OS Phoenix Bidco Limited

Annual report and financial statements

Registered number 10878079

For the year ended 31 December 2022

Contents

Strategic report

Business strategy

The principal activity of the Company was that of a holding company.

OS Phoenix Bidco Limited acts as an intermediate holding company to the OS Phoenix Group of companies ("Group"), providing management services. The principal activities of the OS Phoenix Group of companies continue to be the provision of services to enable the circular economy for our customers. This includes outsourced waste management, recycling services, compliance services and logistics services, carried out across all business sectors globally.

Business review and future developments

The directors do not assess the performance of the Company with regard to key performance indicators.

On 12 July 2022, the Company underwent a group organisation as part of a group refinance detailed below. As part of this reorganisation the Company issued 5,000,000 ordinary shares of £1 each for consideration £115,541,110, being the book value of the parent company, OS Phoenix Holdco Limited's, investment in MC1 GmbH.

Acquisitively the Company and its subsidiaries have made a number of additions in the year.

On 21 July 2022, group company Reverse Logistics GmbH completed the acquisition of the whole of the share capital of Rene AG GmbH, subsequently renamed RLG Rene GmbH. On 30 September 2022, group company Reconomy Deutschland GmbH completed the acquisition of the whole of the share capital of GEE Services, subsequently renamed Noventiz GEE GmbH. Both of these acquisitions further develop the offering of compliance services into new markets across Europe.

The directors are optimistic that the Group will continue to grow, and indeed following the year end the Company completed the acquisition of Reconomy Danmark Aps and its subsidiaries (known as "Combineering Group"), UK Waste Solutions Limited and its subsidiaries (known as "Novati") and Ecofficiency Limited.

The directors are optimistic that the Group will continue to grow.

Funding position

During 2022 the Group undertook a refinancing and funding exercise to raise additional capital for future acquisitions and increase the working capital facilities available to the enlarged Group. This was successfully completed on 24 June 2022, the Company refinanced its existing term loan facility to provide finance for further acquisitions by the Group. The new facility consisted of a non-amortising term loan and acquisition facility repayable in full on 23 June 2029 plus a £30m revolving credit facility. The facilities are also secured by a fixed and floating charge over the assets of the Group and bear interest at a margin over SONIA and EURIBOR dependent on net leverage.

On 30 September 2022, the Company entered into two interest rate swap arrangements for the GBP and EUR term loans to swap the variable for a fixed rate of interest.

The directors are confident that the funding position available to the Group is adequate to fund the Group's ongoing operational and growth requirements.

Results

The result for the period, after taxation and other comprehensive income, amounted to a loss of £32,241,000 *(2021: £19,600,000)*.

Principal risks and uncertainties

The principal risk to the Company is that the investments in subsidiaries and debts due from/to other group undertakings became irrecoverable in the event that the underlying trading of the subsidiaries falls considerably short of current expectations. The OS Phoenix Midco Limited group continually review financial and non-financial key performance indicators at both board and operational levels to monitor and mitigate this risk.

The main risks arising from the Company's Group's operations are customer risk, credit risk, liquidity risk and interest rate risk. The directors review and agree policies for managing each of these risks and they are summarised below.

Strategic report *(continued)*

Financial risk management objectives and policies

The Company is party to secured term loan facilities and revolving credit facilities in order to provide finance to the Group. The facilities are secured by a fixed and floating charge over the assets of the Group and bear interest at a margin over SONIA and EURIBOR dependent on net leverage and are not repayable until 2029. The interest rate risks is managed through two interest rate swap derivatives, exchanging the variable interest rate for a fixed rate of return.

The Company has also issued financial instruments in the form of Unsecured 2047 Loan Notes as part of the funding for the OS Phoenix Midco Limited group. The Unsecured 2047 Loan Notes have a fixed coupon of 12% per annum, do not require cash servicing and are not due for repayment until 2047. Repayments may be made on a voluntary basis.

Statement by the Directors in performance of their statutory duties in accordance with s172(1) of the Companies Act 2006

The Company, as an intermediate holding company, has no employees, customers, or suppliers and as such the directors primarily consider the interests of the ultimate parent, OS Phoenix Topco Limited, with regard to performing their duties on matters set out under section 172. The key board decisions approved during the year related solely to the acquisitions made by subsidiaries, being in line with the strategic goals of both the Company and the parent company.

By order of the board

J Sullivan

J Sullivan
Director

Kelsall House
Stafford Court
Stafford Park 1
Telford

15 November 2023

Directors' report

The directors present their annual report and financial statements for the year ended 31 December 2022.

Principal activities

The principal activity of the Company was that of an intermediate holding company.

Dividends

No dividends were paid during the year *(2021: £nil)*. The directors do not recommend the payment of a final dividend *(2021: £nil)*.

Directors

The directors who held office during the period and to the date of this report were as follows:

N Armstrong
P Cox
R Ellis
M Joseph
E Lazarus
J Sullivan
G Wakeley (Appointed 21 February 2023)

The directors and officers were insured by third party indemnity insurance during the period.

Going concern

The financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

The Directors have prepared a going concern assessment for the consolidated financial statements of OS Phoenix Midco Limited (Group), of which this Company is a member, for a period of at least 12 months from the date of approval of these financial statements, which includes modelling severe but plausible financial scenarios that take into consideration the current economic uncertainties. This indicates that, the Group will have sufficient funds to meet its liabilities as they fall due for that period.

The OS Phoenix Midco Limited Group is funded through a combination of Shareholders' Funds, Secured term loans, Unsecured loan notes, intercompany balances and cash generated through operating profits. On 24 June 2022, the loan facilities were refinanced under normal commercial terms to provide further funding for future growth, with facilities then due for repayment no earlier than 2028.

The Directors are satisfied that the maturity of these financing arrangements is sufficiently long term and there is not an immediate requirement to refinance or review the capital structure at this time. Whilst the UK's economic outlook remains uncertain, the Directors have considered the impact to the Group by conducting extensive scenario analysis on the Group's profitability, the availability of cash to meet liabilities as they fall due and its compliance with the debt covenant attached to the Secured term loans.

OS Phoenix Bidco Limited's intermediate parent, OS Phoenix Midco Limited, have provided a letter of support to confirm their intention to continue to operate a centralised Group treasury arrangement, facilitating the Company to enable it to meet its liabilities as they fall due for a period of at least 12 months from the date of these financial statements. As with any Company placing reliance on other group entities for financial support, the Directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Taking the above into consideration, the Directors believe that there are no material uncertainties to the Group's ability to operate as a going concern and to continue realising its assets and discharging its liabilities in the normal course of business.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Directors' report *(continued)*

Political contributions

The Company made no political donations or incurred any political expenditure during the period.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board

JSullivan

J Sullivan
Director

Kelsall House
Stafford Court
Stafford Park 1
Telford

15 November 2023

Statement of directors' responsibilities in respect of the Strategic report, Directors' report and the financial statements

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of OS Phoenix Bidco Limited

Opinion

We have audited the financial statements of OS Phoenix Bidco Limited ("the company") for the year ended 31 December 2022 which comprise the Profit and Loss Account, the Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included enquiring of directors and inspection of policy documentation as to the OS Phoenix Bidco Limited's policies and procedures to prevent and detect fraud that apply to this group company as well as enquiring whether the directors have knowledge of any actual, suspected or alleged fraud.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because the revenue recognised relates to management services which are simplistic in nature. We did not identify any additional fraud risks.

We performed procedures including agreeing all accounting entries in the period to supporting documentation.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors (as required by auditing standards), and discussed with the directors the policies and procedures regarding compliance with laws and regulations.

The company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Independent auditor's report to the members of OS Phoenix Bidco Limited *(continued)*

This company, as a holding company, is not subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company'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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Independent auditor's report to the members of OS Phoenix Bidco Limited *(continued)*

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members 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 and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

John Leech (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

15 November 2023

Profit and loss account
for the year ended 31 December 2022

	Note	2022 £000	2021 £000
Turnover	2	**1,966**	866
Cost of sales		**-**	-
Gross profit		**1,966**	866
Administrative expenses		**(5,370)**	(824)
Operating (loss)/profit	3	**(3,404)**	42
Income from fixed asset investments	6	**17,500**	-
Interest receivable and similar income	7	**3,463**	664
Interest payable and similar charges	8	**(50,269)**	(20,306)
Loss before taxation		**(32,710)**	(19,600)
Taxation	9	**3,456**	-
Loss for the financial year		**(29,254)**	(19,600)

Statement of other comprehensive income
for the year ended 31 December 2022

	2022	2021
Loss for the financial year	**(29,254)**	(19,600)
Loss on cash flow hedges during the year	**(2,987)**	-
Total comprehensive loss for the period	**(32,241)**	(19,600)

All results are from continuing operations.

The notes on pages 12 to 22 form part of these financial statements.

Balance sheet
at 31 December 2022

	Note	2022		2021	
		£000	**£000**	£000	£000
Fixed assets					
Investments	*10*		**506,111**		389,247
Current assets					
Debtors	*11*	**109,575**		35,300	
Cash at bank		**4,589**		-	
		114,164		35,300	
Creditors: amounts falling due within one year	*12*	**(12,842)**		(22,961)	
Net current assets			**101,322**		12,339
Total assets less current liabilities			**607,433**		401,586
Creditors: Amount falling due after more than one year	*13*		**(445,459)**		(324,091)
Net assets			**161,974**		77,495
Capital and reserves					
Share capital	*16*		**14,880**		9,880
Share premium			**235,330**		124,789
Capital contribution			**352**		-
Profit and loss account			**(88,588)**		(57,174)
Shareholders' funds			**161,974**		77,495

The notes on pages 12 to 22 form part of these financial statements.

These financial statements were approved by the board of directors on 15 November 2023 and were signed on its behalf by:

J Sullivan

J Sullivan
Director

Company registered number: 10878079

Statement of changes in equity

	Share capital	Share premium	Capital contribution	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
Balance at 1 January 2021	1	1,057	-	(37,574)	(36,516)
Issue of shares at premium	9,879	123,732	-	-	133,611
Total comprehensive income for the period					
Loss for the year		-	-	(19,600)	(19,600)
Balance at 31 December 2021	9,880	124,789	-	(57,174)	77,495

	Share capital	Share premium	Capital contribution	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
Balance at 1 January 2022	9,880	124,789	-	(57,174)	77,495
Issue of shares at premium	5,000	110,541	-	-	115,541
Total comprehensive income for the period					
Loss for the year	-	-	-	(29,254)	(29,254)
Loss on cash flow hedges during the year	-	-	-	(2,987)	(2,987)
Transactions with owners, recorded in equity					
Equity settled share-based payment transactions	-	-	1,179	-	1,179
Equity settled share-based payment settlements	-	-	(827)	827	-
Balance at 31 December 2022	**14,880**	**235,330**	**352**	**(88,588)**	**161,974**

The notes on pages 12 to 22 form part of these financial statements.

Notes
(forming part of the financial statements)

1 Accounting policies

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements:

1.1 Company information

OS Phoenix Bidco Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK.

1.2 Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 102, *The Financial Reporting Standard applicable in the UK and Republic of Ireland* ("FRS 102"). The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The largest group in which the results of the Company and its group are consolidated is that headed by OS Phoenix Midco Limited. The consolidated financial statements of OS Phoenix Midco Limited are available to the public and may be obtained from Companies House. In these financial statements, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of OS Phoenix Midco Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- The disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instrument Issues* in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The financial statements are prepared on a historic cost basis.

1.3 Accounting estimates and judgements

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies.

The directors do not consider that there have been any key assumptions made concerning the future and other key sources of estimation uncertainty or critical accounting judgements made at the balance sheet date which may cause material adjustment to the carrying value of assets or liabilities within the next financial period, other than as disclosed in these financial statements

1.4 Going concern

The financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

The Directors have prepared a going concern assessment for the consolidated financial statements of OS Phoenix Midco Limited (Group), of which this Company is a member, for a period of at least 12 months from the date of approval of these financial statements, which includes modelling severe but plausible financial scenarios that take into consideration the current economic uncertainties. This indicates that, the Group will have sufficient funds to meet its liabilities as they fall due for that period.

The OS Phoenix Midco Limited Group is funded through a combination of Shareholders' Funds, Secured term loans, Unsecured loan notes, intercompany balances and cash generated through operating profits. On 24 June 2023, the loan facilities were refinanced under normal commercial terms to provide further funding for future growth, with facilities then due for repayment no earlier than 2028.

The Directors are satisfied that the maturity of these financing arrangements is sufficiently long term and there is not an immediate requirement to refinance or review the capital structure at this time. Whilst the UK's economic outlook remains uncertain, the Directors have considered the impact to the Group by conducting extensive scenario analysis on the Group's profitability, the availability of cash to meet liabilities as they fall due and its compliance with the debt covenant attached to the Secured term loans.

Notes *(continued)*

1 Accounting policies (continued)

1.4 Going concern (continued)

OS Phoenix Bidco Limited's intermediate parent, OS Phoenix Midco Limited, have provided a letter of support to confirm their intention to continue to operate a centralised Group treasury arrangement, facilitating the Company to enable it to meet its liabilities as they fall due for a period of at least 12 months from the date of these financial statements. As with any Company placing reliance on other group entities for financial support, the Directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Taking the above into consideration, the Directors believe that there are no material uncertainties to the Group's ability to operate as a going concern and to continue realising its assets and discharging its liabilities in the normal course of business.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

1.5 Group financial statements

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

1.6 Related party transactions

As the whole of the Company's voting rights are controlled within the group headed by OS Phoenix Midco Limited, the Company has taken advantage of the exemption contained in FRS 102 and has, therefore, not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of OS Phoenix Midco Limited, within which this Company is included, can be obtained from Companies House.

1.7 Classification of financial instruments issued by the Company

Following the adoption of FRS 102.22, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and

b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

1.8 Basic financial instruments

Trade and other debtors creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Investments in subsidiaries

These are separate financial statements of the Company. Investments in subsidiaries are carried at cost less impairment.

Notes *(continued)*

1 Accounting policies *(continued)*

1.9 Other financial instruments

Financial instruments not considered to be Basic financial instruments (Other financial instruments)

Other financial instruments not meeting the definition of Basic Financial Instruments are recognised initially at fair value. Subsequent to initial recognition other financial instruments are measured at fair value with changes recognised in profit or loss except as follows:

- hedging instruments in a designated hedging relationship shall be recognised as set out below.

Derivative financial instruments and hedging

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

Fair value hedges

Where a derivative financial instrument is designated as a hedge of the variability in fair value of a recognised asset or liability or an unrecognised firm commitment, all changes in the fair value of the derivative are recognised immediately in profit or loss. The carrying value of the hedged item is adjusted by the change in fair value that is attributable to the risk being hedged (even if it is normally carried at cost or amortised cost) and any gains or losses on remeasurement are recognised immediately in the income statement (even if those gains would normally be recognised directly in reserves).

If hedge accounting is discontinued and the hedged financial asset or liability has not been derecognised, any adjustments to the carrying amount of the hedged item are amortised into profit or loss using the effective interest method over the remaining life of the hedged item.

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in Other comprehensive income. Any ineffective portion of the hedge is recognised immediately in profit or loss.

When the forecast transaction subsequently results in the recognition of a non-financial item (including a non-financial item that becomes a firm commitment for which fair value hedge accounting is applied – see above), the associated cumulative gain or loss is removed from the cash flow hedging reserve and is included in the initial carrying amount of the non-financial asset or liability.

For all other hedged items, the associated cumulative gain or loss is reclassified from the cash flow hedge reserve to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the entity discontinues designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.

1.10 Expenses

Interest receivable and Interest payable

Other interest receivable and similar income includes interest receivable on funds invested. Interest income and similar income are recognised in profit or loss as they accrue, using the effective interest method.

Interest payable and similar charges includes interest payable on the secured term loan, intercompany 2047 loan notes and intercompany loans as well as bank interest and unwinding of facility fees payable and are recognised in profit and loss over the period for which the loans were issued using the effective interest method.

Dividend income is recognised in the profit and loss account on the date the Company's right to receive payments is established.

1.11 Turnover

Turnover comprises revenue recognised in respect of management services supplied during the year, exclusive of Value Added Tax.

Notes *(continued)*

1.12 Taxation

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

1.13 Share-based payments

OS Phoenix Topco Limited grants equity-settled share-based payments to certain employees within the Group. Equity-settled share-based payment transactions are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. 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 shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

For highly geared share-based payments, fair value is measured by use of the Black-Scholes pricing model which is considered by management to be the most appropriate method of valuation. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

2 Analysis of turnover

The whole of turnover is attributable to the principal activity of the Company being management services to the OS Phoenix group of companies.

All turnover arose within the United Kingdom.

3 Expenses and auditor's remuneration

Amounts receivable by the Company's auditor and its associates in respect of the audit of the financial statements of the Company is £12,500 *(2021: £7,150)*. Auditor's remuneration has been borne by another group company.

4 Staff numbers and costs

The average monthly number of employees, including directors, during the year was 11 (2021: 6).

Staff costs, including directors' remuneration, were as follows:

	£000	£000
Wages and salaries	**1,535**	-
Share-based payments (see note 17)	**536**	-
Social security costs	**218**	-
Other pension costs	**45**	-
	2,334	-

In the prior year, directors were remunerated by another group company.

Notes *(continued)*

5 Directors' remuneration

	2022 £000	2021 £000
Directors' remuneration	1,176	-
Share-based payments (See note 25)	323	-
	1,499	-
Company contributions to defined contribution pension schemes	28	-

During the period retirement benefits were accruing to 1 director *(2021: 2)* in respect of defined contribution pension schemes.

The highest paid director received remuneration of £748,000 *(2021: £461,000)* during the period. The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director during the period amounted to £Nil *(2021: £Nil)*. Directors were remunerated by another group company in the prior year.

6 Income from fixed asset investments

	2022 £000	2021 £000
Dividend income	17,500	-

7 Interest receivable and similar income

	2022 £000	2021 £000
Interest receivable on 12% unsecured 2047 loan notes issued to group undertakings	309	276
Interest receivable on amounts owed by group undertakings	3,154	388
	3,463	664

8 Interest payable and similar charges

	2022 £000	2021 £000
Interest payable on 12% unsecured 2047 loan notes issued by group undertakings	1,546	657
Interest payable on amounts owed to group undertakings	20,491	12,673
Secured term loan interest payable	20,813	4,945
Amortisation of debt issue costs relating to secured term loan	5,210	2,031
Net foreign exchange loss	2,209	-
	50,269	20,306

Notes *(continued)*

9 Taxation

Total tax expense recognised in the profit and loss account, other comprehensive income and equity

	2022	2021
UK corporation tax:	**£000**	£000
Current tax on loss for the period	-	-
Group relief receivable	**(3,456)**	
Total current tax	**(3,456)**	-
Total deferred tax	-	-
Total tax	**(3,456)**	-

Factors affecting the tax charge for the current period

The current tax charge for the period is higher *(2021: higher)* than the standard rate of corporation tax in the UK of 19% *(2021: 19%)*. The differences are explained below:

	2022	2021
Reconciliation of effective tax rate	**£000**	£000
Loss before tax	**(32,710)**	(19,600)
Tax using the UK corporation tax rate of 19% *(2021: 19%)*	**(6,215)**	(3,724)
Effects of:		
Non-taxable income	**(3,325)**	-
Non deductable expenses	**472**	-
Corporate interest restriction	**1,354**	
Group relief surrendered	**4,258**	3,664
Transfer pricing adjustments	-	60
Total tax charge included in profit or loss	**(3,456)**	-

Factors that may affect future current and total tax charges

In the 3 March 2022 Budget, it was announced that the UK tax rate will increase from 19% to 25% from 1 April 2023. There is no impact on OS Phoenix Bidco Limited as they have no deferred tax balance.

10 Fixed asset investments

	Investments in subsidiary undertakings £000
Cost	
At 1 January 2022	389,247
Additions	116,864
At 31 December 2022	506,111
Net book value	
At 31 December 2022	**506,246**
At 31 December 2021	389,247

On 12 July 2022, the Company acquired the entire share capital of MC1 GmbH and its subsidiaries for a total consideration of £115,541,725. Over the period, additional acquisition related costs for the acquisition of Advanced Supply Chain Group Limited and its subsidiaries were incurred for a total of £679,753.

During the year, £291,059 and £352,065 were recognised as additional investments in Reconomy (UK) Limited and Advanced Supply Chain Group Limited respectively in relation to share-based payments, see note 17.

Notes *(continued)*

10 Fixed asset investments *(continued)*

OS Phoenix Bidco owns directly or indirectly 100 percent, unless otherwise states, of the issued ordinary share capital of the following subsidiaries at the year-end:

Incorporated in England and Wales having a registered office Kelsall House, Stafford Court, Stafford Park 1, Telford, Shropshire TF3 3BD

OS Phoenix Acquisition Limited*	Advanced Supply Chain Group Limited*	Cleanwrap Limited
Reconomy (UK) Limited*	Advanced Supply Chain Limited	Countrywide Waste Management Limited
Prismm Limited	Advanced Processing Limited	MT Waste Management Limited
Advanced Waste Solutions Limited	Advanced Processing (Holmfield) Limited	Skip Hire UK Limited
Nationwide Services Group Limited	Advanced Supply Chain (BFD) Limited	Just Hire UK Limited
Cauda Limited	Advanced Supply Chain (HF) Limited	Just Skips Limited
ACM Eco Holdings Limited	Advanced Supply Chain (COR) Limited	Network Waste Limited
ACM Environmental Limited	Advanced Supply Chain (Logistics) Limited	U.K. Nationwide Skip Hire Limited
Waste Source Limited	Advanced Forwarding Limited	Waste Hire Services Limited
Eurokey Holdings Limited	Project Roy Bidco Limited	Reconomy Group Limited
Eurokey Recycling Limited	TSB Intellect Limited	Helistrat Group Holdings Limited***
GAE Smith Group Limited	TSB Holdings Limited	Helistrat Management Services Limited***
GAE Smith (Holdings) Limited	TSB Returns Limited	Skips@Home Limited
Oceala Limited	Intelligent Returns Limited	Reconomy Recycling Services Limited
Kingscote Limited	Cycleon-Recare UK Limited	Ecovend Limited
Waste Check Limited	Casepak (Midlands) Limited	Collectmywaste Limited

Incorporated in England and Wales having a registered office Unit 4 Stratford Business Park, Banbury Road, Stratford Upon Avon, Warwickshire, CV37 7GW.

Valpak Holdings Limited	Valpak Retail WEEE Services Limited	Closed loop compliance Limited
Valpak Limited	Outpace Limited	Recycle-more Limited
Valpak Recycling Limited	Valpak Ecohub Limited	WEEE Connect Limited

Incorporated in Scotland having a registered office Building 19, Haymarket Square, Edinburgh, United Kingdom, EH3 8RY

Valpak Scotland Limited

Incorporated in Germany having a registered office of (1) Durener Straße 350, 50935 Cologne, Germany, (2) Karl-Hammerschmidt-Straße 36, 85609 Aschheim and (3) Zeppelinstraße 2, 64331 Weiterstadt

Reconomy Deutschland GmbH (1)	Noventiz GEE GmbH (1)	Galoha Trading GmbH (2)
Noventiz GmbH (1)	MC1 GmbH* (2)	RLG Clearing GmbH (2)
Noventiz Dual GmbH (1)	MC2 GmbH (2)	RLG Rene GmbH (2)
Noventiz Digital GmbH (1)	Reverse Logistics GmbH (2)	RLG Health Care GmbH (3)
Noventiz Select GmbH (1)	RLG Systems AG** (2)	

Incorporated in the rest of Europe:

Cycleon B.V.	Netherlands	Le Mirage, 14th Floor, Vliegend Hertlaan 71 3526 KT Utrecht.
Cycleon-Recare RO S.R.L		2F Vasile Milea Blvd., 3rd Floor, district 6, Bucharest
Cycleon-Recare CZ s.r.o.	Czech Republic	Husitská 344/63, 130 00 Praha
Advanced Supply Chain (CR) s.r.o	Czech Republic	Vaclavske namesti 808/66, Nove Mesto, Prague 1, Postal Code 110 00
RLG Systems Italia S.R.L	Italy	C. so Unione Sovietica 612/3c.10135 Torino (TO)
Consorzio RLG	Italy	C. so Unione Sovietica 612/3c.10135 Torino (TO)
Consorzio Relectra	Italy	C. so Unione Sovietica 612/3c.10135 Torino (TO)
RLG Systems Schweiz GmbH	Switzerland	Müligässli 3, 8598 Bottighofen Thurgau
RLG Systems Polska Sp. Z o.o	Poland	Al. Jana Pawła II 27, 00-867 Warszawa
RLG Relectra Polska O O S.E.i E.S.A	Poland	Al. Jana Pawła II 27, 00-867 Warszawa
RLG Repack Polska O O.O S A	Poland	Al. Jana Pawła II 27, 00-867 Warszawa
CCR Logistics Systems RO S.R.L	Romania	Calea Dorobanti nr. 53, parter, camera 1, Sector 1, Bucharest
RLG Waste Management Systems Romania S.R.L.	Romania	Calea Dorobanti nr. 53, parter, camera 1, Sector 1, Bucharest
RLG REBAT Romania S.R.L.	Romania	Calea Dorobanti nr. 53, parter, camera 1, Sector 1, Bucharest
RLG Systems Hungary Kft	Hungary	1023 Budapest, Bécsi út. 3-5. 3. em 25
RLG REBAT Hungary Non-Profit Kft	Hungary	1023 Budapest, Bécsi ut. 3-5. 3. em 25
RLG Relectra Hungary Non-Profit Kft	Hungary	1023 Budapest, Becsi út. 3-5. 3. em 25
Fida & Schuch Transport GmbH	Austria	Shuttleworthstraße 19, 1210 Wien.

Notes *(continued)*

10 Fixed asset investments *(continued)*

Incorporated in North and South America:

Reverse Logistics Group Americas Inc.	*USA*	*190 Middlesex Turnpike, Suite 206, Iselin, NJ 08830*
Reverse Logistics Group Colombia S.A.S	Colombia	7D # 43A-99, Oficina 1301, Medellin
Reverse Logistics Group Chile s.p.A	Chile	Av. Vitacura 5093, Piso 3 – Vitacura, CP 7630281 Santiago
Reverse Logistics Group Argentina S.A.S	Argentina	Maipú 267, Piso 4, C1084ABE Buenos Aires
Reverse Logistics Group Peru S.A.C	Peru	Peru - Av. San Luis 2572, San Borja, Lima
Returns Management Group Mexico SRL	Mexico	La Coruña 121 B, Colonia Álamos, Alcaldía Benito Juárez, C P 03400 Ciudad de México
RLG Systems Canada Inc	Canada	175 Bloor St. E., 9th Floor, South Tower, Toronto, ON, M4W 3R8

Incorporated in Asia:

AISC Middle East Cargo Services LLC	U.A.E	Al Fattan Plaza, Airport Road, Office 712, Al Garhoud, Dubai.
Advanced Supply Chain (Asia) Limited	Hong Kong	2/F, Tak Tai Industrial Building, 66-72 Lei Muk Road, Kwai Chung, New Territories.
Reverse Logistics Management Consulting (Beijing) Co., Ltd	China	Suite 1118, 11th floor of Block B, Lucky Tower No 3, Dongsanhuan North Road, Chaoyang District, Beijing, PR China 100027
Reverse Logistics Vietnam Company Ltd	Vietnam	8th Floor, 54-59 Ho Tung Mau Street, Ben Nghe Ward, District 1, Ho Chi Minh City
RLG Systems India Private Limited	India	94, Pocket - 4, Sector 11, Dwarka, New Delhi, South West Delhi, Delhi.110075
RLG Asia Pacific Pte Ltd	Singapore	41 Kallang Pudding Road #06-04A Singapore 349316

* Direct subsidiary of OS Phoenix Bidco Limited

** Reverse Logistics GmbH owns 98% of the issued ordinary share capital of RLG Systems AG.

*** These entities have been dissolved post year-end.

11 Debtors

	2022 £000	2021 £000
Due within one year		
Amounts owed by group undertakings	**23,353**	32,724
Prepayments	**127**	-
VAT recoverable	**228**	-
Due after more than one year		
12% Unsecured Loan Notes	**2,885**	2,576
Amounts owed by group undertakings	**82,982**	-
	109,575	35,300

Amounts owed by group undertakings due within a year are unsecured and repayable on demand. Of the balance outstanding at the year-end, £10,415,584 bears interest at 4.75% per annum with the remainder being interest free.

The 12% Unsecured 2047 Loan Notes are unsecured, bear interest at 12% per annum and are repayable other than by instalments on 8 August 2047 or on an exit event although earlier repayments may be made on a voluntary basis. Interest is not required to be paid in cash until the date of repayment.

Amounts owed by group undertakings due within a year are unsecured and are repayable other than by instalments, ranging from July 2029 to December 2030, or on an exit event although earlier repayments may be made on a voluntary. The balances outstanding at the year-end are loans for £62,227,671 and £6,153,846, which both bear interest at 6%, and a £13,498,500 loan bearing interest at 4%, with the remainder being unpaid interest accumulated.

Notes *(continued)*

12 Creditors: amounts falling due within one year

	2022 £000	2021 £000
Trade creditors	**585**	-
Revolving credit facility	**5,000**	12,000
Interest payable	**1,681**	-
Amounts owed to group undertakings	**1,378**	10,956
Other financial liabilities due within one year (see note 14)	**1,882**	-
Accruals	**2,316**	5
	12,842	22,961

The revolving credit facility is secured by a fixed and floating charge against the Group's assets and currently bears interest at 3.25% above SONIA on the amount drawn, the balance is repayable within 3 months of the year end.

Amounts owed to group undertakings are unsecured and repayable on demand. Of the balance outstanding at the year-end £10m bears interest at 4.75% per annum with the remainder being interest free

13 Creditors: amounts falling due after more than one year

	2022 £000	2021 £000
Secured term loan	**230,771**	146,588
Other financial liabilities due after one year (see note 14)	**1,105**	-
Amounts owed to group undertakings	**191,563**	171,374
12% Unsecured 2047 loan notes	**22,020**	6,129
	445,459	324,091

The secured term loan facility is secured by a fixed and floating charge against the Group's assets, comprising of a £186,000,000 loan which bears interest at 6.25% above SONIA and a €75,000,000 loan which bears interest at 6% above EURIBOR, both are repayable otherwise than by instalments on 11 July 2029. Interest on the secured term loans is payable quarterly.

Amounts owed to group undertakings are unsecured, bears interest at 12% per annum and are repayable otherwise than by instalments on 8 August 2047 or on an exit event. The 12% Unsecured 2047 Loan Notes are unsecured and repayable otherwise than by instalments on 8 August 2047 or on an exit event.

No mandatory cash interest or capital repayments are due on either the 12% Unsecured 2047 Loan Notes or amounts owed to group undertakings.

14 Other financial liabilities

	2022 £000	2021 £000
Amounts falling due after more than one year		
Other financial liabilities designated as fair value through profit or loss	**1,882**	-
Amounts falling due within one year		
Other financial liabilities designated as fair value through profit or loss	**1,105**	-

Notes *(continued)*

15 Financial instruments

15 (a) Carrying amount of financial instruments measured at fair value	**2022**	2021
	£000	£000
Other financial liabilities measured at fair value through profit or loss	**2,987**	-

15 (b) Financial instruments measured at fair value

Derivative financial instruments

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

The interest rates used to discount estimated cash flows, where applicable are based on SONIA and Euribor rates and were 3.43% and 2.13% respectively.

15 (c) Hedge accounting

The below table indicates the periods in which the cash flows associated with cash flow hedging instruments are expected to occur

	2022				2021			
	Carrying amount **£000**	***Expected cashflows*** **£000**	***1 year or less*** **£000**	***1 to <2 years*** **£000**	Carrying amount £000	Expected cashflows £000	1 year or less £000	1 to <2 years £000
Interest rate swaps:								
Assets	**13,973**	**14,949**	**8,340**	**6,609**	-	-	-	-
Liabilities	**(16,960)**	**(18,022)**	**(10,250)**	**(7,772)**	-	-	-	-
	(2,987)	**(3,073)**	**(1,910)**	**(1,163)**				

16 Share capital

	2022	2021
	£000	£000
Allotted, called up and fully paid		
14,879,809 ordinary shares of £1 each *(2021 9,879,809 ordinary shares of £1 each)*	**14,880**	9,880

On 12 July 2022 the Company issued 5,000,000 ordinary shares of £1 each for consideration of £115,541,110.

17 Share-based payments

Equity-settled share-based payment arrangements

B Ordinary Shares (the "Shares") in OS Phoenix Topco Limited were issued to employees and directors of the Company between 8 August 2017 and 11 February 2020 at a price of between £1.00 and £6.29 per Share.

The Shares are not subject to any performance conditions but are subject to a service condition. The holders of the Shares will only normally be able to realise any value for their shares on a future 'exit event'.

The B Shares are highly geared, in that the B Shares only participate in any value once the preference shares and accrued coupon have been paid. The fair value of the B Shares was determined using a Black-Scholes option pricing model to reflect the future hope value of the B Shares, as well as any intrinsic value on grant.

The Shares are accounted for as an equity-settled share-based payment transaction. A total amount of £535,735 has been recognised in profit or loss for the period. Additionally, on the conversion of the B Ordinary Shares to C Preference Shares during the year, the cumulative capital contribution of £826,794 relating to these shares has been released to the profit and loss reserve.

Notes *(continued)*

18 Ultimate parent company and parent company of larger group

The Company is a subsidiary undertaking of OS Phoenix Holdco Limited.

At the balance sheet date, OS Phoenix Midco Limited is the parent undertaking of the largest group for which group financial statements have been prepared. These consolidated financial statements are available from Companies House.

The ultimate parent undertaking is OS Phoenix Topco Limited (registered in Jersey at 11-15 Seaton Place, St Helier, Jersey JE4 0QH) and the ultimate controlling party at the balance sheet date was EMK Capital LLP (registered at Lex House 2nd Floor, 17 Connaught Place, London, W2 2ES).

19 Post balance sheet events

On 2 February 2023 the Company completed the acquisition of the whole of the share capital of Combineering Holdings A/S, through a newly created subsidiary Reconomy Danmark ApS.

On 26 May 2023 subsidiary Company, Reconomy (UK) Ltd, completed the acquisition of the whole of the share capital of UK Waste Solutions Limited.

On 19 June 2023 subsidiary Company, Reconomy (UK) Ltd, completed the acquisition of the whole of the share capital of Ecofficiency.

On 1 November 2023 subsidiary Company Valpak Ltd, completed the acquisition of the whole of the share capital of Ecosurety Batteries Limited and Ecosurety WEEE Limited.