

Compass Group New Zealand Limited

Annual report
for the year ended 30 September 2021

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Directors' declaration

The Directors are pleased to present the annual report including the consolidated financial statements of Compass Group New Zealand Limited for the year ended 30 September 2021.

The directors are responsible for the preparation, in accordance with New Zealand law and generally accepted accounting practice, of financial statements which give a true and fair view of the financial position of the Group as at 30 September 2021 and the results of their operations for the year ended 30 September 2021.

The directors consider that the consolidated financial statements of the Group have been prepared using accounting policies appropriate to the Group circumstances, consistently applied and supported by reasonable and prudent judgments and estimates, and that all applicable New Zealand equivalents to International Financial Reporting Standards have been followed as applicable for profit oriented entities that qualify for and apply Reduced Disclosure Regime exemptions.

The directors have responsibility for ensuring that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the group and enable them to ensure that the financial statements comply with the Financial Reporting Act 2013.

The directors have responsibility for the maintenance of a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting. The directors consider that adequate steps have been taken to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

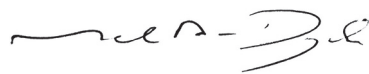
This annual report and the financial statements are signed in accordance with a resolution of the directors made pursuant to section 211 (1) (k) of the Companies Act 1993.

The shareholder of the Company has exercised their rights under Section 211(3) of the Companies Act 1993 and agreed that this Annual Report need not comply with any of the Sections (e) to (h) and (j) of Section 211(1) of the Act.



Simon Lipscombe
Director

Date: 9 December 2021



Mark Alan van Dyck
Director

Date: 9 December 2021

Directory

Nature of business	Provider of food service and other outsource services
Registered Office	Level 3, 15 Sultan Street, Ellerslie, Auckland
Directors	Simon Lipscombe Mark Alan van Dyck
Shareholder	Compass Group International BV
Auditor	KPMG
Solicitors	Anthony Harper Bell Gully McBride Davonport James
Bankers	Westpac New Zealand Limited Bank Mendes Gans



Independent Auditor's Report

To the shareholder of Compass Group New Zealand Limited

Report on the audit of the consolidated financial statements

Opinion

In our opinion, the accompanying consolidated financial statements of Compass Group New Zealand Limited (the 'company') and its subsidiaries (the 'group') on pages 6 to 22:

- i. present fairly in all material respects the group's financial position as at 30 September 2021 and its financial performance and cash flows for the year ended on that date; and
- ii. comply with New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime.

We have audited the accompanying consolidated financial statements which comprise:

- the consolidated statement of financial position as at 30 September 2021;
- the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.



Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). 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) ('IESBA Code'), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the auditor's responsibilities for the audit of the consolidated financial statements section of our report.

Subject to certain restrictions, partners and employees of our firm may also deal with the group on normal terms within the ordinary course of trading activities of the business of the group. These matters have not impaired our independence as auditor of the group. Other than in our capacity as auditor we have no relationship with, or interests in, the group.



Other information

The Directors, on behalf of the group, are responsible for the other information included in the entity's Annual Report. Our opinion on the consolidated financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Use of this independent auditor's report

This independent auditor's report is made solely to the shareholder as a body. Our audit work has been undertaken so that we might state to the shareholder those matters we are required to state to them in the independent 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 shareholder as a body for our audit work, this independent auditor's report, or any of the opinions we have formed.



Responsibilities of the Directors for the consolidated financial statements

The Directors, on behalf of the company, are responsible for:

- the preparation and fair presentation of the consolidated financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime);
- implementing necessary internal control to enable the preparation of a consolidated set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate 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 objective is:

- 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 independent auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They 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 these consolidated financial statements is located at the External Reporting Board (XRB) website at:

<http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-7/>

This description forms part of our independent auditor's report.



KPMG
Auckland

9 December 2021

Consolidated Statement of financial position

as at 30 September 2021

in New Zealand Dollars

	Note	2021 \$000	2020 \$000
Assets			
Cash and cash equivalents	7	20,420	40,421
Trade and other receivables	8	39,101	22,132
Inventories	9	3,077	2,685
Total current assets		62,598	65,238
Property, plant and equipment	10	13,015	12,510
Prepaid discounts	16	3,068	3,243
Intangible assets	11	1,586	1,887
Deferred tax assets	6	7,867	5,856
Total non-current assets		25,536	23,496
Total assets		88,134	88,734
Liabilities			
Trade and other payables	12	25,261	32,721
Lease liabilities	14	1,456	1,611
Income tax payable	6	1,181	2,315
Provisions	13	17,821	16,225
Total current liabilities		45,719	52,872
Lease liabilities	14	1,692	2,208
Total non-current liabilities		1,692	2,208
Total liabilities		47,411	55,080
Equity			
Share capital	17	2	2
Retained earnings		40,721	33,652
Total Equity		40,723	33,654
Total liabilities and equity		88,134	88,734

This statement is to be read in conjunction with the notes to the consolidated financial statements.

Consolidated Statement of comprehensive income

for the year ended 30 September 2021
in New Zealand Dollars

	Note	2021 \$000	2020 \$000
Revenue	4	218,753	189,750
Employee benefit expenses		(111,059)	(88,591)
Cost of sales		(70,777)	(67,049)
Rent & commissions		(2,376)	(2,006)
Depreciation, amortisation and impairment	10 & 11	(5,536)	(8,037)
Net financing costs	5	(131)	(11)
Group management charges and levies	15	(6,319)	(7,133)
Other expense		(12,815)	(12,179)
Profit before income tax		9,740	4,744
Income tax expense	6	(2,671)	(1,536)
Profit for the year		7,069	3,208
Other comprehensive income for the year, net of income tax		-	-
Total comprehensive income for the year		7,069	3,208

This statement is to be read in conjunction with the notes to the consolidated financial statements.

Consolidated Statement of changes in equity

for the year ended 30 September 2021
in New Zealand Dollars

	Share capital	Retained earnings	Total
	\$000	\$000	\$000
Balance at 1 October 2019	2	30,444	30,446
Total comprehensive income for the year			
Profit for the year	-	3,208	3,208
Total comprehensive income for the year	-	3,208	3,208
Dividends Paid	-	-	-
Balance at 30 September 2020	2	33,652	33,654
Total comprehensive income for the year			
Profit for the year	-	7,069	7,069
Total comprehensive income for the year	-	7,069	7,069
Dividends Paid	-	-	-
Balance at 30 September 2021	2	40,721	40,723

This statement is to be read in conjunction with the notes to the consolidated financial statements.

Consolidated Statement of cash flows

for the year ended 30 September 2021
in New Zealand Dollars

	Note	2021 \$000	2020 \$000
Cash flows from operating activities			
Profit after tax		7,069	3,208
Depreciation of property, plant and equipment	10	4,761	6,050
(Gain)/loss on disposal of property, plant and equipment		(87)	180
Impairment of property, plant and equipment	10	122	594
Loss on disposal of intangible assets	11	-	688
Amortisation of intangible assets	11	654	705
Deferred tax expense	6	(2,005)	(2,322)
Current tax expense	6	4,676	3,858
Decrease/(Increase) in Trade and other receivables; and Prepaid discounts		(2,141)	5,248
(Increase)/Decrease in Inventory		(392)	271
Increase/(Decrease) in Trade and other payables; and Provisions		(5,304)	5,812
Interest paid	14	(63)	(82)
Income tax paid		(5,811)	(1,216)
Net cash from operating activities		1,479	22,994
Cash flows from investing activities			
Acquisition of property, plant and equipment	10	(4,561)	(3,372)
Acquisition of intangible assets	11	(353)	(455)
Net cash used in investing activities		(4,914)	(3,827)
Cash flows from financing activities			
Payment of lease liabilities	14	(1,564)	(1,336)
Related party deposit	15	(15,002)	20,438
Dividends Paid		-	-
Net cash (used in)/from financing activities		(16,566)	19,102
Net (decrease)/increase		(20,001)	38,269
Opening cash and cash equivalents 1 October		40,421	2,152
Closing cash and cash equivalents		20,420	40,421
Made up of:			
Cash at bank		20,311	40,312
Cash on hand		109	109
Total cash and cash equivalents		20,420	40,421

This statement is to be read in conjunction with the notes to the consolidated financial statements.

Notes to the consolidated financial statements

1 Reporting Entity

Compass Group New Zealand Limited (the 'Company') is a company registered under the Companies Act 1993.

Financial statements for the consolidated group only are presented. The consolidated financial statements of Compass Group New Zealand Limited as at and for the year ended 30 September 2021 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities").

Compass Group New Zealand Limited's principal products and services is the provision of food service and other outsource services to contract clients on its own behalf.

The two subsidiary companies Crothall Services Group Limited and Eurest New Zealand Limited are both non-operating shelf companies.

The financial statements of the Group as at and for the year ended 30 September 2021 were authorised for issue by the Directors on the date specified on page 2.

Where presentation has changed in the current period comparative amounts have been restated to align with the current year's presentation.

2 Basis of Preparation

a) Statement of compliance

These consolidated financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'). They comply with the New Zealand Equivalents to International Financial Reporting Standards - Reduced Disclosure Regime ('NZ IFRS RDR') and other applicable Financial Reporting Standards, as appropriate for Tier 2 for-profit entities that qualify for and elect to apply reduced disclosure regime. Compass Group New Zealand Limited has elected to report under Tier 2 For-Profit Accounting Standards on the basis that it does not have public accountability. Compass Group New Zealand Limited is a reporting entity for the purposes of the Financial Reporting Act 2013 and its financial statements comply with the Act.

b) Basis of measurement

The financial statements have been prepared on the historical cost basis.

c) Functional and presentation currency

The financial statements are presented in New Zealand Dollars (\$), which is the Group's functional currency. All financial information presented in New Zealand Dollars has been rounded to the nearest thousand, except when otherwise indicated.

d) Use of estimates and judgements

The preparation of the financial statements in conformity with NZ IFRS RDR requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The Directors consider significant estimates in the financial statements to include employee benefits provision, potential impairment of intangible assets and leases (classification, discount rate, lease term, extension options and termination options).

3 Significant accounting policies

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

a) Basis of consolidation

The Group financial statements are prepared by combining the financial statements of all the entities that comprise the group, being Compass Group New Zealand Limited (the parent entity) and its subsidiaries: Crothall Services Group Limited and Euresst New Zealand Limited. The group controls a subsidiary when it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary.

b) Borrowing costs

Borrowing costs are recognised as an expense using the effective interest method.

c) Employee benefits

Provision is made for benefits accruing to employees in respect of annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

d) Financial instruments classification

Non-derivative financial instruments

Financial instruments are recognised in the statement of financial position when the Group becomes party to a financial contract. They include cash and cash equivalents, trade and other receivables, trade and other payables, related party receivables and payables.

Financial assets (except for trade receivables without a significant financing component) and liabilities are initially measured at fair value plus, for an item not at fair value through profit and loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Financial assets and liabilities are classified into the following categories:

Financial assets held at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions, and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the amounts outstanding.

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit and loss. Any gain or loss on de-recognition is recognised in profit and loss.

Financial assets held at amortised cost comprise: cash and cash equivalents, trade and other receivables, and related party receivables.

Financial liabilities held at amortised cost

Financial liabilities not designated as at FVTPL on initial recognition are classified as at amortised cost. Financial liabilities at amortised cost are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit and loss. Any gain or loss on de-recognition is recognised in profit and loss.

Financial liabilities held at amortised cost comprise: trade and other payables and related party payables.

Impairment – financial assets

The Group recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost. ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

Significant accounting policies (continued)

e) Financial instruments issued by the Group

Debt and equity instruments

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Debt is classified as current unless the Group has the unconditional right to defer settlement of the debt for at least 12 months after the balance sheet date.

Transaction costs on the issue of equity instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

Interest and dividends

Interest and dividends are classified as expenses or as distributions of profit consistent with the balance sheet classification of the related debt or equity instruments.

f) Foreign currency

All foreign currency transactions during the year are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at reporting date. Non-monetary assets and liabilities carried at fair values that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

Exchange differences are recognised in the statement of comprehensive income in the period in which they arise.

g) Goods and services tax

All balances are presented net of goods and services tax (GST), except for receivables and payables which are presented inclusive of GST.

h) Impairment of assets

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in the statement of comprehensive income immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase. An impairment of goodwill is not subsequently reversed.

Significant accounting policies (continued)

i) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes, and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted, or substantively enacted, by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

j) Intangible assets

Computer software

Computer software is a finite life intangible and is recorded at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is charged on a straight line basis over the estimated useful life of 3-5 years. Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

k) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined on a first in first out basis and includes an appropriate portion of fixed and variable overhead expenses. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

l) Property, plant and equipment

All items of property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition. Subsequent costs are capitalised if it is probable that future economic benefits will flow to the Group and the costs can be measured reliably. All other maintenance costs are recognised as an expense as incurred.

Depreciation is charged to the statement of comprehensive income. The following rates have been used:

Leasehold improvements 7% - 100% straight-line
Office furniture and fittings 10% - 40% straight-line
Plant and equipment 6.5% - 50% straight-line
Motor vehicles 20% - 25% straight-line

Any gain or loss on disposal of any items of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in the statement of comprehensive income. Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

m) Trade and other payables

Trade payables and accounts payable are recognised when the Group becomes obliged to make future payments resulting from the purchase of goods and services. Trade and other payables are measured at amortised cost.

n) Trade and other receivables

Trade and other receivables are initially recognised at fair value, being their cost, and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. The Group recognises loss allowances (provisions) for expected credit losses (ECLs) on financial assets measured at amortised costs. ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

Significant accounting policies (continued)

o) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, the future sacrifice of economic benefits is probable and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

Onerous contracts

Present obligations arising under onerous contracts are recognised as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable cost of meeting the contractual obligations exceed the economic benefits estimated to be received.

p) Revenue recognition

Fixed fees and management fees

Fixed fee revenue and management fee revenue is recognised when catering goods and services have been provided to the customer. The performance obligation satisfied over time as the services have been provided to the customer.

Sale of goods

Revenue from the sale of goods is recognised when control has passed to the end customer. This is at the point when the customer takes control of the items.

Prepaid discounts

Prepaid discounts relate to contract commencement fees that are amortised over the contract period on a straight-line basis.

Interest revenue

Interest revenue is recognised using the effective interest rate method.

q) Equity compensation plans

Compass Group PLC operates equity compensation plans in the form of Long Term Incentive Plan (LTIP) for certain employees who are entitled to participate. The LTIP shares granted by Compass Group PLC to employees of the Group are classified as equity settled share based payments.

A recharge arrangement exists between Compass Group PLC and the Group for these share based payments, whereby the Group is recharged for the LTIP once they vest. A related party liability is recognised for any LTIP that are billed. The related party liability is measured at the LTIP's fair value.

r) Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Amounts recognised in the statement of comprehensive income:

- No wage subsidy recognised for the year ended 30 September 2021 (2020: \$15.7m), netted off employee benefit expenses

Amounts recorded in statement of financial position:

- No Government grant receivable for the year ended 30 September 2021 (2020: \$15.7m)

Cash inflows recognised in the statement of cash flows:

- No cash inflows were recognised in the year ended 30 September 2021 (2020: \$15.7m)

Significant accounting policies (continued)

s) Cloud computing

In April 2021, the International Financial Reporting Standards Interpretations Committee (IFRIC) issued a final agenda decision, Configuration or customisation costs in a cloud computing arrangement. The decision discusses whether configuration or customisation expenditure relating to cloud computing arrangements is able to be recognised as an intangible asset and if not, over what time period the expenditure is expensed.

The Group's accounting policy has historically been to capitalise all costs related to cloud computing arrangements as intangible assets in the consolidated statement of financial position. The adoption of this agenda decision could result in a reclassification of these intangible assets to either a prepaid asset in the consolidated statement of financial position and/or recognition as an expense in the consolidated statement of comprehensive income, impacting both the current and/or prior periods presented.

As at 30 September 2021, the Group has not adopted this IFRIC agenda decision. The impact of the change is not reasonably estimable as the Group has yet to complete its assessment of the impact of the IFRIC agenda decision, but expects to adopt this IFRIC agenda decision in its consolidated financial statements ending on 30 September 2022.

Notes to the consolidated financial statements (continued)

	2021 \$000	2020 \$000
4 Revenue from contracts with customers		
Sales of goods and services	218,753	189,750
	218,753	189,750
5 Net financing costs		
Bank charges	50	56
Interest income	(13)	(120)
Foreign exchange (gain)/loss - net	31	(7)
Interest expense on lease liabilities	63	82
	131	11
6 Income tax		
Tax recognised in the statement of comprehensive income		
Current tax expense		
Current period	4,074	3,532
Adjustment for prior periods	602	326
Total current tax expense	4,676	3,858
Deferred tax expense		
Origination and reversal of temporary differences	(1,344)	(2,052)
Adjustment for prior periods	(661)	(270)
Total deferred tax expense	(2,005)	(2,322)
Total income tax expense	2,671	1,536
Reconciliation of effective tax rate		
Profit before tax	9,740	4,744
Income tax using the Company's domestic tax rate of 28%	2,727	1,328
Non-deductible expenses	3	150
Prior period adjustment	(59)	56
Other	-	-
	2,671	1,536
Recognised deferred tax assets		
The Company has deferred tax assets attributable to the following		
- Provisions and other liabilities	6,274	4,322
- Property, plant and equipment	1,490	1,411
- Right of use assets	(778)	(947)
- Lease liabilities	881	1,070
Total deferred tax	7,867	5,856
The current tax liability of \$1,181,000 (2020: \$2,315,000) represents income taxes payable in respect of current and prior periods.		
7 Cash and cash equivalents		
Cash on hand	109	109
Cash at bank	20,311	40,312
	20,420	40,421
8 Trade and other receivables		
Trade and other receivables	17,100	15,377
Related party receivables	22,656	7,654
	39,756	23,031
Less: Allowance for doubtful debts	(655)	(899)
	39,101	22,132
Bad debt expense reversal for the financial year was \$6,000 (2020: \$11,000 bad debt expense).		
9 Inventories		
Raw materials and packaging	3,234	2,842
Less: Allowance for impairment	(157)	(157)
	3,077	2,685

The amount of inventory write-downs recognised as an expense during the financial year was \$nil (2020: \$nil). The total value of inventory charged to the statement of comprehensive income for the year is \$99,640,000 (2020: \$92,775,000).

Notes to the consolidated financial statements (continued)

10 Property, plant and equipment

	2021					Total
	Leasehold Improvements	Office Furniture and fittings	Plant & Equipment	Motor Vehicles	Right of use Assets	
	\$000	\$000	\$000	\$000	\$000	
Cost						
Balance at 1 October 2020	9,382	4,418	16,542	308	5,077	35,727
Additions	1,410	734	2,417	-	1,504	6,065
Disposals	(56)	(176)	(30)	(8)	(674)	(944)
Balance at 30 September 2021	10,736	4,976	18,929	300	5,907	40,848
Depreciation and impairment losses						
Balance at 1 October 2020	(5,725)	(3,249)	(12,253)	(293)	(1,696)	(23,216)
Depreciation for the year	(1,191)	(551)	(1,577)	(7)	(1,435)	(4,761)
Disposals	56	172	30	8	-	266
Impairment	(122)	-	-	-	-	(122)
Balance at 30 September 2021	(6,982)	(3,628)	(13,800)	(292)	(3,131)	(27,833)
Carrying amount						
At 30 September 2021	3,754	1,348	5,129	8	2,776	13,015
	2020					
	Leasehold Improvements	Office Furniture and fittings	Plant & Equipment	Motor Vehicles	Right of use Assets	Total
	\$000	\$000	\$000	\$000	\$000	\$000
Cost						
Balance at 1 October 2019	7,834	4,161	16,599	522	-	29,116
Recognition of right-of-use asset on initial application of NZ IFRS 16	-	-	-	-	4,334	4,334
Adjusted balance at 1 October 2019	7,834	4,161	16,599	522	4,334	33,450
Additions	1,657	846	868	-	852	4,224
Disposals	(109)	(589)	(925)	(214)	(109)	(1,946)
Balance at 30 September 2020	9,382	4,418	16,542	308	5,077	35,727
Depreciation and impairment losses						
Balance at 1 October 2019	(4,176)	(3,032)	(10,353)	(483)	-	(18,042)
Recognition of right-of-use asset on initial application of NZ IFRS 16	-	-	-	-	-	-
Adjusted balance at 1 October 2019	(4,176)	(3,032)	(10,353)	(483)	-	(18,042)
Depreciation for the year	(1,459)	(555)	(2,239)	(23)	(1,774)	(6,050)
Disposals	109	475	597	213	78	1,473
Impairment	(200)	(137)	(258)	-	-	(594)
Balance at 30 September 2020	(5,725)	(3,249)	(12,253)	(293)	(1,696)	(23,214)
Carrying amount						
At 30 September 2020	3,657	1,169	4,289	15	3,381	12,510

Notes to the consolidated financial statements (continued)

11	Intangible assets	2021	
		Computer Software	Total
	Cost and Valuation	\$000	\$000
	Balance at 1 October 2020	6,075	6,075
	Additions	353	353
	Disposals	-	-
	Balance at 30 September 2021	6,428	6,428
	Amortisation and impairment losses		
	Balance at 1 October 2020	(4,188)	(4,188)
	Amortisation for the year	(654)	(654)
	Impairment	-	-
	Balance at 30 September 2021	(4,842)	(4,842)
	Carrying amount		
	At 30 September 2021	1,586	1,586
	Cost and Valuation	2020	
	Balance at 1 October 2019	5,620	5,620
	Additions	455	455
	Disposals	-	-
	Balance at 30 September 2020	6,075	6,075
	Amortisation and impairment losses		
	Balance at 1 October 2019	(2,795)	(2,795)
	Amortisation for the year	(705)	(705)
	Impairment	(688)	(688)
	Balance at 30 September 2020	(4,188)	(4,188)
	Carrying amount		
	At 30 September 2020	1,887	1,887
		2021	2020
		\$000	\$000
12	Trade and other payables		
	Trade payables	13,102	16,635
	Accrued expenses	5,546	5,075
	Goods and services tax	1,725	4,272
	Employee benefits payables	3,573	2,751
	Related party payables	1,315	3,988
		25,261	32,721
13	Provisions		
	Current	Employee benefits provision	Other provisions
		\$000	\$000
	Opening Balance at 1 October 2020	14,069	2,156
	Amounts used	(400)	-
	Unused amounts reversed	-	(2,156)
	Amounts added	1,922	2,230
	Closing Balance at 30 September 2021	15,591	2,230

Note: 15

The Group has a provision of \$8.9m (2020: \$7.3m) for annual leave and public holiday commitments to current employees.

The Group has a provision of \$6.7m (2020: \$6.5m) as the total liability for potential arrears due to current and former employees and expects to start paying this out in 2022. This estimate has been fully provided for as at 30 September 2021 under the Holidays Act 2003. The Group expect to start making payments in 2022.

The other provisions balance relates to provisions against estimated restructuring cost of \$1.8m for employment costs and associated expenses and a provision against intangibles write-offs in 2022 of \$0.5m.

Notes to the consolidated financial statements (continued)

14 Leases

	2021 \$000	2020 \$000
Current	1,456	1,611
Non-current	1,692	2,208
Total lease liabilities	3,148	3,819
Amounts recognised in profit and loss		
	2021 \$000	2020 \$000
Depreciation charge on right-of-use assets	1,435	1,696
Interest on lease liabilities	63	82
Amounts recognised in the statement of cash flows		
	2021 \$000	2020 \$000
Interest on lease liabilities	63	82
Principal lease payments	1,564	1,336
Variable lease payments	2,189	1,873
Short term lease payments	151	83
Low value lease payments	71	81
Total cash outflow for Leases	4,038	3,455

New Lease

The Group has entered into a pre-lease agreement totalling \$219,000 per annum. The start date is expected to be in the second quarter of 2022, with an initial 5 year term with one 4 year right of renewal.

Leases policy as a lessee

For contracts entered into after 1 October 2019, the Group assesses whether a contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. Where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:
 - the Group has the right to operate the asset;
 - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocated the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings, the Group has elected not to separate non-lease components and account for the lease and non-lease component as a single lease component.

Lease Payments

The Group has a lot of variable lease payments due to concession rents that it pays for cafes and premises it operates. This is excluded from the lease liability as it is variable in nature per the contractual terms and are recognized in the financial year they occur.

Notes to the consolidated financial statements (continued)

14 Leases (continued)

Recognition and measurement

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Impairment

The right-of-use asset is regularly assessed for impairment (see further detail in note 2).

Notes to the consolidated financial statements (continued)

15 Related parties

a) Key management personnel

Transactions with key management is remuneration (including salary and other employment benefits) totalled \$2,689,904 (2020: \$2,802,702).

The ultimate parent Compass Group PLC operates a Long Term Incentive Plan (LTIP). Under the plan shares have been issued to certain employees within the Group when financial targets are met. During the year ended 30 September 2021 3,284 (2020: 3,000) shares were issued to employees of the Group.

The following summarises the activity for the LTIP for the period:

	2021 LTIP	2020 LTIP
Unvested at 1 October	8,072	6,567
Granted	3,284	3,000
Vested	-	(1,495)
Forfeited	-	-
Unvested at 30 September	11,356	8,072

b) Subsidiaries

The consolidated financial statements include the financial statements of Compass Group New Zealand Limited and its two wholly owned subsidiaries Crothall Services Group Limited and Eurest New Zealand Limited. The two subsidiaries incorporated in New Zealand are both non-operating shelf companies and there were no transactions between the companies during the year ended 30 September 2021 (30 September 2020: Nil).

c) Other related parties

Compass Group New Zealand Limited is a 100% subsidiary of Compass Group International BV, a Netherlands incorporated company. The ultimate holding company is Compass Group PLC, a company incorporated in the United Kingdom.

		2021				
		Product sold or services rendered	Services received and cost recharged	Royalty costs	Balances receivable	Balances payable
		\$000	\$000	\$000	\$000	\$000
Compass Group PLC	<i>Ultimate Parent</i>	-	-	-	22,656	-
Compass Group Nederland BV	<i>Related Party</i>	-	-	-	-	-
Compass Group Holdings PLC	<i>Related Party</i>	-	494	4,368	-	1,315
Compass Services (U.K) Limited	<i>Related Party</i>	-	-	-	-	-
Compass Group (Australia) Pty Ltd	<i>Related Party</i>	99	1,396	-	-	-
Bottle Lab Technologies Private Limited	<i>Related Party</i>	-	61	-	-	-
		99	1,951	4,368	22,656	1,315
		2020				
		Product sold or services rendered	Services received and cost recharged	Royalty costs	Balances receivable	Balances payable
		\$000	\$000	\$000	\$000	\$000
Compass Group PLC	<i>Ultimate Parent</i>	-	-	-	7,654	-
Compass Group Nederland BV	<i>Related Party</i>	-	-	-	-	-
Compass Group Holdings PLC	<i>Related Party</i>	-	235	5,302	-	3,988
Compass Services (U.K) Limited	<i>Related Party</i>	-	35	-	-	-
Compass Group (Australia) Pty Ltd	<i>Related Party</i>	105	1,560	-	-	-
Bottle Lab Technologies Private Limited	<i>Related Party</i>	-	-	-	-	-
		105	1,830	5,302	7,654	3,988

The receivables from related party is a deposit facility with the ultimate parent Compass Group PLC, which bear interest in the range of 0.0% to 0.12% (2020: 0.0% to 1.2%).

The payables to related parties arise mainly from royalties, services and cost recharges provided by Compass Group Holdings PLC and Compass Group (Australia) Pty Ltd.

The related party balances receivable and payable are unsecured and are repayable on demand. No related party debts have been written off or forgiven during the year.

Notes to the consolidated financial statements (continued)

16	Prepaid discounts		
		2021	2020
	Cost and Valuation	\$000	\$000
	Balance at 1 October	7,624	7,557
	Additions	840	67
	Balance at 30 September	8,464	7,624
	Amortisation and impairment losses		
	Balance at 1 October	(4,381)	(3,252)
	Amortisation for the year	(1,015)	(1,129)
	Balance at 30 September	(5,396)	(4,381)
	Carrying amount		
	At 30 September	3,068	3,243
17	Capital and reserves		
		2021	2020
	Number of ordinary shares		
	Balance at 1 October	2,000	2,000
	Issue of ordinary shares for cash	-	-
	Balance at 30 September	2,000	2,000

At 30 September 2021, share capital comprised 2,000 ordinary shares (2020: 2,000), each share is worth \$1. All issued shares are fully paid. The holders of ordinary shares are entitled to dividends as declared from time to time and all shares have equal voting rights at meetings of the Company, and rank equally with regard to the Company's residual assets on winding up.

18 Capital commitments
There are no capital commitments at balance date (2020: nil).

19 Contingencies
In financial year 2015 the Group entered into a Guarantee contract with a client, whereby if the Group defaults on the Service Agreement between the two parties; the Group will pay the client monies up to a value set out in the Guarantee contract. As of the date of these financial statements, the directors, to the best of their knowledge, are not aware of any default in the Service Agreement, therefore, no provision was recorded.

20 Subsequent events
The Directors have considered the ongoing impact of the COVID-19 pandemic, and are satisfied that the Group will continue to operate profitably and that there is no uncertainty regarding going concern.

There are no other subsequent events that require adjustment or disclosure.