Biffa plc

FY21 HALF YEAR RESULTS

Resilient performance during challenging period

5 November 2020

Biffa plc ('Biffa', 'the Group' or 'the Company') (LSE: BIFF), the UK's leading sustainable waste management company, announces its half year results for the 26 weeks ended 25 September 2020.

Michael Topham, Chief Executive of Biffa, said:

"I am very pleased with the performance of the business and the progress we have made in delivering our strategic objectives in the first half of the year, in extremely challenging circumstances. We responded swiftly to the first wave of the pandemic and have emerged strongly in recent months with Group Net Revenue in September recovering to 93% of prior year levels. This is ahead of our base case expectations and demonstrates the resilience of our model.

"Our £100m equity raise in June enabled us to continue to invest in growing the business, in line with our strategy. Since June we have committed c. £40m in value-enhancing acquisitions in our I&C business and are at an advanced stage of committing in excess of a further £40m into green economy infrastructure development. These investments will help to build a stronger, more sustainable business for when we emerge from the pandemic.

"Whilst we are pleased with the recent momentum in our trading performance and the progress in delivering our strategic investment programme, we remain cautious in our outlook for the second half of the financial year, particularly in light of the further lockdown measures announced by the UK Government for England. Nevertheless, having successfully navigated the first lockdown, and due to the underlying strength of the Group's performance over recent months, at this stage, our expectations for the full year remain unchanged.

"My thanks go out to all of Biffa's stakeholders, and in particular our team, for their hard work and ongoing commitment in delivering Biffa's essential service throughout this testing time."

Highlights:

- **Strong recovery in second quarter:** Net revenues grew from £202.5m in Q1 to £256.3m in Q2 and EBITDA recovered from £19.3m to £39.0m. I&C revenues recovered to 94% of prior year levels in September and landfill revenues recovered to 86% of prior year levels in September. However, statutory revenue decreased by 18.1% from £588.9m in H1 FY20 to £482.5m in H1 FY21.

- **Recommencement of investment programme:** following the £100m equity raise (£97.7m after costs) in June, c. £40m of investment has been committed to acquisitions (including the recently announced acquisition of Simply Waste) and over £40m is being committed to plastic recycling development (Washington and Aldridge) and the Protos Energy from Waste ("EfW") development.

- **Ongoing strong cash flow management:** despite underlying EBITDA falling by £28.5m to £58.3m, the Group was broadly cash flow neutral when adjusting for HMRC payment deferrals and financing activities.

- **Strengthened balance sheet:** cash balances were boosted by a further £97.7m as a result of the equity raise in June. Reported net debt decreased by 31.0% to £310.3m from £449.8m at the FY20 year end. This reduced the Group's reported debt leverage multiple to 2.1x from 2.4x at FY20 year end. The Group's covenanted leverage dropped from to 1.3x from 1.8x at the FY20 year end.

- **Various asset impairments and contract provisions are being reported**: reflecting changes in accounting assumptions and various related business decisions resulting primarily from the impacts of COVID-19 ("CV-19"). This has resulted in a Statutory loss after tax for the period of £43.2m (H1 FY20 Profit after Tax £20.6m).

- **Full year expectations unchanged:** the UK Government's recent announcement of a new lockdown period for England introduces further uncertainty to the Group's short-term outlook. However, having successfully navigated the first lockdown and having benefitted from stronger than initially expected trading since the easing of those restrictions, the Board's expectations for the full year remain unchanged.

Underlying Results (unaudited)	**H1 FY21 £m**	H1 FY20 £m	Change £m	Change %
Statutory Revenue[1]	**482.5**	588.9	(106.4)	(18.1)
Net Revenue[1]	**458.8**	555.1	(96.3)	(17.3)
Underlying EBITDA[2]	**58.3**	86.8	(28.5)	(32.8)
Underlying Operating Profit[3]	**9.7**	45.7	(36.0)	(78.8)
Underlying Operating Profit Margin[4]	**2.0%**	7.7%	N/A	(74.0)
Underlying Profit after Tax[5]	**1.2**	29.7	(28.5)	(96.0)
Underlying Free Cash Flow[6]	**27.6**	3.9	23.7	607.7
Reported Net Debt[6]	**310.3**	449.8	(139.5)	(31.0)

Statutory Results (unaudited)	**H1 FY21 £m**	H1 FY20 £m	Change £m	Change %
Statutory Operating Profit	**(45.0)**	33.9	(78.9)	(232.7)
Statutory Operating Profit Margin	**(9.3%)**	5.7%	N/A	(263.2)
Statutory Profit after Tax	**(43.2)**	20.6	(63.8)	(309.7)
Net Cash Flow	**13.4**	(14.0)	27.4	(195.7)
Net Debt	**351.6**	491.1	(139.5)	(28.4)

PRESENTATION OF RESULTS

There will be a presentation of the results to investors, analysts and banks at 9:30am today. The webcast and associated materials will be available on Biffa's website – www.biffa.co.uk/investors.

ENQUIRIES:

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

Media
Houston
0204 529 0549
biffa@houstonpr.co.uk

FORWARD-LOOKING STATEMENTS

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] The statutory revenue, net revenue and cost of sales for the 26 weeks ended 27 September 2019 have been decreased by £5.7m to

reflect an error made in consolidating the Recycling sub-division revenue. There is no overall impact on the gross profit for the period. For the full year FY20, the Group reported the correct balances and no restatement is required.

[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. Total Underlying Operating Profit includes central costs of £5.9m (H1 2020: £8.3m)

[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)

CHIEF EXECUTIVE'S REVIEW

Operating Performance

Trading for the first half recovered well, despite the challenging economic environment, and was ahead of the Group's CV-19 base case scenario. Group Net Revenues in September recovered to 93% of FY20 levels. Underlying profit contribution improved steadily month on month and the Group ceased the furloughing of employees at the end of September.

In the period, the Group also received £10.8m in furlough payments from HMRC as part of the Coronavirus Job Retention scheme. These payments have been netted off against respective salary and wage costs.

Collections

The Collections division comprises the I&C, Municipal and Specialist Services businesses. It provides sustainable waste collections, recycling and related services to industrial, commercial, public sector and local authority customers.

	H1 FY21 £m	H1 FY20 £m	Change %
I&C	222.5	307.6	(27.7)
Municipal	91.6	86.8	5.5
Specialist services	40.7	43.6	(6.7)
Revenue	**354.8**	438.0	(19.0)
Underlying EBITDA	**42.8**	61.1	(30.0)
Underlying Operating Profit	**11.1**	34.7	(68.0)
Underlying Operating Profit Margin	**3.1%**	7.9%	(60.8)

As previously announced, the Group took swift action to mitigate the impact of CV-19. Against the challenging economic backdrop, Revenue in the Collections division decreased by 19.0% in H1 to £354.8m.

Underlying Operating Profit margin was 3.1% in H1, reducing from 7.9% in the prior year. This is primarily due to the reduction in I&C volumes during lockdown, which recovered steadily during the period.

I&C

- The I&C business saw a strong recovery in revenues from 50% of prior year levels in April, to 94% of prior year levels in September.
- Strong levels of new business despite the lockdown, including new corporate clients SSE, Parkdean Resorts and Wincanton Logistics.
- Key customer renewals in the period included BP Retail, Severn Trent and Wolseley.
- Successful targeting of SME volume through the Group's Telesales service, which has been enhanced by further investment in Biffa's digital offer.
- Customer retention levels remain strong with low levels of churn (<5% annualised).

- Lower ongoing unit operating costs achieved as a result of a number of enduring efficiency measures initiated during lockdown.
- Two acquisitions completed in the year to date: in September, Ward Recycling for £2.1m and a deferred consideration of up to £2.0m; and in October, Simply Waste Solutions for £35.0m, with a potential deferred consideration of up to £5.0m.

Municipal

- As expected, there continues to be a high level of demand for household waste collections.
- Service levels have been successfully maintained despite the demands associated with increased volumes.
- The Anglesey contract win during the period adds to Tandridge, Winchester and Cornwall, which will mobilise in the coming months. The Group has also negotiated profitable extensions on the Crawley, Thurrock, East Lothian and Portsmouth contracts.
- Nonetheless, the increased contribution from new contract wins during the period has been more than offset by increased costs resulting from CV-19 related staff-absenteeism.
- As previously stated, the Group has also negotiated the exit from the loss-making contract in North Somerset (NSO), which will come into effect towards the end of FY21.

Specialist Services

- Specialist Services performed very strongly over the period, with underlying profits up on the prior period. The resilient nature of the customer base, who are predominantly in food manufacturing and retail distribution services, has helped Specialist Services to maintain this solid performance.
- Whilst revenues decreased in the period, this was primarily as a result of lower 'pass through' plastic PRN prices.
- Key customer wins during the period included Avara Foods and Britvic.

Resources & Energy

The Resources & Energy division comprises the Recycling, Organics, Inerts and Landfill Gas businesses. The division focuses on the sustainable treatment, recycling, energy recovery and ultimate disposal of waste.

	H1 FY21 £m	H1 FY20 £m	Change %
Recycling[1]	36.8	40.2	(8.4)
Organics	27.3	29.8	(8.4)
Inerts	45.0	60.4	(25.5)
Landfill Gas	18.6	20.5	(9.2)
Revenue	**127.7**	150.9	(15.4)
Recycling[1]	36.8	40.2	(8.5)
Organics	27.3	29.8	(8.4)
Inerts	21.3	26.6	(19.9)
Landfill Gas	18.6	20.5	(9.3)
Net Revenue	**104.0**	117.1	(11.2)
Underlying EBITDA	**19.3**	32.1	(39.9)
Underlying Operating Profit	**4.4**	19.3	(77.2)
Underlying Operating Profit Margin	**3.5%**	12.8%	(71.5)

[1] The statutory revenue, net revenue and cost of sales for the 26 weeks ended 27 September 2019 have been decreased by £5.7m to reflect an error made in consolidating the Recycling sub-division revenue. There is no overall impact on the gross profit for the period.

For the full year FY20, the Group reported the correct balances and no restatement is required.

Against the challenging economic backdrop, overall Net Revenue for the division decreased by 11.2% in H1 to £104.0m. This had a significant impact on profitability with Underlying Operating Profit reducing by 77.2% to £4.4m, and Underlying Operating Profit Margin reducing from 12.8% to 3.5%.

Recycling

- The Group's rHDPE operations at Redcar continued to perform strongly during H1, reflecting its resilient nature and de-risked contracting model.
- As previously announced, short-term challenges with virgin plastic and PRN prices have resulted in weaker results from the Seaham rPET plant.
- However, strong demand is already being experienced for food grade pelleted material, with the new partnership announced with Nestlé Waters UK being the first of several contracts that will be put in place over the coming months. As a result, we are confident that performance will rebound strongly in FY22.
- Other new contract wins include KP Films and a contract extension with Nampak Plastics Europe.
- The Materials Recycling Facilities (MRFs) delivered year-on-year progress despite commodity weakness. The MRFs segment is now generating positive Underlying EBITDA and remains on track to deliver positive Underlying EBIT once all legacy contracts roll off over the next few years.
- During the period, the appeal against the Environment Agency (''EA'') conviction regarding the export of waste paper to China was not upheld. The further case regarding export of waste paper to India and Indonesia during FY19 is due to be heard in H1 FY22. The Group strongly contests the prosecution and maintains that its paper was of good quality, entirely suitable for reprocessing by EA accredited paper mills.

Organics

- The Group has seen significant volume reduction in food waste due to the CV-19 pandemic and its impact on the leisure and hospitality sectors. This has resulted in both volume and price erosion at the Poplars anaerobic digestion ("AD") plant.
- Composting volumes have remained resilient.
- Operations in the West Sussex and Leicester contracts performed steadily during the period.

Inerts

- The Landfill business also saw a steady recovery in Net Revenues to 86% of prior year levels in September.
- In line with the Group's Sustainability Strategy, over 6,600 tonnes of CO_2 was saved in the period from January 2019 to March 2020 by transporting inert waste by rail rather than road, with around 850kt of annualised volume now being transported by rail.

Landfill Gas

- A resilient part of the Biffa portfolio during the current year, which has been relatively unaffected by CV-19 due to electricity price hedging in place.
- 4.5% year on year volume decline is in line with expectations.
- In addition, the Renewables Obligations Certificates (ROC) recycling benefit is lower than the prior year due to lower demand for the ROCs.
- Export power prices are 99.4% hedged through FY21 @ £51.77 per MwH.

Operational KPIs

As previously reported, lockdown measures severely impacted volumes during H1 in the I&C and landfill businesses in particular, however as the business has recovered, the gap has reduced to around 10% in tonnes collected and around 23% in tonnes processed from pre- CV-19 levels. The tonnes processed decreased by more than the tonnes collected as lower I&C volumes are having a disproportionate impact on transfer volumes

year on year. This, together with lower organic waste volumes, accounts for the lower processed volumes.

	H1 FY21	H1 FY20	Change %
Tonnes Collected (mt)	**1.8**	2.0	(10.0)
Tonnes Processed (mt)	**1.6**	2.1	(23.8)
Tonnes Landfilled (mt)	**1.2**	1.5	(20.0)
Energy generation (GWh)	**196.6**	210.7	(6.7)
Energy price (£/MWh)	**48.3**	44.6	8.3

Strategy Update

Biffa has a clear strategy for growth which is focused on three specific opportunities: growing our leading I&C Collections platform both organically and inorganically; investing to grow our Biffa Polymers plastics recycling business; and partnering with others to develop the UK's Energy from Waste ("EfW") infrastructure.

At the Group's Capital Markets Day in September 2019, the Company set out its 3-4 year investment target of £250m.The Group now has firm plans in place to commit over 60% of that target with c. £40m already invested in acquisitions, over £40m committed to plastics recycling (Seaham, Washington and Aldridge) and £75m still expected to be fully committed in the near term to EfW (£40m Newhurst and £35m Protos). These investment plans are consistent with, and fundamental to the Group's Sustainability Strategy 'Resourceful, Responsible'.

The strategy supports Biffa's purpose 'to change the way people think about waste' and its vision to 'lead the way in UK sustainable waste management'.

Collections Growth

- The I&C Collections business operates in a fragmented market where scale delivers significant benefits. The Group is focused on growing organically and through synergistic acquisitions.
- In September, the Group acquired the trade and assets of Ward Recycling, an East Midlands based waste management company, for a consideration of £2.1m. A contingent payment of up to £2.0m may be payable depending on performance of the business. Ward Recycling had run rate revenues pre CV-19 of £4m and is complementary to the Group's East Midlands operations.
- In October, the Group acquired Simply Waste Solutions, a leading I&C waste collection business in the South of England, for a consideration of £35m. A potential further consideration of up to £5m may become payable, depending on the performance of the business through to 31 March 2021. For the year ending 31 March 2020, Simply Waste reported revenues of £32m, EBITDA of £5.2m, operating profit of £3.1m and had gross assets of £16.4m.
- The acquisition pipeline remains strong.

Leading in UK Plastics Recycling

- Biffa Polymers operates in an exciting sector, with burgeoning 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 the second lockdown not affecting timings. The Group is beginning to enter into offtake commitments with a similar de-risked model to the existing rHDPE model. The recently announced partnership with Nestlé Waters UK was the first of these commitments, with anticipation that several more contracts will be signed over the coming months. As a result, the Group remains confident of the long term prospects of this investment.
- 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 the second lockdown 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. This facility was committed to following the equity raise and is also due to become operational in early FY22. As with Seaham phase two and Washington, this timeline may be impacted by the second lockdown.

- The Group also recently announced its involvement in the Poseidon project, a cross-industry initiative aiming to create a process to chemically recycle harder grades of PET material. The Seaham facility will play a critical role in providing the feedstock for this project.
- The Group joined the OPRL (On-Pack Recycling Label) scheme to promote clearer labelling for recycling and to help increase the UK's recycling rates.

Developing Energy from Waste (EfW) Infrastructure

- The UK continues to have under-capacity to treat non-recyclable waste for energy recovery. Biffa, as one of the UK's largest controllers of waste feedstock through its Collections business, is well placed to unlock the development of this much needed infrastructure.
- 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, is approaching financial close. 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.

Second Lockdown

The UK Government's recent announcement of a new lockdown period in England introduces further uncertainty to the Group's short-term outlook.

In the Collections division, I&C volumes were better than expected in October, at 96% of prior year levels. During October, volumes in the 'Tier 3' lockdown category were 3% down versus the period three weeks prior, and volumes in Wales during the first week of a two week lockdown were at 80% of prior year levels. Both of these scenarios provide a helpful reference point for the upcoming lockdown period. Based on the Group's understanding of the new lockdown rules, we expect volumes to drop to c.70-75% of prior year levels during lockdown. In the Municipal business, CV-related staff absenteeism is expected to rise, but the Group will look to redeploy staff from its I&C business to backfill where required.

In the Resources & Energy (R&E) division, landfill volumes are unlikely to drop significantly as the construction sector is expected to remain open. In the Organics business, food waste volumes will likely be impacted due to the temporary closure of the leisure and hospitality sectors.

Timetables for the Seaham phase two, Washington and Aldridge projects may be at risk due to the second lockdown, however the Newhurst and Protos Energy from Waste projects should remain unaffected.

The Group will pursue certain cost-control measures such as the re-routing of vehicles, however this is expected to be on a much smaller scale than the previous lockdown period in H1. The Group has no current intention to re-implement the furloughing of staff.

Summary and Outlook

The Board is very pleased with the performance of the business and the progress made in delivering our strategic objectives in the first half of the year, in extremely challenging circumstances. The Group responded swiftly to the first wave of the pandemic and has emerged strongly in recent months with Group Net Revenue in September recovering to 93% of prior year levels. This is ahead of our base case expectations and demonstrates the resilience of our model.

The £100m equity raise in June enabled the Group to continue to invest in growing the business, in line with its strategy. Since June, the Group has committed c.£40m in value-enhancing acquisitions in its I&C business and is at an advanced stage of committing a further £40m into green economy infrastructure development. These investments will help to build a stronger, more sustainable business for when we emerge from the pandemic.

With plans to deliver the investment targeted in our strategic roadmap now well-advanced, the Group is beginning to consider new opportunities which are aligned to its core capabilities and consistent with its vision to lead in sustainable waste management.

Whilst we are pleased with the recent momentum in our trading performance and the progress in delivering our strategic investment programme, we remain cautious in our outlook for the second half of the financial year, particularly in light of the further lockdown measures announced by the UK Government for England. Nevertheless, having successfully navigated the first lockdown, and due to the underlying strength of performance over recent months, at this stage, our expectations for the full year remain unchanged.

The Board's thanks go out to all of Biffa's stakeholders, and in particular the Biffa team, for their hard work and ongoing commitment in delivering Biffa's essential service throughout this testing time.

BOARD OF DIRECTORS' STATEMENT

FINANCIAL REVIEW

Despite the above CV-19 impacted results, the growth drivers for the Group remain attractive and are underpinned by supportive Government legislation. Biffa is well positioned in its markets and has a strong portfolio of businesses, services and capabilities which are recovering well from the CV-19 pandemic. Whilst the Group is pleased with the recent momentum in its trading performance and the progress in delivering its strategic investment programme, it remains cautious about the second half, particularly in light of the further lockdown measures announced by the UK Government for England.

Biffa continued to provide an essential service whilst facing volume disruption in H1. The Group's performance is detailed below:

Group £m (unless stated)	**H1 FY21**	H1 FY20	Change £m	Change (%)
Revenue[1]	**482.5**	588.9	(106.4)	(18.1)
Net Revenue[1]	**458.8**	555.1	(96.3)	(17.3)
Underlying EBITDA	**58.3**	86.8	(28.5)	(32.8)
Depreciation and amortisation	**(48.6)**	(41.1)	(7.5)	18.2
Underlying Operating Profit	**9.7**	45.7	(36.0)	(78.8)
Finance income	**2.0**	1.3	0.7	53.8
Finance charges	**(9.1)**	(10.7)	1.6	(15.0)
Share of joint venture	**(0.4)**	-	(0.4)	N/A
Underlying Profit before Tax	**2.2**	36.3	(34.1)	(93.9)
Other items:				
Onerous contracts	**(12.3)**	2.0	(14.3)	(715.0)
Strategy related costs	**(6.7)**	(2.5)	(4.2)	(168.0)
Acquisition related costs	**(0.2)**	(0.4)	0.2	(50.0)
Asset Impairment	**(8.2)**	-	(8.2)	N/A
Amortisation of acquisition intangibles	**(13.9)**	(8.5)	(5.4)	(63.5)
Impact of changes in real discount rate on landfill provisions	**(13.4)**	(2.4)	(11.0)	(458.3)
Interest (net)	**-**	1.1	(1.1)	(100.0)
Tax charge/(credit)	**9.3**	(5.0)	14.3	(286.0)
Profit after Tax	**(43.2)**	20.6	(63.8)	(309.7)

[1] The statutory revenue, net revenue and cost of sales for the 26 weeks ended 27 September 2019 have been decreased by £5.7m to reflect an error made in consolidating the Recycling sub-division revenue. There is no overall impact on the gross profit for the period. For the full year FY20, the Group reported the correct balances and no restatement is required.

Results

- Trading for the first half performance has recovered well, despite the challenging economic environment and has remained ahead of the Group's base case scenario.

- Revenue decreased by 18.1% to £482.5m and Net Revenue decreased by 17.3% to £458.8m.
- Underlying EBITDA decreased by 32.8% to £58.3m.
- Underlying Operating Profit at £9.7m compared with £45.7m last year and the Underlying Operating Profit margin has decreased to 2.0% from 7.7% last year for the first half period.
- Profit after tax fell by £63.8m from £20.6m in H1 FY20 to a loss before tax of £43.2m; £42.9m of this decrease was due to an increase in non-underlying costs.

Finance Income

- Finance income decreased from £2.0m to £1.3m primarily driven by returns on pension assets.

Finance Charges

- Underlying Finance includes interest charges on the Group's borrowings, bond premiums and discount unwind on landfill provisions.
- Finance charges decreased from £10.7m to £9.1m due to lower gearing as a result of the equity raise.

Non Underlying Items

To enable additional clarity of business performance, certain items are excluded when calculating the Group's Underlying measures of performance. See section entitled 'Basis of Preparation" within the notes to the financial statements.

Other items are fully explained in Note 4 to the condensed consolidated financial statements and include exceptional items, amortisation of acquisition intangibles and material impacts from changes in real discount rates on landfill provisions. After tax, these charges totalled £44.4m in the period (H1 FY20: £9.1m). The main items contributing to this total were asset impairment charges relating to the Poplars AD plant (£8.2m) and the IT replacement project (£5.8m); an uplift of the onerous contract provisions of £12.3m; the decrease in the real discount rate on landfill provisions of (£13.4m); and an increase in the charge for amortisation of intangible assets of £5.4m.

Taxation

The effective tax rate on underlying profits was 47% (H1 2020: 18.2%), due to the impact of usual non deductible tax items when compared to lower underlying profits. The effective tax rate on statutory losses was 18% (H1 FY20: 19.5%).

Dividend

As previously reported, there was no final dividend declared for FY20. The Group is also not declaring an interim dividend for FY21, but understands the importance of dividends to shareholders and will seek to reintroduce the dividend as soon as it is prudent to do so.

Earnings per Share

During the year, the group issued 50 million shares as part of an equity raise and a further 4.5 million shares were issued to the Employee Benefit Trust for future share option exercises. As a result, earnings have been spread over an adjusted closing share capital balance of 286.2m shares. Total statutory earnings per share decreased from 8.2 pence per share (pps) to a loss of 15.1pps.

Underlying earnings per share decreased from 11.9 pps to 0.4 pps.

Capital Allocation

A core part of the Group's strategy is to selectively invest in businesses and infrastructure where it has a structural advantage and can generate attractive returns. The Board is encouraged by the level of growth achieved from acquisitions in the prior years. During the first half of the year, Biffa has acquired one I&C business in September for a consideration of £2.1m, and a larger acquisition in October for £35m. The acquisition pipeline remains strong.

The Group is also allocating capital to EfW and PET plastic bottle recycling that will support long-term sustainable growth.

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 25 September 2020, the net retirement benefit surplus was £85.6m compared to a surplus of £124.7m at 27 March 2020.

The aggregate surplus has decreased since the FY20 year-end. The main reasons for this deterioration is the fall in corporate bond yields over the period which leads to a lower discount rate and so a higher value placed on the liabilities, as well as a rise in implied inflation over the period which further increases the value of liabilities. This negative impact was partially offset by positive returns on the Schemes' assets and the deficit contribution of circa £4.2m paid into the Biffa Defined Benefit Pension Scheme during the period.

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 8.9% to 4.0%. This decrease is driven by the reduction in operating profit.

Group Return on Operating Assets (see Basis of Preparation and Definitions) decreased from 19.4% to 11.9%. This has been impacted by the decrease in underlying operating profit and an increase in operating assets following investments in the plastics processing plants, M&A activity and replacement capex.

Cash Flow

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

	H1 FY21 (£m)	H1 FY20 (£m)
Underlying EBITDA	**58.3**	86.8
Working capital	**17.6**	(14.9)
Net capital expenditure	**(20.7)**	(26.1)
Net interest paid	**(7.2)**	(8.3)
Finance lease principal payments	**(16.6)**	(23.5)
Pension deficit payments	**(4.2)**	(4.1)
Purchase of own shares	**0.4**	(6.0)
Underlying free cash flow	**27.6**	3.9
Restructuring and exceptional items	**(1.6)**	(3.2)
Acquisitions	**(2.1)**	(2.5)
Investment in associates	**(2.1)**	-
Dividends paid	**-**	(12.2)
Changes in net borrowings	**(102.4)**	(3.0)
Equity Raise	**97.7**	-
Movement in financial assets	**(3.7)**	3.0
Net cash flow	**13.4**	(14.0)

Underlying free cash flow of £27.6m compares to £3.9m last year, despite the fall in underlying profitability. This is due to strong management of working capital, a £25.8m HMRC VAT deferral (due March 2021), and the deferral of finance lease principal payments of £8.3m. Net cashflow was broadly cash flow neutral when adjusting for HMRC payment deferrals and financing activities.

Capital expenditure (comprising purchases of property, plant and equipment and purchases of intangibles) is down on last year at £20.7m from £26.1m due to pausing non-essential capital expenditure prior to the equity raise.

As previously reported, no final dividend was declared for FY20.

Interest payments are down £1.1m from £8.3m in the prior period to £7.2m, as a result of lower borrowings following the equity raise.

As a consequence, net cash flow before funding activities improved from an outflow of £11.0m in the first half of last year to an inflow of £18.1m for the first half of this year.

A statutory group cash flow summary is set out below:

	H1 FY21 (£m)	**H1 FY20 (£m)**
Net cash from operating activities	**66.7**	67.0
Net cash used in investing activities	**(25.0)**	(27.9)
Net cash flow used in financing activities	**(28.3)**	(53.1)
Net increase/(decrease) in cash and cash equivalents	**13.4**	**(14.0)**

Reported Net Debt and Borrowings

Group Reported Net Debt is £310.3m (H1 FY20: £449.8.m), representing 2.1x Underlying EBITDA (H1 FY20: 2.9x). When looked at on a pre-IFRS16 basis for bank covenant testing, net debt : EBITDA at the half year was 1.3x (H1 FY20:1.9x).

The funds from the equity raise in June were used to reduce the Revolving Credit Facility (RCF) borrowings in the short tem whilst investment opportunities materialised.

	H1 FY21 (£m)	H1 FY20 (£m)
Cash	**101.2**	52.2
Loans	**(147.1)**	(245.2)
Finance leases	**(258.1)**	(250.5)
EVP preference liability	**(6.3)**	(6.3)
Reported Net Debt	**(310.3)**	**(449.8)**

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 (£41.3m) 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

Biffa won the Upper Tax Tribunal for the EVP case. However, HMRC have been granted leave to appeal to the Court of Appeal which will be heard in March 2021.

In regards to the Group's landfill tax dispute on hazardous soils, an assessment of £8.5m was paid to HMRC in December 2019. The Group has appealed against the assessment to the First Tier Tax Tribunal and will vigorously defend its position as it is confident that its position is consistent with the law and the intent of the legislation. The Company is currently waiting for a court date, which is anticipated for 2021. HMRC also issued an interest assessment in September 2020 of £0.6m, which was paid. The original assessment and interest being disputed has been disclosed as a contingent liability in note 15 to the accounts.

Reporting Periods

The Group will report full year results for the 52 weeks to 26 March 2021. The prior year comparisons are in relation to the 52 weeks ended 27 March 2020.

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
- Biffa faces risks arising from the CV-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.

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 review 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

Richard Pike

Chief Financial Officer

5 November 2020

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 25 September 2020 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 25 September 2020 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
5 November 2020

Condensed Consolidated Interim Income Statement

For the half year ended 25 September 2020

		26 weeks to 25 September 2020 (unaudited)			**26 weeks to 27 September 2019 (unaudited)**			**52 weeks to 27 March 2020 (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[2]	*3*	**482.5**	**-**	**482.5**	588.9	-	588.9	1,163.1	-	1,163.1
Cost of sales[2]		**(446.6)**	**(39.6)**	**(486.2)**	(513.4)	(9.3)	(522.7)	(1,012.7)	(11.6)	(1,024.3)
Gross profit/(loss)		**35.9**	**(39.6)**	**(3.7)**	75.5	(9.3)	66.2	150.4	(11.6)	138.8
Operating costs		**(24.4)**	**(15.1)**	**(39.5)**	(28.5)	(2.5)	(31.0)	(57.7)	(4.8)	(62.5)
Expected credit loss recognised		**(1.8)**	**-**	**(1.8)**	(1.3)	-	(1.3)	(2.2)	-	(2.2)
Operating profit/(loss)	*3*	**9.7**	**(54.7)**	**(45.0)**	45.7	(11.8)	33.9	90.5	(16.4)	74.1
Finance income		**2.0**	**-**	**2.0**	1.3	1.1	2.4	2.3	1.1	3.4
Finance charges		**(9.1)**	**-**	**(9.1)**	(10.7)	-	(10.7)	(21.0)	-	(21.0)
Share of results in joint venture		**(0.4)**	**-**	**(0.4)**	-	-	-	(0.1)	-	(0.1)
Profit/(loss) before taxation		**2.2**	**(54.7)**	**(52.5)**	36.3	(10.7)	25.6	71.7	(15.3)	56.4
Taxation	*5*	**(1.0)**	**10.3**	**9.3**	(6.6)	1.6	(5.0)	(14.3)	3.5	(10.8)
Profit/(loss) for the period		**1.2**	**(44.4)**	**(43.2)**	29.7	(9.1)	20.6	57.4	(11.8)	45.6
Basic earnings/(loss) per share in pence	*6*	**0.4**	**(15.5)**	**(15.1)**	11.9	(3.7)	8.2	23.1	(4.8)	18.3
Diluted earnings/(loss) per share in pence	*6*	**0.4**	**(15.1)**	**(14.7)**	11.9	(3.7)	8.2	22.4	(4.6)	17.8

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

[2] The statutory revenue, net revenue and cost of sales for the 26 weeks ended 27 September 2019 have been decreased by £5.7m to reflect an error made in consolidating the Recycling sub-division revenue. There is no overall impact on the gross profit for the period. For the full year FY20, the Group reported the correct balances and no restatement is required.

Condensed Consolidated Interim Statement of Comprehensive Income

For the half year ended 25 September 2020

	Notes	**26 weeks ended 25 September 2020 £m (unaudited)**	**26 weeks ended 27 September 2019 £m (unaudited)**	**52 weeks Ended 27 March 2020 £m (audited)**
Profit/(loss) for the period		**(43.2)**	20.6	45.6
Other comprehensive (expense)/income				
Items that will not be reclassified subsequently to income:				
Actuarial gain on defined benefit pension scheme		**(44.5)**	10.9	40.9
Tax relating to items that will not be reclassified subsequently		**8.6**	(1.9)	(8.3)
		(35.9)	9.0	32.6
Items that may be reclassified subsequently to income:				
Net gain/(loss) on cash flow hedge		**(5.6)**	0.5	(0.6)
Net loss of cash flow hedge in joint venture		**-**	-	(1.8)
		(5.6)	0.5	(2.4)
Other comprehensive (expense)/gain for the period, net of income tax		**(41.5)**	9.5	30.2
Total comprehensive (expense)/income for the period		**(84.7)**	30.1	75.8

Condensed Consolidated Interim Statement of Financial Position

As at 25 September 2020

	Notes	As at 25 September 2020 £m (unaudited)	As at 27 September 2019 £m (unaudited)	As at 27 March 2020 £m (audited)
Assets				
Non-current assets				
Goodwill	7	**134.2**	131.3	132.2
Other intangible assets		**179.2**	206.9	197.0
Property, plant and equipment	9	**504.3**	503.1	527.7
Investment in joint venture		**4.7**	-	3.0
Long term receivables		**68.9**	66.1	68.2
Deferred tax assets		**0.4**	-	-
Retirement benefit surplus	13	**85.6**	94.4	124.7
		977.3	1,001.8	1,052.8
Current assets				
Inventories		**18.6**	15.6	16.2
Trade and other receivables		**170.0**	170.8	165.3
Contract assets		**46.0**	63.6	56.2
Derivatives		**0.3**	-	0.4
Financial assets		**10.7**	12.9	6.7
Cash and cash equivalents		**101.2**	52.2	87.8
		346.8	315.1	332.6
Current liabilities				
Borrowings		**(53.4)**	(43.2)	(43.6)
Derivatives	10	**(0.1)**	(0.1)	-
Trade and other payables		**(281.8)**	(259.5)	(274.2)
Contract liabilities		**(18.9)**	(18.0)	(17.8)
Current tax liabilities		**(0.1)**	(0.2)	-
Provisions	11	**(27.2)**	(10.5)	(10.2)
Total current liabilities		**(381.5)**	(331.5)	(345.8)
Net current liabilities		**(34.7)**	(16.4)	(13.2)
Non-current liabilities				
Borrowings		**(399.4)**	(500.1)	(511.0)
Derivatives		**(6.7)**	-	(1.6)
Trade and other payables		**(13.0)**	(13.0)	(13.0)
Contract liabilities		**(0.6)**	(0.7)	(0.6)
Provisions	11	**(91.9)**	(95.8)	(85.1)
Deferred tax liabilities		**-**	(5.3)	(17.3)
Total non-current liabilities		**(511.6)**	(614.9)	(628.6)
Net assets		**431.0**	370.5	411.0
Equity				
Called up share capital		**3.0**	2.5	2.5
Share premium		**245.9**	235.3	235.3
Treasury reserve*		**(3.2)**	(4.7)	(4.7)
Hedging reserve		**(8.4)**	0.1	(2.8)
Merger reserve		**170.3**	74.4	74.4
Retained earnings		**23.4**	62.9	106.3
Total equity surplus attributable to shareholders		**431.0**	370.5	411.0

**To comply with guidance per IAS 32, Biffa Plc changed the presentation of shares held in the Employee Benefit Trust (EBT) by adding a separate line item within equity on the Balance Sheet. "Treasury Shares" are held at cost and reflects the total number of shares held by the EBT at their initial purchase price. Previously, these shares were reported within Retained Earnings.*

Condensed consolidated Statement of Changes in Equity

For the half year ended 25 September 2020

	Called up share capital	Share premium	Treasury reserve*	Merger reserve	Hedging and other reserves	Retained earnings	Total equity
	£m	£m	£m	£m	£m	£m	£m
As at 27 March 2020	**2.5**	**235.3**	**(4.7)**	**74.4**	**(2.8)**	**106.3**	**411.0**
Profit for the period	-	-	-	-	-	(43.2)	**(43.2)**
Loss of cash flow hedges	-	-	-	-	(5.6)		**(5.6)**
Other comprehensive income for the period	-	-	-	-	-	(35.9)	**(35.9)**
Total comprehensive loss for the period	**-**	**-**	**-**	**-**	**(5.6)**	**(79.1)**	**(84.7)**
Transactions with owners:							
Equity raise**	0.5	1.3	-	95.9	-	-	**97.7**
Issue of share capital	0.0	9.3	-	-	-	-	**9.3**
Repurchase of own shares	-	-	(9.0)	-	-	-	**(9.0)**
Exercise of share options	-	-	10.5	-	-	(10.5)	**-**
Share allotment for employee share option schemes***	-	-	-	-	-	5.6	**5.6**
Value of employee service in respect of share option schemes	-	-	-	-	-	1.1	**1.1**
As at 25 September 2020 *(unaudited)*	**3.0**	**245.9**	**(3.2)**	**170.3**	**(8.4)**	**23.4**	**431.0**

**To comply with guidance per IAS 32, Biffa Plc changed the presentation of shares held in the Employee Benefit Trust (EBT) by adding a separate line item within equity on the Balance Sheet. "Treasury Shares" are held at cost and reflects the total number of shares held by the EBT at their initial purchase price. Previously, these shares were reported within Retained Earnings.*

***During the period, Biffa plc secured 100% of the shares of Project Mozzarella (Jersey) Ltd. The transactions satisfied all required conditions under section 612 of the UK Company Act 2006 to obtain merger relief and therefore allowed for the premium on the allotment of equity shares in Biffa Plc to be recorded in the merger reserve rather than share premium.*

****During the period, the Group settled its FY20 bonus payments using share options. A share allotment of 3m shares was issued to partially cover this payment.*

	Called up share capital	Share premium	Treasury reserve	Merger reserve	Hedging and other reserves	Retained earnings	Total equity
	£m	£m	£m	£m	£m	£m	£m
As at 30 March 2019	**2.5**	**235.3**	**(4.7)**	**74.4**	**(0.4)**	**53.1**	**360.2**
Profit for the period	-	-	-	-	-	20.6	**20.6**
Cashflow hedges	-	-	-	-	0.5	-	**0.5**
Other comprehensive income for the period	-	-	-	-	-	9.0	**9.0**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**0.5**	**29.6**	**30.1**
Transactions with owners:							
Value of employee service in respect of share option schemes	-	-	-	-	-	(7.6)	**(7.6)**
Dividends paid	-	-	-	-	-	(12.2)	**(12.2)**

As at 27 September 2019 ***(unaudited)***	**2.5**	**235.3**	**(4.7)**	**74.4**	**0.1**	**62.9**	**370.5**

	Called up share capital	Share premium	Treasury reserve	Merger reserve	Hedging and other reserves	Retained (deficit)/ earnings	Total equity
	£m	£m	£m	£m	£m	£m	£m
As at 30 March 2019 *(audited)*	**2.5**	**235.3**	**(4.7)**	**74.4**	**(0.4)**	**53.1**	**360.2**
Profit for the period	-	-	-	-	-	45.6	45.6
Other comprehensive (loss)/income	-	-	-	-	(2.4)	32.6	30.2
Total comprehensive (loss)/income for the period	**-**	**-**	**-**	**-**	**(2.4)**	**78.2**	**75.8**
Value of employee service in respect of share option schemes	-	-	-	-	-	(6.7)	(6.7)
Dividends paid	-	-	-	-	-	(18.3)	(18.3)
As at 27 March 2020 *(audited)*	**2.5**	**235.3**	**(4.7)**	**74.4**	**(2.8)**	**106.3**	**411.0**

Condensed Consolidated Statement of Cash Flows

	Notes	26 weeks ended 25 September 2020 £m (unaudited)	26 weeks ended 27 September 2019 £m (unaudited)	52 weeks ended 27 March 2020 £m (audited)
Cash flows from operating activities				
Cash generated from operations	*12*	**68.3**	69.4	193.8
Restructuring and exceptional costs		**(1.6)**	(3.2)	(14.0)
Net cash from operating activities		**66.7**	66.2	179.8
Taxation received/(paid)		**-**	0.8	(0.2)
Net cash inflow from operating activities		**66.7**	67.0	179.6
Cash flows from investing activities				
Purchases of property, plant and equipment		**(19.3)**	(24.7)	(56.8)
Purchases of intangible assets		**(1.9)**	(1.8)	(3.8)
Compensation		**-**	-	4.4
Purchase of business, net of cash acquired		**(2.1)**	(2.5)	(5.1)
Investment in joint ventures		**(2.1)**	-	(5.0)
Proceeds from the sale of property, plant and equipment		**0.3**	1.0	1.6
Loan to joint ventures		**-**	-	(2.4)
Interest received		**0.1**	0.1	0.3
Net cash used in investing activities		**(25.0)**	(27.9)	(66.8)
Cash flows from financing activities				
Interest paid		**(7.4)**	(8.4)	(17.2)
Equity Raise		**97.7**	-	-
Repayment of borrowings		**(102.4)**	(90.0)	-
Finance lease principal payments*		**(16.6)**	(23.5)	(50.2)
Drawdown of new borrowings		**-**	87.0	1.0
Fees payable on 1 year extension of RCF		**-**	-	(0.5)
Dividends paid		**-**	(12.2)	(18.3)
Employee share scheme purchase		**0.4**	(6.0)	(6.0)
Net cash flow used in financing activities		**(28.3)**	(53.1)	(91.2)
Net increase/(decrease) in cash and cash equivalents		**13.4**	(14.0)	21.6
Cash and cash equivalents at the beginning of the period		**87.8**	66.2	66.2
Cash and cash equivalents at the end of the period		**101.2**	52.2	87.8

**Finance lease payments are significantly lower than prior period due to Biffa negotiating payment rent deferrals totalling £8.3m with several landlords.*

Notes to the Condensed Interim Financial Information

1. Basis of Preparation

This condensed consolidated interim financial information for 26 weeks ended 25 September 2020 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 9 June 2020 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 52 weeks ended 27 March 2020 were approved by the Board of Directors on 9 June 2020 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.

The Group's income statement and segmental analysis separately identify financial results before exceptional and other items. The Directors believe that the presentation of the results in this way is relevant to an understanding of the Group's financial performance. Presenting financial results before exceptional and other items is consistent with the way that the financial performance is measured by management and reported to the Board and aids the comparability of reported results from year to year in this context.

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.

The Group's income statement and segmental analysis separately identify financial results before exceptional and other items. The Directors believe that the presentation of the results in this way is relevant to an understanding of the Group's financial performance. Presenting financial results before exceptional and other items is consistent with the way that the financial performance is measured by management and reported to the Board and aids the comparability of reported results from year to year in this context. The Group'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 Group's divisions, by adjusting for non-recurring or uncontrollable factors which affect IFRS measures, to aid the user in understanding the underlying performance. Our 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.

<table>
<tr><td>Accounting Basis</td><td>Prepared in accordance with IFRS
H1 FY21 represents the 26 weeks ended 25 September 2020; H1 FY20 represents the 26 weeks ended 27 September 2019; FY20 represents the 52 weeks ended 27 March 2020</td></tr>
<tr><td>Net Revenue</td><td>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</td></tr>
<tr><td>Organic Net Revenue Growth</td><td>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</td></tr>
<tr><td>Acquisition Net Revenue</td><td>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</td></tr>
</table>

Growth	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)

1.1 Going Concern Basis

Since reporting of the Group's full year results for year ending 27 March 2020, CV-19 continues to have a significant impact on the Group's financial and operational performance. However, gradual improvements have been seen across all divisions in the business with overall Group revenue returning to 93% of prior year performance. The Group's latest financial performance forecast for the next 12 months is in line with management expectations and sales volumes are expected to be maintained for the rest of 2021 financial year. Current forecasts also expects that the Group will return to near prior year levels at the end of FY22.

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 £200.0m and cash and cash equivalents of £101.2m as at 25 September 2020. One of the Group's response to the CV-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 H1 and 4.6x for H2. The eventual outturn at the HY was 1.3x. 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 CV-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. 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

CV-19, the Directors confirm that they have reasonable expectation that the Group will be able to continue to withstand the impacts of CV-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 consolidated interim financial statements. They therefore consider it appropriate to adopt the going concern basis of accounting in preparing these financial statements.

Second Lockdown

The UK Government's recent announcement of a new lockdown period in England introduces further uncertainty to the Group's short-term outlook.

In the Collections division, I&C volumes are expected to drop to c.70-75% of prior year levels during lockdown. In the Municipal business, CV-related staff absenteeism is expected to rise, but the Group will look to redeploy staff from its I&C business to backfill where required. In the Resources & Energy (R&E) division, landfill volumes are unlikely to drop significantly as the construction sector is expected to remain open. In the Organics business, food waste volumes will likely be impacted due to the temporary closure of the leisure and hospitality sectors.

Timetables for the Seaham phase two, Washington and Aldridge projects may be at risk due to the second lockdown, however the Newhurst and Protos Energy from Waste projects should remain unaffected.

The Group will pursue certain cost-control measures such as the re-routing of vehicles, however this is expected to be on a much smaller scale than the previous lockdown period in H1. The Group has no current intention to re-implement the furloughing of staff.

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 for the year ending 27 March 2020.

The significant financial judgements considered in relation to the Half Year Report and Accounts are detailed below:

Environmental and aftercare commitments	The group operates a number of landfill sites in the UK. A significant cost of owning and operating a landfill site in the UK arises after the land filling operation ceases due to the constructive and legal obligation to restore sites and then to care for them until it can be demonstrated that they present no ongoing risk to the environment. A provision is made for the costs associated with restoring and maintaining its landfill sites and controlling leachate and methane emissions from the sites. A number of estimate uncertainties affect the calculation, including the impact of regulation, accuracy of site surveys, transportation costs and changes in the real discount rate. The provisions incorporate our best estimates of the financial effects of these uncertainties, but future changes in any of these estimates could materially impact the calculation of the provision. The associated outflows are estimated to arise over a period of up to 60 years depending on the date of each site closure. In determining the provision, the estimates for future expenditure required to settle the obligation are inflated using longer term inflation rates, and discounted using the nominal discount rate. The rates utilised reflect the period of the obligation on a site by site basis which varies between 10 and 60 years. As a result of CV-19, interest rates dropped to 0.1% on 19 March 2020 and as a result future discount rates have fallen significantly; particularly for shorter years. At FY20 year end the 5 year discount rate was 2.1% and the 60 year discount rate was 2.3%. Since then, discount rates have dropped to 0.6% and 1.5% respectively. This has had a material

	impact on the landfill aftercare provisions.
Retirement Benefit Accounting	The group operates several defined benefit pension schemes which are accounted for under IAS 19 ("Employment Benefits"). Pension accounting is a specialist area requiring the exercise of significant management judgement and the use of technical expertise to determine the surplus or deficit of the scheme in accordance with generally accepted actuarial practices. The assumptions used in valuing the defined benefit pension liabilities including the discount rate, yield curves, mortality assumption, inflation level, pension increase and measures of longevity are complex and changes to the assumptions can have a material impact on the value of pension liabilities. Management has assessed the completeness of accounting considerations across the group and determined that the primary risks that arose from the CV-19 pandemic related to the valuation of unquoted pension assets. The pandemic has resulted in the valuation of certain property assets being subject to increased uncertainty. In addition, the valuation of certain alternative investments including those held in private equity portfolios are subject to an unusually high level of uncertainty due to the most recent valuations on them being performed prior to the significant economic impacts of the CV-19 pandemic. In prior years, pre-CV-19, the fund valuations dated December, January and February were deemed appropriate as there was very little fluctuations between year end and half-year reporting. However, since CV-19 fund valuations have changed significantly across all industries, and it is now appropriate to value the funds at the reporting dates. Fund valuations were performed for 27 March 2020 year end and also performed for 25 September 2020 interim reporting to mitigate risk of fluctuations in valuations.
Asset Impairment Review	The group carries different classes of intangible assets including, gas reserves, brand name and customer contracts. Additionally, the group has classes of tangible assets. The carrying value of these is dependent on future cash flows and if these cash flows do not meet the group's expectations there is risk that the assets will be impaired. The impairment reviews performed by the group contain a number of significant estimates including energy prices, gate fees, forecast tonnage prices, gas yield projections, long-term growth and discount rates. Management relies on a number of third party experts to value a number of these key estimates. Changes in these assumptions can have a significant impact on the headroom available in the impairment calculations.
Onerous Contract Provision	Certain group's contracts are onerous and long-term in nature. These contracts can be complex and contain key performance indicator clauses where penalties may be incurred in the event of non-compliance. The group is therefore required to make operational and financial assumptions to estimate future losses over periods that can extend beyond seven years. Variability of contract penalties, underlying delivery costs, commodity prices applied and customer claims or disputes can put additional pressure on margins and on future contract profitability, giving rise to onerous contract provisions. The prediction of future events over extended periods contains inherent

	risk and the outcome of customer and subcontractor claims is uncertain and involves a high degree of management estimation.
Provision for expected credit loss	The expected credit losses are estimated based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast future conditions at the reporting date. Due to CV-19, several factors have affected management's use of the Group's historical credit loss experience including: - High court enforcement activity ceased up until the end of June 2020. - Field visits for debt collection process were not permitted during lockdown. - A "softer" approach to debt collection and more lenient payment terms - Government changes to insolvency proceedings implemented preventing issuing of winding up petitions As a result management have deemed historical performance during the CV-19 affected periods unreliable as a basis for estimating the expected credit loss and have used historical evidence up to FY20.

Change in Accounting Estimate for Useful Economic Life of LFG Division

The Landfill Gas business generates some of its income via the production of Renewable Obligation Certificates (ROCs). These are "green energy certificates" which are issued to operators of accredited renewable generating stations for the eligible renewable electricity that they generate. ROCs are then sold on to energy providers for which the Group recognises revenue on sales. ROCs income currently represents around 55% of the division's total revenue.

The ROCs scheme lasts for 20 years and the majority of landfill gas sites will see their ROCs scheme terminate in financial year 2027. At this point, the revenue and profit profile of the LFG division will change significantly. Previously, the net book value of LFG sites was amortised over the "end of generation forecast" which represented the estimated life of the gas generation for the site. Going forward, management have decided to change the accounting estimate of the useful life of the ROCs assets and amend the amortisation profile to better match the costs of the asset against the principal periods from which the Group will receive future economic benefits.

Corporation tax calculations

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.

At the date of authorisation of these Financial Statements, the below Standards and amendments are effective for reporting periods beginning after 1 January 2020, but have not impacted on the Group's reporting.

- IFRS 7 Financial Instruments: Disclosures Amendments regarding pre-replacement issues in the context of the IBOR reform
- IFRS 16 Leases: Amendment to provide lessees with an exemption from assessing whether a CV-19-related rent concession is a lease modification
- IAS 1 Presentation of Financial Statements: Amendments regarding the definition of material
- Amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update those pronouncements with regard to references to and quotes from the framework or to indicate where they refer to a different version of the Conceptual Framework

At the date of authorisation of these Financial Statements, the below Standards are not yet effective and not deemed to have a material impact on the Group's reporting:

- IFRS 17 Insurance Contracts

3. Segmental Information

The Group is managed by type of business and is organised into two 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.

There has been no change to the segmental splits of the Group during the year.

The Group's segmental results are as follows:

	26 weeks ended 25 September 2020 £m (unaudited)	26 weeks ended 27 September 2019 £m (unaudited)	52 weeks Ended 27 March 2020 £m (audited)
Revenue			
Collections	**354.8**	438.0	870.8
Resources & Energy[1]	**127.7**	150.9	292.3
	482.5	588.9	1,163.1

[1] The statutory revenue, net revenue and cost of sales for the 26 weeks ended 27 September 2019 have been decreased by £5.7m to reflect an error made in consolidating the Recycling sub-division revenue. There is no overall impact on the gross profit for the period. For the full year FY20, the Group reported the correct balances and no restatement is required.

	26 weeks ended 25 September 2020 £m (unaudited)	26 weeks ended 27 September 2019 £m (unaudited)	52 weeks Ended 27 March 2020 £m (audited)
Revenue reconciliation[1]			
Statutory Revenue	**482.5**	588.9	1,163.1
Landfill tax	**(23.7)**	(33.8)	(60.3)
Net revenue	**458.8**	555.1	1,102.8

[1] The statutory revenue, net revenue and cost of sales for the 26 weeks ended 27 September 2019 have been decreased by £5.7m to reflect an error made in consolidating the Recycling sub-division revenue. There is no overall impact on the gross profit for the period. For the full year FY20, the Group reported the correct balances and no restatement is required.

	26 weeks ended 25 September 2020 £m (unaudited)	26 weeks ended 27 September 2019 £m (unaudited)	52 weeks Ended 27 March 2020 £m (audited)
Net revenue in prior period[1]	**560.8**	515.7	1,030.8
Acquisition revenue growth	**1.4**	27.9	46.7
Organic revenue (decline)/growth	**(103.4)**	11.5	25.3
Net revenue	**458.8**	555.1	1,102.8

[1] The statutory revenue, net revenue and cost of sales for the 26 weeks ended 27 September 2019 have been decreased by £5.7m to reflect an error made in consolidating the Recycling sub-division revenue. There is no overall impact on the gross profit for the period. For the full year FY20, the Group reported the correct balances and no restatement is required.

	26 weeks ended 25 September 2020 £m (unaudited)	26 weeks ended 27 September 2019 £m (unaudited)	52 weeks Ended 27 March 2020 £m (audited)
Collections revenue			
I&C	**222.5**	307.6	603.7
Municipal	**91.6**	86.8	177.3
Specialist Services	**40.7**	43.6	89.8
	354.8	438.0	870.8

	26 weeks ended 25 September 2020 £m (unaudited)	26 weeks ended 27 September 2019 £m (unaudited)	52 weeks Ended 27 March 2020 £m (audited)
Resources & Energy revenue			
Recycling[1]	**36.8**	40.2	79.5
Organics	**27.3**	29.8	56.9
Inerts	**45.0**	60.4	112.6
Landfill Gas	**18.6**	20.5	43.3
	127.7	150.9	292.3

[1] The statutory revenue, net revenue and cost of sales for the 26 weeks ended 27 September 2019 have been decreased by £5.7m to reflect an error made in consolidating the Recycling sub-division revenue. There is no overall impact on the gross profit for the period. For the full year FY20, the Group reported the correct balances and no restatement is required.

All revenue is with external third parties. There is no single customer that accounts for more than 10% of Group revenue (26 weeks to 27 September 2019: none, 52 weeks to 27 March 2020: none).

	26 weeks ended 25 September 2020 £m (unaudited)	26 weeks ended 27 September 2019 £m (unaudited)	52 weeks Ended 27 March 2020 £m (audited)
Underlying EBITDA[1]			
Collections[2]	**42.8**	61.1	126.4
Resources & Energy	**19.3**	32.1	63.4
Group costs	**(3.8)**	(6.4)	(15.8)
Underlying EBITDA[2]	**58.3**	86.8	174.0
Depreciation and amortisation	**(48.6)**	(41.1)	(83.5)
Underlying Operating Profit[2]	**9.7**	45.7	90.5
Exceptional items (note 4)	**(27.4)**	(0.9)	(4.4)
Impact of real discount rate changes to landfill provisions	**(13.4)**	(2.4)	4.9
Amortisation of acquisition intangibles	**(13.9)**	(8.5)	(16.9)
Operating Profit	**(45.0)**	33.9	74.1
Finance income	**2.0**	2.4	3.4
Finance charges	**(9.1)**	(10.7)	(21.0)
Share of results in joint venture	**(0.4)**	-	(0.1)
(Loss)/Profit before taxation	**(52.5)**	25.6	56.4

[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.

	26 weeks ended 25 September 2020 £m (unaudited)	**26 weeks ended 27 September 2019 £m (unaudited)**	52 weeks ended 27 March 2020 £m (audited)
Underlying operating profit			
Collections	**11.1**	34.7	72.2
Resources & Energy	**4.4**	19.3	37.7
Group costs	**(5.8)**	(8.3)	(19.4)
	9.7	45.7	90.5

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.

	As at 25 September 2020 £m (unaudited)	**As at 27 September 2019 £m (unaudited)**	As at 27 March 2020 £m (audited)
Tangible and other intangible assets			
Collections	**305.9**	316.9	325.6
Resources & Energy	**294.5**	294.7	309.6
Shared services and corporate	**83.1**	98.5	89.5
	683.5	710.1	724.7

	26 weeks ended 25 September 2020 £m (unaudited)	**26 weeks ended 27 September 2019 £m (unaudited)**	52 weeks Ended 27 March 2020 £m (audited)
Capital expenditure			
Collections	**12.6**	28.1	65.4
Resources & Energy	**7.2**	18.1	48.1
Shared services and corporate	**3.1**	1.8	6.4
	22.9	48.0	119.9

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

	26 weeks ended 25 September 2020 £m (unaudited)	**26 weeks ended 27 September 2019 £m (unaudited)**	52 weeks ended 27 March 2020 £m (audited)
Depreciation and amortisation			
Collections	**31.7**	26.4	54.2
Resources & Energy	**14.8**	12.8	25.7
Shared services and corporate	**2.1**	1.9	3.7
	48.6	41.1	83.6
Amortisation of acquisition intangibles	**13.9**	8.5	16.9
Total	**62.6**	49.6	100.5

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 25 September 2020 £m (unaudited)	**26 weeks ended 27 September 2019 £m (unaudited)**	52 weeks ended 27 March 2020 £m (audited)
Exceptional items:			
Acquisition related costs	**0.2**	0.4	1.1
Onerous contracts	**12.3**	(2.0)	(1.5)
Asset Impairment	**14.0**	-	-
Strategy related costs	**0.9**	2.5	4.8
	27.4	0.9	4.4
Impact of real discount rate changes to landfill provisions	**13.4**	2.4	(4.9)
Amortisation of acquisition intangibles	**13.9**	8.5	16.9
	54.7	11.8	16.4
Included within finance costs			
Finance charges	**-**	(1.1)	(1.1)
Taxation impact of other items	**(10.3)**	(1.6)	(3.5)

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.

Corporate restructuring costs

Corporate restructuring costs mostly relate to professional fees.

Onerous contracts

Onerous contract costs reflect all movements on onerous service contract provisions. During the period the Group made additional onerous contract provisions for 3 customer contracts:

North Somerset - £3.7m
The 7-year contract with North Somerset District Council has been running at a loss since the contract began on 1 March 2017. Previous expectations were that after the initial mobilisation and transformation phases were completed in the first 24 months the contract would generate a profit. This expectation has subsequently been revised with the contract expected to remain in a loss-making position throughout its term and as a consequence Biffa and North Somerset District Council have agreed, in principle, to mutually end the contract subject to legal agreement of exit terms.

Mid-Kent Swale - £4.0m
The contracts with the Mid-Kent Partnership (being Swale, Maidstone & Ashford) have been running at a loss since we delivery began in 2013 and are expected to do so for the remainder of the term. Since reporting FY20 results, the financial performance of the contract has degraded materially, due in the main to

the termination of a third party contract for fleet repairs and maintenance, forcing the Group to internalise these costs. The provision for mid-Kent has therefore been revised to include these additional costs.

Leicester - £4.6m

The 25-year contract with Leicester City Council is expected to be loss-making for the remainder of the contract term (May 2028). Since March 2020 additional capital costs relating to repairs to the site's infeed plates and digesters have been identified. These have arisen due to unforeseen issues with the machinery in the period and are considered necessary in order to fulfil our obligations under the contract. These additional costs are primarily related to both processing plants that we operate under the contract.

Asset Impairment

There is an £8.2m one-off cost related to the impairment of the Poplars Anaerobic Digestion plant. CV-19 had a significant impact on the hospitality and accommodation sector as well as driving a lower demand for oil globally. The lower activity levels, fall in future energy price curve, coupled with a delay in the Government's implementation of the Resource and Waste Management strategy has changed management's assumptions on future gate fees, haulage and productions levels. This has led to impairment of the subdivision as future value in use is deemed significantly lower than previously expected.

The Group's system replacement programme; Project Fusion was also impaired during the period. Due to CV-19 the programme has experienced delays in restarting works, and management have also identified further requirements to upgrade the current systems. As a result, certain costs will become obsolete or further work with have to be undertaken and therefore £5.8m has been written off in the period.

Strategy-related costs

Strategy-related costs arise from Group-wide 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.

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 in prior periods relate to the EVP debt instrument as disclosed in note 16.

The tax impact of other items is calculated as 19% (19%: 2019) of the expenses allowable in calculating the taxable profit.

	26 weeks ended 25 September 2020 £m (unaudited)	**26 weeks ended 27 September 2019 £m (unaudited)**	52 weeks ended 27 March 2020 £m (audited)
Segmental exceptional items:			
Collections	**7.7**	(1.1)	0.7
Resources & Energy	**12.8**	(0.6)	(1.5)
Group costs	**6.9**	2.6	5.2

	27.4	0.9	4.4

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

	26 weeks ended 25 September 2020 £m (unaudited)	**26 weeks ended 27 September 2019 £m (unaudited)**	52 weeks ended 27 March 2020 £m (audited)
Operating costs			
Distribution costs	**10.1**	9.9	20.1
Administrative expenses	**14.3**	18.6	37.6
	24.4	28.5	57.7

Administration costs have decreased as a result of a reduction in non essential costs and no provision for bonuses.

In addition to the Other items disclosed above, the Group uses Return on Operating Assets and return on capital employed as performance measures. These are aligned to the strategy and are reported internally to the Board and Operating Committees to aid their decision making. These are calculated as below:

	26 weeks ended 25 September 2020 £m (unaudited)	**26 weeks ended 27 September 2019 £m (unaudited)**	52 weeks ended 27 March 2020 £m (audited)
Return on Operating Assets			
Underlying Operating Profit	**54.5**	86.6	90.5
Average of Property, Plant and Equipment	**503.7**	428.7	514.0
Net working capital	**(44.2)**	(22.0)	(46.7)
Total average of Property, Plant and Equipment plus net working capital	**459.5**	406.7	467.3
Return on Operating Assets	**11.9%**	21.3%	19.4%

Return on Operating Assets is determined by adjusted operating profit for the prior 12 months divided by the average of opening and closing PP&E plus net working capital. Net working capital is the average in the prior 12 months of the net of inventories, trade and other receivables and trade and other payables.

	26 weeks ended 25 September 2020 £m (unaudited)	**26 weeks ended 27 September 2019 £m (unaudited)**	52 weeks ended 27 March 2020 £m (audited)
Return on Capital Employed			
Operating Profit	**(4.8)**	44.5	74.1
Exceptional items	**30.9**	18.6	4.4
Impact of real discount rate changes to landfill provisions	**6.1**	6.7	(4.9)
Adjusted Operating profit	**32.2**	69.8	73.6
Average of shareholders' equity	**400.0**	358.0	385.6
Net debt	**421.4**	417.6	477.3
Retirement benefits	**(89.0)**	(76.1)	(101.8)

Environmental provisions	**68.7**	69.5	62.0
	801.1	769.0	823.1
Return on Capital Employed	**4.0%**	9.1%	8.9%

Return on capital employed is determined by adjusted operating profit for the prior 12 months divided by the average of opening and closing shareholders equity, plus the average of net debt, pensions and environmental provisions.

5. Income Tax Recognised in Profit or Loss

	26 weeks ended 25 September 2020 £m (unaudited)	**26 weeks ended 27 September 2019 £m (unaudited)**	52 weeks ended 27 March 2020 £m (audited)
Current tax:			
In respect of the current period	**-**	-	-
Adjustment in respect of prior periods	**-**	-	0.1
	-	-	0.1
Deferred tax:			
Adjustment in respect of the current period	**(9.3)**	5.6	11.4
Adjustment in respect of prior periods	**-**	-	(0.8)
Adjustments attributable to changes in tax rates and laws	**-**	(0.6)	0.1
	(9.3)	5.0	10.7
Total tax charge	**(9.3)**	5.0	10.8

Corporation tax is calculated at 19% (26 weeks to 27 September 2019: 19%, 52 weeks to 27 March 2020: 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 25 September 2020 £m (unaudited)	**26 weeks ended 27 September 2019 £m (unaudited)**	52 weeks Ended 27 March 2020 £m (audited)
(Loss)/Profit on ordinary activities before tax	**(52.5)**	25.6	56.4
Profit on ordinary activities before tax multiplied by the standard rate of corporation tax in the UK of 19%	**(10.0)**	4.9	10.7
Expenses not deductible for tax purposes	**0.7**	0.7	0.8
Non-taxable income	**-**	-	(0.1)
Adjustments attributable to changes in tax rates and laws	**-**	(0.6)	(0.6)
Total tax (credit)/charge	**(9.3)**	5.0	10.8

Budget 2020, substantively enacted on 17 March 2020, announced that the main UK corporation tax rate applicable from 1 April 2020 now remains at 19%, rather than the previously enacted reduction to 17%. As deferred tax assets and liabilities are measured at the rates expected to apply in the period of the reversal, deferred tax balances have been calculated at 19%.

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.

The UK have introduced various stimulus/reliefs for businesses to cope with the impact of CV 19 pandemic. We will monitor as the details become available for any that may materially impact our future tax charges.

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 25 September 2020 £m (unaudited)	**26 weeks ended 27 September 2019 £m (unaudited)**	52 weeks ended 27 March 2020 £m (audited)
Earnings for the purposes of basic earnings per share being net profit attributable to owners	**(43.2)**	20.6	57.4
Earnings for the purposes of diluted earnings per share	**(43.2)**	20.6	57.4
Number of shares			
Weighted average number of ordinary shares for the purposes of basic earnings per share	**286,242,902**	250,000,000	248,642,098
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**294,490,074**	250,000,000	256,403,630
Basic earnings per share (pence)	**(15.1)**	8.2	18.3
Diluted earnings per share (pence)	**(14.7)**	8.2	17.8

From continuing operations

	26 weeks Ended 25 September 2020 £m (unaudited)	**26 weeks ended 27 September 2019 £m (unaudited)**	52 weeks Ended 27 March 2020 £m (audited)
Net (loss)/profit attributable to equity holders of the parent	**(43.2)**	20.6	57.4
(Loss)/Earnings from continuing operations for the purpose of basic earnings per share excluding discontinued operations	**(43.2)**	20.6	57.4
(Loss)/Earnings from continuing operations for the purpose of diluted earnings per share excluding discontinued operations	**(43.2)**	20.6	57.4

7. Goodwill

	Total
	£m
Goodwill	
As at 27 March 2020	132.7
Additions (see below)	2.0
As at 25 September 2020	**134.7**
Accumulated impairment:	
As at 27 March 2020	(0.5)
Impairment Charge	-
As at 25 September 2020	**(0.5)**
Net book amount:	
As at 25 September 2020	**134.2**
As at 27 March 2020	132.7

8. Acquisitions

On 1 September 2020, the Group acquired the trade and assets of Donald Ward Limited which operated a national waste brokerage service and runs a small number of collection vehicles in the London area. The acquisition is in line with the Group'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.

	Preliminary total £m
Property, plant and equipment	0.8
Customer lists	0.9
Creditors	(0.5)
Deferred tax liability	(0.2)
Total net assets	**1.0**
Goodwill	2.0
	3.0
Satisfied by:	
Cash	2.1
Contingent cash consideration*	0.9
Total consideration	**3.0**
Net cash outflow arising on acquisition:	
Cash consideration	2.1
Less: cash and cash equivalent balances acquired	-
	2.1

*Management expects that there will be a further contingent consideration due in March 2021, based on income performance of the acquired business. Although there is a maximum potential consideration payment of £2.0m, management's current expectation for the contingent consideration is £0.9m.

Acquisition-related costs were immaterial.

The preliminary goodwill of £2.0 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.

9. Property, Plant and Equipment

During the 26 weeks ended 25 September 2020, the Group acquired property, plant and equipment including leased assets, but excluding property, plant and equipment acquired through business combinations, with a cost of £29.9 million (27 September 2019: £44.7 million).

Assets with a net book value of £0.2 million were disposed of by the Group during the 26 weeks ended 25 September 2020 (27 September 2019: £0.4 million) resulting in an immaterial net profit (27 September 2019: £0.6 million).

The Group’s capital commitments at 25 September 2020 were £28.8 million (27 September 2019: £9.1 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 derivative financial assets and liabilities at fair value at 25 September 2020:

	Level 1 £m (unaudited)	Level 2 £m (unaudited)	Level 3 £m (unaudited)	Total £m (unaudited)
Assets/Liabilities)				
Derivatives	**(6.5)**	**-**	**-**	**(6.5)**
	(6.5)	**-**	**-**	**(6.5)**

The following table presents the Group’s financial assets and liabilities at fair value at 27 September 2019:

	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)

The following table presents the Group’s financial assets and liabilities at fair value at 27 March 2020:

	Level 1 £m (unaudited)	Level 2 £m (unaudited)	Level 3 £m (unaudited)	Total £m (unaudited)
Assets/(Liabilities)				
Derivatives	(1.2)	-	-	(1.2)
	(1.2)	-	-	(1.2)

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 27 March 2020 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	Dilapid-ations £m	Onerous contract provisions £m	**Total £m**
As at 27 March 2020	**56.6**	**11.0**	**12.3**	**15.4**	**95.3**
Utilised	(3.7)	(1.7)	(0.5)	-	**(5.9)**
Impact of change in real discount rate charged to profit and loss account	13.4	-	-	-	**13.4**
Charged to profit and loss account	1.4	0.3	1.6	12.3	**15.6**
Unwinding of discount	0.7	-	-	-	**0.7**
Transfers from fixed/other assets	0.1	0.7	(0.7)	-	**0.1**
As at 25 September 2020	**68.5**	**10.3**	**12.7**	**27.7**	**119.2**

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

	As at 25 September 2020 £m (unaudited)
Current	**27.2**
Non-current	**91.9**
	119.1

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. A number of estimate uncertainties affect the calculation, including the impact of regulation, accuracy of site surveys, transportation costs and changes in the real discount rate. The provisions incorporate our best estimates of the financial effects of these uncertainties, but future changes in any of these estimates could materially impact the calculation of the provision. Restoration costs are incurred as each site is filled, and in the period immediately after its closure. The provision incorporates the best estimate of the financial effect of these uncertainties, but future changes in any of the assumptions could materially impact the calculation of the provision.

Maintenance and leachate and methane control costs are incurred as each site is filled and for a number of

years post closure.

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.

Changes in the provision arising from revised estimates or discount rates or changes in the expected timing of expenditures that relate to property, plant and equipment are recorded as adjustments to their carrying value and depreciated prospectively over their remaining useful economic lives; otherwise such changes are recognised within the income statement.

The associated outflows are estimated to arise over a period of up to 60 years depending on the date of each site closure. In determining the provision, the estimates for future expenditure required to settle the obligation are inflated using longer term inflation rates, and discounted using the nominal discount rate. The rates utilised reflect the period of the obligation on a site by site basis which varies between 10 and 60 years.

Long-term aftercare provisions included in landfill restoration and aftercare provisions have been inflated and discounted using the below nominal rates:

	Inflation rate		Discount rate	
Period of obligation	As at 25 September 2020	As at 27 March 2020	As at 25 September 2020	As at 27 March 2020
5 years	2.4%	2.1%	0.6%	2.1%
10 years	2.5%	2.3%	1.0%	2.1%
20 years	2.5%	2.3%	1.5%	2.5%
30 years	2.2%	2.0%	1.6%	2.4%
60 years	1.9%	1.6%	1.5%	2.3%

Insurance

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

Dilapidations and Onerous Contracts

Provision for dilapidations was £12.7 million (52 weeks ended 27 March 2020: £12.3 million, 26 weeks ended 27 September 2019: £7.9 million) and £27.7 million (52 weeks ended 27 March 2020: £15.4 million, 26 weeks ended 27 September 2019: £15.2 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. Within current provisions there is £8.1m relating to the onerous contract on North Somerset which is expected to be settled before the end of FY21.

12. Cash Flows from Operations

	26 weeks ended 25 September 2020 £m (unaudited)	**26 weeks ended 27 September 2019 £m (unaudited)**	52 weeks ended 27 March 2020 £m (audited)
(Loss)/Profit for the period	**(43.2)**	20.6	45.6
Adjustments for:			
Finance income	**(2.0)**	(2.4)	(3.4)
Finance charges	**9.1**	10.7	21.0
Share in joint ventures	**0.4**	-	0.1
Taxation	**(9.3)**	5.0	10.8
Operating (loss)/profit	**(45.0)**	33.9	74.1
Share based payments	**1.1**	-	3.0
Onerous contract provisions	**12.3**	0.9	4.4
Impairment of assets	**15.1**	-	-
Amortisation of intangibles	**18.9**	9.2	17.9
Depreciation of property, plant and equipment	**43.6**	40.4	82.6
Loss/(Profit) on disposal of fixed assets	**0.2**	(0.6)	(1.0)
Increase in inventories	**(2.5)**	(1.1)	(1.7)
Decrease/(Increase) in debtors	**2.1**	(38.9)	(14.7)
Increase in creditors	**16.2**	22.0	32.3
(Increase)/Decrease in financial asset	**(3.7)**	3.0	9.2
Increase/(Decrease) in provisions	**10.0**	0.6	(12.3)
Total cash generated from operations	**68.3**	69.4	193.8

Reconciliation of net cash flow to movement in debt

	26 weeks ended 25 September 2020 £m (unaudited)	**26 weeks Ended 27 September 2019 £m (unaudited)**	52 weeks ended 27 March 2020 £m (audited)
Net (decrease)/increase in cash and cash equivalents	**13.4**	(14.0)	21.6
Net decrease/(increase) in borrowings	**101.8**	(124.1)	(135.4)
Movement in net debt in the period	**115.2**	(138.1)	(113.8)
Net debt at start of period	**(466.8)**	(353.0)	(353.0)
Net debt at end of period	**(351.6)**	(491.1)	(468.8)

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 of £41.3m 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 25 September 2020 £m (unaudited)	**26 weeks ended 27 September 2019 £m (unaudited)**	52 weeks Ended 27 March 2020 £m (audited)
Cash and cash equivalents	**101.2**	52.2	87.8
Finance leases	**(258.1)**	(250.5)	(258.0)
Bank loans	**(147.1)**	(245.2)	(249.0)
EVP preference liability	**(6.3)**	(6.3)	(6.3)
Reported net debt	**(310.3)**	(449.8)	(425.5)
EVP preference liability	**(41.3)**	(41.3)	(41.3)
Net debt	**(351.6)**	(491.1)	(466.8)

13. Pension and Post Retirement Benefits

Defined benefit schemes

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

	As at 25 September 2020 £m (unaudited)	As at 27 March 2020 £m (audited)
Present value of funded defined benefit obligation	**(578.5)**	**(485.9)**
Fair value of funded plan assets	**645.8**	**599.3**
Adjustment for the restriction in asset benefit	**(0.7)**	**(1.7)**
Adjustment in respect of GMPF Admission agreement	**19.0**	**13.0**
Net asset arising from defined benefit obligation	**85.6**	**124.7**

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

	As at 25 September 2020 £m (unaudited)
Benefit obligation at beginning of period	**485.9**
Service cost	**1.3**
Interest cost	**5.8**
Contributions by plan participants	**0.2**
Net remeasurement gains - financial	**97.2**
Benefits paid	**(11.9)**
Benefit obligation at end of period	**578.5**

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

	As at 25 September 2020 £m (unaudited)
Fair value of plan assets at beginning of period	**599.3**
Interest income on scheme assets	**7.3**
Return on assets, excluding interest income	**46.3**
Contributions by employers	**4.9**
Contributions by plan participants	**0.2**
Benefits paid	**(11.9)**
Scheme administrative cost	**(0.3)**
Fair value of plan assets at end of period	**645.8**

14. Related Party Transactions

The nature of related parties as disclosed in the consolidated financial statements for the Group as at and for the 52 weeks ended 27 March 2020 has not changed. Further, there have been no related party transactions in the 26 weeks to 25 September 2020.

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 £85.8 million outstanding at 25 September 2020 (27 March 2020: £84.9 million, 27 September 2019: £85.3 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 £14.9 million (27 March 2020: £19.8 million, 27 September 2019: £17.8 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 £8.5m, which has been paid and is included in prepayments in the current year as the Group is disputing this assessment.

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. Biffa won the Upper Tax Tribunal for the EVP case. However, HMRC have been grant leave to appeal to the Court of Appeal which will be heard March 2021.

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 £47.6 million has been recognised in borrowings, an accrual of £13 million has been recognised in non-current liabilities. Of the liability of £47.6 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 £41.3 million has been excluded from Reported Net Debt.

17. Post Balance Sheet Events

On 9 October 2020, the Group acquired certain trade and assets of Camo Ltd (trading as Simply Waste Solutions) for a total consideration of £40.0m consisting of £35.0m upfront consideration and £5.0m deferred consideration (dependant on financial performance). The acquisition accounting remains under review for the acquisition.