Biffa plc

HALF YEAR RESULTS FOR THE 26 WEEKS ENDED 28 SEPTEMBER 2018

21 November 2018

Biffa plc ('Biffa', 'the Group' or 'the Company'), a leading UK integrated waste management company, announces its results for the 26 weeks ended 28 September 2018 and confirms that the Board's expectations for the full year remain unchanged.

Financial highlights:

- Net Revenue[1] up 4.2% to £501.8m (H1 18: £481.6m) and Statutory Revenue up 2.7% to £549.2m (H1 18: £534.6m)
- Underlying EBITDA[2] £75.6m (H1 18: £76.3m)
- Underlying Operating Profit[3] £40.8m (H1 18: £43.4m); Statutory Operating Profit £34.8m (H1 18 £40.5m)
- Interim dividend of 2.30p per share declared (H1 18: 2.17p per share)
- Period end Reported Net Debt[7] of £302.8m (H1 18: £272.2m) - 2.0x Underlying EBITDA[8] (H1 18:1.9x)

Strategic highlights:

- Four acquisitions completed with £20m invested in the period, and a further small acquisition since period end
- Energy from waste plans progressing well – strategic and financial case compelling
- Announcement of £15m PET plastic bottle recycling plant investment
- Strong balance sheet and disciplined capital allocation

Michael Topham, Chief Executive of Biffa, said:

"Biffa has delivered a solid first half set of results, despite a number of expected external headwinds and our expectations for the full year remain unchanged.

The delivery of our strategic objective of building the leading UK I&C waste management platform continues, with another very strong period of organic and acquisition growth and expanding margins in this key division for Biffa. We have an established track record of delivery and are confident that we can continue to execute this proven strategy in the coming years.

The scale of our collection operations, and the control of materials that comes from this, offers us an attractive and advantaged position from which to invest in recycling and energy from waste opportunities.

Our intended investment in proven energy from waste technology alongside our partner Covanta is making good progress, with the strategic and financial investment case having strengthened since we first announced our plans in this space.

In recycling, we are today delighted to announce a major commitment to plastics recycling in the UK, with a c£15m investment in a PET plastic bottle recycling plant. We are proven players in this space and are excited about further growing our operations in this critical area of our industry.

The key themes in the UK waste management industry remain collection market consolidation and development of infrastructure in recycling and energy from waste. Biffa remains well placed to capitalise on these and we look forward with confidence."

Underlying Results (unaudited)	H1 19 £m	H1 18 £m	Change £m	Change %
Statutory Revenue	**549.2**	534.6	14.6	2.7
Net Revenue[1]	**501.8**	481.6	20.2	4.2
Underlying EBITDA[2]	**75.6**	76.3	(0.7)	(0.9)
Underlying Operating Profit[3]	**40.8**	43.4	(2.6)	(6.0)
Underlying Operating Profit Margin[4]	**7.4%**	8.1%		
Underlying Profit after Tax[5]	**24.9**	26.7	(1.8)	(6.7)
Underlying Free Cash Flow[6]	**2.7**	13.3		
Reported Net Debt[7]	**302.8**	272.2		

Statutory Results (unaudited)	H1 19 £m	H1 18 £m	Change £m	Change %
Statutory Operating Profit	**34.8**	40.5	(5.7)	(14.1)
Statutory Operating Profit Margin	**6.3%**	7.6%		
Statutory Profit after Tax	**19.0**	23.7	(4.7)	(19.8)
Net Cash Flow	**(9.6)**	(33.1)	23.5	71.0
Net Debt	**344.0**	317.2		

PRESENTATION OF RESULTS

There will be a presentation of the results to analysts and investors at 9:30am today (21 November 2018) at Numis Securities, The London Stock Exchange Building, 10 Paternoster Square, London, EC4M 7LT. To register your attendance please contact biffa@instinctif.com.

A live audio webcast and conference call of the presentation will be available on Biffa's website – www.biffa.co.uk. The presentation slides will be added to Biffa's website prior to the analyst meeting.

ENQUIRIES:

Investors & Analysts
Michael Topham, Chief Executive Officer
Richard Pike, Chief Financial Officer
ir@biffa.co.uk

Media
Instinctif Partners
+44 (0) 20 7457 2020
biffa@instinctif.com

This announcement contains certain forward-looking statements that are subject to the usual risk factors and uncertainties associated with Biffa's business. Whilst Biffa believes the expectations reflected herein to be reasonable in light of the information available to them at this time, the actual outcome may be materially different owing to factors beyond Biffa's control or within Biffa's control where, for example, Biffa decides on a change of plan or strategy. Accordingly, no reliance may be placed on the figures contained in such forward-looking statements.

Notes:

'Underlying activities' and a number of other terms and performance measures used in this document are not defined within accounting standards and may be applied differently by other organisations. See notes to the consolidated financial statements for basis of preparation and definitions of all non-statutory measures:

[1] Revenue excluding Landfill Tax

[2] Profit before depreciation and amortisation, exceptional items, impact of real discount rate changes to landfill provisions, finance costs and taxation

[3] Profit before exceptional items, amortisation of acquisition intangibles, impact of real discount rate changes to landfill provisions, finance

costs and taxation

[4] Calculated as a percentage of statutory revenue

[5] Profit for the period as adjusted for non-underlying operating items (exceptional items, amortisation of acquisition intangibles and impact of real discount rate change to landfill provisions), non-underlying net interest items and non-underlying taxation

[6] Net increase/(decrease) in cash and cash equivalents excluding dividends, restructuring and exceptional items, acquisitions, movement in financial assets and movements in borrowings or share capital (but including finance lease principal payments)

[7] Excludes contingent balances in respect of EVP instrument

[8] Represents 2.0 x last twelve months' Underlying EBITDA

[9] Total Underlying Operating Profit includes central costs of £7.6m (H1 2018: £9.3m)

CHIEF EXECUTIVE'S REVIEW

Operating Performance

Performance in the first half has been in line with our expectations, and our full year expectations remain unchanged. For the half year Revenue has increased by 2.7% to £549.2m and Net Revenue has increased by 4.2% to £501.8m. Underlying Operating Profit margin in the period is 7.4% compared to 8.1% last year, largely due to the previously reported short term impact of the recent movement in commodity prices.

Industrial & Commercial

	H1 19 £m	H1 18 £m	Change %
Revenue	**302.9**	280.7	7.9
Underlying EBITDA	**42.9**	38.4	11.7
Underlying Operating Profit	**27.5**	24.7	11.3
Underlying Operating Profit Margin	**9.1%**	8.8%	

I&C Net Revenue increased 7.9% to £302.9m, through a combination of organic and acquisitive growth. Organic revenue increased 3.1% with acquisitions contributing a further 4.8% to overall revenue growth. We continue to focus on improving our market leading service proposition which is reflected in our SME customer churn rate running at below 10% during the first half. New contract wins also remain strong, with major wins during the period including Metropolitan Police, DFS and Busy Bees with renewals of Thames Water, Tarmac and Village Hotels contracts.

We have been particularly pleased by the growth in our Integrated Resource Management offer, which provides bespoke embedded solutions to customers with complex waste management needs.

Underlying Operating Profit margin was 9.1% for the half year, having improved from 8.8% in the prior half year. Pricing discipline has been maintained which, together with the achievement of acquisition synergies and organic growth, are expected to continue to deliver revenue and year-on-year margin growth in this division.

Municipal *

	H1 19 £m	H1 18 £m	Change %
Revenue	**83.4**	87.4	(4.6)
Underlying EBITDA	**7.9**	11.3	(30.0)
Underlying Operating Profit	**2.1**	4.9	(57.1)
Underlying Operating Profit Margin	**2.5%**	5.6%	

*H1 18 has been restated to exclude the Leicester City Council contract which has been transferred to the Energy division with effect from H1 19 – see Note 3 to the financial statements

The division's trading performance has been impacted by a number of factors in a competitive market.

Revenue of £83.4m (FY18: £87.4m) reflects the expiry of the Stafford and Surrey Heath contracts in the prior period.

Underlying EBITDA and Operating profit were both impacted by the combination of contract attrition, unrecovered fuel and labour cost inflation and the performance of certain recently acquired contracts.

Whilst we expect the market conditions to persist, we do believe that they have now stabilised. We have undertaken a thorough review of the business, refined both our operating structure and bid criteria and we believe that our underlying performance has now stabilised. In this regard, we were pleased to have recently been awarded the Waverley BC contract.

Resource Recovery & Treatment

	H1 19 £m	H1 18 £m	Change %
Revenue	**112.8**	113.8	(0.9)
Net Revenue	**65.4**	60.8	7.6
Underlying EBITDA	**15.1**	19.4	(22.2)
Underlying Operating Profit	**5.6**	10.6	(47.2)
Underlying Operating Profit Margin	**5.0%**	9.3%	

The division delivered a strong performance, given the China backdrop. Net Revenue increased 7.6% to £65.4m, albeit that Underlying EBITDA and Underlying Operating Profit were both impacted by the year on year commodity price movement.

As previously reported, we responded rapidly to this issue, refining the product quality criteria as well as broadening our other domestic and export markets. Furthermore, the pricing environment has recently improved and we expect this to be maintained going forward.

Energy*

	H1 19 £m	H1 18 £m	Change %
Revenue	**50.1**	52.7	(4.9)
Underlying EBITDA	**16.3**	15.9	2.5
Underlying Operating Profit	**13.2**	12.5	5.6
Underlying Operating Profit Margin	**26.3%**	23.7%	

*H1 18 has been restated to include the Leicester City Council contract which has been transferred from the Municipal division with effect from H1 19 – see Note 3 to the financial statements

Revenue of £50.1m compares with £52.7m last year due to stronger wholesale energy and renewable subsidy prices which have partially offset the anticipated reductions in landfill gas generation.

Underlying Operating Profit margins improved as a result of the higher prices.

We expected a full year effective electricity price of £45.9/MWh (H1 18: £41.9/MWh).

Operational KPIs

The solid performance in the period is further evidenced by our operational KPIs, with tonnages collected remaining constant despite some contract attrition in the Municipal division. The increase in processed tonnages has been driven by infrastructure investments and acquisitions, with landfill volumes showing decline in line with our medium term trend expectations. The reduction in energy generation reflects the gradual decline in landfill gas yields over time. Energy prices increased from the prior year:

	H1 19	H1 18	Change %
Tonnes Collected (mt)	**2.05**	2.08	(1.4)
Tonnes Processed (mt)	**2.10**	1.74	20.7
Tonnes Landfilled (mt)	**1.53**	1.61	(5.0)
Energy generation (GWh)	**219.6**	236.8	(7.3)
Energy price (£/MWh)	**42.0**	40.0	5.0

Strategy Update

The Group has an established strategy to Grow market presence – both organically and by acquisition; to Develop services and infrastructure by leveraging its control of waste streams; and to Optimise systems and processes, driving value from its existing operations. We continue to make good progress in the delivery of this strategy.

We have a proven track record of identifying and integrating value-enhancing acquisitions from within the highly fragmented I&C marketplace.

In August 2018 we purchased Weir Waste Services Limited, which brought in £17.3m of annualised revenues. Three other small acquisitions were also completed during the period and since the period end, one small acquisition has been completed with targeted annual revenue of c£2m.

We continue to see a strong pipeline of acquisition opportunities.

Acquisition	**Date Acquired**	**Annualised Revenue £m**	**Value* £m**
Trade and assets of London recycling services	Apr 2018	0.2	0.1
Trade and assets of Bisset Waste Management	Jul 2018	0.6	0.3
Weir Waste Services Ltd	Aug 2018	17.3	16.1
Trade and assets of H&A Recycling	Aug 2018	3.9	3.5
Total		**22.0**	**20.0**

*Value comprises consideration plus net debt acquired

Our discussions with Covanta concerning the potential development of two Energy Recovery facilities in Cheshire and Leicestershire continue to make good progress. We have made significant progress around both the financing structure and the commercial and operational contracts that will underpin these projects and we are progressing the revised permits that are needed to operate both sites at the planned capacities.

In addition, we continue to progress the smaller scale Swansea EfW opportunity.

We are advancing a new PET plastic bottle recycling investment, which we expect to cost around £15m and which will take around 18 months to build and commission. We are considering potential joint venture parties to collaborate on the project if this is mutually beneficial.

Summary and Outlook

Biffa has delivered a solid first half set of results, despite a number of expected external headwinds and our expectations for the full year remain unchanged.

The delivery of our strategic objective of building the leading UK I&C waste management platform continues, with another very strong period of organic and acquisition growth and expanding margins in this key division for Biffa. We have an established track record of delivery and are confident that we can continue to execute this proven strategy in the coming years.

The scale of our collection operations, and the control of materials that comes from this, offers us an attractive and advantaged position from which to invest in recycling and energy from waste opportunities.

Our intended investment in proven energy from waste technology alongside our partner Covanta is making good progress, with the strategic and financial investment case having strengthened since we first announced our plans in this space.

In recycling, we are today delighted to announce a major commitment to plastics recycling in the UK, with a c£15m investment in a PET plastic bottle recycling plant. We are proven players in this space and are excited about further growing our operations in this critical area of our industry.

The key themes in the UK waste management industry remain collection market consolidation and development of infrastructure in recycling and energy from waste. Biffa remains well placed to capitalise on these and we look forward with confidence.

BOARD OF DIRECTORS' STATEMENT

Biffa is set to deliver another year of revenue growth and solid underlying financial performance.

Results

The Group delivered solid results for the first half of the year.

Revenues increased by 2.7% to £549.2m and Net Revenues rose 4.2% to £501.8m, driven in the main by growth in our I&C division.

Underlying EBITDA was relatively flat at £75.6m (H1 18: £76.3m).

Underlying Operating Profit at £40.8m compares with £43.4m last year and the Underlying Operating Profit margin has moved from 8.1% to 7.4%.

The first half, when compared to last year, was markedly impacted by the expected lower commodity prices. We anticipate that this impact will not persist to the same degree in the second half of the year.

Both corporate new business and acquisition pipelines remain healthy.

Capital Allocation

A core part of our strategy is to selectively invest in businesses and infrastructure where we have a structural advantage and can generate attractive returns. The Board is encouraged by the level of growth achieved from acquisitions in the year to date, which includes most notably the acquisition of Weir Waste Services Limited in August for £16.1m. We are continuing to pursue value-adding acquisitions and allocate capital to incremental projects that will enhance capacity or performance at existing and new sites, such as in Energy from Waste and PET plastic bottle recycling, that will support long-term sustainable growth.

Dividend

Reflecting the Board's continuing confidence in the prospects for the Group, we are pleased to announce an interim dividend of 2.3p per share, an increase of 6.0% from last year. This interim dividend will be paid on 4 January 2019 to shareholders on the register on 8 December 2018.

Summary

The growth drivers for the Group remain attractive. Biffa is well positioned in its markets and has a strong portfolio of businesses, services and capabilities. We are well placed to deliver a strong second half performance and meet our objectives for the full year.

FINANCIAL REVIEW

Group Performance

Revenues increased by 2.7% from £534.6m to £549.2m, with Net Revenues increasing by 4.2% from £481.6m to £501.8m.

Underlying EBITDA of £75.6m compares to £76.3m last year, with Underlying Operating Profit at £40.8m compared to £43.4m last year. The principal drivers of profit movement in the first half were commodity pricing in RR&T and the combination of contract attrition, fuel and labour inflation and certain new contract performance in the Municipal division.

Finance Income

Finance income increased from £0.3m to £0.8m primarily driven by returns on pension assets.

Underlying Finance Charges

Underlying Finance charges exclude the fair value discount unwind on the EVP preference share liability. They include interest charges on the Group's borrowings, bond premiums and discount unwind on landfill provisions.

Underlying Finance charges increased by 2.9% to £10.7m in the period. The increase reflects the Group's marginally increased borrowings resulting from the Group's investment in acquisitions and infrastructure.

Underlying Taxation

The effective tax rate on underlying profits was 19.4% (H1 2018: 19.8%), broadly consistent with the prevailing rate of Corporation Tax.

Other Items

To enable additional clarity of business performance, certain items are excluded when calculating the Group's Underlying measures of performance. See below 'Basis of Preparation and Definitions'.

The items are more fully explained in Note 4 to the condensed consolidated financial statements and include exceptional items, amortisation of acquisition intangibles, material impacts from changes in real discount rates on landfill provisions, and the fair value discount unwind on the EVP preference shares. After tax, these items totalled £(5.9)m in the period (H1 2018: £(3.0)m). The principal reason for the increase in the current half year is the impact of the increase in the real discount rate on landfill provisions, which resulted in a credit of £2.7m in the period, compared to £4.7m in the prior period and increased amortisation of acquired intangibles.

A reconciliation from Underlying Profit after Tax to Statutory Profit after Tax is set out below.

	H1 19 (£m)	H1 18 (£m)
Underlying Profit after Tax	**24.9**	26.7
Exceptional items	(0.5)	(1.4)
Amortisation of acquisition intangibles	(8.2)	(6.2)
Impact of changes in real discount rate on landfill provisions	2.7	4.7
Interest (net)	(1.2)	(1.2)
Tax	1.3	1.1
Statutory Profit after Tax	**19.0**	23.7

Earnings per Share

Total statutory earnings/(loss) per share reduced from 9.5 pence per share to 7.6 pence per share broadly reflecting the reduction in operating profit.

Underlying earnings per share was also reduced to 10.0 pence per share (H1 2018 10.7p).

Dividend

An interim dividend of 2.3p per share has been declared and will paid on 4 January 2019 to shareholders on the register on 8 December 2018.

Details of the progressive dividend policy adopted by the board are set out in the Board of Directors' Statement.

Retirement Benefits

The Group operates a defined benefit pension scheme for certain employees which is closed to new entrants and which closed to future accrual for the majority of its members as at 1 November 2013. At 28 September 2018, the net retirement benefit surplus was £57.8m compared to a surplus of £51.3m at 30 March 2018. The change in the financial position of the scheme reflects the performance of the Scheme's assets plus the receipt of the deficit contribution by the Group.

The scheme had an actuarial deficit of £66.7m as at the time of the last valuation in March 2015, and an inflation-linked contribution of £3.85m from March 2017 has been agreed with the trustee of the scheme. The Group is currently in discussions with the trustees with regard to the March 2018 triennial scheme valuation.

Return on Capital

The Group operates a disciplined approach to capital investment.

Group Return on Capital Employed (see Basis of Preparation and Definitions) decreased from 10.1% to 8.6%. This measure is materially affected by intangible assets held on the balance sheet which were initially recognised in 2008 upon the LBO of the Group including Landfill Gas Rights and Brand.

Group Return on Operating Assets (see Basis of Preparation and Definitions) also decreased from 26.7% to 24.7%

Cash Flow

A summary of the Group's cash flows is shown below:

	H1 FY19 (£m)	H1 FY18 (£m)
Underlying EBITDA	75.6	76.3
Working capital	(22.0)	(11.7)
Capital expenditure	(22.3)	(19.4)
Property sales	0.1	1.2
Net interest paid	(7.7)	(10.5)
Finance lease principal payments	(16.9)	(17.4)
Pension deficit payments	(4.0)	(3.9)
Corporation tax on acquisitions	(0.1)	(1.3)
Underlying free cash flow	**2.7**	13.3
Restructuring and exceptional items	(1.7)	(3.1)
Acquisitions, including net debt repaid	(18.2)	(36.6)
Dividends paid	(11.3)	(6.0)
Changes in borrowings and share capital	18.2	-
Movement in financial assets	0.7	(0.7)
Net cash flow	**(9.6)**	(33.1)

Underlying free cash flow of £2.7m compares to £13.3m last year, principally due to movements in working capital.

The net working capital outflow in the period is expected to substantially reverse in the second half. Capital expenditure (comprising purchases of property, plant and equipment and purchases of intangibles) is up on last year at £22.3m from £19.4m.

Net interest paid decreased due to the timing of interest payments and rolled up interest around the FY17 and FY18 year ends.

A statutory group cash flow summary is set out below:

	H1 FY19 (£m)	**H1 FY18 (£m)**
Net cash from operating activities	48.2	54.9
Net cash used in investing activities	(36.6)	(51.5)
Net cash flow used in financing activities	(21.2)	(36.5)
Net decrease in cash and cash equivalents	**(9.6)**	(33.1)

Reported Net Debt and Borrowings

Group Reported Net Debt is £302.8m (FY18: £272.2m), representing 2.0x last twelve months' Underlying EBITDA (H1 18: 1.9x).

Underlying free cash flow was £2.7m in the period. As a result, the £30.6m increase in Reported Net Debt was principally due to the 4 business acquisitions and the dividend.

	H1 FY19 (£m)	H1 FY18 (£m)
Cash	31.2	23.3
Loans	(213.4)	(194.3)
Finance leases	(114.3)	(101.2)
EVP preference liability	(6.3)	-
Reported Net Debt	**(302.8)**	(272.2)

Of the EVP preference liability, £6.3m has been included within Reported Net Debt as it will be payable to EVP Preference Shareholders irrespective of the outcome of the EVP dispute. The remainder (£41.2m) has been excluded on the basis that it will only become payable subject to the outcome of the EVP dispute and will be funded by recovery of funds from HMRC.

Landfill Tax Matters

We have received notification that our EVP appeal will be heard in Summer 2019. As previously explained, the exposure in relation to this claim was pre-paid at the time of the IPO.

As regards our Landfill tax - Hazardous soils dispute, we continue to expect that HMRC will demand payment of this tax. We will appeal against any assessment and vigorously defend our position as we are confident that our position is consistent with the law and the intent of the legislation.

The tax at stake has been disclosed as a contingent liability in note 15 to the accounts.

Reporting Periods

The Group will report results for the 52 weeks to 29 March 2019. The prior year comparisons are in relation to the 53 weeks ended 30 March 2018. The Directors consider the slight differences in comparables to result in a negligible net impact on overall results.

Risks & Uncertainties

The principal risks and uncertainties affecting the business activities of Biffa and the industry in which it operates remain those detailed in the Annual Report and Accounts and which are summarised as follows:

- 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 of operations
- 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
- Biffa faces risks arising from its hedging activities
- Biffa is subject to the risk of increased customer churn
- Competition in the waste management industry could reduce Biffa's revenues and net income

- Biffa's business depends on its reputation and the value of its brand
- Biffa is exposed to risks and liabilities that may not be adequately covered by insurance and increases in insurance costs could reduce the Company's profitability and cashflow
- 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 cybersecurity 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
- Provisions for landfill site closure costs may be inadequate
- Biffa faces risks related to its landfill gas operations
- Biffa operations are dependent upon it having necessary permits under the applicable regulatory regime, including planning permits and permissions for the development of new sites or facilities, as well as waste management and operator's licences
- 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 its senior personnel
- Biffa may be affected by work stoppages
- Risks related to Biffa's borrowings

Potential Impact of Brexit

The Board believes that the potential impact of Brexit on the Group will be relatively limited given that it operates primarily within the UK. Principal risks include foreign exchange movements, imposition of tariffs and potential constraint of labour supplies.

The Board will continue to closely monitor developments in the UK Government's Brexit plans and any potential impacts on the Group.

BASIS OF PREPARATION AND DEFINITIONS

The reported financial information has been prepared on the basis of Note 1 of the interim financial statements. The financial information has been prepared on the basis of results for the 26 weeks ended 28 September 2018.

In considering the financial performance of our principal segments, we analyse them on the basis of their underlying performance. This is the principal measure used by management to assess the business performance of the Company's underlying activities. Underlying activities exclude exceptional and other items. Note 4 explains in detail items which are excluded from our underlying profit measures.

The Board believes that by presenting our financial performance using underlying performance it is easier to read and interpret financial performance between periods, as underlying profit measures are more comparable having removed the distorting effect of the excluded items. Those items are more clearly understood if separately identified and analysed.

Accounting Basis	• Prepared in accordance with IFRS • H1 19 represents the 26 weeks ended 28 September 2018; H1 18 represents the 26 weeks ended 22 September 2017; FY18 represents the 53 weeks ended 30 March 2018
Net Revenue	• Statutory revenue excluding landfill tax, unless stated otherwise, 'revenue' refers to statutory revenue. Landfill tax is excluded as the rate is outside the Group's control
Organic Net Revenue Growth	• The increase/(decrease) in net revenue in the period excluding net revenue from acquisitions completed in the period and net revenue from acquisitions completed in the prior period up to the anniversary of the relevant acquisition date, to the extent such net revenue falls in the current period • Organic net revenue growth can be expressed both as an absolute financial value and as a percentage of prior period revenue
Acquisition Net Revenue Growth	• Acquisition Net Revenue Growth in any period represents the Net Revenue Growth in the relevant period from (i) acquisitions completed in the relevant period and (ii) acquisitions completed in the twelve months ended to the start of the relevant period up to the twelve-month anniversary of the relevant acquisition date (to the extent such Net Revenue falls in the current period). Acquisition Revenue Growth is calculated on the same basis, using revenue in place of Net Revenue.
Acquisition Net Revenue Growth Rate	• Acquisition Net Revenue Growth Rate in any period represents the Acquisition Net Revenue Growth for the period expressed as a percentage of the prior period's Net Revenue. Acquisition Revenue Growth Rate is calculated on the same basis, using revenue in place of Net Revenue
Underlying EBITDA	• Profit before depreciation and amortisation, exceptional items, impact of real discount rate changes to landfill provisions, finance costs and taxation • Divisional underlying EBITDA is stated after allocation of shared services costs
Underlying Operating Profit	• Profit before exceptional items, amortisation of acquisition intangibles, impact of real discount rate changes to landfill provisions, finance costs and taxation • Divisional underlying operating profit is stated after allocation of shared service costs
Reported Net Debt	• Net debt excluding contingent balances relating to EVP preference shares
Return on Capital Employed (ROCE)	• Operating Profit excluding exceptional items and impact of real discount rate changes to landfill provisions divided by average of opening and closing shareholder's equity plus net debt (including finance leases), pensions and environmental provisions
Return on Operating Assets (ROOA)	• Underlying Operating Profit divided by average of opening and closing Property, Plant & Equipment, plus net working capital
Underlying Free Cash Flow	• Net increase/(decrease) in cash and cash equivalents excluding dividends, restructuring and exceptional items, acquisitions, movement in financial assets and movements in borrowings or share capital (but including finance lease principal payments)

Statement of Directors' Responsibilities

The half year financial information is the responsibility of, and has been approved by the Directors. The Directors are responsible for preparing the half year report in accordance with the Disclosure and Transparency Rules (DTR) of the United Kingdom's Financial Conduct Authority

We confirm that to the best of our knowledge:

a) The condensed set of financial statements has been prepared in accordance with IAS 34

'Interim Financial Reporting' as issued by the International Accounting Standards Board and adopted by the European Union;

b) The interim management report includes a fair view of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and

c) The interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

By Order of the Board

Michael Topham

Chief Executive Officer

21 November 2018

INDEPENDENT REVIEW REPORT TO BIFFA PLC

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the 26 weeks ended 28 September 2018 which comprises the Condensed Consolidated Interim Income, Condensed Consolidated Interim Statement of Financial Position, Condensed Consolidated Statement of Changes in Equity, Condensed Consolidated Statement of Cash Flows and related notes 1 to 17. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review 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, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1 the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 28 September 2018 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP
Statutory Auditor
London, United Kingdom
21 November 2018

Condensed Consolidated Interim Income Statement

For the half year ended 28 September 2018

		26 weeks to 28 September 2018 (unaudited)			**26 weeks to 22 September 2017 (unaudited)**			**53 weeks to 30 March 2018 (audited)**		
	Notes	Underlying Activities[1] £m	Other Items £m (note 4)	Total £m	Underlying Activities[1] £m	Other Items £m (note 4)	Total £m	Underlying Activities[1] £m	Other Items £m (note 4)	Total £m
Continuing operations:										
Revenue	*3*	549.2	-	549.2	534.6	-	534.6	1,076.7	-	1,076.7
Cost of sales		(483.5)	(5.2)	(488.7)	(460.4)	(1.0)	(461.4)	(945.0)	(17.9)	(962.9)
Gross profit		65.7	(5.2)	60.5	74.2	(1.0)	73.2	131.7	(17.9)	113.8
Operating costs		(24.9)	(0.8)	(25.7)	(30.8)	(1.9)	(32.7)	(50.5)	(0.9)	(51.4)
Operating profit	*3*	40.8	(6.0)	34.8	43.4	(2.9)	40.5	81.2	(18.8)	62.4
Finance income		0.8	-	0.8	0.3	-	0.3	0.6	-	0.6
Finance charges		(10.7)	(1.2)	(11.9)	(10.4)	(1.2)	(11.6)	(22.2)	(2.5)	(24.7)
Profit/(loss) before taxation	*5*	30.9	(7.2)	23.7	33.3	(4.1)	29.2	59.6	(21.3)	38.3
Taxation		(6.0)	1.3	(4.7)	(6.6)	1.1	(5.5)	(11.7)	4.5	(7.2)
Profit/(loss) for the period		24.9	(5.9)	19.0	26.7	(3.0)	23.7	47.9	(16.8)	31.1
Basic and diluted earnings/(loss) per share (pence)	*6*	10.0	(2.4)	7.6	10.7	(1.2)	9.5	19.2	(6.8)	12.4

[1] Underlying Activities excludes other items which are outlined in Note 4.

Condensed Consolidated Interim Statement of Comprehensive Income

For the half year ended 28 September 2018

	Notes	26 weeks ended 28 September 2018 £m (unaudited)	26 weeks ended 22 September 2017 £m (unaudited)	53 weeks Ended 30 March 2018 £m (audited)
Profit/(loss) for the period		19.0	23.7	31.1
Other comprehensive (loss)/income				
Items that will not be reclassified subsequently to income:				
Actuarial gain/(loss) on defined benefit pension scheme	*13*	2.4	1.3	32.7
Tax relating to items that will not be reclassified subsequently	*5*	(1.7)	(0.2)	(4.1)
		0.7	1.1	28.6
Other comprehensive income				
items that may be reclassified subsequently to income:				
Net gains/(loss) on cash flow hedge		0.2	0.3	(0.3)
Other comprehensive loss for the period, net of income tax		0.9	1.4	28.3
Total comprehensive income/(loss) for the period		19.9	25.1	59.4

Condensed Consolidated Interim Statement of Financial Position

As at 28 September 2018

	Notes	As at 28 September 2018 £m (unaudited)	As at 22 September 2017 £m (unaudited)	As at 30 March 2018 £m (audited)
Assets				
Non-current assets				
Goodwill	*7*	110.7	98.2	100.3
Other intangible assets		206.5	218.5	216.9
Property, plant and equipment	*9*	354.2	327.4	349.5
Long term receivables		73.7	75.7	73.7
Deferred tax assets		8.6	22.4	14.5
Retirement benefit surplus	*13*	57.8	20.3	51.3
		811.5	762.5	806.2
Current assets				
Inventories		14.1	11.9	12.7
Trade and other receivables		210.5	199.2	184.9
Property plant and equipment held for sale		-	0.6	-
Financial assets		8.7	11.3	9.4
Derivative financial assets	*10*	-	0.6	-
Current tax asset		-	0.2	0.2
Cash and cash equivalents		31.2	23.3	40.8
Assets held for sale		0.1	-	0.1
		264.6	247.1	248.1
Current liabilities				
Borrowings		(49.1)	(29.4)	(31.1)
Derivative financial liabilities	*10*	-	-	(0.1)
Trade and other payables		(240.9)	(239.0)	(233.9)
Current tax liabilities		(1.2)	-	-
Provisions	*11*	(12.6)	(10.8)	(13.1)
Total current liabilities		(303.8)	(279.2)	(278.2)
Net current liabilities		(39.2)	(32.1)	(30.1)
Non-current liabilities				
Borrowings		(326.1)	(311.1)	(328.6)
Trade and other payables		(13.8)	(13.0)	(13.0)
Provisions	*11*	(86.8)	(94.5)	(93.3)
Total non-current liabilities		(426.7)	(418.6)	(434.9)
Net assets/(liabilities)		345.6	311.8	341.2
Equity				
Called up share capital		2.5	2.5	2.5
Share premium		235.3	235.5	235.3
Hedging reserves		0.2	0.6	-
Merger reserve		74.4	74.4	74.4
Retained earnings surplus/(deficit)		33.2	(1.2)	29.0
Total equity surplus/(deficit) attributable to shareholders		345.6	311.8	341.2

Condensed consolidated Statement of Changes in Equity

For the half year ended 28 September 2018

	Called up share capital	Share premium	Merger reserve	Hedging and other reserves	Retained earnings	Total equity
	£m	£m	£m	£m	£m	£m
As at 30 March 2018	**2.5**	**235.3**	**74.4**	**-**	**29.0**	**341.2**
Closing reserves adjustment in respect of IFRS 15 adoption. (*note 2*)	-	-	-	-	(6.2)	(6.2)
Restated total	**2.5**	**235.3**	**74.4**	**-**	**22.8**	**335.0**
Profit for the period	-	-	-	-	19.0	19.0
Cashflow hedges	-	-	-	0.2	-	0.2
Other comprehensive income for the period	-	-	-	-	0.7	0.7
Value of employee service in respect of share option schemes	-	-	-	-	2.0	2.0
Total comprehensive income for the period	**-**	**-**	**-**	**0.2**	**21.7**	**21.9**
Transactions with owners:						
Dividends paid	-	-	-	-	(11.3)	(11.3)
As at 28 September 2018 *(unaudited)*	**2.5**	**235.3**	**74.4**	**0.2**	**33.2**	**345.6**

	Called up share capital	Share premium	Merger reserve	Hedging and other reserves	Retained (deficit)/ earnings	Total equity
	£m	£m	£m	£m	£m	£m
As at 24 March 2017	**2.5**	**235.5**	**74.4**	**0.3**	**(21.1)**	**291.6**
Profit for the period	-	-	-	-	23.7	23.7
Other comprehensive income for the period	-	-	-	0.3	1.1	1.4
Value of employee service in respect of share option schemes	-	-	-	-	1.1	1.1
Total comprehensive income for the period	**-**	**-**	**-**	**0.3**	**25.9**	**26.2**
Transactions with owners:						
Dividends paid	-	-	-	-	(6.0)	(6.0)
As at 22 September 2017 *(unaudited)*	**2.5**	**235.5**	**74.4**	**0.6**	**(1.2)**	**311.8**

	Called up share capital	Share premium	Merger reserve	Hedging and other reserves	Retained (deficit)/ earnings	Total equity
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
As at 24 March 2017 ***(audited)***	**2.5**	**235.5**	**74.4**	**0.3**	**(21.1)**	**291.6**
Profit for the period	-	-	-	-	31.1	31.1
Cash flow hedges	-	-	-	(0.3)	(0.1)	(0.4)
Value of employee service in respect of share option schemes	-	-	-	-	1.9	1.9
Other comprehensive (loss)/income	-	(0.2)	-	-	28.6	28.4
Total comprehensive (loss)/income for the period	-	(0.2)	-	(0.3)	61.5	61.0
Dividends paid	-	-	-	-	(11.4)	(11.4)
As at 30 March 2018 ***(audited)***	**2.5**	**235.3**	**74.4**	**-**	**29.0**	**341.2**

Condensed Consolidated Statement of Cash Flows

	Notes	**26 weeks ended 28 September 2018 £m (unaudited)**	**26 weeks ended 22 September 2017 £m (unaudited)**	**53 weeks ended 30 March 2018 £m (audited)**
Cash flows from operating activities				
Cash generated from operations	*12*	50.0	59.3	141.7
Restructuring and exceptional costs		(1.7)	(3.1)	(4.3)
Employee share scheme purchase		-	-	(1.5)
Net cash from operating activities		48.3	56.2	135.9
Taxation (paid)/received		(0.1)	(1.3)	(1.7)
Net cash inflow from operating activities		48.2	54.9	134.2
Cash flows from investing activities				
Purchases of property, plant and equipment		(20.2)	(16.3)	(36.2)
Purchases of intangible assets		(2.1)	(3.1)	(7.0)
Acquisitions		(14.9)	(34.1)	(41.0)
Proceeds from the sale of property, plant and equipment		0.5	2.0	5.2
Interest received		0.1	-	0.1
Net cash used in investing activities		(36.6)	(51.5)	(78.9)
Cash flows from financing activities				
Interest paid		(7.8)	(10.5)	(19.7)
Repayment of borrowings		(187.2)	(100.5)	(4.4)
Finance lease principal payments		(16.9)	(17.4)	(35.3)
Drawdown of new borrowings		202.0	98.0	-
Deposits made in respect of long term bonds		-	(0.1)	(0.1)
Dividends paid		(11.3)	(6.0)	(11.4)
Net cash flow used in financing activities		(21.2)	(36.5)	(70.9)
Net decrease in cash and cash equivalents		(9.6)	(33.1)	(15.6)
Cash and cash equivalents at the beginning of the period		40.8	56.4	56.4
Cash and cash equivalents at the end of the period		31.2	23.3	40.8

Notes to the Condensed Interim Financial Information

1. Basis of Preparation

This condensed consolidated interim financial information for 26 weeks ended 28 September 2018 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS 34 "Interim Financial Reporting" as adopted by the European Union. The condensed consolidated interim financial information should be read in conjunction with the annual report dated 13 June 2018 which is available on the Company website, and has been prepared in accordance with the IFRSs as adopted by the European Union.

The condensed consolidated interim financial information does not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory financial statements for the 53 weeks ended 30 March 2018 were approved by the Board of Directors on 13 June 2018 and delivered to the Registrar of Companies. The independent auditor's report on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain a statement under Section 498(2) or (3) of the Companies Act 2006.

This condensed consolidated interim financial information has been reviewed, not audited. The condensed group financial statements have been prepared on the basis of the accounting policies set out in the statutory financial statements.

1.1 Going concern basis

The Group remains in a net current liability position and meets its day to day working capital requirements through its available bank facilities. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facilities. As a consequence, and having reassessed the principal risks, the Directors consider it appropriate to adopt the going concern basis of accounting in preparing the interim financial information.

2. Accounting policies

Except as described below, the accounting policies and key assumptions and sources of estimation uncertainty applied are consistent with those as described in the annual report.

Taxes on income in the interim periods are accrued using the full year effective tax rate that would be applicable to expected total annual profit or loss.

IFRS 9 – "Financial Instruments" has been adopted as at 31 March 2018, replacing the multiple classification and measurement models in IAS 39 "Financial instruments: Recognition and measurement".

IFRS 9 modifies the classification and measurement of certain classes of financial assets and liabilities and required the Group to reassess classification of financial assets from four to three primary categories (amortised cost, fair value through profit and loss, fair value through other comprehensive income), reflecting the business model in which assets are managed and their cash flow characteristics. Financial liabilities continue to be measured at either fair value through profit and loss or amortised cost.

Changes in accounting policies resulting from IFRS 9 have been applied as at 31 March 2018. The adoption of IFRS 9, based on financial instruments and hedging relationships as at the date of initial application of IFRS 9 and as at 28 September 2018, did not have a material impact on the Condensed Consolidated Interim Financial Statements. There is no adjustment to opening retained earnings arising from the adoption of IFRS 9 and the prior period has not been restated.

IFRS 15 – "Revenue from Contracts with Customers" has been adopted as at 31 March 2018 and outlines the principles an entity must apply to measure and recognise revenue and related cashflows.

The standard replaces IAS 18 'Revenue' and IAS 11 'Construction Contracts' and related interpretations. The Biffa Group has undertaken a comprehensive analysis of the new standard based on a review of the portfolios of contracts reflecting the different revenue streams across the four operating divisions.

Changes in accounting policies resulting from IFRS 15 have been applied as at 31 March 2018. The adoption of IFRS 15 has impacted the timing of revenue recognised for contract modifications within the Municipal Division. An adjustment of £(6.2)m has been made to opening retained earnings in the Consolidated Statement of Changes in Equity and the prior period has not been restated.

IFRS 16 – "Leases" is effective for periods beginning on or after 1 January 2019 and will therefore be applied to the Biffa Group Financial Statements for the 52 weeks ending 27 March 2020. The standard replaces IAS 17 – "Leases" and requires lessees to recognise assets and liabilities for all leases with the exception of short-term leases or where the underlying asset is of low value. The Biffa Group is assessing the impact of the new standard and as the impact will depend on the circumstances at the time of adoption it is not yet practicable to provide a reliable estimate of the impact on the Group's results. A further update will be included in the Financial Statements for the period ending 29 March 2019.

3. Segmental Information

The Group is managed by type of business and is organised into four operating divisions. These divisions represent the business segments in which the Group reports its primary segment information. All trading activity and operations are in the United Kingdom and there is therefore no secondary reporting format by geographical segment. Revenue within segments is eliminated on consolidation.

With effect from the start of the 26 weeks ended 28 September 2018 the Leicester contract has been moved to the Energy division to benefit from the operational and technical expertise of the division in Anaerobic Digestion. The prior period results have therefore been restated for comparison purposes.

The Group's segmental results are as follows:

	26 weeks ended 28 September 2018 £m (unaudited)	**26 weeks ended 22 September 2017 £m (unaudited)**	53 weeks Ended 30 March 2018 £m (audited)
Revenue		**Restated**	Restated
Industrial & Commercial	**302.9**	**280.7**	574.0
Municipal[1]	**83.4**	**87.4**	174.8
Resource Recovery & Treatment	**112.8**	**113.8**	220.3
Energy[1]	**50.1**	**52.7**	107.6
	549.2	**534.6**	1,076.7

[1] The prior periods shown above reflect the transfer of the Leicester business from the Municipal division to the Energy division. The Municipal division results include a reduction in revenue of £10.4m in the 26 weeks ended 22 September 2017 and £19.9m reduction in the 53 weeks ended 30 March 2018 with corresponding increases in the Energy division for those periods

All revenue is with external third parties. There is no single customer that accounts for more than 10% of Group revenue (26 weeks to 22 September 2017: none, 53 weeks to 30 March 2018: none).

	26 weeks ended 28 September 2018 £m (unaudited)	**26 weeks ended 22 September 2017 £m (unaudited)**	53 weeks Ended 30 March 2018 £m (audited)
Underlying EBITDA[1]		**Restated**	Restated
Industrial & Commercial	**42.9**	**38.4**	77.2
Municipal[3]	**7.9**	**11.3**	24.5
Resource Recovery & Treatment	**15.1**	**19.4**	32.1
Energy[3]	**16.3**	**15.9**	32.3
Group costs	**(6.6)**	**(8.7)**	(16.1)
Underlying EBITDA[1]	**75.6**	**76.3**	150.0
Depreciation and amortisation	**(34.8)**	**(32.9)**	(68.8)
Underlying Operating Profit[2]	**40.8**	**43.4**	81.2
Exceptional items (note 4)	**(0.5)**	**(1.4)**	(7.7)
Impact of real discount rate changes to landfill provisions	**2.7**	**4.7**	5.7
Amortisation of acquisition intangibles	**(8.2)**	**(6.2)**	(16.8)
Operating Profit	**34.8**	**40.5**	62.4
Finance income	**0.8**	**0.3**	0.6
Finance charges	**(11.9)**	**(11.6)**	(24.7)
Profit/(loss) before taxation	**23.7**	**29.2**	38.3

[1] Underlying EBITDA represents earnings before interest, taxation, depreciation, amortisation, exceptional items and the impact of real discount rate changes to landfill provisions

[2] Presented before other items as disclosed in Note 4.

[3] The prior periods shown above reflect the transfer of the Leicester business from the Municipal division to the Energy division. The Municipal division results include a reduction in EBITDA of £0.2m in the 26 weeks ended 22 September 2017 and £1.1m increase in the 53 weeks ended 30 March 2018 with a corresponding increase and reduction in the Energy division for those periods.

Underlying operating profit	26 weeks ended 28 September 2018 £m (unaudited)	26 weeks ended 22 September 2017 £m (unaudited) Restated	53 weeks ended 30 March 2018 £m (audited) Restated
Industrial & Commercial	**27.5**	**24.7**	48.1
Municipal[1]	**2.1**	**4.9**	11.2
Resource Recovery & Treatment	**5.6**	**10.6**	13.7
Energy[1]	**13.2**	**12.5**	25.6
Group costs	**(7.6)**	**(9.3)**	(17.4)
	40.8	**43.4**	81.2

[1] The prior periods shown above reflect the transfer of the Leicester business from the Municipal division to the Energy division. The Municipal division results include an increase in Underlying operating profit of £0.5m in the 26 weeks ended 22 September 2017 and £2.5m in the 53 weeks ended 30 March 2018 with corresponding reductions in the Energy division for those periods.

Segment underlying EBITDA represents the underlying profit earned by each segment without allocation of the share of depreciation and amortisation, exceptional items, the impact of real discount rate changes to landfill provisions, finance costs and income tax expense. Underlying operating profit recognises the impact of depreciation and amortisation excluding the amortisation of acquisition intangibles. These measures are both reported to the Board for the purpose of resource allocation and assessment of segment performance.

Tangible and other intangible assets	26 weeks ended 28 September 2018 £m (unaudited)	26 weeks ended 22 September 2017 £m (unaudited) Restated	53 weeks ended 30 March 2018 £m (audited) Restated
Industrial & Commercial	**181.7**	**150.1**	171.0
Municipal[1]	**50.9**	**59.2**	62.6
Resource Recovery & Treatment	**96.1**	**97.2**	94.8
Energy[1]	**178.7**	**192.2**	184.0
Shared services and corporate	**53.3**	**47.2**	54.0
	560.7	**545.9**	566.4

[1] The prior periods shown above reflect the transfer of the Leicester business from the Municipal division to the Energy division. The Municipal division results include a reduction in tangible and other intangible assets of £5.9m as at 22 September 2017 and £5.6m as at 30 March 2018 with corresponding increases in the Energy division for those periods.

Capital expenditure	26 weeks ended 30 September 2018 £m (unaudited)	26 weeks ended 22 September 2017 £m (unaudited) Restated	53 weeks ended 30 March 2018 £m (audited) Restated
Industrial & Commercial	**25.9**	**16.7**	51.2
Municipal[1]	**1.7**	**4.2**	16.7
Resource Recovery & Treatment	**7.1**	**14.0**	23.8
Energy[1]	**2.7**	**1.0**	3.3
Shared services and corporate	**3.7**	**3.0**	12.5
	41.1	**38.9**	107.5

[1] The prior periods shown above reflect the transfer of the Leicester business from the Municipal division to the Energy division. The Municipal division results include a reduction in capital expenditure of £0.4m in the 26 weeks ended 22 September 2017 and £1.4m in the 53 weeks ended 30 March 2018 with corresponding increases in the Energy division for those periods.

Capital expenditure comprises additions to intangible assets and property, plant and equipment.

Depreciation and amortisation	26 weeks ended 28 September 2018 £m (unaudited)	26 weeks ended 22 September 2017 £m (unaudited) Restated	53 weeks ended 30 March 2018 £m (audited) Restated
Industrial & Commercial	**15.4**	**13.7**	29.1
Municipal[1]	**5.8**	**6.4**	13.3
Resource Recovery & Treatment	**9.5**	**8.8**	18.4
Energy[1]	**3.1**	**3.4**	6.7
Shared services and corporate	**1.0**	**0.6**	1.3
	34.8	**32.9**	68.8
Amortisation of acquisition intangibles	**8.2**	**6.2**	16.8
Total	**43.0**	**39.1**	85.6

[1] The prior periods shown above reflect the transfer of the Leicester business from the Municipal division to the Energy division. The Municipal division results include a reduction in depreciation and amortisation of £0.7m in the 26 weeks ended 22 September 2017 and £1.4m in the 53 weeks ended 30 March 2018 with corresponding increases in the Energy division for those periods.

Depreciation and amortisation relates to the write down of both intangible and tangible fixed assets over their estimated useful economic lives. Amortisation of acquisition intangibles is disclosed separately in line with the segmental underlying operating profit.

4. Other Items

	26 weeks ended 28 September 2018 £m (unaudited)	26 weeks ended 22 September 2017 £m (unaudited)	53 weeks ended 30 March 2018 £m (audited)
Exceptional items:			
Acquisition related costs	**1.3**	**1.1**	1.6
Corporate restructuring costs	**-**	**0.1**	(0.1)
Onerous contracts	**(1.6)**	**(0.4)**	5.2
Strategy related costs	**0.8**	**0.6**	1.0
	0.5	**1.4**	7.7
Impact of real discount rate changes to landfill provisions	**(2.7)**	**(4.7)**	(5.7)
Amortisation of acquisition intangibles	**8.2**	**6.2**	16.8
	6.0	**2.9**	18.8
Included within finance costs			
Finance charges	**1.2**	**1.2**	2.5
Taxation impact of other items	**(1.3)**	**(1.1)**	(4.5)

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 Group's performance.

The Group'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.

Management utilises an exceptional framework which 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 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.

Acquisition related costs

The £1.6m of acquisition related expenditure in the 53 weeks ended 30 March 2018 relates to professional fees and other costs which are directly attributable to acquisitions. This includes £0.9m in relation to the acquisition of 100% of the issued share capital of O'Brien Waste Recycling Solutions Holdings Limited, £0.2m in relation to the acquisition of 100% of the issued share capital of Amber Engineering Limited, and £0.2m in relation to the acquisition of the trade and assets of Blakeley's Recycling Limited in the prior year. The £1.3m of acquisition related costs in the 26 weeks to 28 September 2018 principally relate to the acquisition of 100% of the issued share capital of O'Brien Waste Recycling Solutions Holdings Limited and the acquisition of 100% of the issued share capital of Weir Waste Services Limited.

Corporate restructuring costs

Corporate restructuring costs are principally costs directly related to the Group's admission to the London Stock Exchange.

Onerous contracts

Onerous contract costs reflect all movement on onerous service contract provisions.

Strategy-related costs

Strategy-related costs primarily relate to the Group's system replacement programme Project Fusion.

Amortisation of acquisition intangibles

Amortisation of acquisition intangibles represents the amount amortised by the Group in each period in respect of intangibles from prior acquisitions, the amounts for which are reported separately from the Group's depreciation and amortisation charges.

Impact of real discount rate changes to landfill provisions

Impact of real discount rate changes to landfill provisions reflects the impact on provisions which arises wholly due to the change in discount rate on landfill provisions as this is not reflective of operational performance.

Finance charges

Finance charges relate to the EVP debt instrument as disclosed in note 16.

The tax impact of other items is calculated as 19% (20%: 2017) of the expenses allowable in calculating the taxable profit.

	26 weeks ended 28 September 2018 £m (unaudited)	**26 weeks ended 22 September 2017 £m (unaudited)**	53 weeks ended 30 March 2018 £m (audited)
Segmental exceptional items:			
Industrial & Commercial	**1.3**	**0.9**	1.5
Municipal	**(0.4)**	**-**	6.2
Resource Recovery & Treatment	**(0.6)**	**(0.4)**	(1.0)
Energy	**(0.7)**	**0.1**	0.1
Group costs	**0.9**	**0.8**	0.9
	0.5	**1.4**	7.7

Underlying operating costs have been split into distribution and administration costs as detailed below:

	26 weeks ended 28 September 2018 £m (unaudited)	**26 weeks ended 22 September 2017 £m (unaudited)**	53 weeks ended 30 March 2018 £m (audited)
Operating costs			
Distribution costs	**10.7**	**10.7**	20.3
Administrative expenses	**14.2**	**20.1**	30.2
	24.9	**30.8**	50.5

5. Income Tax Recognised in Profit or Loss

	26 weeks ended 28 September 2018 £m (unaudited)	26 weeks ended 22 September 2017 £m (unaudited)	53 weeks ended 30 March 2018 £m (audited)
Current tax:			
In respect of the current period	**1.3**	**0.2**	0.1
Adjustment in respect of prior periods	**0.1**	**-**	(0.6)
	1.4	**0.2**	(0.5)
Deferred tax:			
Adjustment in respect of the current period	**3.6**	**5.9**	8.5
Adjustment in respect of prior periods	**0.1**	**-**	0.1
Adjustments attributable to changes in tax rates and laws	**(0.4)**	**(0.6)**	(0.9)
	3.3	**5.3**	7.7
Total tax charge	**4.7**	**5.5**	7.2

Corporation tax is calculated at 19% (26 weeks to 22 September 2017: 19%, 53 weeks to 30 March 2018: 19%) of the estimated assessable profit/(loss) for the period. The charge for the period can be reconciled to the profit/(loss) per the Statement of Comprehensive Income as follows:

	26 weeks ended 28 September 2018 £m (unaudited)	26 weeks ended 22 September 2017 £m (unaudited)	53 weeks Ended 30 March 2018 £m (audited)
Profit/(loss) on ordinary activities before tax	**23.7**	**29.2**	38.3
Profit/(loss) on ordinary activities before tax multiplied by the standard rate of corporation tax in the UK of 19%	**4.5**	**5.5**	7.3
Expenses not deductible for tax purposes	**0.6**	**0.7**	1.4
Non-taxable income	**(0.1)**	**(0.1)**	(0.1)
Adjustment in respect of prior periods	**0.1**	**-**	(0.5)
Adjustments attributable to changes in tax rates and laws	**(0.4)**	**(0.6)**	(0.9)
Total taxation	**4.7**	**5.5**	7.2

The Finance Act 2016, which provides for reductions in the main rate of Corporation Tax from 20% to 19% effective from 1 April 2017 and to 17% effective from 1 April 2020, was enacted on 15 September 2016. 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.

Whilst the UK remains part of the EU the evolution of the application of EU tax competition regulations continues to create uncertainty over tax legislations and at this stage it is not possible to quantify the impact on the financial Statements.

As the Group's presence is mainly in the UK we do not envisage a significant impact on the Group following the decision of the UK Government to invoke Article 50 to leave the EU.

6. Earnings per share

From continuing and discontinued operations

The calculation of the basic and diluted earnings per share is based on the following data:

Earnings

	26 weeks ended 28 September 2018 £m (unaudited)	**26 weeks ended 22 September 2017 £m (unaudited)**	53 weeks ended 30 March 2018 £m (audited)
Earnings for the purposes of basic earnings per share being net profit attributable to owners	**19.0**	**23.7**	31.1
Earnings for the purposes of diluted earnings per share	**19.0**	**23.7**	31.1
Number of shares			
Weighted average number of ordinary shares for the purposes of basic earnings per share	**250,000,000**	**250,000,000**	**250,000,000**
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**250,000,000**	**250,000,000**	**250,000,000**

From continuing operations

	26 weeks ended 28 September 2018 £m (unaudited)	**26 weeks ended 22 September 2017 £m (unaudited)**	53 weeks ended 30 March 2018 £m (audited)
Net profit attributable to equity holders of the parent	**19.0**	**23.7**	31.1
Earnings from continuing operations for the purpose of basic earnings per share excluding discontinued operations	**19.0**	**23.7**	31.1
Earnings from continuing operations for the purpose of diluted earnings per share excluding discontinued operations	**19.0**	**23.7**	31.1

7. Goodwill

	Total £m
Goodwill	
As at 30 March 2018	100.8
Additions (note 8)	10.4
As at 28 September 2018	**111.2**
Accumulated impairment:	
As at 30 March 2018	(0.5)
Impairment Charge	-
As at 28 September 2018	**(0.5)**
Net book amount:	
As at 28 September 2018	**110.7**
As at 30 March 2018	100.3

8. Acquisitions

On 16 August 2018, the Group acquired 100% of the issued share capital of Weir Waste Services Limited, a leading provider of waste and recycling solutions in the Birmingham and the West Midlands region.

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

	Preliminary total £m
Property, plant and equipment	8.1
Intangible assets	1.1
Trade and other receivables	3.5
Cash and cash equivalents	0.1
Deferred tax liability	(0.7)
Trade and other payables	(3.5)
Government grant	(0.8)
Borrowings	(4.8)
Provisions	(0.1)
Total net assets	2.9
Goodwill	8.6
Total consideration	11.5
Satisfied by:	
Cash	11.5
Total consideration transferred	11.5
Net cash outflow arising on acquisition:	
Cash consideration	11.5
Less: cash and cash equivalent balances acquired	(0.1)
	11.4

The fair value of the Trade and other receivables includes receivables due from trade debtors with a fair value of £3.0 million and a gross contractual value of £3.9 million. The best estimate at acquisition date of the contractual cash flows not to be collected is £0.9 million.

No contingent liabilities were identified at the acquisition date.

Acquisition-related costs amount to £0.5 million.

Weir Waste Services Limited contributed £1.9 million revenue and £0.1 million to the Group's profit for the period between the date of acquisition and the balance sheet date.

If the acquisition of Weir Waste Services Limited had been completed on the first day of the period, group revenues for the period to 28 September 2018 would have increased by £8.8 million and group profit would have increased by £0.5 million.

The preliminary goodwill of £8.6 million arising from the acquisition represents future opportunities in the UK integrated waste management sector. None of the goodwill is expected to be deductible for income tax purposes.

On 31 August 2018, the Group acquired the trade and assets of H & A Recycling Limited, a commercial waste collection and recycling business in Cornwall.

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

	Preliminary total £m
Property, plant and equipment	1.5
Intangible assets	0.7
Deferred tax liability	(0.1)
Borrowings	(0.5)
Total net assets	1.6
Goodwill	1.4
Total consideration	3.0
Satisfied by:	
Cash	3.0
Total consideration transferred	3.0
Net cash outflow arising on acquisition:	
Cash consideration	3.0
Less: cash and cash equivalent balances acquired	-
	3.0

Acquisition-related costs amount to £0.1 million.

H & A Recycling Limited contributed £0.3 million revenue and £7k to the Group's profit for the period between the date of acquisition and the balance sheet date.

If the acquisition of H & A Recycling Limited had been completed on the first day of the period, group revenues for the financial period to 28 September 2018 would have increased by £2.3 million and group profit would have increased by £0.1 million.

The preliminary goodwill of £1.4 million arising from the acquisition represents future opportunities in the UK integrated waste management sector. None of the goodwill is expected to be deductible for income tax purposes.

In addition the trade and assets of London Recycling Services Limited and Bisset Waste Management Limited were acquired on 30 April 2018 for consideration of £0.1 million and £0.3 million respectively. The goodwill arising on these acquisitions was £nil in respect of London Recycling Services Limited and £0.1 million in respect of Bisset Waste Management Limited.

9. Property, plant and equipment

During the 26 weeks ended 28 September 2018, the Group acquired property, plant and equipment including leased assets, but excluding property, plant and equipment acquired through business combinations, with a cost of £31.8 million (22 September 2017: £26.6 million).

Assets with a net book value of £0.1 million were disposed of by the Group during the 26 weeks ended 28 September 2018 (22 September 2017: £1.2 million) resulting in a net profit on disposal of £0.4 million (22 September 2017: £0.8 million).

The Group's capital commitments at 28 September 2018 were £5.0 million (22 September 2017: £18.2 million).

10. Financial risk management and financial instruments

The Group's activities expose it to a variety of financial risks: market risk (including capital risk management, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programmes focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the Group's financial performance.

The condensed interim financial statements do not include all financial risk management information and disclosures set out in the annual report and hence they should be read in conjunction with the Group's annual report. There have been no changes in the risk management policies since the year end.

Liquidity risk

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)
- Level 3 – Inputs for the asset or liability that are not based on observable market data

There have been no transfers between these categories in either the current or preceding period.

The following table presents the Group's financial assets and liabilities at fair value at 28 September 2018:

	Level 1 £m (unaudited)	Level 2 £m (unaudited)	Level 3 £m (unaudited)	Total £m (unaudited)
Assets/(Liabilities)				
Derivatives	-	-	-	-
	-	-	-	-

The following table presents the Group's financial assets and liabilities at fair value at 22 September 2017:

	Level 1 £m (unaudited)	Level 2 £m (unaudited)	Level 3 £m (unaudited)	Total £m (unaudited)
Assets/(Liabilities)				
Derivatives	-	0.6	-	0.6
	-	0.6	-	0.6

The following table presents the Group's financial assets and liabilities at fair value at 30 March 2018:

	Level 1 £m (unaudited)	Level 2 £m (unaudited)	Level 3 £m (unaudited)	Total £m (unaudited)
Assets/(Liabilities)				
Derivatives	-	(0.1)	-	(0.1)
	-	(0.1)	-	(0.1)

Fair value measurement

In accordance with IFRS 13, disclosure is required for financial instruments that are measured in the Group balance sheet at fair value. The fair value of trade and other receivables, cash and cash equivalents, borrowings and trade and other payables approximates to their carrying amounts.

Valuation techniques and assumptions applied in determining fair values of each class of asset or liability are consistent with those used as at 30 March 2018 and reflect the current economic environment. The fair value measurements of the derivatives are classified as Level 2 in the fair value hierarchy as defined by IFRS 13.

11. Provisions

	Landfill restoration & aftercare £m	Insurance £m	Other £m	Total £m
As at 30 March 2018	**74.2**	**12.6**	**19.6**	**106.4**
Utilised	(3.8)	(0.5)	(0.3)	(4.6)
Impact of change in real discount rate charged to profit and loss account	(2.7)	-	-	(2.7)
Charged/(credited) to profit and loss account	1.6	(0.5)	(1.7)	(0.6)
Unwinding of discount	1.2	-	-	1.2
Transfers from fixed/other assets	(0.3)	1.7	(1.7)	(0.3)
As at 28 September 2018	**70.2**	**13.3**	**15.9**	**99.4**

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

	As at 28 September 2018 £m (unaudited)
Current	**12.6**
Non-current	**86.8**
	99.4

Landfill restoration and aftercare

As part of its normal activities, the Group undertakes to restore its landfill sites and to maintain the sites and control leachate and methane emissions from the sites. Provision is made for these anticipated costs.

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 restoration and aftercare provisions have been discounted at a rate of 2.6% (30 March 2018: 2.3%).

Aftercare 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. 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 a provision for dilapidations for £8.5 million (53 weeks ended 30 March 2018: £8.7 million, 26 weeks ended 22 September 2017: £9.6 million) and £6.1 million (53 weeks ended 30 March 2017: £7.7 million, 26 weeks ended 22 September 2017: £2.2 million) relating to onerous contracts. The associated outflows are estimated to arise over a period of up to 20 years from the Balance Sheet date.

12. Cash flows from operations

	26 weeks ended 28 September 2018 £m (unaudited)	26 weeks ended 22 September 2017 £m (unaudited)	53 weeks ended 30 March 2018 £m (audited)
Profit for the period	**19.0**	**23.7**	31.1
Adjustments for:			
Finance income	**(0.8)**	**(0.3)**	(0.6)
Finance charges	**11.9**	**11.6**	24.7
Taxation	**4.7**	**5.5**	7.2
Operating profit	**34.8**	**40.5**	62.4
Exceptional items	**0.5**	**1.4**	7.7
Amortisation of intangibles	**8.8**	**7.2**	19.0
Depreciation of property, plant and equipment	**34.2**	**31.9**	66.5
Profit on disposal of fixed assets	**(0.4)**	**(0.8)**	(2.7)
Increase in inventories	**(1.3)**	**(2.1)**	(3.0)
Increase in debtors	**(21.8)**	**(15.4)**	6.0
Increase in creditors	**0.4**	**1.9**	(6.1)
Decrease/(increase) in financial asset	**0.7**	**(0.7)**	1.2
Increase/(decrease) in provisions	**(5.9)**	**(4.6)**	(9.3)
Total cash generated from operations	**50.0**	**59.3**	141.7

Reconciliation of net cash flow to movement in debt

	26 weeks ended 28 September 2018 £m (unaudited)	26 weeks ended 22 September 2017 £m (unaudited)	53 weeks ended 30 March 2018 £m (audited)
Net decrease in cash and cash equivalents	**(9.6)**	**(33.1)**	(15.6)
Net decrease/(increase) in borrowings	**(15.5)**	**5.8**	(13.4)
Movement in net debt in the period	**(25.1)**	**(27.3)**	(29.0)
Net debt at start of period	**(318.9)**	**(289.9)**	(289.9)
Net debt at end of period	**(344.0)**	**(317.2)**	(318.9)

Of the EVP preference liability, £6.3m has been included within Reported Net Debt as it will be payable to EVP Preference Shareholders irrespective of the outcome of the EVP dispute. The remainder (£41.2m) has been excluded on the basis that it will only become payable subject to the outcome of the EVP dispute and will be funded by recovery of funds from HMRC.

	26 weeks ended 28 September 2018 £m (unaudited)	26 weeks ended 22 September 2017 £m (unaudited)	53 weeks Ended 30 March 2018 £m (audited)
Cash and cash equivalents	**31.2**	**23.3**	40.8
Finance leases	**(114.3)**	**(101.2)**	(118.8)
Bank loans	**(213.4)**	**(194.3)**	(194.7)
EVP preference liability	**(6.3)**	**-**	(6.3)
Reported net debt	**(302.8)**	**(272.2)**	(279.0)
EVP preference liability	**(41.2)**	**(45.0)**	(39.9)

Net debt	**(344.0)**	**(317.2)**	(318.9)

13. Pension and post retirement benefits

Defined benefit schemes

The amounts recognised in the balance sheet are determined as follows:

	As at 28 September 2018 £m (unaudited)	As at 30 March 2018 £m (audited)
Present value of funded defined benefit obligation	**(458.0)**	(472.8)
Fair value of funded plan assets	**516.8**	524.9
Adjustment for the restriction in asset benefit	**(1.0)**	(0.8)
Net asset arising from defined benefit obligation	**57.8**	51.3

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

	As at 28 September 2018 £m (unaudited)
Benefit obligation at beginning of period	**472.8**
Service cost	**0.7**
Interest cost	**6.3**
Contributions by plan participants	**0.1**
Net remeasurement gains - financial	**(11.6)**
Benefits paid	**(10.3)**
Benefit obligation at end of period	**458.0**

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

	As at 28 September 2018 £m (unaudited)
Fair value of plan assets at beginning of period	**524.9**
Interest income on scheme assets	**7.0**
Return on assets, excluding interest income	**(9.0)**
Contributions by employers	**4.4**
Contributions by plan participants	**0.1**
Benefits paid	**(10.2)**
Scheme administrative cost	**(0.4)**
Fair value of plan assets at end of period	**516.8**

We will be considering the consequence of the recent Lloyds Bank Group judgement issued by the High Court in relation to Guaranteed Minimum Pension equalisation in the coming months. The judgement may impact the Guaranteed Minimum Pension in our UK pension plan. The Guaranteed Minimum Pension has been calculated in accordance with statutory rules enacted at each balance sheet date, however the judgement requires the equalisation of the calculations for male and female members which may impact the Group’s pension obligations.

The pension surplus at 28 September 2018 attributable to the UK pension plan does not reflect any accounting consequences which may be required as a result of the judgement due to the volume of historic data which must be analysed.

14. Related party transactions

The nature of related parties as disclosed in the consolidated financial statements for the Group as at and for the 53 weeks ended 30 March 2018 has not changed. Further, there have been no related party transactions in the 26 weeks to 28 September 2018.

15. Contingent liabilities

The Group 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 Group holds for its landfill sites. The Group 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 Group has existing bond arrangements in England and Wales of approximately £85.6 million outstanding at 28 September 2018 (30 March 2018: £85.3 million, 22 September 2017: £81.6 million) in respect of the Group's permitted waste activities where the 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 Group has bonds to a value of £18.5 million (30 March 2018: £21.6 million, 22 September 2017: £19.4 million) in connection with security for performance of local authority contracts and the shipment of waste under the trans-frontier shipment of waste regulations. No liability is expected to arise in respect of these bonds.

The 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, which is fully explained in Note 16.

The Group 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 Group has received a protective assessment of £8.6 million that the Group is disputing. Having taken independent professional advice, the Directors do not reasonably expect a liability of this order to crystallise. Discussions with HMRC are on-going and management are not able reliably to estimate the amount of any potential liability, and accordingly no provision has been made in these financial statements.

16. EVP related items

The Group is engaged in a dispute with HMRC concerning historical Landfill Tax.

HMRC claims that the Group is liable for £61.9 million of Landfill Tax in respect of certain waste materials deposited in Biffa's landfill sites from 2009 to 2012 (EVP). Biffa contests that the material was used in the sites for an engineering purpose and is not therefore subject to Landfill tax. Notwithstanding the Group's opinion on the tax treatment of this material, since 2012 all materials of this nature have been subjected to Landfill Tax.

The matter was heard by the First tier Tax Tribunal which found in HMRC's favour.

The Directors have taken independent advice and been granted leave to appeal the decision.

The contested amount was paid to HMRC following the refinancing of the Group upon its IPO in October 2016. In addition to the payment of £61.9 million, the Group paid £1.7 million in interest in the period ended 24 March 2017.

The Directors, having taken appropriate advice, do not believe that a liability to tax exists, and accordingly have treated the payment of the tax and associated interest as a prepayment.

As part of the IPO of the Group, arrangements were put in place to make certain payments to the shareholders and certain members of employee incentive schemes of the Group immediately prior to its Listing, subject to and in respect of the outcome of the dispute. A liability of £47.4 million has been recognised in borrowings, an accrual of £13 million has been recognised in non-current liabilities. Of the liability of £47.4 million, £6.3 million has been included within Reported Net Debt as it will be payable irrespective of the outcome of the dispute.

The remaining balance of £41.2 million has been excluded from Reported Net Debt.

17. Post balance sheet events

On 1 November 2018, the Group acquired certain of the trade and assets of the Kier Group for a total consideration of £1.05m.

The acquisition accounting remains under review for the above acquisition.