WasteCo Group Limited (formerly Goodwood Capital Limited)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2023

	2023 (unaudited) NZ$000	2022 (audited) NZ$000
Revenue	**34,392**	**18,777**
Other income	98	713
Expenses		
Employee benefits expenses	(15,121)	(8,146)
Collection, recycling and waste disposal expenses	(6,695)	(3,840)
Fleet operating expenses	(4,762)	(2,579)
Depreciation and amortisation expenses	(4,054)	(2,394)
Property expenses	(500)	(257)
Other expenses	(1,910)	(1,445)
Profit from operations	**1,448**	**829**
Reverse acquisition share based payment	(1,239)	-
Reverse listing expenses	(403)	-
Finance costs	(2,063)	(971)
Loss before income tax	**(2,257)**	**(142)**
Income tax benefit/(expense)	266	138
Loss for the year	**(1,991)**	**(4)**
Other comprehensive income		
Other comprehensive income for the year	-	-
Total comprehensive loss for the year	**(1,991)**	**(4)**
Earnings/(loss) per share		
Basic and diluted loss per share (NZ$)	(0.0035)	(0.0000)

Consolidated Statement of Changes in Equity

For the year ended 31 March 2023

	Share capital NZ$000	Convertible notes reserve NZ$000	Share based payments reserve NZ$000	Retained earnings NZ$000	Total equity NZ$000
Balance at 1 April 2021 (audited)	**641**	**-**	**-**	**1,608**	**2,249**
Loss for the year	-	-	-	(4)	(4)
Transactions with owners in their capacity as owners					
Equity component recognised in convertible notes reserve	-	38	-	-	38
Balance at 31 March 2022 (audited)	**641**	**38**	**-**	**1,604**	**2,283**
Balance at 1 April 2022 (audited)	**641**	**38**	**-**	**1,604**	**2,283**
Loss for the year	-	-	-	(1,991)	(1,991)
Transactions with owners in their capacity as owners					
Equity component recognised in convertible notes reserve	-	39	-	-	39
Shares issued on reverse acquisition	1,153	-	-	-	1,153
Shares issued for convertible notes	4,077	(77)	-	-	4,000
Shares issued during the year	4,000	-	-	-	4,000
Share options issued	-	-	438	-	438
Share options expired	-	-	(33)	-	(33)
Balance at 31 March 2023 (unaudited)	**9,871**	**-**	**405**	**(387)**	**9,889**

Consolidated Statement of Financial Position

As at 31 March 2023

	2023 (unaudited) NZ$000	2022 (audited) NZ$000
ASSETS		
Current assets		
Cash and cash equivalents	873	698
Trade receivables and other current assets	5,038	3,697
Income tax receivable	103	-
Inventories	230	72
Total current assets	**6,244**	**4,467**
Non-current assets		
Property, plant and equipment	30,853	24,532
Right-of-use assets	5,863	5,299
Intangible assets	157	147
Total non-current assets	**36,873**	**29,978**
Total assets	**43,117**	**34,445**
LIABILITIES		
Current liabilities		
Trade and other payables	5,204	5,527
Payable for acquisition of business	115	3,562
Income tax payable	-	37
Lease liabilities	711	644
Borrowings	5,657	4,906
Total current liabilities	**11,687**	**14,676**
Non-current liabilities		
Borrowings	15,519	11,807
Lease liabilities	5,964	5,355
Deferred tax liabilities	58	324
Total non-current liabilities	**21,541**	**17,486**
Total liabilities	**33,228**	**32,162**
Net assets	**9,889**	**2,283**
EQUITY		
Share capital	9,871	641
Share based payments reserve	405	-
Convertible notes reserve	-	38
Retained earnings	(387)	1,604
Total equity	**9,889**	**2,283**

Consolidated Statement of Cash Flows

For the year ended 31 March 2023

	2023 (unaudited) NZ$000	2022 (audited) NZ$000
Cash flows from operating activities		
Receipts from customers	33,297	16,979
Government grants received	100	206
Payments to suppliers and employees	(29,671)	(13,354)
Income tax paid	(139)	(87)
Net cash from operating activities	**3,587**	**3,744**
Cash flows from investing activities		
Payments for property, plant and equipment	(8,529)	(9,276)
Acquisition of businesses	(4,463)	(2,831)
Payments for intangible assets	(19)	-
Cash received on reverse listing acquisition	1	-
Net cash used in investing activities	**(13,010)**	**(12,107)**
Cash flows from financing activities		
Proceeds from issue of share capital	4,000	-
Proceeds from borrowings	13,953	12,221
Principal repayment of borrowings	(5,644)	(2,680)
Interest paid on borrowings	(1,573)	(660)
Principal repayment of lease liabilities	(725)	(425)
Interest paid on lease liabilities	(413)	(311)
Lease incentive received	-	300
Net cash from financing activities	**9,598**	**8,445**
Net increase in cash and cash equivalents	**175**	**82**
Cash and cash equivalents at the beginning of the year	698	616
Cash and cash equivalents at the end of the year	**873**	**698**

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

	2023 (unaudited) NZ$000	2022 (audited) NZ$000
Net loss after taxation	**(1,991)**	**(4)**
Adjustments for:		
Depreciation on property, plant and equipment	3,208	1,851
Depreciation on right of use assets	837	533
Amortisation of intangible assets	9	10
Share based payments	405	-
Movement in deferred tax	(266)	(152)
Interest paid on borrowings	1,650	660
Interest paid on lease liabilities	413	311
Reverse acquisition share based payment	1,239	-
Gain on business acquisition	-	(349)
Movements in working capital		
(Increase) / decrease in trade and other receivables	(1,341)	(1,984)
Increase / (decrease) in trade payables and other liabilities	(323)	2,918
(Increase) / decrease in inventory	(158)	124
Increase / (decrease) in tax liabilities	(138)	(72)
Movement in trade and other payables due to business acquisition	15	(102)
Movement in working capital on reverse acquisition	28	-
Net cash received from operating activities	**3,587**	**3,744**

1. General information

WasteCo Group Limited (formerly Goodwood Capital 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 2.3).

The Group provides solutions in the collection of waste and recycling, industrial cleaning, and environmental services. WasteCo is a holding company for the Group.

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

The Company's name change occurred on 5 December 2022.

2. Significant accounting policies

The following are the significant accounting policies adopted by the Group in the preparation and presentation of the consolidated financial statements. There have been no changes in accounting policies since the previous year end.

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 International Financial Reporting Standards ('NZ IFRS'), International Financial Reporting 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.

The comparative information shown within these consolidated financial statements is that of WasteCo Holdings, the primary subsidiary, for the period 1 April 2021 to 31 March 2022 as WasteCo Holdings Limited was determined to be the acquirer in the reverse acquisition on 5 December 2022 (refer note 2.3). 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.

2.3 Reverse acquisition

On 5 December 2022 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 does not represent a business combination in accordance with NZ IFRS 3 *Business Combinations*. The Board of Directors have 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 Payment.*

The appropriate accounting treatment for recognising the new group structure is to treat WasteCo Holdings as the acquirer of the Company. The consolidated financial statements prepared following the reverse acquisition are issued under the name of the legal parent and accounting acquiree, WasteCo, but describe the continuation of the consolidated financial statements of the legal subsidiary and accounting acquirer, WasteCo Holdings.

Therefore, the consolidated financial statements for the year ended 31 March 2023, reflect the 12 months of trading of the WasteCo Holdings group, and include the financial performance and financial position of WasteCo from the date of its acquisition on 5 December 2022. The comparative information presented in the consolidated financial statements represents the financial performance and financial position of the WasteCo Holdings group.

2.4 Going concern

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.

2.5 Principles of consolidation

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

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

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

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.

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.

Refer to note 2.3 in relation to the basis of preparation due to the reverse acquisition transaction.

2.6 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.

2.7 Revenue recognition

The Group derives revenue from the following major sources:

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

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties, such as goods and service tax and customs duties. The Group recognises revenue when it transfers control over a good or service to a customer.

Sweeping services

The Group provides sweeping services for Councils and commercial customers. The Group considers its performance obligations for sweeping services are satisfied over time, on the basis that the services are provided and consumed by the customer on a simultaneous basis, and so will recognise the related revenue as the performance obligation is satisfied.

Waste collection, recycling, and disposal services

The Group provides waste collection, recycling, and disposal 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.

Industrial cleaning services

The Group provides industrial scrubbing, high pressure water blasting, urgent spill response services, portaloo hire and collection, and septic tank cleaning.

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

2.8 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.

2.9 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.

2.10 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.

2.11 Income Tax

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

Current tax

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

Deferred tax

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

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

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

2.12 Goods and services tax

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

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

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

2.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads 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.

2.14 Property, plant and equipment

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

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

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

The following depreciation rates are applied:

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

Premises and leasehold improvements	10% - 100%	Diminishing value

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

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.

2.15 Intangible assets

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

The following amortisation rates are applied:

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

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.

2.16 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 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.

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.

2.17 Short-term and other long-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.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

2.18 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.

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

2.19 Financial assets

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

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

The Group has no financial assets at fair value.

Financial assets at amortised cost

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

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

Impairment of financial assets

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

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

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.

2.20 Financial liabilities

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

The Group has no financial liabilities at FVTPL.

Financial liabilities measured subsequently at amortised cost

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

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.

2.21 Foreign currency translation

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

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

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

2.22 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.

2.23 Share based payment transactions

For equity-settled share-based payments where the goods or services acquired from non-employees can be measured reliably, then the goods or services are measured directly at their fair value. If goods or services cannot be measured reliably, or for transactions with employees, the goods or services are measured indirectly, i.e. with reference to the fair value of equity instruments granted.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments 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 equity instruments 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.

The share-based payment for the acquisition of WasteCo was valued with reference to the fair value of equity instruments issued by the Company. The share-based payment has been expensed at the date of the reverse acquisition (refer note 2.3).