The company is using these accounts to replace the existing accounts and these accounts now reflect the statutory accounts. These are prepared as they were at the date of the original accounts. These have been re-submitted to correct typing errors in the Directors Report, Primary Statements and Notes to the Financial Statements. All other values have remained the same.

Biffa Waste Services Limited
Annual Report and Financial Statements
For the 52 weeks ended 27 March 2020

Company number: 0946107

Biffa Waste Services Limited
Company Information

Registered office
Coronation Road
Cressex
High Wycombe
Buckinghamshire
HP12 3TZ

Directors
M Topham
R Pike
J Anderson (appointed 4 November 2019, resigned 1 March 2021)
M Davis (appointed 4 November 2019)
D Bird (appointed 1 March 2021)
Biffa Corporate Services Limited

Company Secretary
S Parsons

Registered Auditor
Deloitte LLP
Statutory Auditor
London
United Kingdom

Biffa Waste Services Limited
Contents

Biffa Waste Services Limited
Strategic Report
For the 52 weeks ended 27 March 2020

The Directors present here a strategic review of the business of Biffa Waste Services Limited (the Company). This contains certain forward-looking statements with respect to the financial condition, results, operations and business of the Company. By their nature, these statements and forecasts involve risk and uncertainty because they relate to events and depend on circumstances that may or may not occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements and forecasts.

Accounting reference date
These financial statements are for the period ended 27 March 2020. The comparatives are for the period ended 29 March 2019.

Our strategy
Biffa has a clear strategy for growth based on three strategic pillars; grow our market share; develop services and infrastructure; and optimise systems and processes. These are underpinned by a focus on three specific opportunities – growing our collections business; expanding our plastics recycling business Biffa Polymers; and investing in energy from waste (EfW).

The strategy fully supports Biffa's purpose to 'change the way people think about waste' and our vision to 'lead the way in UK sustainable waste management' and is underpinned by our Sustainability Strategy, 'Resourceful, Responsible', which we were delighted to launch in March 2020.

s.172 statement
The directors of the company are required under section 172 of the Companies Act 2006 ('s.172') to act in a way that promotes the success of the company for the benefit of its shareholders as a whole, whilst having regard to the following matters (amongst other things): the likely long term consequences; the interests of the company's employees; the business relationships with suppliers and customers; the impact on the community and the environment; reputation for high standards of business conduct; and acting fairly between shareholders.
As the company forms part of the Biffa Group, the governance framework adopted by Biffa plc has been applied by the company as a subsidiary and the matters that the directors of the company are responsible for considering under s.172 have been considered to an appropriate extent by the Biffa plc Board in relation to both the Biffa Group and the company. Further details of how the Biffa plc Board has considered the matters set out in s.172 (for the Group and for the company) are set out in the Biffa plc Annual Report & Accounts, which does not form part of this report. During the year, the directors have also considered, both individually and together, relevant matters where appropriate.

Statement of Corporate Governance Arrangements
For the year ended 27 March 2020, the Company has applied the Wates Corporate Governance Principles for Large Companies (the "Principles"). Application of the Principles by the Company during the year is set out below.

<u>Principle 1 – Purpose and Leadership</u>
The Company is part of the Biffa Group. The Biffa plc Board (the "plc Board") is responsible for setting the Company's purpose and values and ensuring these are aligned with the Group's culture. The Group's purpose is to 'change the way people think about waste', alongside our vision, 'leading the way in UK sustainable waste management'. Our culture is the way that we work together and is fundamental to how we operate. We pride ourselves on our common-sense approach to sustainable waste management, our collaborative working and our ability to get things done. More information on our strategy can be found on page 12 of the annual accounts.
The plc Board has a clear corporate governance framework comprising Board reserved matters, various Committees with their Terms of Reference and the Group delegated authorities matrix ensuring decision making at appropriate levels within the Group.

The plc Board is responsible for promoting the long-term success of the Company for the benefit of its members as a whole, taking into accounts other stakeholders as defined by s172 of the Act and the Articles of Association and including but not limited to setting the Company's strategic aims, monitoring performance of the Company and management against these aims and monitoring the operation of effective controls and monitoring compliance with corporate governance principles.

Principle 2 – Board Composition
The Chairman of the plc Board assesses the composition annually to ensure that the balance of responsibilities, accountabilities and decision-making across the Company is effectively maintained. The Directors have equally voting rights when making decisions, except the Chair who has the casting vote. All Directors have access to the advice and services of the Company Secretary.

The role of the plc Board is to promote the long-term success of the Company, generating value for shareholders and contributing to wider society by providing effective leadership and direction to the business as a whole. It sets the Group's strategy, having regard to stakeholders, while maintaining a balanced approach to risk within a framework of effective controls. It has also established the Company's purpose and values and monitors culture to ensure alignment. Its sets the tone and approach to corporate governance and is responsible for the overall financial performance of the Group.

The plc Board undertook a formal evaluation review of its performance during the year. The plc Board evaluation was facilitated by the Chairman and Company Secretary by way of an online self-evaluation questionnaire. Initial feedback from the evaluation was presented to the plc Board for discussion in April 2020. The overall assessment was that the plc Board continued to operate effectively, and that it performed well during the year with the overall rating up from the previous year. It was agreed that the key actions would be defined by the Chairman and those actions would form part of the plc Board's agenda for the coming year.

Principle 3 – Director Responsibilities
The Biffa Group has a clear corporate governance framework comprising Board reserved matters, various Committees with their Terms of Reference and the Group delegated authorities matrix ensuring decision making at appropriate levels within the Group.

The Board members have separate clearly defined roles and responsibilities and each member of the Board has a range of skills and experience that is relevant to the successful operation of the Group.

The Board held a number of meetings throughout the year. The Board's key areas of focus in the year were mainly property and treasury matters. The Board also approved the new Energy from Waste facility in Newhurst, Leicestershire. This major project required Biffa plc Board approval and in making its decision the Board considered a number of s.172 factors. Further details can be found on page 49 of the Biffa plc Annual Report and Accounts for the year ended 27 March 2020.

Principle 4 – Opportunity and Risk
The role of the plc Board is to promote the long-term sustainable success of the company, generating value for its shareholders within a framework of effective controls, which enable risks to be assessed and managed.

Biffa's risk appetite is approved by the plc Board and reviewed annually. The Group dedicates significant resources and focus to manage and monitor risks via our Internal Audit team. The Audit Committee monitors risk management processes and controls on behalf of the plc Board. The Biffa plc Board has overall responsibility for risk management at Biffa. In support of this, risk management is firmly embedded within our everyday business activities and our culture. The plc Board recognises its responsibility to ensure that the Group's internal control systems and risk management framework are effective. The Audit Committee has specific delegated authority to review the effectiveness of the risk management and internal control processes during the year. Day-to-day risk management and control is the responsibility of the Group Executive Team, with plc Board oversight, and is designed to ensure that management provides leadership and direction to employees so that our overall risk-taking activity is kept within our risk appetite.

Principle 5 – Remuneration
The Company's remuneration policy and practices are consistent with the six factors set out in Provision 40 of the UK Corporate Governance Code, being clarity, simplicity, risk, predictability, proportionality and alignment to culture and is approved by the Biffa plc Remuneration Committee, which applies to all employees in entities within the Biffa Group.

Our annual bonus schemes are directly linked to the annual Group BBP targets. These include the results of the annual employee engagement survey, the Health & Safety improvement targets, as well as behaviours underpinned by our values.

The Biffa Group reports on the pay ration of the Group CEO to UK employees and details of this can be found in the Director's Remuneration Report in the Biffa plc Annual Report and Accounts which is available at https://www.biffa.co.uk/investors. Biffa plc also reports on our gender pay gap and on the steps we are taking in relation to this at https://www.biffa.co.uk/about-us/policies

<u>Principle 6 – Stakeholders Relationships and Engagement</u>
Details about the Company's stakeholders can be found on page 2 of the Biffa plc Annual Report and Accounts for the year ended 27 March 2020.

Review of the year
In the year, the Group delivered strong business performance, executed ambitious strategic growth plans and articulated the Group's 10-year Sustainability Strategy.

The Company is structured into two operating divisions: Collections and Resources and Energy.
Collections comprises of the Industrial and Commercial (I&C), Specialist Services and Municipal businesses and provides collection, disposal and other services for businesses and households.
Resources and Energy includes Recycling, Organics, Inerts and Landfill Gas and focuses on sorting, treating, processing and recycling waste streams.

The Company delivered a strong financial performance in the year.

The I&C business saw both organic and acquisition growth within the year. There were 2 small acquisitions within the year. The business had good customer retention within the year (overall churn of 5.2%) as well as a number of flagship customer wins: Transport for London, Center Parcs, SSE, Malmaison, Barratt Homes and Skanska.

Specialist Services delivered a strong performance through operational synergies, customer retention and some encouraging new business wins.

Landfill had a strong year with some volume improvement offsetting a modest reduction in average gate fees due to changes in geographic and waste type mix. Soil and aggregate treatment operations also had a solid year.

Ongoing landfill gas yield declines were lower than recent years due to strong operational performance. Higher average forward-selling prices achieved (£49.23 per MWh in FY20 versus £46.00 in FY19) have been offset by a lower Renewables Obligation scheme (ROC) upside.

Trading results
The Directors utilise a number of key performance indicators when measuring the performance of the business.

	52 weeks to 27 March 2020	52 weeks to 29 March 2019	Movement
	£m	£m	£m
Operating profit before exceptional items	**36.4**	38.4	(2.0)
Exceptional items before taxation	**3.6**	(13.7)	17.3
Net interest payable	**(6.5)**	(5.6)	(0.9)
Profit before tax	**33.5**	19.1	14.4

The Company delivered a strong performance in the financial year. Underlying operating profit was lower by 5.2% compared to prior year, and profit before tax was up 75.4% at £33.5m. On the first day of the financial year, the Biffa Polymers business was hived up into the company, this equated to £8.3m of operating profit before exceptional items. There was no exceptional items or net interest related to Biffa Polymers in the year.

Non-financial key performance indicators in respect of the Biffa Group of companies are shown in the Financial Statements of Biffa Plc for the period to 27 March 2020, which do not form part of this report.

Future outlook

FY20 was relatively un-impacted by the COVID-19 pandemic, whereas significant impact was seen in volumes in April where I&C volumes fell to 50% of prior year however the group recovered well with September I&C volumes at 93% of prior year.

Since March 2020 the Company has completed three acquisitions: Ward Recycling in September 2020 for £2.1m and a deferred consideration of up to £2.0m; Simply Waste Solutions in October 2020 for £35.0m, with a potential deferred consideration of up to £5.0m and Company Shop Group in February 2021 for £82.5m with a deferred consideration of £5m. The pipeline for acquisitions remains strong.

Biffa Polymers operates in an exciting sector, with increasing demand for the closed-loop, food-grade recycled plastic that the Group manufactures.

The Group continues to make good progress with the second phase of its £27.5m investment in the Seaham rPET plastics recycling facility, which is set to become operational towards the start of FY22, subject to further lockdowns not affecting timings.
The construction of the £7m Washington plastics recycling facility, which was announced in January but paused during the early stages of the pandemic, has recommenced and is due to become operational towards the end of Q1 FY22, again subject to further lockdowns not affecting this timetable.

A new £7m investment in the Aldridge plastics sorting facility is now being progressed which will support the increased feedstock needs of the Polymers business.
The Group successfully broke ground at the Newhurst EfW facility in June 2020. Construction is underway and the state-of-the-art facility is expected to be completed during 2023 with no anticipated impact on timeline as a result of the second lockdown.
The Protos EfW project, in which Biffa has a 25% equity stake completed financial close in November 2020. Biffa is investing £35m over a three year period into the project, and will supply 60% of the feedstock, further underpinning offtake for its I&C business. The 400k tpa plant will generate 49MW of energy.

UN Sustainable Development Goals

Sustainability isn't new to Biffa - it has been core to our business and investment plans since the business and the wider industry began to move away from landfill disposal and into recycling and renewable energy.

In March 2020 Biffa launched 'Resourceful, Responsible' a 10-year Sustainability Strategy which is aligned to the UN's Sustainable Development Goals, and is centred around three key pillars:

- Building a circular economy;
- Tackling climate change; and
- Caring for our people and supporting our communities.

It includes a commitment to unlock £1.25bn of investment in green economy infrastructure, whilst reducing our CO_2 emissions by a further 50% in the coming decade. When combined with what Biffa has achieved in the last 15 years, which will amount to a reduction in our CO_2 emissions by over 80%.

'Resourceful, Responsible' is inextricably linked to Biffa's strategic framework and the investment in green economy infrastructure includes plastics recycling - which reduces the carbon intensity of packaging; Collections acquisitions - which reduce the carbon intensity of business collections as well as improving local air quality and reducing traffic congestion; and EfW - which helps reduce the UK's dependence on fossil fuels. In addition to those existing plans we have outlined our ambition to invest in solar energy across our legacy landfill land bank, and our commitment to phase out the purchase of diesel refuse vehicles by 2030.

It's a bold and ambitious plan, but it is grounded in known technologies and solid investment opportunities that we are well positioned to deliver.

Principal risks

The directors are aware of the need to review all aspects of risk which are likely to affect the financial stability of the Group, whether it be from either the sales or the cost side of the business. On an annual basis the directors carry out a detailed internal risk assessment analysis on all aspects of the business. The key risks that may prevent the Group from achieving its objectives are:

- Biffa operates in a highly regulated industry, and changing regulatory requirements and standards could have an adverse impact on the Group's operations and results
- Economic conditions in the United Kingdom may have an adverse impact on Biffa's operating performance, revenues and results
- Biffa faces risks arising from the COVID-19 pandemic
- Biffa is exposed to risks inherent in long-term fixed-price contracts, in particular in its Municipal and related operations
- Fluctuations in electricity, fuel and other commodity prices could affect Biffa's operating results
- Competition in the waste management industry could reduce Biffa's revenues and net income
- Biffa faces risks arising from its acquisition strategy
- A significant disruption to Biffa's information technology system, or delay during its migration to new systems, could adversely affect the Company's performance
- A cyber security incident could negatively impact Biffa's business and its relationships with customers
- Biffa may fail to identify strategic developments and may be unsuccessful in developing new technologies, or its current technological capabilities may become obsolete
- Biffa's operations expose it to the risk of material health and safety liabilities
- Biffa is subject to risks arising from its bonding and other financial security arrangements
- Biffa may be subject to litigation, disputes or other legal proceedings
- Biffa is dependent on the availability of labour

Potential Impact of Brexit
The Board have re-reviewed the potential impact of Brexit, given the imminence of the separation date. The impact on the Group is still expected to be relatively limited given that it operates primarily within the UK. Principal risks include the impact of foreign exchange movements, particularly in relation to RDF exports, possible imposition of tariffs on capital goods and a potential constraint of labour supplies, all of which have mitigating actions.

Credit risk
Credit risk is managed on a group basis as appropriate. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables. For banks and financial institutions, only independently rated parties with an S&P Credit rating of A or above (or Fitch / Moody's equivalent).

Management does not expect any significant losses of receivables that have not been provided for as shown in Note 18. The carrying amount of financial assets recorded in the financial information, which is net of impairment losses, represents the company's maximum exposure to credit risk. These amounts include receivable balances from local authority clients, hence are not exposed to significant credit risk. Given the above factors, the Board does not consider it necessary to present a detailed analysis of credit risk.

Liquidity risk
The Company and the Biffa Group ensure that there are sufficient committed loan facilities in order to meet short-term business requirements, after taking into account cash flows from operations and its holding of cash and cash equivalents.

Currency risk
The Company and the Biffa Group have no material exposure to currency arrangements.

Price risk
The Company and the Biffa Group are not materially exposed to any equity securities price risk.

COVID-19 risk
The COVID-19 pandemic is unprecedented. During the pandemic, there has been substantial support from the UK Government, the measures most relevant to the Group are furlough payments and tax payment deferrals.

At the FY21 year end, the Group expects to have combined available cash and RCF headroom of over £150m. In addition, the Group is taking steps to balance both the preservation of near-term cash with the need to preserve the long-term health of the business, its customers, suppliers, employees and other stakeholders. The Group have also set up a Response Team with colleagues from across the business to ensure we support the health and wellbeing of our colleagues, manage business continuity, provide clear and timely communications and minimise service disruption. All of our staff who are able to have been advised to work from home and social distancing applied across our workplaces. All non-essential business travel has been stopped. The Board is confident that the combination of available liquidity, coupled with the identified mitigation will enable the Group to shoulder this downturn in the near term and that going forward the Group will then be able to progress its growth strategy over the medium term.

Employees
The Group's services are delivered by a team of over 8,000 people, these people as the core of the Group's organisation. The government recognises the Group's people as 'key workers'. These people have continued to work throughout the COVID-19 crisis, highlighting their commitment, dedication and loyalty.

The Group regularly reviews its employment practices to ensure it promotes dignity at work, equal opportunity and good working relations based on fairness, equality and inclusiveness. The safety of employees is the top priority.

The Group puts employee engagement at the heart of its people strategy and plans, and the Group remains committed to further increasing employee engagement. Employee engagement remains stable at 58%, following a 5% increase in the prior year. Although levels have remained stable this year, we are still ahead of our strategic target and ahead of the UK average.

Employees (continued)

The Group engages with employees throughout the year through multiple communication channels including: face-to-face roadshows, conference calls, recorded vlogs and our employee app, Biffa Beat.

The Group continues to invest in the personal development of our colleagues. The Learning and Development Team provides a broad selection of programmes ranging from compliance and technical training to management and leadership development. The Group has also invested in a comprehensive portfolio of e-learning modules, allowing all employees access to relevant and timely learning content.

The anti-fraud, bribery and corruption policy and procedure sets out the standards that are expected of employees and the systems and procedures which Biffa employs to minimise the opportunity for fraudulent or corrupt behaviour taking place and how it will deal with any instances of such behaviour. It applies to all our employees and appropriate parts of the policy are also applied to representatives, joint venture partners and outsourcing partners. It includes guidance to employees on the giving, receiving and recording of business gifts and hospitality.

The Group is committed to promoting Diversity and Inclusion (D&I) across all areas, including gender and ethnicity. The industry in which the Group operate in has traditionally employed more men than women. Across the Group, the workforce comprises 12% female and 88% male employees. There is therefore lots more to do in this area and it remains a key focus.

The Group believes that diversity enhances our effectiveness and we will continue to address the gender imbalance when making future Board and senior leader appointments and will strive to develop a diverse pipeline of executive talent.

Although women account for only 12% of the overall workforce, they are better represented within professional and managerial roles which means on average they receive high levels of pay in the business. This results in a negative gender pay gap.

The Group is working to create a consistently inclusive environment where differences are valued and all colleagues can thrive. The Group delivered D&I training to all senior leaders during 2020, introduced an e-learning module on diversity for all managers and plan to deliver D&I training to front line employees during 2020.

The diversity policy also covers specific arrangements for people with disabilities including:

- giving full and fair consideration to applications from disabled persons, having regards for their skills and abilities;
- continuing the employment of and arranging appropriate training for those who have become disabled while at Biffa; and
- career development and promotion of disabled employees.

Working together safely

The waste management industry carries inherent Health & Safety (H&S) risks and the group are committed to keeping people, customers and the general public safe and well. Protecting the health, safety and wellbeing of employees has been the top priority throughout the COVID-19 pandemic. Biffa has always been an industry leader, setting extremely high safety standards. The Group were delighted to see the achievement of the planned year-on-year reduction in the Lost Time Injury rate as well as the introduction of a new H&S culture change programme, ‘Safer Together’.

Approved by the Board of Directors and signed on behalf of the Board;

R Pike
Director
26 April 2021

Biffa Waste Services Limited
Report of the Directors
For the 52 weeks ended 27 March 2020

Directors:	M Topham R Pike D Bird M Davis Biffa Corporate Services Limited
Secretary:	S Parsons

The Directors present the Report of the Directors and audited Financial Statements for Biffa Waste Services Limited for the 52 weeks ended 27 March 2020.

Principal activity

The Company's principal activity is the provision of waste management services with its business based in the United Kingdom.

Review of business

The results for the period are set out on page 13. A full review of business is presented in the strategic report on pages 1-7.

Going Concern

The Company remains the largest trading entity within the Biffa Group. The Company had a net current liability position of £91.6m as at the end of March 2020. The company is able to settle its liabilities via the group loan facility, which had £150m headroom at March 2021 (see below).

The financial performance for the year ended March 2020 was not impacted by COVID-19. However a significant impact was seen in the first quarter of FY21 Q1, with a gradual improvement then seen through Q2. Group performance in the second half has continued to be ahead of the Group's base case expectations, with the impact of the third lockdown on earnings less severe than originally anticipated.

Group Net Revenues in the third quarter out turned at 97% of the levels achieved in the same prior year period and for the final quarter are now expected to be circa 92% of those for the respective prior year period. I&C volumes have stabilised at circa 80% of prior year levels for the fourth quarter, higher than the predicted 70-75% range reported in January. All other areas of the Group have performed in line with expectations.

The Group meets its daily working capital requirements through its bank facilities. Forecast and projections for the Group, taking into account reasonable fluctuations in trading performance, show that the Group are expected to operate within the current levels of the facility. The Group has significant financial resources including unutilised bank facilities of £150.0m as at 26 March 2021.

One of the Group's response to the COVID-19 impact was to agree revised covenants with the banking syndicate for the main loan facility which increased the leverage covenant from 3.5x to 5.5x for the first half of FY21 and 4.6x for the second half of FY21. The eventual outturn at half year FY21 was 1.3x. Given the stronger performance seen in the second half, the group requested an end to the supplementary agreement and have reverted to the initial loan covenants as of March 2021.

The reassuring headroom on the debt leverage was driven by an equity raise which took place in June 2020; £97.7m was successfully raised from the issue of 50 million shares. These funds together with the Group's long-term customer contract portfolio, flexible cost based coupled with geographically diverse operating footprint means the Group is well placed to manage the direct business impacts and the current global economic uncertainty arising from the COVID-19 pandemic.

Management has also performed a sensitivity analysis which supports this view by modelling a reasonable worst-case scenario. The worst-case scenario assumes that the Group will focus on continuing existing operations and no acquisitions takes place or any further investment on plastics projects. Mitigating actions to reduce non-essential expenditure and to align the cost base with the lower volumes would be undertaken under this scenario. The Group's profitability, liquidity and financial headroom have all been assessed an incorporated within this scenario analysis.

Based on the results of this analysis and after careful consideration of the uncertainty and dynamic nature of COVID-19, the Directors confirm that they have reasonable expectation that the Group will be able to continue to withstand the impacts of COVID-19. The Directors have concluded the Group has made satisfactory arrangements to address its financing and business risks. And have reasonable expectations that the Group will have adequate resources to continue in operation for at least twelve months from the signing date of these statutory accounts. They therefore consider it appropriate to adopt the going concern basis of accounting in preparing these statutory accounts.

Dividends
The Directors do not propose the payment of a final dividend. No interim dividends were paid during the period. No dividends were paid or proposed in the prior financial period.

Directors' indemnities
The Company has made qualifying third party provisions (as defined in the Companies Act 2006) for the benefit of all its Directors. These provisions remain in force at the date of this Annual Report.

In accordance with the Company's articles, and to the extent permitted by law, the Company may indemnify its Directors out of its own funds to cover liabilities arising as a result of their office. The Group holds Directors' and Officers' Liability Insurance cover for any claim brought against Directors or Officers for wrongful acts in connection with their positions, but the cover does not extend to claims arising from dishonesty or fraud.

Disabled persons
Applications for employment by disabled persons are always fully considered bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Employee engagement
The Company puts employee engagement at the heart of its people strategy and plans, as detailed within the Strategic Report on page 6.

Post balance sheet events
Full detail of Post balance sheet events are disclosed in note 28.

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

Each of the Directors of the Company at the date when this report was approved confirms that:

- So far as each of the Directors is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- Each of the Directors has taken all steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the requirements of section 418 of the Companies Act 2006.

Approved and signed on behalf of the Board;

R Pike
Director
26 April 2021

Biffa Waste Services Limited
Statement of Directors' Responsibilities
For the 52 weeks ended 27 March 2020

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial period. Under that law the Directors have elected to prepare the Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". 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 judgments and accounting 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; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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 also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditor's Report to the members of Biffa Waste Services Limited
Report on the audit of the financial statements
For the 52 weeks ended 27 March 2020

Report on the audit of the financial statements

Opinion

In our opinion the Financial Statements of Biffa Waste Services Limited (the Company):

- give a true and fair view of the state of the Company's affairs as at 27 March 2020 and of its profit for the period of 52 weeks then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework" and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the Financial Statements which comprise:

- the Income Statement;
- the Statement of Other Comprehensive Income;
- the Statement of Financial Position;
- the Statement of Changes in Equity; and
- the related notes 1 to 29

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the Financial Statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the Directors' use of the going concern basis of accounting in preparation of the Financial Statements is not appropriate; or
- the Directors have not disclosed in the Financial Statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the Financial Statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the Financial Statements and our auditor's report thereon. Our opinion on the Financial Statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Financial Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

Responsibilities of Directors (continued)

In preparing the Financial Statements, the Directors are responsible for 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 the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the Financial Statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial period for which the Financial Statements are prepared is consistent with the Financial Statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' Report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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 respect of these matters.

Use of our report

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.

Makhan Chahal, ACA (Senior statutory auditor)

For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
26 April 2021

Biffa Waste Services Limited
Income Statement
For the 52 weeks ended 27 March 2020

	Notes	**52 weeks to 27 March 2020** Underlying activities £m	Exceptional items £m (note 4)	Total £m	52 weeks to 29 March 2019 Underlying activities £m	Exceptional items £m (note 4)	Total £m
Revenue	3	**806.3**	**-**	**806.3**	701.2	-	701.2
Cost of sales		**(725.4)**	**(1.0)**	**(726.4)**	(616.0)	(13.3)	(629.3)
Gross profit/(loss)		**80.9**	**(1.0)**	**79.9**	85.2	(13.3)	71.9
Distribution costs		**(11.1)**	**-**	**(11.1)**	(21.6)	-	(21.6)
Administrative expenses		**(33.4)**	**(4.9)**	**(38.3)**	(25.2)	(2.0)	(27.2)
Operating profit/(loss)		**36.4**	**(5.9)**	**30.5**	38.4	(15.3)	23.1
Income from interest in group undertakings		**-**	**9.5**	**9.5**	-	1.6	1.6
Interest receivable	7	**0.1**	**-**	**0.1**	0.1	-	0.1
Interest payable	7	**(6.6)**	**-**	**(6.6)**	(5.7)	-	(5.7)
Profit/(loss) before taxation	5	**29.9**	**3.6**	**33.5**	32.8	(13.7)	19.1
Taxation	8	**(12.5)**	**1.1**	**(11.4)**	(3.4)	0.5	(2.9)
Profit/(loss) for the period		**17.4**	**4.7**	**22.1**	29.4	(13.2)	16.2

Biffa Waste Services Limited
Statement of Other Comprehensive Income
For the 52 weeks ended 27 March 2020

	Notes	**52 weeks to 27 March 2020 £m**	52 weeks to 29 March 2019 £m
Profit for the period		**22.1**	16.2
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Actuarial gain on the net defined benefit pension asset	26	**40.2**	27.3
Deferred tax on the actuarial gain on the defined pension asset above	8	**(9.1)**	(4.4)
Hive up reserves of group subsidiaries		**0.7**	-
Gain on employee benefits trust		**0.3**	-
Deferred tax on the actuarial gain on employee benefit trust		**(0.2)**	-
Other comprehensive income for the period		**31.9**	22.9
Total comprehensive income for the period		**54.0**	39.1

Biffa Waste Services Limited
Statement of Financial Position
As at 27 March 2020

	Notes	**As at 27 March 2020 £m**	As at 29 March 2019 £m
Assets			
Non-current assets			
Goodwill		**30.8**	29.2
Investments	12	**80.4**	80.4
Intangible assets	13	**21.6**	22.1
Tangible assets	14	**426.9**	314.5
Deferred tax asset	15	**10.2**	25.1
Pension asset	26	**125.1**	79.8
Trade and Other Receivables	17	**1,578.5**	1,347.5
		2,273.5	1,898.6
Current assets			
Inventory	16	**13.6**	8.7
Trade and Other Receivables	17	**124.9**	94.6
Contract Assets	18	**39.5**	40.7
Cash at bank and in hand		**22.0**	9.6
		200.0	153.6
Current Liabilities			
Trade and Other Payables	19	**(273.7)**	(209.4)
Contract Liabilities	18	**(13.5)**	(13.0)
Corporation tax creditor		**-**	5.4
Provisions	20	**(8.9)**	(8.2)
		(296.1)	(225.2)
Net current liabilities		**(96.1)**	(71.6)
Non-current liabilities			
Trade and Other Payables	19	**(1,582.5)**	(1,280.8)
Provisions	20	**(38.7)**	(44.2)
		(1,621.2)	(1,325.0)
Net assets		**556.2**	502.0
Capital and reserves			
Called up share capital	21	**503.7**	503.7
Revaluation reserve	22	**0.5**	0.5
Retained earnings		**52.0**	(4.9)
Total shareholder's funds		**556.2**	502.0

The Financial Statements of Biffa Waste Services Limited, registered number 0946107 were approved by the Board of Directors and authorised for issue on 26 April 2021. They were signed on its behalf by

R Pike
Director

Biffa Waste Services Limited
Statement of Changes in Equity
For the 52 weeks ended 27 March 2020

	Called up share capital (note 21)	Revaluation reserve (note 22)	Retained earnings	Total
	£m	£m	£m	£m
At 31 March 2018	503.7	0.5	(27.1)	477.1
Opening IFRS 15 and IFRS 9 adjustment			(16.9)	(16.9)
Profit for the period	-	-	16.2	16.2
Other Comprehensive Income	-	-	22.9	22.9
Capital contribution	-	-	2.7	2.7
At 29 March 2019	503.7	0.5	(2.2)	502.0
Profit for the period	**-**	**-**	**22.1**	**22.1**
Other Comprehensive Income	**-**	**-**	**31.9**	**31.9**
Capital contribution	**-**	**-**	**0.2**	**0.2**
At 27 March 2020	**503.7**	**0.5**	**52.0**	**556.2**

1. General information

Biffa Waste Services Limited is private company, limited by shares, incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The Company's registered address is shown on the Company information page. The principal activity is set out in the Directors Report on page 8.

2. Accounting policies

(a) Basis of accounting

The Financial Statements have been prepared and approved by the Directors in accordance with Financial Reporting Standard (FRS) 101 Reduced Disclosure Framework issued by the Financial Reporting Council. The Company adopted FRS 101 Reduced Disclosure Framework to take advantage of the reduced disclosures available as the Company meets the definition of a qualifying entity.

As permitted by FRS 101, exemptions from applying the following requirements have been adopted:

a) IFRS 7 'Financial Instruments: Disclosures';

b) IAS 1 'Presentation of Financial Statements paragraphs 10(d), 10(f), 16, 38 (requirement to present comparative information), 39(c), 111 and 134-136;

c) IAS 16 'Property, Plant and Equipment' paragraph 73(e)

d) IAS 7 'Statement of Cash Flows';

e) IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' paragraphs 30 and 31;

f) IAS 24 'Related Party Disclosures' paragraph 17, and the Company has also taken advantage of the exemption from the requirements in IAS 24 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of the Biffa Group

g) IAS 36 'Impairment of Assets' paragraphs 134(d)-(f) and 135(c)-(e)

Changes in accounting policies and disclosures

New and amended IFRS Standards that are effective for the current year

Impact of initial application of IFRS 16 Leases

IFRS 16 Leases was adopted by the Company on 30 March 2019 and replaces IAS 17 Leases. IFRS 16 removes the distinction between operating leases and finance leases. The result is that the majority of leases are capitalised on the statement of financial position as a right-of-use asset within property, plant and equipment, with a corresponding finance lease creditor. The cost of leasing these assets in the income statement is recognised as a depreciation charge and an interest charge, opposed to the operating lease charge previously reflected under IAS 17. The exception to this is the leasing of assets for a period of less than 12 months and the leasing of low-value assets which do not require the recognition of a right of use asset or corresponding creditor.

On transition, IFRS 16 allows for either a full retrospective approach whereby all prior year comparatives are restated or the modified retrospective approach. The Company has followed the approach taken by the Group; and has adopted the modified retrospective approach. On transition the Company has made use of the practical expedients to exclude leases where the term ends within 12 months from the date of initial application, and to not reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to apply to those leases entered or modified before 30 March 2019. The Company has applied a single discount rate to portfolios of assets with similar characteristics.

The Company assesses whether a contract is or contains a lease at inception of the contract. The Company 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 leases of low-value assets (defined by management as having an underlying asset value of less than £5,000). For these leases, the Company 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 benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the incremental borrowing rate is used; defined as the rate of interest that the lessee would have to pay to borrow over a similar term and with a similar security the funds necessary to obtain an asset of a similar value in a similar economic environment.

2. Accounting policies (continued)

(a) Basis of accounting (continued)

Lease payments included in the measurement of the liability comprise:

- fixed lease payments, less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease

The lease liability is presented within borrowings in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect the interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payment change is due to a change in floating rate, in which case a revised discount rate is used); or
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payment at or before the commencement date and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. The costs are included in the related right-of-use asset.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

At implementation the Company recognised right of use assets of £87.1m and a corresponding lease liability of £87.1m.

2. Accounting policies (continued)

(a) Basis of accounting (continued)

To aid comparability the tables below highlight the differences arising as a result of the adoption of IFRS 16 showing the impact on Statement of Financial Position and Income Statement. The table below shows the IFRS 16 impact on the Company's financial statements.

Balance Sheet	**2020 Post IFRS 16 £m**	2020 IFRS 16 adjustment £m	2020 Pre-IFRS 16 £m
Property, plant and equipment	426.9	(87.5)	339.4
Lease liability	(179.6)	88.5	(91.1)
Other assets & liabilities	308.9	-	308.9
Net Assets	556.2	1.0	557.2
Retained Earnings	52.0	1.0	53.0
Other capital and reserves	504.2	-	504.2
Capital and reserves	556.2	1.0	557.2

Income Statement	**2020 Post IFRS 16 £m**	2020 IFRS 16 adjustment £m	2020 Pre-IFRS 16 £m
Revenue	**806.3**	-	806.3
Cost of sales	**(726.4)**	(1.7)	(728.1)
Gross profit/(loss)	**79.9**	(1.7)	78.2
Distribution costs	**(11.1)**	-	(11.1)
Administrative expenses	**(38.3)**	-	(38.3)
Operating profit	**30.5**	(1.7)	28.8
Income from interest in group undertakings	**9.5**	-	9.5
Interest receivable	**0.1**	-	0.1
Interest payable	**(6.6)**	2.7	(3.9)
Profit before taxation	**33.5**	1.0	34.5
Taxation	**(11.4)**	-	(11.4)
Profit for the period	**22.1**	1.0	23.1

2. Accounting policies (continued)

(a) Basis of accounting (continued)

In the current year, the Company has applied a number of amendments to IFRS Standards and Interpretations issued by the International Accounting Standards Board (IASB) that are effective for an annual period that begins on or after 1 January 2019. Their adoption has not had any material impact on the disclosures or on the amounts reported in these Financial Statements:

- IAS 19 (amendments) - Plan Amendment, Curtailment or Settlement
- Annual Improvements to IFRS Standards 2015–2017 Cycle - Amendments to IFRS 3 Business Combinations, IAS 12 Income Taxes and IAS 23 Borrowing Costs
- IFRS 9 (amendments) - Prepayment Features with Negative Compensation
- IFRS 10 and IAS 28 (amendments) - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- IFRIC 22 1 January 2018 - Foreign Currency Transactions and Advance Consideration
- Annual Improvements to IFRS Standards 2014–2016 Cycle - Amendments to IFRS 1, IFRS 12 and IAS 28 1 January 2018
- IFRIC 23 - Uncertainty over Income Tax Treatments

The UK's Financial Conduct Authority announced that LIBOR will cease to exist by the end of 2021, and will be replaced by alternative reference rates. In September 2019, the IASB amended IFRS 9 and IFRS 7 by issuing Interest Rate Benchmark Reform, which provides exceptions to specific hedge accounting requirements to ensure that hedging relationships are not considered to be modified as a result of the change in the reference rate. The amendments were endorsed in January 2020 for adoption in the EU. The Company early-adopted these changes to IFRS 7 and IFRS 9 with effect from 1 April 2019. There were no transition adjustments on adoption.

The Financial Statements for 2020 have been prepared for the 52-week period ended 27 March 2020. The prior year was a 52-week period, to 29 March 2019. The upcoming year will also be a 52-week period, up to 26 March 2021.

(b) Presentational and functional currency

The presentational currency of the Financial Statements and the functional currency is pound sterling, which is the currency of the primary economic environment in which the company operates.

(c) Measurement

The Financial Statements have been prepared on the historical cost basis except for the recording of pensions assets and liabilities and the revaluation of certain derivative financial liabilities instruments. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

(d) Consolidation

The Company is exempt from the preparation of consolidated Financial Statements under IAS 27, because it is included in the group Financial Statements of Biffa Plc which are publicly available as set out in note 29.

(e) Impairment

The carrying amounts of the Company's assets, other than deferred tax assets (see accounting policy (o)), are reviewed at each Statement of Financial Position date to determine whether there is any indication of impairment. Non-depreciable assets and goods are assessed annually for impairment. In assessing an asset for impairment, the recoverable amount of the asset or its cash generating unit is estimated. An impairment loss is recognised when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in income statement.

2. Accounting policies (continued)
(e) Impairment (continued)

Calculation of recoverable amount

The recoverable amount of such assets is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(f) 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 Company, liabilities incurred by the Company to the former owners of the acquiree and the equity interests issued by the Company 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, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income taxes and IAS 19 respectively;
- liabilities or equity measurements related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Company entered into to replace share-based payment arrangements of the acquire are measured in accordance with IFRS 2 at the acquisition date
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) 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 and the liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Company in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

2. Accounting policies (continued)

(g) Goodwill

Goodwill is initially recognised and measured as set out above.

Goodwill is tested annually for impairment or if there is an indication of impairment. Gains and losses on the disposal of a cash generating unit include the carrying amount of goodwill relating to that cash generating unit.

For the purposes of impairment testing, goodwill is allocated to each of the Company's cash-generating units (or groups of cash-generating units) that are expected to benefit from the synergies of the combination.

If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

Gains and losses on the disposal of a cash generating unit include the carrying amount of goodwill relating to that cash generating unit.

(h) Revenue recognition

Revenue represents the fair value of goods and services delivered to customers in the normal course of business, net of trade discounts and VAT. The five-step model is used in determining when services are deemed to have been delivered when, and to the extent that, the Company has met its obligations under its service contracts. Payments received in advance of performance are deferred and recognised as revenue when the related service is delivered.

<u>Waste collection revenue</u>
The I&C business collects waste from customer sites. Revenue is recognised at a point in time when the waste is delivered to transfer stations or to a third party. The transaction price is based on contractually pre agreed prices for collecting and processing the waste. Due to the short time between start and completion of the performance obligations (usually on the same day), the revenue recognition and the allocation of the transaction price over performance obligations is usually straightforward and dependent on the daily collection and processing of waste.

<u>Landfill revenue</u>
The Company generates revenue from landfill activities by accepting customer waste onto site for disposal into void space. This revenue stream consists of gate fee revenue derived from the Company's operational assets and is based on measured tonnages received from customers. Performance obligations are satisfied as the customer waste is deposited onto the landfill site and revenue recognised at 'a point in time'.

<u>Revenue from sale of recyclate materials</u>
The Company collects various waste materials, some of which are general waste and some of which are recyclable materials. The recyclable materials are generally co-mingled and as such then have to be separated into individual recyclate streams ready for resale. Recyclate revenues are measured at the agreed transaction price per tonne of recyclate under the contract with the customer. Revenue recognition occurs when control over the recyclate assets has been transferred and therefore the performance obligation is satisfied at the point in time of collection by the customer.

<u>Energy revenue</u>
The Company receives revenue from the sale of electricity from generating assets. These assets include anaerobic digestion and gas from landfill sites. Revenue from the sale of electricity is measured based upon metered output delivered at rates specified under agreed contract terms with Biffa's broker EDF under Power Purchase Agreements (PPA) or prevailing market rates. Energy generation revenues are recognised at 'a point in time', being the point at which the power is supplied through the sale to the customer, via EDF, based on the quantity of units supplied.

2. Accounting policies (continued)

(i) Interest payable and receivable

Interest payable and receivable comprise interest payable on borrowings calculated using the effective interest rate method, interest receivable on funds invested and gains that are recognised in the profit and loss and the unwinding of discounts on provisions. Interest payable on borrowings is shown as an operating activity in the consolidated statement of cash flows.

Interest receivable is recognised in profit or loss as it accrues, taking into account the effective yield on the asset. Interest payable is shown as an operating activity in the consolidated statement of cash flows. The interest expense component of finance lease payments is recognised in profit or loss using the effective interest rate method.

(j) Leasing

At inception, the company assesses whether a contract is, or contains, a lease within the scope of IFRS 16. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Where a tangible asset is acquired through a lease, the company recognises a right-of-use asset and a lease liability at the lease commencement date. Right-of-use assets are included within property, plant and equipment, apart from those that meet the definition of investment property.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date plus any initial direct costs and an estimate of the cost of obligations to dismantle, remove, refurbish or restore the underlying asset and the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of other property, plant and equipment. The right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are unpaid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the company's incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise of fixed payments, variable lease payments that depend on an index or a rate, amounts expected to be payable under a residual value guarantee, and the cost of any options that the company is reasonably certain to exercise, such as the exercise price under a purchase option, lease payments in an optional renewal period, or penalties for early termination of a lease.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in: future lease payments arising from a change in an index or rate; the company's estimate of the amount expected to be payable under a residual value guarantee; or the company's assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The company has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less, or for leases of low-value assets including IT equipment. The payments associated with these leases are recognised in profit or loss on a straight-line basis over the lease term.

(k) Government grants

Government grants are not recognised until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Company recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the Balance Sheet and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

2. Accounting policies (continued)

(l) Pension expenses

The Company contributes to a defined contribution scheme, the Biffa Pension Scheme, in respect of certain employees. For this scheme, the amount expensed to the profit and loss account in respect of pension expenses and other post-retirement benefits is the contribution payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the Balance Sheet. The Company also contributes to a group defined benefit scheme. The scheme offers both pensions in retirement and death benefits to members and is closed to new members. The Scheme is administered by Trustees and the assets are held separately to the legal entity that is the Group. The Trustee board of the Scheme is composed of an independent Trustee, and other employer and member nominated Trustees (where the legal minimum proportion

of member nominated Trustees has been upheld). The Trustees are required by law to act in the best interests of the members of the Scheme. The Trustees are responsible for the investment policy with regard to the assets of the Scheme.

The Scheme has a surplus that is fully recognised on the basis that future economic benefits are unconditionally available in the form of a reduction in the future cash contributions or as a cash refund.

(m) Share-based payment plans

The Group's management awards employee share options of shares in Biffa Plc, from time to time, on a discretionary basis which are subject to vesting conditions. The economic cost of awarding the share options to its employees is recognised as an employee benefit expense in the income statement equivalent to the fair value of the benefit awarded. The fair value is determined by reference to the stochastic pricing model. The charge is recognised over the vesting period of the award.

(n) Exceptional items

Exceptional items are those that in the Directors' view are required to be separately disclosed by virtue of their size or incidence to enable a full understanding of the Company's performance.

(o) Taxation

Income tax represents the sum of the tax currently payable and deferred tax.

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally 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 not the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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.

2. Accounting policies (continued)

(o) Taxation (continued)

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

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current or deferred tax arises from the initial accounting of a business combination, the tax effect is included in accounting for the business combination.

(p) Property, plant and equipment

Landfill sites are recorded at cost less accumulated depreciation and accumulated impairment losses. The cost of landfill sites includes the cost of acquiring, developing and engineering sites but not interest costs. Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost of assets less their residual value over their useful economic lives. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

In the year, depreciation was recognised so as to write off the assets on the below basis:

- Buildings – length of lease straight line method
- Plant, vehicles and equipment – 4 to 15 years straight line method

Where the obligation to restore a landfill site is an integral part of its future economic benefits, a non-current asset within property, plant and equipment is recognised. The asset recognised is depreciated based on energy production.

<u>Right of use assets</u>

Right-of-use assets are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives. 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.

(q) Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line 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.

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use of sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the criteria listed above. When no internally generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred. Expenditure on research activities is recognised as an expense in the period in which it is incurred.

2. Accounting policies (continued)

(q) Intangible assets (continued)

Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses on the same basis as intangible assets that are acquired separately.

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.

The following useful lives have been applied to the intangible assets during the period:

Customer contracts	3 to 20 years
IT development	3 to 5 years
Pre-contract costs	expensed to the statement of profit or loss over the period of the contract

(r) Inventory

Inventory s are stated at the lower of cost and net realisable value. Costs of inventory s are determined on a first-in-first-out basis. Net realisable value represents the estimated selling price for costs less estimated costs of completion and costs necessary to make the sale.

(s) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material). The effects of inflation and unwinding of the discount element on existing provisions are reflected in the Financial Statements as a finance expense.

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

Provision for the cost of reinstating landfill sites and environmental costs are made as the obligation to reinstate the site arises. Costs are expensed to the profit or loss over the operational life on the basis of the usage of void space for each landfill site. In the event that charges posted to landfill site provisions are in excess of the provision held at that time, the resultant balance is recognised as a non-depreciating asset in landfill assets and subsequent provision build up set against it until such time as the balance reverts to a provision when it is reclassified back to landfill site provisions. The reinstatement obligation is typically fulfilled within 2 years of the landfill site being closed to waste.

Provision for aftercare costs are made as the aftercare liability arises. Costs are expensed to the profit or loss over the operational life of each landfill site on the basis of usage of void space. Where the obligation to restore a landfill site is an integral part of its future economic benefits, a corresponding non-current asset within property, plant and equipment is recognised. The cost of this asset is recognised over the period of gas generation. Aftercare costs are provided for based on the Directors expectation that the obligation will have been fulfilled 60 years post closure of the site.

(t) Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

2. Accounting policies (continued)
(u) Financial instruments

Financial assets
Financial assets are recognised in the Company's statement of financial position when the Company becomes party to the contractual provisions of the instrument. Financial assets are classified into specified categories, depending on the nature and purpose of the financial assets.
At initial recognition, financial assets classified as fair value through profit and loss (FVTPL) are measured at fair value and any transaction costs are recognised in profit or loss. Financial assets not classified as fair value through profit and loss are initially measured at fair value plus transaction costs.

Financial assets at fair value through profit or loss
Financial assets are classified as at FVTPL when the financial asset is held for trading. This is the case if:

- the asset has been acquired principally for the purpose of selling in the near term, or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company
- manages together and has a recent actual pattern of short-term profit taking, or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are stated at fair value with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset. Interest and dividends are included in 'Investment income' and gains and losses on remeasurement included in 'other gains and losses' in the statement of comprehensive income.

Financial assets held at amortised cost
Financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity are classified as held to maturity investments.
Held to maturity investments are measured at amortised cost using the effective interest method less any impairment, with revenue recognised on an effective yield basis.
The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

Trade Receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

Financial assets at fair value through other comprehensive income
Debt instruments are classified as financial assets measured at fair value through other comprehensive income where the financial assets are held within the company's business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument measured at fair value through other comprehensive income is recognised initially at fair value plus transaction costs directly attributable to the asset. After initial recognition, each asset is measured at fair value, with changes in fair value included in other comprehensive income. Accumulated gains or losses recognised through other comprehensive income are directly transferred to profit or loss when the debt instrument is derecognised.

2. Accounting policies (continued)

(u) Financial instruments (continued)

Financial assets classified as available for sale are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income. Where an AFS financial asset is disposed of or determined to be impaired, the cumulative gain or loss previously recognised in other comprehensive income is reclassified to profit or loss.
Dividends and interest earned on AFS financial assets are included in the investment income line item in the statement of comprehensive income.

Impairment of financial assets
For the purpose of impairment assessment for these financial assets, the loss allowance is measured at an amount equal to 12-month ECL. 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Derecognition of financial assets
Financial assets are derecognised 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 to another entity.

Financial liabilities
The Company recognises financial debt when the company becomes party to the contractual provisions of the instruments. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Financial liabilities at fair value through profit or loss
Financial liabilities are classified as FVTPL when the financial liability is held for trading. A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term, or
- on initial recognition it is part of a portfolio of identified financial instruments that the company
- manages together and has a recent actual pattern of short-term profit taking, or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial liabilities at FVTPL are stated at fair value with any gains or losses arising on remeasurement recognised in profit or loss in the 'other gains and losses' category. Interest paid on the financial liability is included in the finance costs line item in the statement of comprehensive income.

Other financial liabilities
Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.
They are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.
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 through the expected life of the financial liability to the net carrying amount on initial recognition.

Derecognition of financial liabilities
Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled, or they expire.

(w) Critical accounting judgements and key sources of estimation uncertainty
The preparation of Financial Statements in conformity with Financial Reporting Standard (FRS) 101 Reduced Disclosure Framework, requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

2. Accounting policies (continued)

(w) Critical accounting judgements and key sources of estimation uncertainty

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

There are no critical accounting judgements for the year ending 27 March 2020.

The Company has the following key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities:

- Asset impairment; growth rates, pre-tax discount rate, food waste, energy prices, ROC rates, gate fees and haulage costs.
- Intangible assets; the assessment of the useful economic life of the Company's assets involves a significant amount of estimation uncertainty based on the anticipation of future events which may impact their useful life, such as changes in technology or methods of remediation. Given the significant investment in technology and other assets, the Company undertakes a review of the remaining useful lives of assets each year and will reduce the remaining useful lives, or impair where necessary, assets that are being superceded by new technology.
- Environmental and aftercare commitments; landfill aftercare provision is a key source of estimation uncertainty in the calculation of the provision including, long-term inflation rates, discount rates and the estimates for future expenditure of up to 60 years depending on the date of each site closure. Estimates are applied on a site by site basis to reflect the time scales.
- Pension obligations: discount rate, mortality, inflation, salary and longevity.
- Uncertain tax provisions; the uncertain tax disputes; EVP, HMRC have been paid and this is treated as a prepayment in the accounts with a corresponding liability recognised. Also, hazardous soils assessment has similarly been paid to HMRC and treated as a prepayment in the current year.

3. Revenue and profit before taxation

The Company's revenue and profit before taxation is derived entirely from the collection, transportation, processing and disposal of industrial, commercial and domestic waste within the United Kingdom. The following table details the revenue generated in each of the Company's operating divisions.

	52 weeks to 27 March 2020 £m	52 weeks to 29 March 2019 £m
Collections	**588.6**	537.9
Resources and Energy	**217.7**	163.3
	806.3	701.2

4. Exceptional items

The Company's financial performance is analysed into two components, underlying performance (which excludes other items) and other items. Underlying performance is used by management to monitor financial performance as it is considered it aids comparability of the reported financial performance year to year. The Company's income statement and segmental analysis separately identify a number of Alternative Performance Measures (APMs) in addition to those reported under IFRS. The Directors believe that the presentation of the results in this way, which is not meant to be a substitute for or superior to IFRS measures, is relevant to an understanding of the Group's underlying trends, financial performance and position. These APMs are also used to enhance the comparability of information between reporting periods and the Company's divisions, by adjusting for non-recurring or uncontrollable factors which affect IFRS measures, to aid the user in understanding the underlying performance. APMs and KPIs are aligned to our strategy and together form the basis of the performance measures for remuneration.

Consequently, APMs are consistent with how the business performance is planned and reported internally to the Board and Operating Committees to aid their decision making. Additionally, some of these measures are used for the purpose of setting remuneration targets. Other items includes exceptional items, amortisation of acquisition intangibles and the impact of real discount rate changes in landfill provisions.

Management utilises an exceptional item framework that has been approved by the Board. This follows a three step process which considers the nature of the event, the financial materiality involved and the particular facts and circumstances.

Items of income and expense that are considered by management for designation as exceptional items include items such as significant corporate restructuring costs, acquisition-related costs, write downs or impairments of non-current assets, movements on onerous contract provisions and strategy-related costs, including the implementation of Project Fusion.

	52 weeks to 27 March 2020 £m	52 weeks to 29 March 2019 £m
Cost of Sales:		
Acquisition related expenses	**1.0**	2.7
Corporate restructuring expenses (note 6)	**-**	8.3
Onerous contracts	**(0.5)**	(1.1)
Pensions GMP equalisation	**-**	3.1
Amortisation of acquisition intangibles	**0.5**	0.3
	1.0	13.3
Admin Expenses:		
Strategy related expenses	**4.9**	2.0
	4.9	2.0
Income from interest in group undertakings		
Corporate restructuring income	**(9.5)**	(1.6)
	(9.5)	(1.6)

Acquisition Related Expenses

Delivery of the Group's strategy includes investment in acquisitions that enhance the quality of its operations. The exclusion of significant items arising from M&A activity is designed by the Board to align short-term operational decisions with this longer-term strategy. Accordingly, amounts arising on acquisitions are excluded from underlying profit measures.

The £1.0m in the 52 weeks ended 27 March 2020 relates to relates to professional fees and other costs which are directly attributable to acquisitions. In the prior year there were additional costs of £0.7m in relation to the acquisition of 100% of the issued share capital of Specialist Waste Recycling Limited and £0.9m in relation to the acquisition of Weir Waste Services Limited.

4. Exceptional items (continued)

Onerous contracts
Onerous contract costs reflect all movement on onerous service contract provisions. In the prior period the Company identified a contract which was loss making and not expected to return to profitability; the Directors accordingly provided for this. In the 52-weeks ended 27 March 2020, no further onerous contracts have been identified. Onerous contract costs include the unwinding of provisions recognised on all loss-making contracts in prior periods. Any additional provisions required against these contracts, or unwinding of these provisions, is reflected within exceptional items on the basis that they do not represent the underlying year-on-year trading of each of these contracts.

Amortisation of acquisition intangibles
Amortisation of acquisition intangibles represents the amount amortised by the Company in each period in respect of intangibles from prior acquisitions, which amounts are reported separately from the Company's depreciation and amortisation charges. The charges are reported separately and performance of the acquired business is assessed through the underlying operational results. This alternative performance measure (APM) is used to improve the comparability of information between reporting periods and its divisions.

Strategy-related and corporate restructuring costs
Strategy-related costs arise from initiatives to reduce the ongoing cost base and improve efficiency in the business. These costs are substantial in scope and impact, and do not form part of recurring operational or management activities that the Directors would consider part of our underlying performance. Adjusting for these charges provides a measure of operating profitability that is comparable over time.
Strategy-related costs primarily relate to the Group's system replacement programme Project Fusion. Within the year the Company received compensation of £4.4m from the original systems integrator, this was offset against a write off of some previously capitalised costs. The net charge relating to Project Fusion is £3.8m, this was incurred progressing Project Fusion following the project pause and change of advisers. The Project has now been put on hold temporarily due to COVID-19.

Corporate Restructuring Income
During the year, the Company hived up one of its subsidiaries. As a result the net assets on the Balance Sheet of the subsidiary was brought into the Company's Balance Sheet creating an overall gain of £9.6m which was recognised within exceptional items.

5. Profit before taxation

	52 weeks to 27 March 2020 £m	52 weeks to 29 March 2019 £m
The following items have been included in arriving at pre-tax profit		
Staff expenses (note 10)	**170.4**	156.9
Depreciation of tangible fixed assets (note 14)		
- owned assets	**34.2**	35.3
- right of use assets	**31.7**	18.0
Amortisation of goodwill and intangible assets (note 13)	**1.5**	1.7
Operating lease expenses:		
- plant and machinery	**-**	1.4
- other	**-**	8.7
Exceptional items (note 4)	**(3.6)**	13.7
Utilisation of inventory (note 16)	**37.9**	36.4
Profit on disposal of property, plant and equipment	**0.7**	1.9
Expected credit loss recognised	**2.4**	12.9

6. Impairment of investments

	52 weeks to 27 March 2020 £m	52 weeks to 29 March 2019 £m
Impairment of investments in subsidiaries (note 12)	**-**	8.3

There was no impairment of investments in subsidiaries in the year ending 27 March 2020. In prior year, an impairment of £0.8m was recognised to reflect the strike off of Biogeneration Limited and Commercial Waste Limited. An impairment of investment in Weir Waste Services Limited of £7.5m was recognised which reflects the hive up of the trade and assets into the Company. The impairment has been reflected in Exceptional corporate restructuring costs.

7. Interest payable and receivable

	52 weeks to 27 March 2020 £m	52 weeks to 29 March 2019 £m
Interest payable		
Interest on obligations under finance leases	**6.0**	4.0
Interest unwind on discounted provisions (note 20)	**1.1**	1.3
Other interest payable	**(0.5)**	0.4
Finance expenses	**6.6**	5.7
Interest receivable on bank balances	**(0.1)**	(0.1)
Net finance expenses	**6.5**	5.6

8. Taxation

	52 weeks to 27 March 2020 £m	52 weeks to 29 March 2019 £m
Current tax		
In respect of the current year	**-**	1.5
Adjustment in respect of prior years	**4.6**	(2.4)
	4.6	(0.9)
Deferred tax		
Adjustment in respect of the current year	**12.5**	1.8
Adjustment in respect of the prior year	**(1.0)**	2.2
Adjustment attributable to changes in tax rates and laws	**(4.7)**	(0.2)
	6.8	3.8
Total tax expense	**11.4**	2.9

8. Taxation (continued)

Corporation tax is calculated at 19% (2019: 19%) of the estimated assessable profit for the period. The credit for the period can be reconciled to the statement of profit or loss and other comprehensive income as follows:

	52 weeks to 27 March 2020 £m	52 weeks to 29 March 2019 £m
Profit before tax	**33.5**	19.1
Profit before tax multiplied by the standard rate of corporation tax in UK of 19% (2019: 19%)	**6.4**	3.6
Effects of:		
Expenses not deductible for tax purposes	**1.8**	2.8
Non-taxable income	**(2.0)**	(0.5)
Effect of change in rate	**(4.7)**	(0.2)
Adjustments to tax expense in respect of prior periods	**3.5**	(0.3)
Group relief	**6.4**	(2.5)
Total taxation expense	**11.4**	2.9

Finance (No.2) Act 2016, which provides for reductions in the main rate of corporation tax from 20% to 19% effective from 1 April 2017. As deferred tax assets and liabilities are measured at the rates that are expected to apply in the periods of the reversal, deferred tax balances at the balance sheet date have been calculated at the rate at which the relevant balance is expected to be recovered or settled. On 3 March 2021 it was announced in the Budget 2021 that the corporation tax rate would increase to 25% by 2023.

	52 weeks to 27 March 2020 £m	52 weeks to 29 March 2019 £m
Deferred tax charge arising on actuarial gains	**9.1**	4.4

9. Auditor's remuneration

Statutory audit fees of £0.3m (2019: £0.3m) were paid in the period. Total auditor's remuneration of £0.4m (2019: £0.4m) was expensed in respect of the audit of the Biffa Group all of which is borne by Biffa Waste Services Limited. In addition, Biffa Waste Services Limited paid non-audit fees on behalf of the Group as follows:

	52 weeks to 27 March 2020 £m	52 weeks to 29 March 2019 £m
Taxation advisory services	**-**	-
Other non-audit fees	**0.1**	0.1
Total non-audit fees	**0.1**	0.1

Non-audit fees in the 52 weeks to 27 March 2020 are for audit related assurance services.

10. Staff expenses

The average monthly number of persons (including Executive Directors) employed by the Company during the period was:

	52 weeks to 27 March 2020 No.	52 weeks to 29 March 2019 No.
Administration and operatives	**4,688**	4,268

	52 weeks to 27 March 2020 £m	52 weeks to 29 March 2019 £m
Their aggregate remuneration comprised		
Wages and salaries	**152.3**	139.3
Social security expenses	**12.1**	10.8
Other pension expenses	**5.1**	5.1
Termination expense	**0.9**	1.7
	170.4	156.9

Staff expenses in the 52 weeks to 27 March 2020 include £4.7m of staff costs relating to Biffa Polymers Ltd which was hived up into the Company during the financial year.

Directors' remuneration

	£m	£m
Aggregate emoluments	**4.3**	2.9

Remuneration of highest paid Director

	£m	£m
Aggregate emoluments	**1.8**	1.4

No Directors (2019: nil) became entitled to receive shares under long-term incentive schemes during the year. Retirement benefits are accruing to two Directors (2019: two) under money purchase or defined benefit pensions schemes. There were no transactions with Directors in the year (2019: £nil).

11. Acquisitions

During the 52 weeks ended 27 March 2020 the Company made two acquisitions:

- Trade and assets of Ribbex Ltd on 30 September 2019
- Trade and assets of Kier Group on 14 October 2019

The acquisitions are in line with the Company's growth strategy and complements the current operations of the Collections division.

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

	Ribbex UK Ltd £m	Kier Group £m	Total £m
Property, plant and equipment	0.6	-	0.6
Customer lists	0.7	0.1	0.8
Creditors	(0.5)	-	(0.5)
Deferred tax liability	(0.1)	-	(0.1)
Total net assets	**0.7**	**0.1**	**0.8**
Goodwill	1.3	0.1	1.4
	2.0	**0.2**	**2.2**
Satisfied by:			
Cash	2.0	0.2	2.2
Contingent cash consideration*	-	-	-
Total consideration	**2.0**	**0.2**	**2.2**
Net cash outflow arising on acquisition:			
Cash consideration	2.0	0.2	2.2
Less: cash and cash equivalent balances acquired	-	-	-
	2.0	**0.2**	**2.2**

*No contingent liabilities were identified at the acquisition dates. Acquisition costs were immaterial.

The preliminary total goodwill of £1.4m arising from these acquisitions represents an increase in Trade and Assets in the Collections division and complements Biffa Group's strategy to become the leading UK based integrated waste management business.

The goodwill is not expected to be deductible for income tax purposes.

12. Investments in subsidiaries

	Total £m
Cost:	
At 30 March 2019	95.1
Additions	-
At 27 March 2020	**95.1**
Amounts provided	
At 30 March 2019	**(14.7)**
At 27 March 2020	**(14.7)**
Net book amount at 27 March 2020	**80.4**
Net book amount at 29 March 2019	80.4

The Company did not make any investments in subsidiaries during the financial year ending 27 March 2020.

In the prior period, the Company acquired 100% of the issued share capital of Weir Waste Services Limited for £11.5m, a leading provider of waste and recycling solution in the Birmingham and West Midlands region, and also acquired 100% of the issued share capital of Specialist Waste Recycling Limited for £30.9m.

The Company's investments in subsidiary undertakings are reviewed at each Balance Sheet date on a subsidiary by subsidiary basis to determine whether there is any indication of impairment. An impairment loss is recognised in profit or loss when the carrying amount exceeds its recoverable amount. The recoverable amount of such assets is the higher of fair value less costs to sell and value in use.

The value in use of each subsidiary has been assessed using the estimated future cash flows of the subsidiary discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the investment. The fair value less costs to sell has been determined as the net assets/(liabilities) as presented within the subsidiaries own Financial Statements as at 27 March 2020.

An impairment review in accordance with the approach and assumptions outlined above has been carried out for each subsidiary undertaking. There was no impairment recognised as a result of this review (2019: £8.3m).

12. Investments in subsidiaries (continued)

All subsidiary undertakings have a financial period ended co-terminus with Biffa Waste Services Limited unless otherwise noted.

Subsidiary	Place of incorporation	Activity	Shareholding
O'Brien Waste Recycling Solutions Limited	England and Wales	Dormant	100%
O'Brien Waste Recycling Solutions Holdings Limited	England and Wales	Dormant	100%
Weir Recycling Services Limited (formerly NE Waste Limited)	England and Wales	Dormant	100%
Amber Engineering Limited	England and Wales	Dormant	100%
Biffa Pension Scheme Trustees Limited**	England and Wales	Dormant	100%
Specialist Waste Recycling Limited	England and Wales	Waste Management	100%
New Star Environmental Limited	England and Wales	Waste Management	100%
SWR Smash & Grab Limited*	England and Wales	Waste Management	100%
RUR3 Environmental Limited	England and Wales	Waste Management	100%
SWR Plastics Limited[a]	England and Wales	Dormant	100%
SWR Waste Management Limited[a]	England and Wales	Dormant	100%
Smash & Grab Recycling Limited	England and Wales	Dormant	100%
Wastecutter Limited[a]	England and Wales	Dormant	100%
SWR Equipment Limited[a]	England and Wales	Dormant	100%
National Waste Collection Limited[a]	England and Wales	Dormant	100%
SWR Just Bins Limited[a]	England and Wales	Dormant	100%
SWR Newstar Limited	England and Wales	Dormant	100%

* financial period ended 31 March
** financial period ended 31 December
[a]Struck off on 29 September 2019

The registered office for all of the subsidiary undertakings of Biffa Waste Services Limited is Coronation Road, Cressex, High Wycombe, Buckinghamshire, HP12 3TZ.

13. Intangible assets

	IT development £m	**Pre-contract costs £m**	**Customer contracts £m**	**Total £m**
Cost:				
At 30 March 2019	19.8	5.0	2.1	26.9
Additions	3.7	-	0.8	4.5
Disposals	(0.4)	-	-	(0.4)
Reclassification*	-	-	0.7	0.7
Project Fusion Impairment**	(6.4)	-	-	(6.4)
At 27 March 2020	**16.7**	**5.0**	**3.6**	**25.3**
Accumulated amortisation:			-	
At 30 March 2019	(2.6)	(1.7)	(0.5)	(4.8)
Expense for the period (note 5)	(0.9)	(0.1)	(0.5)	(1.5)
Disposals	0.4	-	-	0.4
Project Fusion Impairment**	2.2	-	-	2.2
At 27 March 2020	**(0.9)**	**(1.8)**	**(1.0)**	**(3.7)**
Net book amount:				
At 27 March 2020	**15.8**	**3.2**	**2.6**	**21.6**
At 29 March 2019	17.2	3.3	1.6	22.1

*Reclassification relates to transfers from tangible assets.

**Project Fusion is a Biffa Group-wide systems replacement programme. Due to delays and further work requirements an impairment was recognised in exceptional items (see note 4 for further details).

All amortisation expenses are recognised in profit or loss.

Development costs have been capitalised in accordance with the measurement and recognition bases of IAS 38 Intangible Assets. The costs relate to the development of IT infrastructure and processes.

14. Property, plant and equipment

	Land and buildings £m	Landfill sites £m	Plant and equipment £m	Total £m
Cost:				
At 30 March 2019	105.0	264.7	606.1	975.8
Adoption of IFRS 16	86.3	-	1.2	87.1
Additions	23.9	1.6	77.0	102.5
Disposals	(1.1)	-	(33.8)	(34.9)
Transfers*	(9.8)	(0.3)	1.0	(9.1)
At 27 March 2020	**204.3**	**266.0**	**651.5**	**1,121.8**
Accumulated depreciation:				
At 30 March 2019	(52.7)	(240.9)	(367.8)	(661.4)
Expense for the period (note 5)	(12.0)	(2.9)	(51.0)	(65.9)
Disposals	1.0	-	33.5	34.5
Transfers*	(9.2)	-	7.1	(2.1)
At 27 March 2020	**(72.9)**	**(243.8)**	**(378.2)**	**(694.9)**
Net book amount:				
At 27 March 2020	**131.4**	**22.2**	**273.3**	**426.9**
At 29 March 2019	52.3	23.8	238.3	314.4

*Transfers include the movement of fixed assets between other group undertakings within the Biffa Group, in addition to transfers from the land and environmental provision as detailed within note 20.

The carrying amount of the Company's total right-of-use assets are analysed as follows:

	Land and buildings £m	Plant and equipment £m	Total £m
At 30 March 2019	33.3	126.8	160.1
Adoption of IFRS 16	86.3	1.2	87.5
Additions	-	3.8	3.8
Depreciation	(9.6)	(22.1)	(31.7)
At 27 March 2020	**110.0**	**109.7**	**219.7**

14. Property, plant and equipment (continued)

Landfill assets includes £2.7m (2019: £3.4m) in relation to future economic benefit to be derived as a result of actively fulfilling aftercare obligations that results in gas generation.

The net book amount of property, plant and equipment includes £219.7m (2019: £160.1m) in respect of right-of-use assets held under lease liabilities.

Land and buildings and landfill sites at net book amount comprise:

	As at 27 March 2020		As at 29 March 2019	
	Land and buildings £m	**Landfill sites £m**	Land and buildings £m	Landfill sites £m
Freehold	**28.2**	**17.1**	32.8	14.6
Long leasehold	**30.0**	**3.5**	13.0	9.2
Short leasehold	**73.2**	**1.6**	6.5	-
	131.4	**22.2**	52.3	23.8

At 27 March 2020, the Company had entered into contractual commitments for the acquisition of plant, property and equipment amounting to £6.9m (2019: £5.3m).

15. Deferred tax asset

	Provided* 2020 £m	2019 £m
Fixed asset timing differences	**23.0**	28.7
Other timing differences	**(12.8)**	(3.6)
	10.2	25.1

*There were no unprovided assets in either period

The movement in temporary differences during the period was as follows:

	Fixed asset timing differences £m	**Other timing differences £m**	**Total £m**
At 30 March 2019	28.7	(3.6)	25.1
Transfers	1.2	(0.1)	1.1
Recognised in profit and loss (note 8)	(6.9)	0.2	(6.7)
Recognised in other comprehensive income	-	(9.3)	(9.3)
At 27 March 2020	**23.0**	**(12.8)**	**10.2**

At 27 March 2020 and 29 March 2019, there were no unrecognised deferred tax assets.

16. Inventory

	As at 27 March 2020 £m	As at 29 March 2019 £m
Raw materials and consumables	**13.6**	8.7

In the opinion of the Directors, there is no material difference between the carrying values of the Company's inventory and the fair value less costs to sell. The total amount of inventory recognised as an expense during the period was £37.9m (2019*:* £36.4m).

17. Trade and Other Receivables

	As at 27 March 2020 £m	As at 29 March 2019 £m
Amounts falling due after one year		
Funds on long term deposit	**2.5**	2.5
Prepayment in respect of EVP dispute (i)	**63.6**	63.6
Amounts due from parent undertakings (ii)	**61.1**	258.0
Amounts due from other group undertakings (ii)	**1,440.1**	1,003.2
Amounts due from subsidiary undertakings (ii)	**11.2**	20.2
	1,578.5	1,347.5

(i) The Biffa Group is engaged in a dispute with HMRC in relation to the landfill tax treatment of certain materials used in the engineering of landfill sites from September 2009 to May 2012. Prior to the IPO, the Biffa Group had hardship relief which meant payment was not required to be made to HMRC. Subsequent to the IPO Biffa Waste Services Limited pre-paid the disputed amount to HMRC as disclosed in note 25.

(ii) Amounts due from related parties are unsecured, non-interest bearing and repayable on demand.

	As at 27 March 2020 £m	As at 29 March 2019 £m
Amounts falling due within one year		
Trade receivables	**98.8**	80.8
Other receivables	**1.9**	1.2
Prepayments	**24.2**	12.6
	124.9	135.3

18. Assets and liabilities related to contracts with customers

The Group has recognised the following contract assets and liabilities related to contracts with customers:

	As at 27 March 2020	As at 29 March 2019
	£m	£m
Current contract assets	**39.5**	40.7
Current contract liabilities	**(13.5)**	(13.0)

The timing of payments received from customers, relative to the recording of revenue, can have a significant impact on the contract-related assets and liabilities recorded on the Group's Statement of Financial Position. Contract liability is what was previously referred to as deferred income under IAS 18. Included within contract liability is £0.1m (2019: £0.1m) in relation to Government grants which will be recognised in less than one year.

Certain contracts have payment terms based on contractual milestones, which are not necessarily aligned to when revenue is recognised, particularly for those contracts with revenue recognised over-time by reference to the stage of completion. Where work is carried out and revenue recognised in advance of the customer being invoiced this creates a contract asset. Where revenue is received in advance of work carried out and therefore the revenue recognised a contract liability arises.

The contract assets primarily relate to the Group's right to consideration for work completed but not invoiced at the Statement of Financial Position date. The contract assets are transferred to trade receivables when the amounts are agreed by the customer. On most contracts, certificates and agreement is by the customer on a monthly basis. All contract assets held at 27 March 2020 are expected to be invoiced and transferred to trade receivables within the next 12 months.

None of the contract assets at the end of the reporting period are past due, and, taking into account the historical default experience and the future prospects in the industry, the directors consider that no contract assets are impaired.

The contract liabilities primarily relate to the advance consideration received from customers in respect of performance obligations which have not yet been fully satisfied and for which revenue has not been recognised. All contract liabilities held at 27 March 2020 are expected to satisfy performance obligations in the next 12 months.

19. Trade and Other Payables

	As at 27 March 2020 £m	As at 29 March 2019 £m
Current		
Trade payables	**156.5**	125.2
Lease obligations under IFRS 16 (note 24)	**31.7**	24.3
Taxation and social security	**32.6**	18.2
Accruals	**52.9**	36.3
	273.7	204.0
Payables – amounts falling due after one year		
Lease obligations under IFRS 16 (note 24)	**147.9**	76.5
Amounts owed to other group undertakings (i)	**1,368.6**	1,170.2
Amounts owed to parent undertakings	**51.4**	-
Amounts owed to subsidiary undertakings (i)	**14.0**	33.4
Government grants	**0.6**	0.7
	1,582.5	1,280.8

(i) Amounts due to related parties are unsecured, non-interest bearing and repayable on demand.

20. Provisions

	Land reinstatement & environmental £m	Insurance £m	Other £m	Total £m
At 30 March 2019	44.2	1.4	6.8	52.4
Utilised	(4.8)	-	(2.2)	(7.0)
Expensed to profit and loss account	(4.6)	0.1	4.0	(0.5)
Discount elimination (note 7)	1.1	-	-	1.1
Transfers	1.6	-	-	1.6
At 27 March 2020	**37.5**	**1.5**	**8.6**	**47.6**

Provisions have been analysed between current and non-current as follows:

	As at 27 March 2020 £m	As at 29 March 2019 £m
Current	**8.9**	8.2
Non-current	**38.7**	44.2
	47.6	52.4

20. Provisions (continued)

Land reinstatement and environmental

As part of its normal activities, the Company undertakes to reinstate its landfill sites and to maintain the sites and control leachate and methane emissions from the sites. Provision is made for these anticipated costs. Reinstatement costs are incurred as each site is filled, and in the period immediately after its closure.

Maintenance and leachate and methane control costs are incurred as each site is filled and for a number of years post closure. Long-term aftercare provisions included in Landfill reinstatement and environmental provisions have been inflated at a rate of 2.3% (2019: 2.4%).

Environmental control costs are incurred as each site is filled and for a number of years post closure. This period can vary significantly from site to site, depending upon the types of waste landfilled and the speed at which it decomposes, the way the site is engineered and the regulatory requirements specific to the site.

As at the date of the Balance Sheet the associated outflows are estimated to arise over a period of up to 60 years depending on the date of each site closure.

Insurance

The associated outflows are estimated to arise over a period of up to five years from the balance sheet date.

Other

Other provisions include onerous contract and dilapidations provisions.

21. Called up share capital

	As at 27 March 2020 £m	As at 29 March 2019 £m
Authorised, allotted, called up and fully paid**:**		
503,660,000 (2016: 503,660,000) Ordinary £1 shares	**503.7**	503.7

22. Revaluation reserve

	As at 27 March 2020 £m	As at 29 March 2019 £m
Revaluation reserve at the end of the period	**0.5**	0.5

23. Share-based payments

The Company operates two share award plans:

- Performance Share Plan
- Sharesave Plan

Performance Share Plan

The following conditional share awards granted to Directors and staff of the Company who are members of the Biffa Group Performance Share Plan have yet to vest. All shares referred to are shares issued by Biffa Plc, the Company's ultimate parent company:

	As at 27 March 2020 Number	As at 29 March 2019 Number
Date of grant:		
20 October 2016	**-**	1,663,370
24 January 2017	**-**	59,087
3 July 2017	**1,392,169**	1,462,397
1 September 2017	**26,230**	26,451
2 July 2018	**739,128**	805,077
11 December 2018	**18,819**	18,819
1 July 2019	**1,217,693**	-
	3,394,039	4,005,201

A reconciliation of movements in the number of share awards is be summarised as follows;

Date of Grant	**Granted**	**Vested**	**Lapsed**	**27 March 2020**
20 October 2016	1,700,609	(1,507,632)	(192,977)	-
24 January 2017	84,189	(59,324)	(24,865)	-
3 July 2017	1,668,216	-	(276,047)	1,392,169
1 September 2017	26,230	-	-	26,230
2 July 2018	883,832	-	(144,704)	739,128
11 December 2018	18,819	-	-	18,819
1 July 2019	1,217,693	-	-	1,217,693
At 27 March 2020	**5,599,588**	**(1,566,956)**	**(638,593)**	**3,394,039**

The Biffa Group Performance Share Plan (PSP) provides for the grant of awards in the form of conditional free shares or nil cost options.

Share options issued under the PSP have a 3 year vesting period. Whether the share options vest is dependent upon:

- the extent to which the performance conditions of adjusted EPS targets for the fiscal year ending 3 years subsequent to the grant date is achieved; and
- the performance of Biffa Plc's relative total shareholder growth have been satisfied

Shares in relation to the awards which have vested are released to participants after the final results for Biffa Plc are announced for that financial year.

23. Share-based payments (continued)

The EPS fair value is equivalent to the share price at grant date on the basis that it is a non-market based measure.

Date of Grant	Number of options originally granted	Contractual life (years)	Share price at date of grant (pence)	Number of employees granted options	Expected volatility	Expected life (years)	Risk free rate	Fair value per option (pence)
20 October 2016	1,700,609	2.65	179.5	11	27%	2.65	0.25%	105.2
24 January 2017	84,189	2.4	186.8	4	27%	2.4	0.23%	109.3
3 July 2017	1,668,216	3	221.75	64	26%	3	0.36%	154.6
1 September 2017	26,230	2.83	228.75	1	26%	2.83	0.22%	161.8
2 July 2018	883,832	2.9	251.0	30	24%	2.9	0.71%	173.2
11 December 2018	18,819	2.9	192.2	1	24%	2.9	0.90%	114.1
1 July 2019	1,217,693	3.0	211.0	35	25%	3.0	0.54%	112.8

The Company uses the stochastic model to value its share awards.

The expected volatility is a measure of the amount by which a share price is expected to fluctuate during the period. It is typically calculated based on statistical analysis of daily share prices over the length of the award period. Due to the recent listing of Biffa Plc this information is not available. Instead it has been based on the volatility of another company of a similar size which operates in the same market.

Sharesave Plan

In financial year 2017 the Biffa Group launched the Biffa Sharesave Plan to all employees with six months or more continuous employment at the date of the scheme launch. The scheme is subject to HMRC rules which limit monthly contributions to £100. The scheme term is for three years and options may be exercised during the six months after completion of the Save as You Earn Contract.

Since the launch of the scheme new Sharesave Plans have been launched in subsequent financial year under the same terms.

During the current period, 444,438 (2019: 404,968) options were granted at a fair value of 207 pence (2019: 230 pence) to employees of the Company. As at 27 March 2020, there 403,290 options outstanding under the FY20 scheme and 178,255 options outstanding under the FY19 scheme.

Full details of Director share awards are disclosed in the Biffa Plc 2020 Annual Report and Financial Statements which can be obtained as disclosed in note 29.

The following share based expenses charged in the year are included within payroll costs;

	As at 27 March 2020 £m	As at 29 March 2019 £m
Performance Share Plan	**2.3**	2.0
Sharesave	**0.7**	0.7
	3.0	2.7

24. Lease obligations under IFRS 16

This note provides information about the contractual terms of the Company's finance leases and hire purchase contracts.

	Minimum lease payments		**Present value of minimum lease payments**	
	2020	2019	**2020**	2019
	£m	£m	**£m**	£m
Lease obligations				
Within one year	**37.4**	28.3	**31.7**	24.3
Due in less than one year (note 19)	**37.4**	28.3	**31.7**	24.3
Between one and two years	**34.1**	23.5	**29.4**	21.0
Between two and five years	**69.3**	46.5	**60.1**	42.7
Greater than five years	**99.1**	21.3	**58.4**	12.8
Due in more than one year (note 19)	**202.5**	91.3	**147.9**	76.5
	239.9	119.6	**179.6**	100.8

The average lease term is 5.6 years. For the period ended 27 March 2020, the effective borrowing rate was 3.5% (2019: 4.0%).

25. Financial commitments and contingent liabilities

The Company must satisfy the financial security requirements of environmental agencies in order to ensure that it is able to discharge the obligations in the licences or permits that the Company holds for its landfill sites. The Company satisfies these financial security requirements by providing financial security bonds. The amount of financial security which is required is determined in conjunction with the regulatory agencies, as is the method by which assurance is provided. The Company has existing bond arrangements in England and Wales of approximately £85.7m outstanding at 27 March 2020 (2019: £84.9m) in respect of the Biffa Group's permitted waste activities where the Biffa Group has obligations under the Environment Agency's "fit and proper person" test to make adequate financial provision in order to undertake those activities. Additionally the Company has bonds to a value of £18.0m (2019: £19.8m) in connection with security for performance of local authority contracts. No liability is expected to arise in respect of these bonds.

The Company is engaged in a dispute with HMRC in relation to the landfill tax treatment of certain materials used in the engineering of landfill sites from September 2009 to May 2012, which is fully explained in Note 34 of the Biffa Plc annual accounts.

The Company is also engaged in a dispute with HMRC in relation to the landfill tax treatment of sub-soils with low levels of contamination from asbestos. At the date of signing of the accounts the outcome is not certain, however the Company has received a protective assessment of £8.5m, which has been paid and is included in prepayments in the current year as the Company is disputing this assessment.

The Company is subject to a number of other HMRC enquiries which are on-going.

26. Pension and post-retirement benefits

Defined contribution schemes

	52 weeks to 27 March 2020 £m	52 weeks to 29 March 2019 £m
Defined contribution expense	**4.5**	4.4

Defined benefit schemes

The Company operates a defined benefit pension scheme, the Biffa Pension Scheme (the scheme), for employees of the Company. The scheme offers both pensions in retirement and death benefits to members. Prior to 31 March 2007, there were a number of employees who held benefits in the Severn Trent Pension Scheme and the Severn Trent Senior Staff Pension Scheme. These members joined the Biffa Pension Scheme with effect from 1 April 2007. As at 1 November 2013, the DB section of the Scheme is closed to future accrual for the majority of members. Contributions to the scheme for the year beginning 28 March 2020 are currently expected to be £4.6m.

The Scheme is administered by Trustees and the assets are held separately to the legal entity that is the Group. The Trustee board of the Scheme is composed of an independent Trustee, and other employer and member nominated trustees (where the legal minimum proportion of member nominated trustees has been upheld). The Trustees are required by law to act in the best interests of the members of the Scheme. The Trustees are responsible for the investment policy with regard to the assets of the Scheme.

There is an additional £1.5m (2019: £1.6m) of unfunded defined benefit promises which has been included within the liabilities. The accounting policy used to recognise the actuarial gains and losses is the Other Comprehensive Income (OCI) approach.

The scheme has a surplus that is fully recognised on the basis that future economic benefits are unconditionally available in the form of a reduction in the future cash contributions or as a cash refund.

Investment risk

The present value of the defined benefit Scheme liability is calculated using a discount rate determined by reference to yields available on high quality AA rated corporate bond yields; in other words, from the position of being fully funded then if the return on the Scheme assets was below this rate, it would create a deficit in the Scheme. Currently the Scheme has around 58% of assets invested in return seeking assets and 42% of assets in protection assets in order to manage the investment risk.

Interest risk

A decrease in the corporate bond yield will increase the Scheme liability; however, this will be partially offset by an increase in the value on the Scheme's corporate bond assets.

Longevity risk

The present value of the defined benefit Scheme liability is calculated by reference to the best estimate of the mortality of Scheme members both during and after their employment. An increase in the life expectancy of the Scheme members will increase the Scheme's liability.

26. Pension and post-retirement benefits (continued)

Inflation risk

The present value of the defined benefit Scheme liability is calculated by reference to the future expected pension indexation (both indexation in deferment and pension increases in payment), which will depend on future inflation expectations. As such, an increase in the expectation of future inflation will increase the Scheme's liability.

The lump sum death benefits paid to the dependants of Scheme members are insured with an external insurance company. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

A full actuarial valuation of the scheme was carried out as at 31 March 2015 and has been updated to 27 March 2020 by a qualified independent actuary. The major assumptions used by the actuary were (in nominal terms) as follows:

	As at 27 March 2020	As at 29 March 2019
Discount rate	**2.45%**	2.50%
Rate of salary increase	**2.50%**	3.30%
Rate of inflation – RPI	**2.80%**	3.30%
Rate of inflation – CPI	**2.00%**	2.30%
Rate of pension increases* - RPI with floor of 0% cap of 2.5% per annum	**2.05%**	2.20%
Rate of pension increases* - RPI with floor of 0% cap of 5% per annum	**2.75%**	3.20%
Rate of pension increases* - RPI with floor of 0% cap of 6% per annum	**2.80%**	3.30%
Rate of pension increases* - CPI with floor of 0% cap of 3% per annum	**1.90%**	2.20%

* in excess of any Guaranteed Minimum Pension (GMP)

Biffa Pension Scheme Life Expectancies

The expected future lifetime of a male pensioner currently aged 65 is 20.9 years.
The expected future lifetime from age 65 of a male member currently aged 50 is 21.9 years.
The expected future lifetime of a female pensioner currently aged 65 is 22.9 years.
The expected future lifetime from age 65 of a female member currently aged 50 is 24.5 years.

26. Pension and post-retirement benefits (continued)

The assets in the scheme were:

	As at 27 March 2020 £m	As at 29 March 2019 £m
Equities	**78.6**	98.5
Bonds	**319.0**	291.9
Property & infrastructure	**77.4**	89.0
Hedge funds	**37.6**	48.7
Other	**33.7**	4.9
	546.3	533.0
Actual return on plan assets	**28.5**	43.6

The fair value of all of the above asset classes are determined based on quoted (bid) market prices. Virtually all equity and debt instruments have quoted prices in active markets. Derivatives are classified as Level 2 instruments and hedge funds and property as Level 3 instruments. It is the policy of the Scheme to use hedge funds and liability driven investments to hedge some of its exposure to interest rate and inflation risks. This policy has been implemented during the current and prior years.

Reconciliation of opening and closing balances of the present value of the defined benefit obligation.

	As at 27 March 2020 £m	As at 29 March 2019 £m
Benefit obligation at beginning of period	**453.2**	452.4
Service cost	**0.4**	0.7
Interest cost	**11.1**	12.0
Net remeasurement (gains)/losses – financial	**(24.8)**	25.0
Net remeasurement (gains)/losses – demographic	**-**	(7.4)
Net remeasurement (gains)/losses – experience	**-**	(14.6)
Benefits paid	**(18.7)**	(18.0)
Past service cost	**-**	3.1
Benefit obligation at end of period	**421.2**	453.2

26. Pension and post-retirement benefits (continued)

Reconciliation of opening and closing balances of the fair value of plan assets

	As at 27 March 2020 £m	As at 29 March 2019 £m
Fair value of plan assets at beginning of period	**533.0**	503.8
Interest income on scheme assets	**13.2**	13.2
Return on assets, excluding interest income	**15.4**	30.4
Contributions by employers	**4.5**	4.4
Benefits paid	**(18.7)**	(18.0)
Scheme administrative cost	**(1.1)**	(0.8)
Fair value of plan assets at end of period	**546.3**	533.0

Amounts recognised in comprehensive income in respect of defined benefit plans

	As at 27 March 2020 £m	As at 29 March 2019 £m
Current service cost	**0.4**	0.7
Past service cost	**-**	3.1
Administrative cost	**1.1**	0.8
Net interest on the net defined benefit asset	**(2.0)**	(1.3)
Components of defined benefit cost recognised in profit or loss	**(0.5)**	3.3
Remeasurement on the net defined benefit asset		
Return on plan assets (excluding amounts in net interest expense)	**15.4**	30.4
Actuarial gains and losses from changes in financial assumptions	**24.8**	(25.0)
Actuarial gain from changes in demographic assumptions	**-**	7.4
Actuarial gains and losses from changes in experience	**-**	14.5
Components of defined benefit cost recognised in other comprehensive income	**40.2**	27.3

26. Pension and post-retirement benefits (continued)

The current service cost is included in operating costs in profit or loss and the net interest expense is included within finance charges in profit or loss. The remeasurement of the net defined benefit liability is included in other comprehensive income.

The amount included in the statement of financial position arising from the Company's obligation in respect of its defined benefit plans is as follows:

	As at 27 March 2020 £m	As at 29 March 2019 £m
Present value of funded defined benefit obligation	**(421.2)**	(453.2)
Fair value of funded plan assets	**546.3**	533.0
Net asset arising from defined benefit obligation	**125.1**	79.8

Significant actuarial assumptions for the determination of the defined benefit obligation are the discount rate, expected future inflation and mortality. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

If the discount rate decreased by 0.5%, the defined benefit asset would decrease by £43.9 million.

If the inflation assumption increased by 0.5% the defined benefit asset would decrease by £36.1 million.

If the life expectancy increases by one year for both men and women, the defined benefit asset would decrease by £16.9 million.

The sensitivity analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the statement of financial position.

The Scheme's participating employers are Biffa Waste Services Limited, Island Waste Services Limited, Biffa Leicester Limited and Biffa West Sussex Limited. These subsidiaries fund the cost of any protected members' future accrual (to the extent that any protected members remain working for each of these companies) earned on a yearly basis. Protected members pay a range of fixed contributions of pensionable salary depending on what section of the Scheme they are in. These contributions range from 3% to 6% of pensionable salary. The residual contribution (including past service augmentations) is paid by the above entities of the Biffa Group. These contributions, required to fund the accrual, are agreed between Biffa Corporate Holdings Limited and the Trustees of the Scheme following each triennial valuation of the Scheme.

In accordance with the Pensions Act 2004, the Scheme's liability is measured using a prudent discount rate at the triennial valuation, but some asset outperformance is allowed for when calculating the deficit recovery contributions paid for by the participating employers. Additional liabilities stemming from past service due to augmentation of benefits are added to the Scheme's deficit. The average duration of the benefit obligation at 27 March 2020 is approximately 22 years (2019: 23 years).

27. Related party transactions

There were no transactions with Directors in the year (2019: £nil).

28. Post balance sheet events

COVID-19

See Going Concern section on page 6 for further details on the impact of COVID-19 on the Company.

Acquisitions

Since March 2020 the Company has completed three acquisitions: Ward Recycling in September 2020 for £2.1m and a deferred consideration of up to £2.0m; Simply Waste Solutions in October 2020 for £35.0m, with a potential deferred consideration of up to £5.0m and Company Shop Group in February 2021 for £82.5m with a deferred consideration of £5m. The pipeline for acquisitions remains strong.

Strike Off of Subsidiaries

On 29 September 2020 the following subsidiaries were struck off:

SWR Plastics Limited

SWR Waste Management Limited

Wastecutter Limited

SWR Equipment Limited

National Waste Collection Limited

SWR Just Bins Limited

29. Immediate and ultimate parent undertaking

The Company is a 100% owned subsidiary of Biffa Holdings Limited, a company incorporated in the United Kingdom.

The largest and smallest undertaking in which the Company's results are consolidated is that headed by Biffa Plc, a public limited company registered in England and Wales which owns the entire shareholding of the Company via its holdings in subsidiary undertakings. Copies of the consolidated Financial Statements of Biffa Plc can be obtained from the registered office at Coronation Road, Cressex, High Wycombe, Buckinghamshire, HP12 3TZ.