have interest rates that are fixed for the life of the loan.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

The Group has a flexible lending facility of \$12,100,000 (2023: \$2,600,000) which has a variable interest rate. The interest rate on this facility at the reporting date was 9.25% per annum (2023: 8.35%). The Group had \$10,536,095 in borrowings under this facility at the reporting date (2023: \$2,555,522).

The Group also has a fixed term lending facility of \$2,250,000 (2023: \$700,270) which has a variable interest rate. The interest rate on this facility at the reporting date was 9.19% per annum (2023: 9.19%). The Group had \$584,621 in borrowings under this facility at the reporting date (2023: \$700,270).

An increase in this variable rate of 1%, taking into account scheduled repayments, would increase the annual interest expense on the borrowings from these facilities by \$92,000. A decrease in this variable rate of 1%, taking into account scheduled repayments, would decrease the annual interest expense on the borrowings from these facilities by \$87,000.

22.4 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises from cash and cash equivalents, and the Group's receivables from customers. The Group's maximum credit risk is represented by the carrying value of these financial assets.

The credit risk associated with cash transactions and deposits is managed through the Group's policies that limit the use of counterparties to high credit quality financial institutions.

The Group minimises concentrations of credit risk in receivables by undertaking transactions with a large number of customers. In addition, receivable balances are monitored on an ongoing basis with the objective that the Group's exposure to expected credit losses is minimised. The Group considers information developed internally or obtained from external sources to determine whether a debtor is unlikely to pay the balances due in full. The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

22.5 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as and when the fall due. The Group's liquidity risk management includes maintaining sufficient cash reserves to meet future commitments.

The following table provides a maturity analysis of the Group's remaining contractual cash flows relating to non-derivative financial liabilities. Contractual cash flows include contractual undiscounted principal and interest payments.

	Carrying amount NZ\$000	Contractual cash flows NZ\$000	Payable 0-6 months NZ\$000	Payable 6-12 months NZ\$000	Payable 1-2 years NZ\$000	Payable 2-5 years NZ\$000	Payable 5+ years NZ\$000
As at 31 March 2024							
Trade and other payables	5,859	5,859	5,859	-	-	-	-
Borrowings	33,829	36,268	5,529	5,131	11,817	13,791	-
Lease liability	11,584	15,886	1,048	973	1,901	5,615	6,349
	51,272	58,013	12,436	6,104	13,718	19,406	6,349
As at 31 March 2023							
Trade and other payables	5,203	5,203	5,136	13	54	-	-
Payable for acquisition of business	115	115	115	-	-	-	-
Borrowings	21,176	24,233	3,556	3,376	6,636	10,604	61
Lease liability	6,675	8,790	594	529	993	2,942	3,732
	33,169	38,341	9,401	3,918	7,683	13,546	3,793

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

22.6 Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of debt and equity.

The capital structure of the Group consists of equity, comprising issued capital and retained earnings, and debt. The Group reviews the capital structure on a regular basis including assessing equity ratios and ensuring compliance with bank covenants, to ensure that entities in the Group are able to continue as going concerns and to fund its acquisition strategy.

23. Business acquisition

	Cleanways	Bond Contracts	Total
Nature of business acquired	Industrial services	Waste collection	
Acquisition date	1 June 2023	30 Sept 2023	
	NZ\$000	NZ\$000	NZ\$000
Net assets / (liabilities) acquired:			
Prepayments	7	-	7
Property, plant and equipment	6,113	5,425	11,538
Right-of-use assets	1,647	442	2,089
Customer contracts asset	-	5,435	5,435
Employee liabilities	(158)	(106)	(264)
Deferred revenue	-	(160)	(160)
Lease liabilities	(1,647)	(442)	(2,089)
Deferred tax liability	-	(1,522)	(1,522)
Net assets acquired	5,962	9,072	15,034
Goodwill	1,276	-	1,276
Gain on bargain purchase	-	(762)	(762)
	7,238	8,310	15,548
Satisfied by:			
Cash	5,033	8,310	13,343
Issue of ordinary shares	2,205	-	2,205
Total consideration transferred	7,238	8,310	15,548

23.1 Acquisition of Cleanways business

On 1 June 2023 WasteCo NZ Limited purchased the combined assets and businesses of Cleanways (2003) Limited ('Cleanways'), Enviro South (2015) Limited ('Enviro South') and Wastech Services (Central Otago) Limited ('Wastech Services'), all of which were under common ownership.

The Cleanways and Enviro South businesses are based in Invercargill and specialise in the removal of bulk liquid waste, providing a range of services across Southland. Wastech Services is based in Cromwell and specialises in the removal of bulk liquid and solid waste, providing services throughout the Central Otago region.

The acquisition supported WasteCo to expand its services in Southland and Otago.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

The total purchase price for the acquisition was \$7.238 million (after adjustments to the contracted purchase price of \$7.35 million). \$2.205 million of the purchase price was satisfied by the issue to the vendors of 31,850,353 fully paid ordinary shares in the Company, with the \$5.033 million balance of the purchase price paid in cash.

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

The fair value of the 31,850,353 ordinary shares issued at \$0.06923 per share as part of the consideration paid was determined on the basis of the agreement between the parties. The issue price of \$0.06923 per share is in line with the 5-trading day volume-weighted average price (VWAP) of WasteCo shares prior to the announcement of the acquisition.

The goodwill of \$1.276 million arising from the acquisition relates to expected synergies, and the capability and expertise developed within the acquired business.

The cash paid for the acquisition was funded by additional asset finance.

The Cleanways business contributed \$6.57 million and \$1.64 million to the Group's revenue and profit before tax for the period between the date of acquisition and the reporting date. If the Cleanways business had been acquired on 1 April 2023 the Group estimates the new business would have contributed \$7.88 million and \$1.96 million to the Group's revenue and net profit before tax for the 2024 year.

23.2 Acquisition of Bond Contracts business

On 30 September 2023 WasteCo NZ Limited acquired the Southland waste collection business of Bond Contracts Limited.

The business acquired provides waste collection services and operates transfer stations in Southland under a contract with the Invercargill City Council, Southland District Council and Gore District Council (together referred to as the 'WasteNet' Councils). This contract runs until 30 June 2027.

The acquisition expanded the Group's footprint in the South Island as a leading waste management company in the region.

The total purchase price for the acquisition was \$8.31 million (after apportionments and adjustments to the contracted purchase price of \$8.775 million).

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table above. The net assets acquired of \$9.072 million result in a gain on bargain purchase of \$0.762 million compared to the consideration paid of \$8.31 million.

Customer contracts asset

The \$5.435 million value attributed to the customer contracts asset has been determined by an independent valuation. The business holds the contracts for municipal waste collection and processing for Invercargill City Council, Southland District Council and Gore District Council under a contract with those councils ('Wastenet Contract').

The Wastenet Contract covers the collection and processing of both household solid waste and recycling waste; with income being derived at a fixed rate per household served. Due to the nature of the Wastenet Contract and the purpose of the service, there is expected to be little risk of a change to the revenue from the contract.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

The Wastenet Contract has a fixed lifetime with maturity being in June 2027. Beyond this WasteCo will be required to tender for any renewal. Due to a level of uncertainty, the value of the renewal was not considered when determining the values of the customer contracts asset.

The value of the customer contracts asset is determined by first assessing the enterprise value of the acquired business. The enterprise value is first allocated to the tangible assets of the business (plant and equipment and stock). Any residual value is likely to be attributed to the Wastenet contract given it accounts for approximately 95% of the Bond Contracts business revenue streams.

The Discounted Cashflows model ("DCF") has been used to obtain an enterprise value. This value encapsulates the future cashflows along with the asset base required to achieve the cashflows.

The Bond Contracts business contributed \$4.42 million and \$1.77 million to the Group's revenue and profit for the period between the date of acquisition and the reporting date. If the Bond Contracts business had been acquired on 1 April 2023 the Group estimates the new business would have contributed \$8.83 million and \$3.55 million to its revenue and net profit before tax for the 2024 year.

23.3 Confirmation of accounting for prior period acquisition

On 1 March 2023 WasteCo NZ Limited acquired the business and assets of Central Suction Cleaners Limited. At the 2023 reporting date the fair value allocation of assets and liabilities acquired was provisional. The accounting for this acquisition has now been finalised. In doing so, there were no adjustments to the initial assessment of the fair value of net assets acquired, as detailed below.

	1 March 2023 NZ\$000
Net assets acquired at fair value:	
Property, plant and equipment	1,000
Net assets acquired	<u>1,000</u>
Satisfied by:	
Cash	1,000
Total consideration	<u>1,000</u>

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

24. Prior period disclosure - reverse acquisition – share-based payment

In the prior reporting period, the Company entered into a reverse acquisition in which the Company acquired 100% of the shares of the already operating WasteCo Holdings and its subsidiaries for \$29.2 million. The purchase price was satisfied by the issue of:

1. 504 million fully paid ordinary shares at an issue price of \$0.05 per share to the WasteCo Holdings shareholders, and
2. 80 million fully paid ordinary shares at an issue price of \$0.05 per share to the holders of \$4 million mandatory convertible notes previously issued by WasteCo Holdings.

The reverse acquisition did not represent a business combination in accordance with NZ IFRS 3 *Business Combinations* because WasteCo did not constitute 'a business', as it was a listed non-operating entity. The Board of Directors therefore accounted for the reverse acquisition as a share-based payment transaction, as an issue of shares, in accordance with NZ IFRS 2 *Share-based Payments*.

The financial impact of the reverse acquisition of WasteCo Group Limited and the resulting share-based payment, is summarised as follows:

	<u>NZ\$000</u>
The share based payment on acquisition was:	
Consideration	1,153
Fair value of net liabilities acquired (see below)	86
Share based payment on acquisition of WasteCo Group Limited	<u>1,239</u>
Net assets / liabilities acquired:	
Cash and cash equivalents	2
Trade receivables and other current assets	41
Trade and other payables	(13)
Borrowings	(116)
Net liabilities acquired	<u>(86)</u>

The difference between the consideration and net liabilities acquired was accounted for as a share-based payment of \$1,239,000 and included in the net loss for the 2023 year.

25. Notes to the cash flow statement

25.1 Cash and cash equivalents

	<u>2024</u>	<u>2023</u>
	<u>NZ\$000</u>	<u>NZ\$000</u>
Cash at bank	1,751	873
Bank overdraft (note 17.1)	(2,340)	-
	<u>(589)</u>	<u>873</u>

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

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

	Note	2024 NZ\$000	2023 NZ\$000
Net loss after taxation		(4,135)	(1,920)
Adjustments for:			
Depreciation on property, plant and equipment	13	3,902	3,208
Depreciation on right of use assets	14	1,550	837
Amortisation of intangible assets	15	740	9
Loss on disposal of property, plant and equipment		199	-
Share based payments	19	275	304
Interest paid on borrowings		2,279	1,651
Interest paid on lease liabilities		799	413
Gain on bargain purchase	23	(762)	-
Reverse acquisition share based payment		-	1,239
Income tax benefit	9	(1,608)	(238)
Other non-cash adjustments		272	-
Movements in working capital			
(Increase) / decrease in trade receivables and other current assets		(2,584)	(1,341)
(Increase) / decrease in inventory		(43)	(158)
Increase / (decrease) in trade payables and other liabilities		656	(324)
Increase / (decrease) in income tax receivables		74	(137)
Movement in trade and other payables due to business acquisition		(417)	15
Movement in working capital on reverse acquisition		-	29
Net cash received from operating activities		1,197	3,587

25.3 Reconciliation of liabilities arising from financing activities

	2024 NZ\$000	2023 NZ\$000
Borrowings:		
At 1 April	21,176	16,713
<i>Cash:</i>		
Proceeds from borrowings	18,858	13,953
Principal repayment of borrowings	(8,202)	(5,644)
Net proceeds from bank overdraft	2,340	-
Interest paid on convertible notes	-	(179)
<i>Non-cash:</i>		
Equity component recognised in convertible notes reserve	(343)	(39)
Interest accrued on convertible notes	-	256
Convertible notes converted to ordinary share capital	-	(4,000)
Borrowings acquired on reverse acquisition (note 24)	-	116
At 31 March	33,829	21,176

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

	2024	2023
	NZ\$000	NZ\$000
Lease liabilities:		
At 1 April	6,675	5,999
<i>Cash:</i>		
Principal repayment of lease liabilities	(1,323)	(725)
Interest paid on lease liabilities	(799)	(413)
<i>Non-cash:</i>		
Lease liabilities recognised	3,876	1,187
Lease liabilities from business acquisitions	2,089	-
Interest on lease liabilities	799	413
Lease disposals	(322)	-
Lease modifications	589	214
At 31 March	11,584	6,675

26. Related parties

26.1 Directors

The directors of the Company are Shane Edmond, Angus Cooper, Roger Gower, James Redmayne and Carl Storm.

26.2 Key Management Personnel Compensation

Key management personnel are the Directors, the Chief Executive Officer and members of the executive leadership team.

Key management personnel compensation is set out below.

	2024	2023
	NZ\$000	NZ\$000
Short term benefits - WasteCo directors	269	112
Share based payments - WasteCo directors (note 19)	43	44
Short-term benefits - key management employees	527	642
Share based payments - key management employees	46	22
	885	820

None of directors' fees were paid in advance to directors at 31 March 2024 (2023: \$20,000).

26.3 Personal guarantees of asset finance

Selected asset finance loans are secured by personal guarantees from Carl Storm and James Redmayne (note 17.2).

26.4 Bastre Properties NZ Limited

Bastre Properties NZ Limited ('Bastre Properties ') owns premises that are leased by the Group. The initial term of the lease is five years from November 2020 and the Group hold rights of renewal for two further five-year terms. \$130,095 was paid in rent to Bastre Properties in the reporting period ended 31 March 2024 (2023: \$119,596). As at 31 March 2024 the Group recognised \$979,824 of lease liabilities due to Bastre Properties (2022: \$1,051,968).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

44% of the share capital of Bastre Properties is owned by the Storm Commercial Trust, of which Carl Storm and his wife Dawn are trustees, and 44% by the James & Sam Family Trust, of which James Redmayne and his wife Samantha are trustees.

26.5 Other transactions with related parties

Carl Storm's wife, Dawn Storm, received total remuneration of \$67,511 as an employee of the Group (2023: \$62,417).

James Redmayne's wife, Samantha Redmayne, received remuneration of \$70,836 as an employee of the Group (2023: \$92,013).

At 31 March 2023 the Group held a receivable of \$7,789 owed by James Redmayne. This balance was settled during the 2024 year.

During the year ended 31 March 2023 the Group provided \$5,000 sponsorship to Carl Storm's motor racing team.

26.6 Shareholder loans

During the year ended 31 March 2022 the Group received \$173,298 of loans from James and Samantha Redmayne. Interest of \$25,367 accrued on this balance during the year ended 31 March 2023. The outstanding balance was fully repaid by 31 March 2023.

26.7 Reverse acquisition

In the year ended 31 March 2023 and prior to the reverse acquisition (note 24):

- the James & Sam Family Trust, of which James Redmayne and his wife Samantha are trustees and beneficiaries, held 3,285 shares in WasteCo Holdings, the then parent company of the Group. As part of the reverse acquisition, the James & Sam Family Trust received 165,564,000 shares in WasteCo in exchange for its shareholding in WasteCo Holdings;
- the Storm Commercial Trust, of which Carl Storm his wife and Dawn are trustees and beneficiaries, held 3,135 shares in WasteCo Holdings. As part of the reverse acquisition, the Storm Commercial Trust received 158,004,000 shares in WasteCo in exchange for its shareholding in WasteCo Holdings;
- Shane Edmond, Ashvegas Limited (a company related to Shane Edmonds) and Belinda Edmonds (Shane Edmond's wife) held 900, 400 and 200 shares in WasteCo Holdings respectively. As part of the reverse acquisition, they respectively received 45,360,000, 20,560 000 and 10,080,000 shares in WasteCo in exchange for their shareholding in WasteCo Holdings;
- Shane Edmond invested \$250,000 in the mandatory convertible notes issued by the Group. These converted into 5,000,000 shares in the Company immediately following the reverse acquisition. Interest of \$2,907 was paid on these notes prior to their conversion.

27. Contingent liabilities

There are no contingent liabilities as at 31 March 2024 (2023: nil).

28. Commitments

The Group commitments totalling \$570,000 for future equipment capital expenditure as at 31 March 2024 (2023: \$131,000).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

29. Events subsequent to reporting date

On 6 May 2024 WasteCo NZ Limited entered into a new funding arrangement with Kiwibank Limited ('Kiwibank') comprising:

- a \$17 million Kiwi Asset Finance KiwiPlus facility with principal and interest payable over a term of 48 months;
- a \$15.45 million Kiwi Asset Finance KiwiPlus facility with interest only payable over a term of 24 months;
- a \$3 million Kiwibank Overdraft facility to fund working capital

The new funding facilities were used to refinance existing Kiwibank and Kiwi Asset Finance facilities, and all existing non-bank facilities.

The facilities are secured by:

- a first ranking and exclusive General Security Agreement over WasteCo NZ Limited and the entities within the Group, including WasteCo Group Limited;
- an unlimited cross guarantee between each Group entity; and
- a specific Security Agreement over each individual asset of Wasteco NZ Limited with a value greater than \$50,000.

Independent Auditor's Report

To the Shareholders of WasteCo Group Limited

Opinion

We have audited the consolidated financial statements of WasteCo Group Limited and its subsidiaries (the 'Group'), which comprise the consolidated statement of financial position as at 31 March 2024, and the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements, on pages 2 to 40, present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2024, and its consolidated financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to IFRS Accounting Standards ('NZ IFRS') as issued by the External Reporting Board and IFRS Accounting Standards ('IFRS') as issued by the International Accounting Standards Board.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ('ISAs') and 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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)*, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Other than in our capacity as auditor, we have no relationship with or interests in the Company or any of its subsidiaries, except that partners and employees of our firm deal with the Company and its subsidiaries on normal terms within the ordinary course of trading activities of the business of the Company and its subsidiaries.

Audit materiality

We consider materiality primarily in terms of the magnitude of misstatement in the financial statements of the Group that in our judgement would make it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced (the 'quantitative' materiality). In addition, we also assess whether other matters that come to our attention during the audit would in our judgement change or influence the decisions of such a person (the 'qualitative' materiality). We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the Group financial statements as a whole to be \$500,000.

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
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Business Acquisitions

As disclosed in note 23, WasteCo Group Limited acquired the Cleanways business and Bond Contracts Limited in the current year, and Central Suction Cleaners Limited in the previous year. The accounting for Central Suction Cleaners Limited was previously recorded on a provisional basis in the 31 March 2023 financial statements. The Group recognised goodwill amounting to \$1.28m relating to the the Cleanways business acquisition and a gain on bargain purchase of \$0.76m for the Bond Contracts Limited acquisition.

The acquisitions are significant and complex due to:

- the consideration of whether the acquisition is an asset acquisition or a business combination in terms of the requirements under NZ IFRS 3 *Business Combinations*;
- the acquisitions resulting in intangible assets being recognised;
- the purchase price of the acquisitions including non-cash components; and
- the judgements and estimates involved in identifying and determining the fair value of the assets and liabilities acquired.

Given the significance of the acquisitions in the current year and the previous year acquisition which was finalised, this has increased the level of audit effort required to recognise the acquisition.

Our procedures included:

- Reviewed and challenged management expert’s opinion on the valuation and accounting treatment of the acquisitions. This included challenging any assumptions in the valuations of assets which underpin the acquisition and consideration of whether the acquisition is an asset acquisition or a business combination;
- Obtained and analysed the sale and purchase agreements relating to the acquisitions to understand key terms and conditions of the transactions;
- Inspected evidence for the purchase price that was paid for the acquisition including any non-cash consideration;
- Assessed the mathematical accuracy of the purchase price accounting calculation including recalculating the goodwill or gain on bargain purchase to be recognised on acquisition (if any);
- Considered the completeness of the underlying assets acquired including the identification of intangible assets;
- Assessed the competence, capabilities, objectivity and expertise of management’s external valuation and accounting expert and the appropriateness of their work as audit evidence;
- Engaged our own internal valuation specialist to assist in reviewing the valuation methodology, reviewing the mathematical accuracy of the models and assessing the reasonableness of the discount rates used; and
- Evaluated the adequacy of disclosures relating to the acquisitions in the consolidated financial statements.

Other matter

The financial statements of the Group for the year ended 31 March 2023 were audited by another auditor who expressed an unmodified opinion on those statements on 30 June 2023.

Other information

The directors are responsible on behalf of the Group for the other information. The other information comprises the information in the Annual Report that accompanies the consolidated financial statements and the audit report. The Annual Report is expected to be made available to us after the date of this auditor’s report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

Our responsibility is to read the other information identified above when it becomes available and consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the other information in the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and consider further appropriate actions.

Directors' responsibilities 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 and IFRS, and for such internal control as the directors determine is necessary to enable the preparation of 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 and 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 our responsibilities for the audit of the consolidated financial statements is located on the External Reporting Board's website at:

<https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1>

This description forms part of our auditor's report.

Restriction on use

This report is made solely to the Company's shareholders, as a body. Our audit has been undertaken so that we might state to the Company's shareholders 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 Company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Deloitte Limited

**Anthony Smith, Partner
for Deloitte Limited**
Christchurch, New Zealand
30 May 2024