Biffa plc

RESULTS FOR THE 52 WEEKS ENDED 26 MARCH 2021

RESILIENT PERFORMANCE, RESOURCEFUL FUTURE

1 June 2021

Biffa plc ('Biffa', 'the Group' or 'the Company') (LSE: BIFF), the UK's leading sustainable waste management company, announces its results for the 52 weeks ended 26 March 2021.

Michael Topham, Chief Executive of Biffa, said:

"I'm extremely proud of the way the entire team responded in what has been a defining year for Biffa. We were able to protect our people and continue to provide the essential services on which society depends, while taking decisive action to strengthen the finances of the Group and continue to invest for the future. It has been a year none of us want to repeat but certainly one which showed us at our best.

We are pleased to have been able to end the financial year with results ahead of our expectations. We are strongly positioned for the post-pandemic recovery with leadership positions in our core markets, a well-developed investment programme and exciting growth opportunities ahead, leveraging the Group's unique position at the heart of the circular economy.

Adding to the progress we made in the year, the recent announcement of our agreement to acquire Viridor's collections business and certain recycling assets is another significant step for Biffa, further accelerating the delivery of our growth strategy."

Business Highlights

- Swift and decisive action taken from the outset of the pandemic focusing on protecting the health, safety, and wellbeing of our people, ensuring minimal disruption for customers and protecting the Group's financial strength
- Continued strategic delivery, supported by equity raise in June 2020, with just over £350m since committed and £425m committed since the September 2019 Capital Markets Day across our core investment areas:
    - **Reduce**: The Company Shop Group ('CSG') acquisition expanded our offering into commercial surplus redistribution and improves our capability to support customers' waste reduction and recycling targets
    - **Recycle**: Progress in consolidating Biffa's leading position in plastics recycling with additional investments in Seaham, Washington, and Aldridge
    - **Recover**: Newhurst and Protos energy from waste ('EfW') construction projects commenced and are on track
    - **Collect**: Simply Waste and Ward Industrial and Collections (I&C) acquisitions strengthened Biffa's leadership position in the I&C market
- Strategic delivery further accelerated by recent announcement of the agreement to acquire the Collections business and certain Recycling assets from Viridor for a cash consideration of c. £126m, plus c. £17m of IFRS 16 leases assumed. This expands Biffa's I&C collections business and recycling capabilities, broadening our customer base, and solidifying our leading position in UK sustainable waste management
- Further delivery of our sustainability strategy including the launch of the UK's largest fleet of electric refuse vehicles in Manchester and a reduction of greenhouse gas emissions by 17% over the last year and 40% over the last five years
- Strongly positioned for post-pandemic recovery with leadership positions in core markets and a well-developed investment programme, underpinned by an encouraging recent trading performance; full year expectations (excluding impact of Viridor transaction) unchanged

Financial Highlights

- A resilient financial performance achieved in the year despite the impact of pandemic lockdowns
- The Collections division was significantly impacted in H1 due to temporary closures of many I&C customers with Q1 volumes dropping to c. 50% of the prior year, followed by a solid recovery across the balance of year, with full year volumes at 82% of the prior year
- The Resources & Energy ('R&E') division was particularly impacted in its Inerts business which also saw volumes drop to c. 50% of prior year levels in Q1. Volumes subsequently recovered to c. 80% of prior year. Other short-term pandemic related impacts included reduced commercial food waste volumes and depressed plastic prices
- Due to proactive measures implemented by the Group, Group EBITDA margin excluding adjusting items held up well at 13.3% (FY20 15.0%) despite the markedly lower revenues and volumes
- Group EBIT excluding adjusting items at £44.2m (FY20 £90.5m) was marginally ahead of the guided range of profit messaged in the 3 March 2021 Trading Update
- Statutory loss before tax of £52.8m (FY20: profit £56.4m). The main items contributing to this total were asset impairment charges relating to the Poplars AD plant (£8.2m) and the IT replacement project (£13.7m); an uplift of the onerous contract provisions of £10.3m; the decrease in the real discount rate on provisions of (£20.6m); and an increased level of amortisation of acquisition intangible assets (£27.4m); these are not included in the business performance excluding adjusted items metrics
- Statutory leverage (3.3x) and bank leverage ratio (2.2x) reflect another period of strong cash management. This leaves the balance sheet well positioned ahead of the Viridor acquisition, with bank leverage expected to return to c. 2.0x within 12-18 months of completion of the acquisition
- Financial performance underpinned by significant support and sacrifice from key stakeholders including dividend and bonus suspension, pay reductions for leadership, pay freezes and furlough support of £12.0m for up to 1,800 employees furloughed for various periods in the year. Due to the impacts of Covid-19 on the business, the Board is not recommending a final dividend for the FY21 year

Financial Summary

Business Results excluding adjusting items	**FY21** **£m**	FY20 £m	Change £m	Change %
Statutory Revenue	**1,042.0**	1,163.1	(121.1)	(10.4)
Net Revenue[1]	**988.1**	1,102.8	(114.7)	(10.4)
EBITDA excluding adjusting items[2]	**138.2**	174.0	(35.8)	(20.6)
EBITDA excluding adjusting items margin	**13.3%**	15.0%	n/a[11]	n/a[11]
Operating Profit/(Loss) excluding adjusting items[3]	**44.2**	90.5	(46.3)	(51.2)
Operating Profit/(Loss) excluding adjusting items margin[4]	**4.2%**	7.8%	n/a[11]	n/a[11]
Profit/(Loss) before Tax excluding adjusting items[5]	**29.0**	71.7	(42.7)	(59.6)
Free Cash Flow excluding adjusting items [6]	**33.2**	53.6	(20.4)	(38.1)
Reported Net Debt [7]	**(456.8)**	(425.5)	(31.3)	(7.4)
Reported Net Debt: EBITDA [8]	**3.3x**	2.4x	n/a[11]	n/a[11]
EPS excluding adjusting items	**7.7p**	**23.1p**	(15.4p)	(66.8)

Statistical Results	**FY21 £m**	FY20 £m	Change £m	Change %
Statutory Revenue	**1,042.0**	1,163.1	(121.1)	(10.4)
Statutory Operating Profit/(Loss)	**(37.6)**	74.1	(111.7)	(150.7)
Statutory Operating Profit/(Loss) Margin	**(3.6%)**	6.4%	n/a[11]	n/a[11]
Statutory Profit/(Loss) before Tax	**(52.8)**	56.4	(109.2)	(193.6)
Statutory Profit/(Loss) after Tax	**(40.5)**	45.6	(86.1)	(188.8)
Net Cash Flow	**(57.0)**	21.6	n/a[11]	n/a[11]

Statutory EPS	**(13.7p)**	18.3p	(32.0)	(174.9)
Total dividend per share	**-**	2.47pps	(2.47pps)	n/a[11]

The key for the tables can be found on page 23

Cautionary statement regarding forward-looking statements

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

The forward-looking statements contained in this document speak only as of the date of this announcement, and Biffa does not undertake to update any forward-looking statement to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

Use of Alternative Performance Measures

Throughout the release we use a number of alternative (or non IFRS) performance measures to provide users with a clearer picture of the performance of the business. This is in line with how management monitor and manage the business day to day. Further definitions and details are provided in note 3: Adjusting items.

Presentation of Results

A live webcast of the results presentation will be available at 09.30 hrs today (1 June 2021) at www.biffa.co.uk/investors. An on-demand version of the webcast, as well as the RNS and presentation documents will also be available at www.biffa.co.uk/investors.

Publication of Annual Report

The Company will publish its Annual Report and Accounts 2021 on 21 June 2021. This document will be available to view on the Company's website at www.biffa.co.uk/investors and is also being submitted to the National Storage Mechanism for inspection at: https://data.fca.org.uk/#/nsm/nationalstoragemechanism.

AGM

Following the Group's announcement on 25 May 2021 of a revised date for the publication of its final results for the full year ended 26 March 2021, the Company will be moving its Annual General Meeting accordingly to 19 July 2021, a short delay to the previously planned date of 7 July 2021.

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Structure of this document

1. Chief Executive Officer's Review

A defining year

I'm extremely proud of the way the entire team responded to the coronavirus pandemic in what has been a defining year for Biffa. We were able to protect our people and continue to provide the essential services on which society depends, while taking decisive action to strengthen the finances of the Group and continue to invest for the future. It has been a year none of us wants to repeat but certainly one which showed us at our best.

Having responded swiftly to the first wave of the pandemic, we secured the support of shareholders to raise £100m of new equity to enable us to swiftly recommence our strategic investment programme. Since then, we have delivered on that investment programme at pace, making a number of acquisitions and committing capital into vital UK green economy infrastructure development, notably including the recent announcement of our agreement to acquire Viridor's Collections business and certain Recycling assets. These investments will ensure we are well placed as the post-pandemic recovery takes hold.

The second wave of the pandemic and the subsequent lockdowns over the winter inevitably presented further challenges for the business, although their impact on our trading performance was less pronounced than the first. As a result, we were able to end the financial year with trading results ahead of the Group's Covid-19 base case expectations which we communicated at the start of the pandemic. It is however important to recognise the collective sacrifice that was made through the year and support that has been received to get us to the position we are now in. Measures included dividend suspension, staff furlough, pay reductions and cancellation of all pay increases and bonuses. We reinvested some of the savings we made into enhanced sickness benefits for staff and in funding an all-employee share award of £300 as a token of our appreciation for their commitment and sacrifice.

Despite the obvious distractions that the pandemic has brought, I am particularly pleased with the first year of delivery of our sustainability strategy, 'Resourceful, Responsible', which we launched a year ago. Its delivery and Biffa's future success are inextricably linked.

This was a year in which strong relationships with all stakeholders were fundamental to ensuring business resiliency. My thanks go to all of our stakeholders, especially our employees for their commitment and support over the course of the year.

Financial Performance

Our financial performance was materially impacted by the Covid-19 pandemic, with the business experiencing a revenue reduction of £121.1m. Despite this, EBITDA excluding adjusting items margins held up well across FY21 at 13.3% (FY20: 15.0%). The measures contributing to this performance included taking c. 39% of the I&C frontline fleet off the road; furloughing up to 1,800 staff for various periods of the year for which we received £12.0m of government support; temporary pay cuts taken by the Board and senior leaders, pay freezes and the cancellation of all bonuses. These measures gave the Group the ability to better shoulder the downturn and progress its strategic priorities over FY21.

In addition, the Group booked a number of adjusting items in the year. These charges totalled £81.8m before tax in the year (FY20: £16.4m) and the main contributing items related to asset impairment charges, an uplift of the onerous contract provisions, impacts of the decrease in the real discount rate on provisions; and an increase in the charge for amortisation of intangible assets. The overall consequence of all of these items was a loss before tax for the year of £52.8m (FY20 PBT £56.4m).

An evolving sector with attractive growth opportunities

The UK waste sector is entering an exciting period of change, which brings enormous opportunities for Biffa. In some ways it could be said that the UK waste sector is entering its 'third age'.

The 'first age', in simple terms, was the period during the second half of the 20th century, when waste management became a regulated, organised industry, but which was essentially organised around collections and landfill. Waste companies oversaw the safe collection and disposal of waste from households and businesses. For most people this was a very convenient, cost-effective, 'out of sight, out of mind' model. Biffa's business was originally built during this period. Whilst ultimately rightly confined to the history books, it was an essential step on our journey to where we find ourselves today.

The 'second age' began roughly around the turn of the century with the realisation of the potential for environmental harm of the existing system – and the opportunity that existed if we took a different approach. The concept of the 'waste hierarchy' was incorporated into Government policy and recycling and energy recovery were prioritised ahead of landfill. This period brought enormous investment and change, with a decrease in UK household waste to landfill of 80% between 1995 and 2018[1], and a 69% reduction in the overall CO_2e produced by the sector since 1990[2]. The UK waste sector has been a stand-out contributor to carbon reduction over this period as a result of this enormous transition.

To a large extent, however the UK waste sector was replacing a 'collect – landfill' business model with a 'collect - sort - export' one which was driven by economic forces to export huge quantities of materials so that the ultimate treatment, whether that be recycling or energy recovery, could happen elsewhere. Headline statistics on landfill avoidance and recycling rates created a false sense that the UK's waste problem had been dealt with.

In recent years there has been an increasing realisation by consumers, businesses, and policy makers that this system of 'collect – sort – export' isn't acceptable. We have all seen examples of how things can go wrong when we rely on countries that don't yet have the same high environmental standards or controls as the UK. It has made us realise that, to an extent, we had actually replaced one 'out of sight, out of mind' model with another.

As an advanced economy committed to a green, sustainable future, we have come to realise that shipping our waste to other countries to deal with is unacceptable. Moreover, it deprives the UK of the resources inherent within the waste – whether that be circular economy raw materials or vital low carbon energy – and doesn't just involve exporting waste – it exports jobs as well.

And so, we enter the 'third age' where governments, regulators, businesses, and consumers all see the benefit in managing resources efficiently and dealing with them here in the UK. Alignment exists because it helps businesses to win and retain customers, it protects brands, it creates job, and it wins votes.

It starts with supply chains being committed to – and delivering – waste reduction initiatives, supported by progressive waste management partners, like Biffa, that actually help them make it happen. For waste that can't be avoided, the most efficient, low-carbon collections systems, which have already begun their transition to zero emissions systems, ensure waste is properly segregated and the best possible outcomes are a possibility. Once properly collected, the most advanced treatment capabilities in the world are available – here in the UK – to ensure that materials are recycled in genuine 'closed loop' systems that put the same materials back into the same supply chains – again and again – or, if they are currently not capable of being recycled, they are safely used for low-carbon energy generation.

It is this third age that is now upon us, and at Biffa we understand the challenge and are excited about the opportunity it offers. It is what drives us and underpins our purpose to *change the way people think about waste.*

It is encouraging that the UK Government and devolved administrations are alive to these issues and the opportunities that exist if we get things right, and we welcome the ambition in planned regulatory changes for our sector. Inevitably their implementation has been delayed due to the challenges of Brexit and the pandemic. Now is the time to move ahead with purpose to make the changes happen.

Biffa's role as an enabler of the circular economy

Biffa is already playing a vital role in making this third age a reality. Our areas of focus essentially reflect the waste hierarchy – to Reduce, Recycle, and Recover in addition to the essential activity of collections, which are fundamental to the waste supply chain and to our business success. Across these four areas we have made significant progress in the year:

- **Reduce**: Our acquisition of Company Shop Group ('CSG') in February 2021 for £85.9m plus £10m of IFRS 16 leases assumed establishes us as the leading enabler in the UK circular economy, with genuine alignment to our customers' objectives to reduce waste. CSG is in the business of waste prevention, working with manufacturers of household produce to ensure surplus produce does not go to waste and instead is redistributed for sale through its unique network of membership-restricted outlets. It also includes Community Shop, a not-for-profit community interest company that supports some of the most deprived areas of the UK through a network of hubs which sell produce provided by donations from supplier partners at deeply discounted prices, alongside the provision of a number of community services. We look forward to delivering the growth plan for CSG, increasing waste redistribution across our customer base.
- **Recycle**: Biffa is a leader in closed-loop plastic recycling. We have continued the rapid expansion of our capabilities, with investments for the treatment of post-consumer PET in Seaham and PP in Washington nearing completion, and a further investment in HDPE recently announced. By the end of FY22, we will have invested c. £55m, increasing our capacity from 63,000 tonnes in FY19 to 155,000 tonnes.

[1] Source DEFRA: UK Statistics on Waste (publishing.service.gov.uk), page 7

[2] Source DEFRA: Resources and Waste Strategy - Monitoring Progress (publishing.service.gov.uk), page 22

- **Recover**: Whilst we are committed to waste reduction and recycling, we recognise that we are still many years away from realising the long-term vision for all waste to be recycled, and in the meantime, energy recovery will play a vital role in tackling this waste challenge. As the UK's largest waste collector, having access to domestic, low-carbon energy recovery is essential, and we have been working with our joint venture partners Covanta and Macquarie's Green Investment Group to develop two facilities to meet this need. The first facility at Newhurst in Leicestershire commenced construction during the year, and the second, Protos in North Cheshire, reached financial close during the year and has also started construction. These facilities will become operational in 2023 and 2024 respectively and will handle c. 0.5m tonnes of Biffa's non-recyclable waste. Our total investment in these two facilities will amount to c.£75m and will deliver a growing return once the sites become operational.
- **Collect**: We have continued to deliver on our plan to consolidate the fragmented I&C collections market. Acquisitions are highly synergistic, with the removal of duplicate routes and locations, and result in a more efficient, flexible service proposition for our customers with a lower-carbon intensity. Acquisitions are the key to us delivering our long-term plan to be the leading collector of business waste in the UK, enjoying sector-leading margins and returns on capital. In the year we also completed a further two I&C acquisitions, investing £35.3m, plus £9.1m of IFRS16 leases. The vast majority of this related to Simply Waste, a leading operator in the south of England. We expect the consolidation of the I&C market to remain a feature of our strategy for some time to come. We have also continued to invest heavily in our customer experience, helping us to both attract new customers and give them the best experience once with us. Customers demand information and transparency more than ever, and we are uniquely well positioned to deliver this for them.

In addition to the above, after the year-end we announced that we had reached agreement to acquire Viridor's Collections business and certain Recycling assets for a cash consideration of c. £126m, plus c. £17m of IFRS 16 lease assumed, solidifying our leading position in UK sustainable waste management.

Our total committed investment since the Capital Markets Day in 2019, along with our announced Viridor acquisition, means we have committed £425m across these four areas. This represents a significant acceleration in the strategic development of the Group and is well in excess of the £250m ambition we laid out in our Capital Markets Day event in September 2019.

To reflect our positioning and priorities, going forward we will establish a new divisional reporting structure based on three divisions: Specialist Services (incorporating Biffa's established division of the same name and CSG), Collections (incorporating I&C and Municipal), and R&E. Our R&E division continues to be led by Mick Davis, and our Specialist Services and Collections divisions are led by David Bird, who recently joined the Group to replace Jeff Anderson, who retired at the end of the financial year.

A strategy with sustainability at its core

Our first sustainability strategy, 'Resourceful, Responsible' has already become well embedded within our business and underpins everything we do.

Our plan involves big ambitions in unlocking £1.25bn of green economy infrastructure investment and further significant reduction in our carbon emissions by 2030. The great progress we have made in delivering our business strategy, such as our entry into the redistribution and waste reduction space, expanding our plastic recycling operations, building a low-carbon collections business through acquisitions, and investing in energy from waste infrastructure will ensure we deliver this plan.

In addition, we have made a number of commitments that reflect the role we have as a leader in our sector, such as improving workplace safety and addressing the risks that the waste industry presents to rough sleepers, creating a more diverse and inclusive place of work, increasing pay for our lower paid workers, and tackling modern slavery, to which our sector, like many, is vulnerable. In our business operations we have committed to pioneering the introduction of electric collection vehicles and migration of our landfill logistics to being predominantly rail-based, reducing carbon and congestion simultaneously.

I am really pleased with the progress we have made in delivering across many of these objectives. Indeed, the recent acceleration of our investment strategy means that we have now unlocked £1bn of the target of £1.25bn investment and have managed this despite the obvious distraction of the pandemic. But there is a lot of work to do in the years ahead. For more information take a look at our Sustainability Report which will be published on 21 June 2021 and will be available on our website: www.biffa.co.uk/sustainability.

Technology, innovation, and disruption in waste

We are often asked about the extent to which our business is at risk of disruption from technology and innovation, especially as a result of the Covid-19 pandemic where many business models have needed to adapt.

Innovation is essential in the waste sector as society moves towards a de-carbonised, circular economy and the industry seeks more sustainable waste management processes. However, with a growing list of supposed game-changing solutions, Biffa's experience and position is critical for assessing the viability of novel technologies and identifying the most promising initiatives.

We maintain a pipeline of new innovations, partnering where appropriate to help new ideas progress, without putting capital at risk. Areas of innovation that will evolve our core proposition and have the potential to grow into and disrupt adjacent markets are prioritised. Therefore, we have active projects in areas such as sustainable packaging, legislative driven changes, digitalisation of collections, hard to recycle wastes and sustainable energy production.

Digitally enabled collections models and new waste treatment technologies have been two of the most hotly debated areas of disruption for the sector.

In Collections, we assessed the scope for a digital platform to disintermediate traditional 'hard asset' operators such as Biffa from its customers, harnessing the reach and capacity of smaller operators. We believe there is a potential advantage for this model for services that are reactive or unplanned in nature, such as skips for construction waste or unplanned jobs. Biffa is relatively under-invested in these areas, so we are developing a proposition to provide solutions by leveraging a broader digitally enabled supply chain. Nevertheless, we have firmly concluded that the end-to-end ownership of the assets and direct employment of service delivery personnel is the winning model for the majority of our Collections services. This is true from a cost, customer service, environmental and transparency perspective - provided there is sufficient scale to deliver the route density benefits key to driving profitability. Customers want the certainty of a self-delivered model and the confidence our brand brings with it.

In waste treatment technologies, there has been significant interest in energy recovery. We have thoroughly investigated solutions such as gasification and pyrolysis, and are open to advances, however, evidence shows that incineration is currently the only reliable solution for non-recyclable general waste. It is a key transitional technology away from landfill towards more sustainable methods. For hard-to-recycle plastics, chemical recycling has also received growing attention, but the technology and economics are presently unviable. We remain hopeful that more options for the treatment of plastics will become available and we are well placed to leverage them once they do.

Significant disruption to current waste management practices is required across supply chains to prevent negative environmental impacts, and Biffa is perfectly positioned to drive that change.

Outlook and priorities

Our immediate focus remains ensuring that we can maintain our essential services whilst keeping our people safe and well. As we look beyond the pandemic, we believe Biffa is very well placed for a strong recovery and are encouraged by our recent trading performance. We are focused on delivering our strategic growth plans which will enhance our leading position at the heart of the UK circular economy. We are already making positive headway in our core investment areas: Reduce, Recycle, Recover and Collect.

Following the Group's acquisition of CSG in February 2021, discussions with our corporate customer base about the newly combined offering have been very positive. The opportunities going forward for new store openings are actively being pursued with a clear plan to source sufficient additional surplus volumes and expand outlet numbers over the next 3-4 years to grow revenue and EBITDA by a further 50%, as previously reported.

We will continue to build out our plastic recycling capabilities at pace. With the final commissioning of the developments at Seaham, Washington and Aldridge approaching, we will move on to the previously announced additional investment at Washington, which will increase the Group's HDPE milk bottle recycling capacity by a further 50%. To further bolster our plastics recycling capacity, we recently agreed terms to acquire Scotland's only post-consumer plastics recycling facility ('PRF') from Green Circle Polymers Ltd for £10m. The PRF adds an additional 50,000 tonnes of treatment capability and is well positioned to play a role in the Scottish Government's Deposit Return Scheme which comes into effect in July 2022.

Our EfW portfolio has been progressing to plan, in line with construction milestones. The much-needed green infrastructure will reduce the UK's reliance on exporting non-recyclable waste. Both the Newhurst and Protos facilities will continue their large-scale construction programmes into FY22 and FY23.

The agreement to acquire the Collections business and certain Recycling assets from Viridor, will expand Biffa's

I&C collections business and recycling capabilities, broaden our customer base, and solidify our leading position in UK sustainable waste management. The deal, which will be immediately earnings enhancing, builds on Biffa's strong track record as a leading market consolidator in the highly fragmented I&C collections market and underpins our commitment to our sustainability strategy, strengthening Biffa's position as one of the largest recyclers of post-consumer materials in the UK. Completion of the deal is expected no earlier than August, following clearance from the Competition and Markets Authority. We will then move swiftly to integrate the Viridor business into Biffa.

We have been pleased with the recovery of our performance in recent months and are confident that the year ahead will see a good recovery in our trading performance, as we benefit from the economic rebound that is emerging follow the easing of lockdown restrictions. We will also see the benefit of the investments and acquisitions that we have made over the course of the year. Accordingly, our expectations for the year (excluding the impact of the Viridor transaction) are unchanged.

As we hopefully move beyond the pandemic, it is vital that we support our customers as they seek to revitalise their businesses through providing an excellent customer experience. The ongoing work to make progress across the key initiatives within our sustainability strategy will continue. We have a lot to get on with to leverage our leading position as an enabler of the UK circular economy. All our stakeholders expect it of us, and we won't let them down.

Michael Topham

Chief Executive Officer
31st May 2021

2. Operating Performance

Collections division

The Collections division comprises the Industrial and Commercial ('I&C'), Municipal and Specialist Services businesses. As previously reported, Specialist Services will be separated from the Collections division and joined with the Company Shop Group ('CSG') business to create a new Specialist Services division from FY22. Both the Collections and Specialist Services divisions will be led by David Bird, who has been appointed Chief Operating Officer of the Collections and Specialist Services divisions and replaces Jeff Anderson, who retired at the end of the financial year.

The Collections division provides sustainable waste collections, recycling and related services to industrial, commercial, public sector and local authority customers.

	FY21	FY20	Change
	£m	£m	%
I&C	495.5	603.7	(17.9)
Municipal	182.1	177.3	2.7
Specialist Services	92.4	89.8	2.9
Statutory Revenue	**770.0**	870.8	(11.6)
EBITDA excluding adjusting items	**109.8**	126.4	(13.1)
Operating Profit/(Loss) excluding adjusting items	**49.1**	72.2	(32.0)
Operating Profit/(Loss) Margin excluding adjusting items	**6.4%**	**8.3%**	n/a[11]
Statutory Operating Profit/(Loss)	**36.0**	**66.1**	(45.5%)

In the Collections division, the impact of the pandemic was particularly challenging in the I&C business with many customers forced to temporarily close and volumes dropping to around 50% of prior year in Q1. Swift action was taken to mitigate the impact of the pandemic and the business recovered well across the year despite the various lockdowns across the UK. Against this testing economic backdrop, Revenue in the Collections division recovered ahead of our base case expectations, albeit still decreasing by 11.6% to £770.0m (FY20: £870.8m). As a result, EBITDA excluding adjusting items fell 13.1% to £109.8m (FY20: £126.4m).

Adjusting items in the period totalled £13.1m. These include £1.8m of acquisition costs and £6.2m of movement on onerous contract provisions, £4.6m of amortisation of acquisition intangibles and £0.5m impact of movement in real discount rates on provisions.

The division continues to make acquisitions, in line with its growth strategy and, during the year acquired Ward Recycling, Simply Waste Solutions and CSG. Following the year end, Biffa announced its agreement to acquire the Collections business and certain Recycling assets from Viridor, expanding our collections business and recycling capabilities, broadening our customer base, and solidifying our leading position in UK sustainable waste management.

Industrial and Commercial

The I&C business provides waste collection and materials handling services for commercial customers, covering 95% of UK postcodes. Biffa is the largest manager of business waste in the fragmented UK I&C Collections market benefitting from scale, route densities and lower operating costs.

Market Conditions

The pandemic had a clear and material impact on the I&C business during the first quarter as nearly 50% of customers were forced to temporarily close their operations. Despite the subsequent lockdowns, the business recovered over the course of the year as more customers were able to continue operating even with restrictions. As we look into FY22, the ongoing reopening of the economy, gives us cautious optimism that the business will continue to recover.

Performance Summary

Despite being severely impacted by the coronavirus pandemic, the I&C business recovered ahead of our base case expectations. Volumes decreased by c. 50% compared to pre-pandemic levels during the first lockdown, but as the economy opened back up these recovered back up to 95% of prior year levels across the second quarter of the year. Volumes and revenues held up well during H2 despite 4 of those 6 months being lockdown impacted, and overall revenues ultimately averaged out at 82% of prior year levels (£495.5m).

The strong recovery was thanks to the hard work of the I&C team who took the opportunity to re-route the business as we remobilised after the first lockdown and this has enabled us to become more efficient. As a result, the business also achieved lower ongoing unit operating costs, as a result of the enduring benefits of double shifting vehicles, improving lifts per day and reducing the number of operating vehicles required to service our customers.

As a result of the lockdown and resultant volume decline, organic revenue declined by 20.1%. Despite this, I&C achieved strong levels of new business wins and retentions, particularly as some smaller operators have struggled to ensure continuity of service. There were low levels of churn (<5% annualised) and new corporate customers and contract extensions included: TFL, SSE, Parkdean Resorts, Wincanton Logistics and Barratt Developments plc.

In the Small to Medium Enterprise (SME) market, the I&C business performed strongly, despite the pandemic impacting field sales. Successful targeting of SME volumes through our Telesales service and new e-commerce platform has helped to produce strong sales volumes and new customer wins. The supplementary service generated sales with an annualised order value of £770,000 in the first 5 months of trading and generated a significant number of leads into the sales centre. We have recruited additional roles into our Marketing function to support our digital growth.

There are increasing requirements from customers for us to contribute towards their sustainability agendas, specifically in support of building a circular economy and tackling climate change – areas which are aligned with Biffa's sustainability strategy: 'Resourceful, Responsible'.

We are currently trialling a new self-designed carbon mapping tool which will enable customers to map the carbon footprint of their waste. By giving them access to quality data, we are providing customers with better transparency of their emissions which will enable working together to reduce carbon impacts. We are also working with our customers to help make their packaging more recyclable, by offering expertise at the product design stage. Ultimately, investing further up the waste hierarchy or supply chain will enable Biffa to improve the circularity of the economy.

Despite the difficulties faced in the year, we were pleased to make two acquisitions, Ward Recycling in September 2020 and Simply Waste Solutions in October 2020. Integration of Ward Recycling was completed within three months and the business is performing well, with normal volumes resumed. Simply Waste Solutions was not integrated during the pandemic, partly due to the earn out period on the deal and partly to minimise disruption and to best serve its core markets. Integration is progressing to plan and will be completed during FY22.

Strategy and Outlook

We have continued to deliver on our plan to consolidate the fragmented I&C collections market. Acquisitions are highly synergistic, with the removal of duplicate routes and locations, and result in a more efficient, flexible service proposition for our customers with a lower-carbon intensity. Acquisitions are the key to us delivering our long-term plan to be the leading collector of business waste in the UK, enjoying sector-leading margins and returns on capital.

We are looking to expand the services we offer our established corporate customer base and capitalise on the synergies we have available through the acquisition of CSG, as well as expanding our SME customer base.

The development of non-scheduled services such as skip hire and van collections continues to be a focus for growth. We have created a new digital materials management platform which enables a seamless approach to booking skips, and we were delighted to be awarded a number of contracts in this area, including for Barratt Developments PLC. Strong interest has been demonstrated from other housebuilders with trials planned for FY22.

There is an opportunity to leverage our digital capabilities to support customers with their sustainability agendas, as well as investing in our e-commerce platforms, providing additional customer features on our self-serve web portals, and introducing further digital products to market. This strategy is being developed and will see a new Customer Zone launched in FY22 providing improvements to an already leading-edge customer self-service portal as well as developments in allowing customers to get quotes and book services directly which we believe will see increase revenues and improve customer service.

We are refining our customer offering with the introduction of our Customer First Programme will help us to continue to improve service levels and support our customers in preparing for the Government's Resources and Waste Strategy (RWS) for England and the Environment Bill, which will come into effect in the next few years.

As part of our agreement to acquire Viridor's Collections business and certain Recycling assets, upon completion of the deal the Group will acquire Viridor's nationwide I&C fleet of 270 vehicles along with 15 depots across the UK, servicing 21,000 customers, generating £85m of revenue in FY20 (March year-end) and completing over 3 million lifts each year. The business will be integrated into Biffa's existing I&C platform across the UK.

Municipal

The Municipal business provides household waste and recycling collections, street cleaning and other services for households, on behalf of local authorities.

Market Conditions

Our Municipal business is number two in the UK domestic market, serving 33 local authorities and is highly regarded as a key partner, delivering a high-quality service.

With people spending more time at home over the last year, the Municipal business naturally experienced a strong demand for services and higher volumes. As the business operates a fixed fee model, revenue remained stable. The business balanced these high volumes with increased staff-absenteeism levels which peaked at approximately 20% during the initial few months of the pandemic. Employees from the I&C team were seconded to support with these increased volumes and higher absence levels.

The market is stabilising, with fewer players entering and a more equitable risk balance between the public and the private sector. As a result of the pandemic this year, we have seen fewer contracts come to market for re-tendering as councils have focused their efforts elsewhere. Biffa has seen the benefit of this in the high number of extensions we have secured.

The business is well placed to benefit from the RWS in England and the Environment Bill in the next few years as demand for recycling services from local authorities increases. We are yet to see how this will be funded but expect to see budgets for local authorities increase as a result.

Performance Summary

New contract wins in the period include Anglesey, which adds to Tandridge, Winchester and Cornwall, which we successfully mobilised in the year. We also negotiated profitable extensions on the Crawley, Thurrock, East Lothian, Portsmouth, Lincoln, and Rutland contracts and successfully negotiated the exit from the loss-making contract in North Somerset, which came into effect at the end of FY21. The combined performance delivered revenues up 2.7% at £182.1m.

Another success area this year has been the investment in our control room, which monitors the safety, customer service and efficiency of around 575 Municipal vehicles. This remote monitoring has had a positive impact on our CO_2 emissions, by reducing the number of vehicles out in service to do physical inspections. We're also making better use of the telematics on the vehicles to monitor driver performance and behaviours to ensure we deliver a good service in a safe environment.

We've seen a significant increase in our Green Waste Club membership this year by around 15%. This growth has been driven by more people working from home and the reduction in Household Waste Recycling Centre availability during the pandemic. The Green Waste Club is a subscription-based club providing the customer with a wheeled bin that is collected fortnightly from the edge of their property. Working in partnership with the local authority, Biffa transports the garden waste to a local facility where it is composted.

One of the growing areas where Biffa's Municipal business can add real value is sustainability. Councils are looking to decarbonise their fleets by switching to electric vehicles and alternative fuels, which also forms a key area of Biffa's sustainability strategy. In the year we successfully launched the UK's largest fully electric refuse collection fleet in Manchester.

We have a stated ambition to progress towards Living Wage Foundation rates for our lower paid workers and are making steps towards that with the introduction of a threshold across the business to ensure that all our employees are paid above the National Minimum Wage.

Following the acquisition of CSG, we have established strong links with the Community Shop social enterprise. We see great potential as a significant local employer to support Community Shop's work, including through providing a pathway to employment for long-term unemployed people. We also now have dedicated investment in education and training, specifically around teaching the younger generation to recycle more.

Strategy and Outlook

This year has particularly highlighted the resilience of the business, both operationally and financially following a period of stabilising the business last year. We have a secure foundation to grow, taking advantage of the opportunities that the RWS in England and Environment Bill will present in alternative fuels and the deployment of electric vehicles.

Going forward, the business will continue to focus on delivering an efficient, high-quality service, keeping costs firmly under control and delivering efficiencies through the increased use of technology.

We will continue to build our complementary and adjacent Non-Local Government revenue streams whilst delivering high quality, commercially robust and risk appropriate tenders for new business in our core market.

As part of our agreement to acquire Viridor's Collections business and certain Recycling assets, two household waste recycling centre contracts will be added to the Municipal business upon completion of the deal. These contracts generated £11m of revenue in FY20.

Specialist Services

The Specialist Services business provides bespoke solutions to customers who have more complex waste requirements such as manufacturing and distribution businesses. Services include on site services and equipment rental ('Integrated Resource Management' or 'IRM'), hazardous waste collection and treatment and packaging producer responsibility compliance services ('Biffpack').

During the year, the Group acquired CSG, adding surplus redistribution capabilities to the suite of services Biffa is able to provide to these customers.

Market Conditions

The market for Specialist Services is growing and Biffa's unique position in having a fully integrated waste management platform means we can take advantage of cross-selling services from our I&C customer base in addition to our strength in supporting e-commerce customers who have tended to have a stronger year due to the levels of online shopping associated with the pandemic.

Market conditions remained stable this year, as the majority of customers maintained their services throughout the pandemic and food manufacturers in particular became extremely busy. We saw a reduction in volumes for some of the larger industrial groups, including car manufacturers, who provide some of the materials into our treatment plants. However, as market confidence has gradually returned, we have seen a recovery of our volumes in all core parts of the business.

We are continuing to engage with the UK Government, to ensure our opinions on packaging compliance reforms are considered during the development of new waste policy and regulatory measures, including the RWS in England.

Performance Summary

Specialist Services performed very strongly over the year, with profits excluding adjusting items 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.

IRM continued to grow its waste segregation revenues with both existing and new customers. We further improved business performance excluding adjusting items in Hazardous Waste by leveraging Biffa's I&C customer base to provide additional collection and treatment services to customers. Biffpack maintained a consistent level of service, helping customers to meet their legal compliance with packaging regulations.

Company Shop Group

A key highlight of the year was the acquisition of Company Shop Group, the UK's leading and largest redistributor of surplus food and household products, strengthening Biffa's leadership position in the UK circular economy.

Biffa's leading expertise in waste management and recycling, coupled with CSG's unrivalled capabilities in redistributing surplus produce, will deliver a unique circular economy proposition for the food manufacturing, retail and FMCG e-commerce sectors.

Both businesses share strong customer and supplier base alignment and there is a significant opportunity to cross-sell and up-sell Biffa and CSG's complementary services, especially within the Specialist Services business. Biffa has an enviable list of long-standing customers across CSG's target supply sectors, many of whom do not yet engage meaningfully in surplus redistribution. We are uniquely well placed to facilitate the link with these customers, alongside the provision of its existing waste and recycling services.

Discussions with our corporate customer base are currently underway regarding this new combined offering and the feedback has been very positive. The performance of CSG since its acquisition in February has been in line with our expectations, with footfall in stores being lower than normal due to lockdown restrictions. As restrictions ease, we are now seeing a recovery in footfall and spend levels. We were delighted to open the Dudley store, on time and on budget, in March 2021.

Strategy and Outlook

Going forward, the Specialist Services business will be separated from the Collections division to create a new division of the Group for external reporting purposes and will include IRM, Hazardous Waste, Biffpack and CSG.

The business has a great opportunity for growth, particularly in the Hazardous Waste and redistribution sectors. In Hazardous Waste we continue to build out our market share and enhance our digital capabilities. As communicated at the time of acquisition, there is also significant scope to expand CSG to secure more surplus volume and roll out the CSG store footprint across the UK.

As part of our agreement to acquire Viridor's Collections business and certain Recycling assets, an additional 3 depots and 1 wastewater treatment plant with a revenue of £7m (FY20) will be incorporated into the legacy Specialist Services business upon completion of the deal, expanding the division's liquid waste collection and treatment coverage and capabilities.

Resources & Energy division

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.

	FY21 **£m**	FY20 £m	Change %
Recycling	80.6	79.5	1.4
Organics	53.6	56.9	(5.8)
Inerts	98.4	112.6	(12.6)
Landfill Gas	39.4	43.3	(9.0)
Statutory Revenue	**272.0**	**292.3**	**(6.9)**
Recycling	80.6	79.5	1.4
Organics	53.6	56.9	(5.8)
Inerts	44.5	52.4	(15.1)
Landfill Gas	39.4	43.3	(9.0)
Net Revenue	**218.1**	**232.1**	**(6.0)**
EBITDA excluding adjusting items	40.7	63.4	(35.8)
Operating Profit/(Loss) excluding adjusting items	11.8	37.7	(68.7)
Operating Profit/(Loss) Margin excluding adjusting items	**4.3%**	**12.9%**	n/a[11]
Statutory Operating Profit/(Loss)	**(43.9)**	**32.5**	(235.0)

Against the challenging economic backdrop, overall Statutory Revenue for the division decreased by 6.9% to £272.0m (FY20: 292.3m) due to the impact of the pandemic. This had a significant impact on profitability with EBITDA excluding adjusted items reducing by 35.8% to £40.7m (FY20: £63.4m).

Adjusting items in the period totalled £55.7m. These include the movement on the onerous contract provision of £4.1m with Leicester City Council, £8.2m impairment of the Poplars AD plant, £22.8m of amortisation of acquisition intangibles and £20.0m impact of movement on real discount rate for provisions.

Market Conditions

The pandemic had a significant impact on our markets in the year, reducing volumes of waste in our Inerts business (which predominantly is construction related) and Organics business (through reduced food waste volumes from the hospitality sector), and adversely impacting recycled plastic prices in our Recycling business. The main impact on the Landfill Gas business was reduced ROC prices.

There is continuing strong demand for recycled plastics due to ongoing consumer and brand preference, coupled with emerging Government policy. Recycled commodity prices however remain volatile, and we continue to reduce our exposure to commodity pricing in our contracts. Our strategy of a cost-plus model in our Polymers business, coupled with variable gate fees in our MRFs, will ensure earnings become more de-risked.

Our materials recycling facilities ('MRFs') are experiencing a significant rise in cardboard recycling as a result of increased home shopping during the pandemic. Our plants have successfully adapted to this change in material mix.

The landfill market continues to see the closure of sites as void space is filled with no near-term replacement sites, resulting in fewer landfill sites within the UK and waste being transported further. Biffa has responded by expanding its rail hub programme, which can transport inert waste cost effectively to alternative sites with capacity.

Performance Summary

The majority of R&E sites remained operational throughout the pandemic, ensuring continuity of our essential services for our customers.

As previously reported, volumes in the Inerts business were severely impacted by the pandemic. Volumes dropped in Q1 to c. 50% of prior year, recovering in a similar fashion to I&C across the balance of the year.

In Polymers, our established HDPE operations were largely unaffected by the price weaknesses due to the cost-plus model referred to above being in place. There were short-term challenges with virgin plastic and PRN prices resulting in weaker results from the Seaham plant, particularly in Q2-Q4. The facility has now started to produce food grade recycled materials and performance is expected to rebound strongly during FY22.

In line with the closure of the leisure and hospitality sector for much of the year, commercial food waste volumes into our anaerobic digestion ('AD') facilities were adversely impacted. We expect volumes to improve in line with the gradual reopening of this sector in the coming months.

The Group has a clear strategy to invest in green economy infrastructure and has continued its investment programme throughout the year in spite of the pandemic. We are on track to deliver all of our strategic projects in line with key milestones, including our plastics recycling facilities in the North East and energy from waste (EfW) facilities in Cheshire and Leicestershire. This progress is the result of a fantastic effort from the Biffa team, who overcame many challenges to keep us on track and put the R&E division in a strong position for the future.

Recycling

Our recycling business comprises our leading Polymers plastics business and our MRFs.

Our rHDPE operations at Redcar were largely unaffected by the price weaknesses and continued to perform strongly during the year, reflecting its resilient nature and de-risked contracting model.

As previously reported, short-term challenges with virgin plastic and PRN prices resulted in weaker results from the Seaham rPET plant. However, there is strong demand for food grade pelleted material, with new partnerships secured with Nestlé Waters UK and Alpla, with two other major contracts close to being finalised. At the end of the financial year, we had sold the majority of our output from the Seaham facility on de-risked terms to long-standing partners, which gives us confidence that performance will rebound strongly in FY22.

The Poseidon Project, a UK Research and Innovation funded initiative in which Biffa is a partner alongside Poseidon Plastics, Dupont, Teijin Films, Alpek, GRN and O'Neills and which aims to create a process to chemically recycle harder grades of PET material, has been suspended.

The MRFs delivered year-on-year progress. The MRFs business is generating positive EBITDA excluding adjusting items and remains on track to deliver positive EBIT excluding adjusting items once all legacy contracts roll off over the next few years. In the year we kickstarted a project to use artificial intelligence (AI) in our MRFs, partnering with specialist external organisations to review the use of AI to improve efficiency.

Organics

There has been significant volume reduction in food waste due to the pandemic and its impact on the leisure and hospitality sectors. This has resulted in both volume and price erosion at the Poplars AD plant. The gas generation process at the AD plant was adversely affected which coincided with an increase in hand sanitiser found within our feedstocks.

Our composting operations have had a solid year. We achieved the compost quality standard, PAS:100 for our composting sites, which means that the compost has achieved product status and is suitable for sale as a product rather than as a waste product. Composting volumes have remained resilient and operations in the West Sussex and Leicester contracts performed steadily during the period.

Inerts

As previously reported, the Inerts business has been significantly impacted by Covid-19, with volumes into landfills initially down by c.50% compared to prior year levels during the first lockdown in Q1FY21. There has subsequently been a steady recovery in Net Revenues throughout the year as the construction sector has reopened, resulting in an overall decrease of 15.1% in Net Revenue for the full year at £44.5m.

We opened our third rail hub in Barking in May 2021 which sits alongside our hubs in Manchester and Leeds. With the closure of our landfill site in the South East, the Barking hub will maintain some of this capacity within the Biffa portfolio. Rail hubs form an important part of our sustainability strategy by helping to reduce our reliance on road haulage and lower our CO_2 emissions.

We also carried out additional engineering works at our landfill sites this year, which has seen a significant improvement in our environmental performance and resulted in fewer complaints received from the public.

Landfill Gas

Landfill Gas has remained a resilient part of the Biffa portfolio during the year, due to electricity price hedging in place. We experienced a 5.1% year on year volume decline, which is in line with expectations. The Renewables Obligations Certificates (ROCs) recycling benefit is however lower than the prior year by £3.5m due to lower demand for the ROCs.

Export power prices are 99% hedged through FY22 @ £46.30 per MwH.

Strategy and Outlook

The R&E division is well placed for a strong growth trajectory in the year ahead, with market leading businesses in growing sectors and the prospect of a post-pandemic recovery.

We will continue to focus on expanding our capacity for closed-loop plastics recycling, which is the highest-grade of recycling and therefore has the highest value. Our investments in plastics recycling infrastructure will ramp-up over the year ahead with the commissioning of the Seaham phase two rPET facility, building of the new rHDPE facility in Washington and increasing capacity at our Aldridge facility to provide a further supply of feedstock into our Polymers business. We are also investigating opportunities in the recycling of flexible plastic and the potential to invest in partnerships internationally.

On 20th May 2021 Biffa reached agreement to acquire a post-consumer plastics recycling facility ('PRF') from Green Circle Polymers Ltd ('GCP') in Grangemouth, Scotland. The acquisition of GCP will strengthen Biffa's Polymers business with increased capacity to recycle more plastic within the UK. The timing of the GCP acquisition is favourable with Scotland's Deposit Return Scheme being introduced in July 2022. GCP is Scotland's only PRF and will be extremely well placed to process these materials.

Over the last 18 months, Biffa has reached financial close and started construction on two energy from waste (EfW) facilities - Newhurst in Leicestershire and Protos in Cheshire. Both facilities are currently in build and on track with their construction milestones. The Newhurst EfW is due to commence operations in 2023 and Protos will follow in 2024.

As part of our innovation funnel, we are continuing to investigate the viability of solar energy generation on closed or restored landfill sites and are currently in planning consultation on a number of viable sites. Biffa's low-cost access to the grid and large land holdings make this a worthwhile investment opportunity.

As part of our agreement to acquire Viridor's Collections business and certain Recycling assets, upon completion of the deal the Group will acquire a portfolio of recycling and treatment facilities with revenues of £39m (FY20). These are underpinned by long term local authority supply contracts which contain appropriate risk-sharing mechanisms. The facilities include materials recycling, composting and anaerobic digestion – all of which are core capabilities for Biffa. 80% of Viridor's revenue in this area is from contracts with remaining terms of eight years or more.

Together these assets processed a total of 272,000 tonnes of material during FY20 and will increase Biffa's control of plastics feedstock into its closed-loop plastic recycling operations with c.22,000 tonnes of annual long-term supply, underpinning the Group's commitment to quadruple its plastics recycling capacity by 2030.

3. Chief Financial Officer's Review

Group Performance

In the year we experienced a revenue reduction of £121.1m of revenue. Despite this, EBITDA excluding adjusting items margins held up well across FY21 at 13.3% (FY20: 15.0%).

One of our key priorities from the outset of the pandemic was to protect the Group's financial strength. Several measures were implemented to support this:

- M&A activity was put into abeyance
- All non-essential and uncommitted capital expenditure were deferred until the equity raise
- All areas of the operating cost base were reviewed to ensure our operating model was fit for purpose
- Due to the impacts of Covid-19, no final dividend was paid in respect of FY20 nor have any dividends been declared in respect of FY21
- £12.0m of government support received for up to 1,800 staff furloughed under the Government's Coronavirus Job Retention Scheme ('CJRS') at various periods during the year. By the end of March 2021, we had ceased receiving furlough support
- The Board of Directors and Group Executive Team took a voluntary 20% reduction in salary from 1 April - 30 September 2020
- Biffa's Leadership group, representing a further 85 people, took a 10% reduction in salary for the same period
- All pay increases were suspended through FY21
- Bonus entitlements earned for FY20 were satisfied in shares and our annual bonus scheme for FY21 was cancelled
- Rightsizing I&C operations by re-routing trucks, taking c. 39% of the frontline fleet off the road
- Covenant amendments and additional liquidity headroom agreed to cater for all modelled scenarios
- £100m equity raise in June 2020 to help us pursue our strategic growth plans
- Short term assistance from HMRC payment deferrals, all of which were settled by the end of March 2021

These measures gave us the ability to better shoulder the downturn and progress its strategic priorities over FY21.

Taking account of all of the above, EBITDA excluding adjusting items margins held up well across FY21 at 13.3% (FY20: 15.0%) and the key factors impacting on performance are demonstrated most clearly by being split down by quarter:

- In the **first quarter**, we saw nearly 50% of our I&C and Landfill customers close their doors to business and as such, require no waste management services. This resulted in a loss of around £70m of revenue versus FY20. Despite this, we still managed to remain positive at the level of EBITDA excluding adjusting items throughout the quarter, albeit obviously benefiting from furlough support.
- In the **second quarter**, as the economy opened back up, the demand for our services rapidly improved and we saw I&C volumes recover to around 95% of prior year levels by the end of the quarter. The main negative factor in the quarter was depressed performance in the Seaham recycling facility, where depressed flake prices and PRN values impacted on performance. However, overall due to ongoing efficiency measures, the Group generated a similar EBITDA margin excluding adjusting items to that achieved in the first half of FY20.
- In the **third quarter**, we had further strong performance in October, followed by a month of lockdown in November and then recovery again in December. The negative performance issues in Seaham remained and yet the Group still managed to deliver overall EBITDA excluding adjusting items slightly ahead of FY20; and
- In the **final quarter**, which was impacted by lockdown measures for all three months, I&C volumes remained around 82% of prior year levels and we generated £27.2m of EBITDA excluding adjusting items compared to £28.7m in FY20.

As a result, despite lockdown impacts over four of the six months of the second half, we delivered H2 EBITDA excluding adjusting items of £79.8m, compared to just over £87.2m in FY20; and FY21 EBIT excluding adjusting items of £44.2m (FY20 £90.5m), slightly ahead of the range guided in the pre-close trading update in March.

Our year end reported net leverage position of £456.8m resulted in a net debt: EBITDA ratio of 3.3x. When looked at on a pre IFRS16 bank covenanted basis this is 2.2x.

Following the £100m equity raise in June 2020, we made the following investments in the business:

- The acquisition of the Simply Waste Solutions and Ward Recycling I&C businesses for a total consideration of £35.3m plus £9.1m of IFRS 16 leases assumed. This includes potential deferred consideration of £2.2m.

- Investment in plastics recycling including Seaham, Washington, and Aldridge upgrades, with a total of £13.1m spent in year
- Further equity and shareholder loans to facilitate the ongoing build of our Protos and Newhurst energy from waste (‘EfW’) facilities of £12m; and
- The acquisition of Company Shop Group (CSG) in February 2021 for a total commitment of £85.9m plus £10.0m of IFRS 16 leases assumed. This includes a potential deferred consideration of £5m.

When we combine the impact of these investments with the recovering revenue and profit trends within the business; we are well placed going into FY22 to take advantage of the exciting growth opportunities ahead of us. Which then brings us onto the agreement to acquire Viridor’s Collections business and certain parts of its Recycling business for a cash consideration of c.£126m, plus the assumption of c. £17m of IFRS 16 lease liabilities. The acquisition expands Biffa’s collections business and recycling capabilities, broadening customer base and solidifying our leading position in UK sustainable waste management.

Statutory Performance

To enable a better understanding of business performance, certain items are excluded when calculating the Group’s business performance. These Alternative Performance Measures (APMs) are also used to enhance the comparability of information between reporting periods and the Group’s divisions.

Adjusting Items

Adjusting items are fully explained in Note 3 to the Financial Statements. The main items contributing to this total were asset impairment charges relating to the Poplars AD plant (£8.2m) and the IT replacement project (£13.7m); an uplift of the onerous contract provisions of £10.3m; the decrease in the real discount rate on provisions of (£20.6m); and an increased level of for amortisation of acquisition intangible assets (£27.4m). Tax relating to adjusting items was a credit of £18.7m.

The onerous contract provision relates to three specific legacy contracts that became onerous in prior years due to exceptional circumstances, we would not expect any other contracts to be separately reported in the absence of any future external regulatory change. Following the initial pause to the project from Covid-19, management have reviewed the scope and requirements of the IT replacement programme and identified an incompatibility of the current HR module and made a strategic decision to cease the full project and replan it post the integration of the Viridor acquisition.

The Poplars AD plant impairment was driven by a value in use assessment following the decline in food waste volumes seen over the last year as a result of covid.

The total cash impact of adjusting items in FY21 was £11.0m (FY20: 14.0m).

A reconciliation from Operating Profit excluding adjusting items to Statutory (Loss)/Profit after tax is set out below:

Group £m (unless stated)	**FY21**	FY20	Change £m	Change (%)
Operating Profit/(Loss) excluding adjusting items [10]	**44.2**	90.5	(46.3)	(51.2)
Finance income	**3.2**	2.3	0.9	39.1
Finance charges	**(17.6)**	(21.0)	3.4	(16.2)
Share of joint venture	**(0.8)**	(0.1)	(0.7)	n/a[11]
Profit/(Loss) before Tax excluding adjusting items	**29.0**	71.7	(42.7)	**(59.6)**
Adjusting items:				
Onerous contracts	**(10.3)**	1.5	(11.8)	(786.7)
Strategy-related and restructuring costs	**0.4**	(1.0)	1.4	(140.0)
Acquisition related costs	**(2.0)**	(1.1)	(0.9)	81.8
Asset Impairment	**(21.9)**	(3.8)	(18.1)	476.3
Amortisation of acquisition intangibles	**(27.4)**	(16.9)	(10.5)	62.1

Impact of changes in real discount rate on provisions	**(20.6)**	4.9	(25.5)	(520.4)
Interest (net)	**-**	1.1	(1.1)	(100.0)
Tax credit/(charge)	**12.3**	(10.8)	23.1	(213.9)
Profit/(Loss) after Tax	**(40.5)**	45.6	(86.1)	n/a[11]

The key for the tables can be found on page 23

Finance Income and Charges

Financing costs excluding adjusting items fell again versus the prior year due to the equity raise and strong cash management during the period. The cost of bank funding fell as a result of the equity raise, leading to lower overall average borrowings and resulting lower margins. Finance lease costs also fell due to the natural decline of the number of older, more expensive lease liabilities. A breakdown in net finance charges is below:

	FY21 £m	FY20 £m	Variance £m	Variance %
Interest on net borrowings	**6.7**	10.4	(3.7)	(35.6)
Interest on lease liabilities	**8.5**	8.4	0.1	1.2
Unwinding of discount provision	**1.8**	1.6	0.2	12.5
Interest on forward contracts	**0.6**	0.3	0.3	100.0
Pensions and other interest	**(3.2)**	(2.0)	(1.2)	60.0
Net finance charges excluding adjusting items	**14.4**	18.7	(4.3)	(23.0)
Discounts unwind on EVP instrument and IPO costs	**-**	(1.1)	1.1	n/a[11]
Net finance charges	**14.4**	17.6	(3.2)	(18.2)

Taxation

The Group remains committed to fully discharging its responsibilities in respect of all relevant tax legislation in a clear and transparent manner based on a collaborative relationship with all tax agencies. Our tax strategy is approved annually by the Board and is available on the Group's website.

The statutory effective tax rate was 23%, slightly higher than the prevailing rate due to certain charges being disallowed for UK corporation tax and adjustments relating to prior periods. Payments in respect of corporation tax in the year were £0.6m (FY20 £0.2m). The Group's deferred tax balance of £11.1m includes balances totalling £40.8m in respect of Accelerated Capital Allowances, previously written off goodwill and losses which will continue to moderate tax payments in future years.

Earnings per Share

Earnings per Share excluding adjusting items fell by 67% to 7.7 pence from 23.1 pence in the prior year. In addition, Total Earnings per Share resulted in a loss of 13.7 pence, compared to the prior year 18.3 pence, as a result of Covid-19 impacted trading performance and one-off adjusting items also resulting mainly from Covid-19.

Retirement Benefits

The Group operates defined pension schemes for certain employees. These are closed to new members and to future accrual (except for a small number of members who have protected entitlements under local Government contracts). At the year end, the net retirement surplus was £112.1m (prior year £124.7m). The Biffa Pension Scheme had an actuarial deficit of £29.2m at the time of the last valuation in March 2018 (compared with £66.7m in March 2015), and an inflation-linked annual payment of £4.3m has been agreed with the Trustee of the scheme.

Capital Allocation

The Group seeks to balance the allocation of its discretionary capital between shareholder returns, organic growth opportunities and the Group's four key investment areas: Reduce, Recycle, Recover and Collect. The main areas of capital allocation are I&C M&A, Plastics recycling capacity, EfW and the recently acquired CSG, which broadens our capabilities and enable the prevention of waste through redistribution of surplus produce.

As mentioned above, we acquired the Ward Recycling and Simply Waste Solutions I&C businesses for a combined consideration of £35.3m plus £9.1m of IFRS 16 lease liabilities assumed (including deferred consideration of £2.2m). We made £13.1m of investment into Plastic recycling facilities at Seaham, Washington, and Aldridge and £12m of shareholder contributions to our EfW JVs. CSG was acquired for £85.9m plus £10m of IFRS 16 lease liabilities assumed.

Post year end, we agreed to acquire Viridor's Collections business and certain parts of its Recycling business for a cash consideration of c. £126m, plus the assumption of c. £17m of IFRS 16 lease liabilities assumed.

The Group has a target leverage ratio of range (on a bank covenant basis, pre-IFRS 16) of 2.0-2.5x. Following the completion of the acquisition of Viridor's Collections business and certain Recycling assets, leverage levels are expected to briefly exceed that range before returning to the lower end of the range within 12-18 months of completion of the acquisition.

Due to the impacts of Covid-19, the Board is not recommending a final dividend for the FY21 year. As no interim dividend was paid, this resulted in no overall dividend for the year, compared to the 2.47p interim dividend paid last year. We are conscious of the importance of returning to paying dividends and will continue to review the timing of a dividend reinstatement.

Cash Flow

Another year of focus on strong cash flow delivery in the year enabled the Group to exit the year with a strong balance sheet even after the impacts of Covid-19 and our ongoing investments through the period.

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

	FY21 £m	**FY20 £m**	Variance £m
EBITDA excluding adjusting items	138.2	174.0	(35.8)
Working capital movement	5.0	12.0	(7.0)
Net capital expenditure	(47.9)	(55.8)	7.9
Net interest paid	(14.5)	(16.9)	2.4
Lease principal payments	(43.4)	(50.2)	6.8
Pension deficit payments	(4.0)	(0.9)	(3.1)
Employee share scheme purchase	(4.5)	(6.0)	1.5
Exercise of share options	4.9	-	4.9
Tax paid	(0.6)	(0.2)	(0.4)
Free Cash Flow excluding adjusting items	**33.2**	**56.0**	**(22.8)**
Adjusting items	(11.0)	(14.2)	3.2
Sale of rights to shares in joint venture	2.8	-	2.8
Acquisitions (net of cash acquired)	(103.1)	(5.1)	(98.0)
Changes in borrowings	(59.1)	0.5	(59.6)
Equity raise	97.7	-	97.7
Investment in joint ventures	(8.4)	(5.0)	(3.4)
Loan to joint ventures	(3.6)	(2.4)	(1.2)
Movement in financial assets	(5.5)	10.1	(15.6)
Dividends	-	(18.3)	18.3
Net increase/(decrease) in cash and cash equivalents	**(57.0)**	**21.6**	**(78.6)**

Free Cash Flow excluding adjusting items has remained strong despite the £35.8m reduction in EBITDA excluding adjusting items. This is due to another year of strong management of the accounts receivable book, taking overdue balances to their lowest level since the business floated in 2016, coupled with Covid-19 related reduction in non-essential capital expenditure and finance lease payment deferrals.

The net cash outflow of £57.0m is a combination of the ongoing investments in acquisitions, plastics recycling facilities and the funding of the JV EfW construction activities; the equity raise that facilitate this investment and the termination settlement payment to exit the North Somerset Municipal contract in March 2021.

Systems Replacement Programme

The Group-wide IT system replacement programme; Project Fusion, was impaired during the period. Following the initial pause to the project from Covid-19, management have reviewed the scope and requirements of the IT replacement programme and identified an incompatibility of the current HR module and made a strategic decision to cease the full project and replan it post the integration of the Viridor acquisition. As a result, obsolete capitalised work of £13.7m has been written off in the year.

Net Debt and Financing Facilities

Reported Net Debt at year-end breaks down as:

Reported Net Debt (£m)	**FY21 £m**	FY20 £m	Variance £m	Variance %
Cash	**30.8**	87.8	(57.0)	(64.9)
Loans	**(197.6)**	(249.0)	51.4	(20.6)
Lease liabilities	**(283.7)**	(258.0)	(25.7)	10.0
EVP preference instrument	**(6.3)**	(6.3)	-	-
Total	**(456.8)**	(425.5)	(31.3)	7.4

Reported Net Debt excludes £41.3m (FY20 £41.3m) of EVP preference instrument liability in respect of the EVP dispute. £6.3m of these costs is included in Reported Net Debt as it will be payable irrespective of the outcome of the dispute and is therefore considered core debt.

Legal cases

The Group is currently engaged in various legal disputes, including but not limited to the following:

- **EVP:** We are engaged in a dispute with HMRC concerning historical landfill tax. Biffa was unsuccessful in its Court of Appeal hearing held in March 2021 and is seeking leave to appeal to the Supreme Court.
- **Hazardous Waste:** As previously disclosed, HMRC assessed Biffa for £8.5m of landfill tax relating to the period 2012 to 2016. Biffa paid these monies to HMRC in December 2019 and is appealing the assessment. The cash payment is held on the balance sheet within prepayments as we expect to successfully defend this case.

The Group consider that it is still more likely than not that both these cases will be won.

Financial Reporting Council (FRC) Information Request

In November 2020, we received a request for information on the reporting treatment of certain areas from the FRC, following a review of the Group's 2020 Annual Report and Accounts. The request focused on revenue recognition. We responded fully and on a timely basis to the FRC, enabling it to close its enquiry in January 2021. As a result of the enquiry, we made a number of small disclosure changes in this year's Financial Statements.

Richard Pike

Chief Financial Officer
31st May 2021

Technical Notes:

1 Revenue excluding Landfill Tax

2 Profit/(Loss) excluding depreciation and amortisation, adjusting items, finance costs and taxation

3 Profit/(Loss) excluding adjusting items, finance costs and taxation

4 Calculated as a percentage of statutory revenue

5 Profit/(Loss) excluding adjusting items, net interest items and taxation

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

7 Net debt excluding the EVP preference instrument of £47.6m but includes the £6.3m which is the interest payable to preference shareholders

8 Represents 3.3x of last 12 months EBITDA excluding adjusting items

9 Profit/(Loss) after tax excluding adjusting items divided by weighted average number of shares in the year 10 Operating Profit/(Loss) excluding adjusting items includes central costs of £16.7m (FY20 £19.5m)

11 Calculation is not applicable as does not provide meaningful analysis to the figures

BASIS OF PREPARATION AND DEFINITIONS

The results are based on the Group Financial Statements, which have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted for use in the European Union (EU) and therefore comply with Article 4 of the EU IAS regulations, and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

These results are presented in pounds Sterling and all values are rounded to the nearest one hundred thousand pounds (£0.1m) except where otherwise indicated.

The Group's income statement and segmental analysis separately identify financial results before adjusting 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 adjusting 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 business performance trends, financial performance and position. These APMs are also used to enhance the comparability of information between reporting periods and the Group's divisions, to aid the user in understanding the business's 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.

Accounting Basis	• Based on Group financial statements complying with IFRS • FY21 represents the 52 weeks ended 26 March 2021; FY20 represents the 52 weeks ended 27 March 2020
Net Revenue	• Statutory revenue excluding landfill tax, unless stated otherwise, 'revenue' refers to statutory revenue. Landfill tax is excluded as the rate is outside the Group's control
Organic Net Revenue Growth	• The increase/(decrease) in net revenue in the period excluding net revenue from acquisitions completed in the period and net revenue from acquisitions completed in the prior period up to the anniversary of the relevant acquisition date, to the extent such net revenue falls in the current period • Organic net revenue growth can be expressed both as an absolute financial value and as a percentage of prior period revenue
Acquisition Net Revenue Growth	• Acquisition Net Revenue Growth in any period represents the Net Revenue Growth in the relevant period from (i) acquisitions completed in the relevant period and (ii) acquisitions completed in the twelve months ended to the start of the relevant period up to the twelve-month anniversary of the relevant acquisition date (to the extent such Net Revenue falls in the current period). Acquisition Revenue Growth is calculated on the same basis, using revenue in place of Net Revenue.
Acquisition Net Revenue Growth Rate	• Acquisition Net Revenue Growth Rate in any period represents the Acquisition Net Revenue Growth for the period expressed as a percentage of the prior period's Net Revenue. Acquisition Revenue Growth Rate is calculated on the same basis, using revenue in place of Net Revenue
EBITDA excluding adjusted items	• Profit before depreciation and adjusting items, finance costs and taxation • Divisional EBITDA excluding adjusted items is stated after allocation of shared services costs
Operating Profit/(Loss) excluding adjusted items	• Profit before adjusting items, finance costs and taxation • Divisional operating profit excluding adjusted items 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 adjusting items and impact of real discount rate changes to 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)	• Operating Profit excluding adjusting items divided by average of opening and closing Property, Plant & Equipment, plus net working capital
Adjusted Free Cash Flow	• Net increase/(decrease) in cash and cash equivalents excluding dividends, restructuring and adjusting items, acquisitions, movement in financial assets and movements in borrowings or share capital (but including finance lease principal payments)

Areas of judgement and key sources of estimation uncertainty

The preparation of IFRS compliant Financial Statements requires the use of accounting estimates and assumptions and also requires management to exercise its judgement in the process of applying Group accounting policies. The Group continually evaluates its estimates, assumptions and judgements based on available information and experience. As the use of estimates is inherent in financial reporting, actual results could differ from these estimates. Management considered, throughout the year, the financial reporting impact associated with our identified principal and emerging risks which include the effects of Covid-19, climate change and Brexit.

Judgements

The cost of internally generated assets is capitalised as an intangible asset where it is determined by management's judgement that the ability to develop the assets is technically feasible, will be completed, and that the asset will generate economic benefit that outweighs its cost.

The Group also applies judgement in identifying the significant adjusting items of income and expense. We have summarised the policy in more detail in Note 3.

Environmental and aftercare commitments of £71.0m

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, climate change, 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.

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 1.0% and 2.0% respectively. This has had a material impact on the landfill aftercare provisions.

An increase of 1% in the real discount rate (at current cost) would result in a decrease of environmental provisions of approximately £15.7m (2020: £10.3m). A 10% increase in cash outflows would result in an increased environmental provision of £7.7m (2020: £5.9m).

Long-term aftercare provisions included in landfill restoration and aftercare provisions have been inflated at a rate of 2.8% (2020: 2.3%). An increase of 1% in the rate of inflation would result in an increase of environmental provisions of approximately £22.8m (2020: £14.3m).

Retirement Benefit Accounting relating to surplus of £112.1m

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. As at the end of the financial year the Group recognised a retirement benefit surplus of £112.1m.

If the discount rate is 0.5% lower the defined benefit asset would decrease by £56.8m (2020: £50.5m).

If the inflation assumption increases by 0.5% the defined benefit asset would decrease by £52.0m (2020: £42.6m).

If the life expectancy increases by one year for both men and women, the defined benefit asset would decrease by £18.2m (2020: £19.4m).

All pension valuations are performed as at the year end reporting date.

Onerous Contract Provision of £20.5m

Certain contracts held by the Group are considered 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, 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.

The Group held 3 onerous contract provisions during the year relating to contracts on North Somerset, Mid-Kent Partnership and Leicester. During the year the Group exited the contract with North Somerset and utilised the full provision of £6.6m, leaving the onerous contract provision of Mid-Kent Partnership and Leicester at year end.

In arriving at the onerous contract provision for the Mid Kent Partnership and the Leicester contract, the group has produced forecast cashflows which make assumptions on the performance of these contracts based upon the managements best estimate of future costs of operation. The revenue is a fixed contracted amount.

Asset Impairment Review on the Group's tangible and intangible assets of £744.7m

The Group carries different classes of intangible assets including, gas reserves, brand name and customer contracts. The Group also has classes of tangible assets in property, landfill gas and plant, vehicles and machinery. 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:

- forecast energy prices including the impact of climate change to these prices

- forecast gate fees, tonnage prices and gas yield projections

- long-term growth and discount rates,

- the Group's ability and intent to fund the future development of certain assets, and

- useful life estimates

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.

During the financial year, the Group recognised asset impairments of £13.7m relating to the Group's IT system replacement programme; Project Fusion within intangible assets.

The Group also recognised impairment of £8.2m relating to the anaerobic digestion plant at Poplars within plant, property and equipment. The discounted future cashflows give a headroom of £1.2m. Based on third party reports, the Group has assumed the market price for food waste at the end of FY27 to be £20/te. A reduction in price of £4.50 would result in a breakeven position. If the Poplars AD energy price remained flat at £48/mwh this would reduce value in use by £3.0m resulting in an impairment of £1.8m. The ROC recycle benefit has been modelled at £6.07, if this was £5 per ROC, it would reduce the value in use by £1m. If the discount rate increased to 10% this would reduce the value in use by £1.0m. These sensitivities would lead to an impairment to the asset.

Legal and Tax cases

The Group has provisions in place for ongoing litigation. Management exercises judgement in determining the amount of provision required. This provision is calculated using information provided by external professionals where applicable or management's best estimate. The group is engaged in a dispute with HMRC concerning historical landfill tax. A liability of £47.6m has been recognised in borrowings, an accrual of £13m has been recognised in non-current liabilities. Of the liability of £47.6m, £6.3m has been included within Reported Net Debt as it will be payable irrespective of the outcome of the dispute.

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. 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.

CONSOLIDATED INCOME STATEMENT

	52 weeks ended 26 March 2021			52 weeks ended 27 March 2020		
	Business performance excluding adjusting items	**Adjusting items**	**Statutory results for the year**	**Business performance excluding adjusting items**	**Adjusting items**	**Statutory results for the year**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Revenue	**1,042.0**	**–**	**1,042.0**	1,163.1	–	1,163.1
Cost of sales	**(940.4)**	**(68.1)**	**(1,008.5)**	(1,012.7)	(11.6)	(1,024.3)
Gross profit	**101.6**	**(68.1)**	**33.5**	150.4	(11.6)	138.8
Operating costs	**(57.4)**	**(13.7)**	**(71.1)**	(59.9)	(4.8)	(64.7)
Operating profit/(loss)	**44.2**	**(81.8)**	**(37.6)**	90.5	(16.4)	74.1
Finance income	**3.2**	**-**	**3.2**	2.3	1.1	3.4
Finance charges	**(17.6)**	**–**	**(17.6)**	(21.0)	–	(21.0)
Share of results in joint venture	**(0.8)**	**–**	**(0.8)**	(0.1)	–	(0.1)
Profit/(loss) before taxation	**29.0**	**(81.8)**	**(52.8)**	71.7	(15.3)	56.4
Taxation	**(6.4)**	**18.7**	**12.3**	(14.3)	3.5	(10.8)
Profit/(loss) for the period	**22.6**	**(63.1)**	**(40.5)**	57.4	(11.8)	45.6

Profit/(loss) attributable to shareholders of the parent Company			**(40.5)**			45.6
Basic earnings/(loss) per share (pence)			**(13.7)**			18.3
Diluted earnings/(loss) per share (pence)			**(13.4)**			17.9

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	52 weeks ended 26 March 2021 £m	52 weeks ended 27 March 2020 £m
Profit/(loss) for the period	**(40.5)**	45.6
Other comprehensive income/(expense)		
Items that will not be reclassified subsequently to profit or loss:		
Actuarial gain/(loss) on defined benefit pension scheme	**(21.6)**	40.9
Tax relating to items that will not be reclassified subsequently to profit or loss	**4.1**	(8.3)
	(17.5)	32.6
Items that may be reclassified subsequently to profit or loss:		
Gain/(loss) on fair value of cash flow hedges		
Fair value loss arising on hedging instruments during the period	**(2.5)**	(0.6)
Net loss on cash flow hedge in joint venture	**(1.1)**	(1.8)
	(3.6)	(2.4)
Other comprehensive income/(expense) for the period, net of income tax	**(21.1)**	30.2
Total comprehensive income/(expense) for the period	**(61.6)**	75.8
Attributable to shareholders of the parent Company	**(61.6)**	75.8

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 26 March 2021 £m	As at 27 March 2020 £m
Assets		
Non-current assets		
Goodwill	**224.3**	132.2
Investment in joint venture	**9.6**	3.0
Other intangible assets	**182.5**	197.0
Property, plant and equipment	**562.2**	527.8
Long-term receivables	**65.8**	66.1
Loan to joint ventures	**6.0**	2.1
Retirement benefit surplus	**112.1**	124.7
	1,162.5	1,052.9
Current assets		
Inventories	**22.3**	16.1
Trade and other receivables	**141.3**	165.3
Contract assets	**50.6**	56.2
Financial assets	**12.8**	6.7
Derivative financial instruments	**0.3**	0.4
Cash and cash equivalents	**30.8**	87.8
	258.1	332.5
Current liabilities		
Borrowings	**(54.7)**	(43.6)
Derivative financial instruments	**(3.0)**	(1.6)
Trade and other payables	**(257.5)**	(274.1)
Deferred and contingent consideration	**(9.4)**	-
Contract liabilities	**(19.6)**	(17.8)
Corporation tax creditor	**(0.3)**	(0.1)
Provisions	**(16.1)**	(10.2)
Total current liabilities	**(360.6)**	(347.4)
Net current liabilities	**(102.5)**	(14.9)
Non-current liabilities		
Borrowings	**(474.2)**	(511.0)
Derivative financial instruments	**(0.9)**	-

Trade and other payables	**(14.6)**	(13.6)
Provisions	**(101.3)**	(85.1)
Deferred tax liability	**(11.1)**	(17.3)
Total non-current liabilities	**(602.1)**	(627.0)
Net assets	**457.9**	411.0

Equity		
Called up share capital	**3.1**	2.5
Share premium	**247.0**	235.3
Hedging and other reserve	**(6.4)**	(2.8)
Merger reserve	**170.3**	74.4
Retained earnings	**43.9**	101.6
Total equity attributable to shareholders	**457.9**	411.0

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Called up share capital £m	Share premium £m	Merger reserve £m	Hedging reserve £m	Retained earnings £m	Total equity £m
As at 29 March 2019	**2.5**	**235.3**	**74.4**	**(0.4)**	**48.4**	**360.2**
Profit for the period	–	–	–	–	45.6	45.6
Other comprehensive income/(expense)	–	–	–	(2.4)	32.6	30.2
Total comprehensive income/(expense)	**–**	**–**	**–**	**(2.4)**	**78.2**	**75.8**
Value of employee service in respect of share option schemes (net of NICs)	–	–	–	–	3.3	3.3
Deferred tax on share based payments	–	–	–	–	(0.9)	(0.9)
Shares purchased by employee benefit trust					(9.1)	(9.1)
Dividends paid	–	–	–	–	(18.3)	(18.3)
As at 27 March 2020	**2.5**	**235.3**	**74.4**	**(2.8)**	**101.6**	**411.0**
Loss for the period	–	–	–	–	(40.5)	(40.5)
Other comprehensive income/(expense)	–	–	–	(3.6)	(17.5)	(21.1)
Total comprehensive income/(expense)	**–**	**–**	**–**	**(3.6)**	**(58.0)**	**(61.6)**
Equity raise*	0.5	1.3	95.9	**–**	**–**	**97.7**
Issue of share capital	0.1	10.4	–	–	–	**10.5**
Value of employee service in respect of share option schemes (net of NICs)	–	–	–	–	3.2	3.2
Deferred tax on share based payments	–	–	–	–	1.5	1.5
Shares purchased by employee benefit trust					(4.4)	(4.4)
As at 26 March 2021	**3.1**	**247.0**	**170.3**	**(6.4)**	**43.9**	**457.9**

*In May 2020, the Group incorporated a Jersey registered "cash box" company. This was used to facilitate the equity raise in June 2020 of 49,339,233 ordinary shares of 1p each at a placing price of £2.00 each. The transactions satisfied all required conditions under section 612 of the UK Company Act 2006 to obtain merger relief and therefore the excess of the net proceeds over the nominal value of the shares has been credited to a merger reserve rather than share premium. The net proceeds of the "cash box" equity raise was £95.9m, recognised in the merger reserve. At the same time, 660,766 shares were directly issued to the Board and executive management team as part of the equity raise. The net proceeds of the direct issue was £1.3m which has been recognised in share premium.

The equity raise generated total proceeds of £100m and the Biffa plc group received cash proceeds of £97.7m net of expenses. The amount within the merger reserve relating to this equity raise is now a distributable reserve.

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. This issue did not have a cash impact as share were issued to settle the bonus liability. The share premium on this issue was £6.3m.

CONSOLIDATED STATEMENT OF CASH FLOWS

	52 weeks ended 26 March 2021 £m	52 weeks ended 27 March 2020 £m
Cash flows from operating activities		
Cash generated from operations	**134.5**	193.8
Adjusting items	**(11.0)**	(14.0)
Net cash from operating activities	**123.5**	179.8
Income tax paid	**(0.6)**	(0.2)
Net cash inflow from operating activities	**122.9**	179.6
Cash flows from investing activities		
Purchases of property, plant and equipment	**(45.0)**	(56.8)
Purchases of intangible assets	**(3.9)**	(3.8)
Compensation	**-**	4.4
Purchase of business	**(119.1)**	(5.1)
Cash acquired from business combinations	**16.0**	-
Investment in joint ventures	**(8.4)**	(5.0)
Loan to joint ventures	**(3.6)**	(2.4)
Sale of rights to shares in joint venture	**2.8**	-
Proceeds from the sale of property, plant and equipment	**0.8**	1.6
Interest received	**0.1**	0.3
Funds on long term deposit	**(0.1)**	-
Net cash used in investing activities	**(160.4)**	(66.8)
Cash flows from financing activities		
Interest paid	**(14.6)**	(17.2)
Employee share scheme purchase	**(4.5)**	(6.0)
Exercise of share options	**4.9**	-
New loans raised	**70.0**	1.0
Repayment of borrowings	**(128.6)**	-
Extension of borrowing fees	**(0.6)**	(0.5)
Cash flow on settlement of derivatives	**(0.4)**	-
Equity raise	**97.7**	-
Lease liabilities principal payments	**(43.4)**	(50.2)

Dividends paid	-	(18.3)
Net cash flow used in financing activities	**(19.5)**	(91.2)

Net increase in cash and cash equivalents	**(57.0)**	21.6
Cash and cash equivalents at the beginning of the period	**87.8**	66.2
Cash and cash equivalents at the end of the period	**30.8**	87.8

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

ACCOUNTING POLICIES TO THE GROUP FINANCIAL STATEMENTS

BASIS OF PREPARATION

The consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and related interpretations as issued by the IASB and IFRS adopted by the European Union (EU) and therefore comply with Article 4 of the EU IAS regulations and the parts of the Companies Act 2006 applicable to entities reporting under IFRS. The comparative financial information has also been prepared on this basis.

The Consolidated Financial Statements have been prepared on a historical cost basis, except for the recording of pensions assets and liabilities and the revaluation of certain derivative financial liabilities instruments.

The Financial Statements for 2021 have been prepared for the 52-week period ended 26 March 2021. The prior year was a 52-week period, to 27 March 2020. The upcoming year will also be a 52-week period, to 25 March 2022. The Notes to the accounts refer to 2021 and 2020 meaning 52-week period ended 26 March 2021 and 52-week period ended 27 March 2020 respectively.

The preparation of Financial Statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

1. General information

Biffa plc (the "Company") is incorporated and resident in the United Kingdom. The Company is a public limited company, limited by shares, whose shares are listed on the London Stock Exchange. The Company is registered in England and Wales under the Companies Act 2006 (registration number 10336040) with the address of the registered office being; Biffa Plc, Coronation Road, Cressex, High Wycombe, HP12 3TZ, United Kingdom.

The unaudited financial information for the 52 week period ended 26 March 2021 has been based on the Company's financial statements which are prepared in accordance with International Financial Reporting Standards (IFRS) and related interpretations as issued by the IASB and IFRS adopted by the European Union (EU) and therefore comply with Article 4 of the EU IAS regulations and the parts of the Companies Act 2006 applicable to entities reporting under IFRS. Whilst the financial information contained in this preliminary announcement has been prepared in accordance with the recognition and measurement criteria of IFRS, this announcement does not itself contain sufficient information to comply with those standards. The company expects to publish full financial statements that comply with IFRS in June 2021. The financial information presented herein has been prepared in accordance with the accounting policies expected to be used in preparing the Biffa Plc Annual Report 2021, which are the same as those used in preparing the Biffa Plc Annual Report 2021.

A copy of the full Group financial statements for the period ended 26 March 2021 that comply with IFRSs will be made available at biffa.co.uk

Going concern

During FY21 Biffa's financial performance was materially impacted by the COVID-19 pandemic and the associated lockdown measures. The Group demonstrated its agility and responsiveness in addressing the volume fluctuations, but EBITDA before adjusting items was still depressed by over £35.0m and statutory profit before tax in FY20 of £56.4m dropped to a loss before tax in FY21 of £52.8m.

The greatest impact of the pandemic was felt in the first quarter of the financial year, where volumes in both the I&C and landfill operations dropped to around 50% of prior year levels. As lockdown measures eased, we saw volumes rapidly improve to around 95% of FY20 levels, before being impacted again during the second and third lockdown periods and overall Group revenue averaging out at 90% of prior year out turn.

One of the Group's immediate responses to protect its financial strength during the COVID 19 affected period, was to agree short-term revised covenants on the Revolving Credit and surety facilities. This increased the leverage covenant from 3.5x to 5.5x for the first half of the financial year, which was reduced to 4.3x for the second half. The Group also undertook an equity placing of 50m shares in June 2020, raising net proceeds of £97.7m. Consequently, even after significant ongoing investment in the period, the actual outturn at September 2020 was 1.3x and at the year-end was 2.2x. As a result, despite going back into lockdown in January, it was apparent from the business performance before adjusting items that the Group didn't need to rely on these protections and as a result the waivers were removed in February 2021 at Biffa's request, which in turn removed the associated restrictions on finance lease, capital expenditure and M&A activity.

The Group had unutilised committed bank facilities available of £150m as at the FY21 year end and cash and cash equivalents of £30.8m. Latest forecasts suggest that the Group will return back to FY20 EBITDA levels (before adjusting items) during FY22, providing we don't encounter further lockdowns. These forecasts, when overlaid with sensitivity analysis taking into account different scenarios for fluctuations in trading performance, show that the Group are expected to be able to comfortably operate within the current levels of the facility over the next twelve months.

On 8 October 2020, the Group acquired 100% of the share capital of Camo Ltd (which trades under the name of Simply Waste) and this included dormant subsidiaries Simply Waste Limited and Simply Cups Limited. The Simply Waste brand is a prominent, well-regarded operator in the south of England. Its operational locations in west London, Oxfordshire and Bristol align well with Biffa's existing portfolio, and once merged into the Collections network will result in an enhanced customer proposition and a lower-carbon, more efficient collection network. Since acquisition to the end of the financial year, Camo Ltd has generated revenues of £11.8m and a profit before tax of £0.9m.

On 24 February 2021, the Group acquired 100% of the share capital of Company Shop Limited (CSG). CSG is the UK's leading and largest redistributor of surplus food and household products. It prevents waste by identifying surplus produce and then collecting, processing and redistributing it for sale through its unique network of membership-based outlets. For the financial year ending 26 March 2021 the CSG business has been recognised as part of the Collections segment. Going forward into the next financial year, a new division; Specialist Services, will be introduced to recognise the differing operations of CSG.

On 21 May 2021, the Group has reached agreement to buy Viridor's Collection business and certain recycling assets. While a deal has been agreed, the deal will not complete until the necessary preparations and legal aspects have been completed and regulatory approval has been received for the deal. This is expected to happen by August 2021. Expected cash consideration is £126.0m and £17.0m of lease liabilities will be taken on. The assets acquired delivered revenue of £142.0m and adjusted EBITDA of £18m in the year ending March 2020.

In order to maintain adequate liquidity headroom post this acquisition the group has arranged a private placement facility with two investors for £150m covering a term of 7 and 10 years with an average borrowing cost of 2.73%.

The cost of the commitments since the Capital Markets Day have been captured in the going concern assessments when assessing the funding requirements.

Based on the above, the Directors have concluded the Group is well placed to manage its financing and other business risks satisfactorily and have a reasonable expectation that the Group will have adequate resources to continue in operation for at least twelve months from the signing date of these Consolidated Financial Statements. They therefore consider it appropriate to adopt the going concern basis of accounting in preparing the Financial Statements.

2. Segmental Information

The Group is managed by type of business and is organised into two operating divisions:

- Collections which encompasses Municipal, Industrial & Commercial and Specialist Service sub-divisions.
- Resources & Energy which consists of Inerts, Organics, Recycling and Landfill Gas sub-divisions.

These divisions represent the business segments in which the Group reports its primary segment information and are consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group Executive Team.

The Group's segmental results are as follows:

Revenue within segments is eliminated on consolidation.

	52 weeks ended 26 March 2021 £m	**52 weeks ended 27 March 2020 £m**
Revenue		
Collections	**770.0**	870.8
Resources & Energy	**272.0**	292.3
Statutory Revenue	**1,042.0**	1,163.1

	52 weeks ended 26 March 2021 £m	52 weeks ended 27 March 2020 £m
Revenue reconciliation		
Statutory Revenue	**1,042.0**	1,163.1
Landfill Tax	**(53.9)**	(60.3)
Net Revenue	**998.1**	1,102.8

	52 weeks ended 26 March 2021 £m	52 weeks ended 27 March 2020 £m
Net revenue		
Collections	**770.0**	870.8
Resources & Energy	**218.1**	232.0
	998.1	1,102.8

	£m	Growth factor
FY20 Net Revenue	**1,102.8**	
Acquisition revenue growth	**13.3**	1.2%
Organic revenue growth	**(128.0)**	(11.6)%
FY21 Net Revenue	**988.1**	

Sales between operating divisions are carried out at arm's length. There have been no other material amounts of revenue recognised in the year that relate to performance obligations satisfied or partially satisfied in previous years. Revenue received where the performance obligation will be fulfilled in the future is classified as deferred income or contract liabilities and disclosed in the Statement of Financial Position.

All trading activity and operations are in the United Kingdom and there is therefore no secondary reporting format by geographical segment. There is no single customer that accounts for more than 10% of Group revenue (2020: none).

	52 weeks ended 26 March 2021 £m	52 weeks ended 27 March 2020 £m
EBITDA excluding adjusting items		
Collections	**109.8**	126.4

Resource & Energy	**40.7**	63.4
Group Costs	**(12.3)**	(15.8)
EBITDA excluding adjusting items	**138.2**	174.0
Depreciation	**(87.2)**	(83.5)
Other impairments	**(6.8)**	-
Operating Profit/(loss) excluding adjusting items	**44.2**	90.5
Adjusting items excluding amortisation of intangibles and discount rate changes	**(33.8)**	(4.4)
Amortisation of acquisition intangibles	**(27.4)**	(16.9)
Impact of real discount rate changes to provisions	**(20.6)**	4.9
Operating Profit/(loss)	**(37.6)**	74.1
Finance income	**3.2**	3.4
Finance charges	**(17.6)**	(21.0)
Share of result in joint venture	**(0.8)**	(0.1)
Profit/(loss) before taxation	**(52.8)**	56.4

Group costs represent those components of shared services and corporate costs (including, inter alia, board and corporate costs, finance, HR, IT, legal and insurance, external affairs and SHEQ) that cannot be meaningfully allocated to the operating segments. EBITDA before adjusting items represents the profit earned by each division without allocation of the share of depreciation and amortisation, adjusting items, finance costs, material impacts of changes in real discount rate applied to the Group's long-term provisions and income tax expense. Operating Profit before adjusting items recognises the impact of depreciation and amortisation excluding the amortisation of acquisition intangibles. These measures are both reported to the Group Executive Team for the purpose of resource allocation and assessment of segment performance.

On 24 February 2021, the Group acquired 100% of the share capital of Company Shop Limited (CSG). Since acquisition to the year end, CSG has generated revenues of £5.8m and a profit before tax of £0.2m. Management estimates that the Group's revenue for FY21 would have been £64.0m higher and the Group's loss would have been £2.2m lower if the acquisition had taken place on the first day of the financial year. For the financial year ending 26 March 2021 the CSG business has been recognised as part of the Collections segment.

Given the proximity to the Group's financial year end and as permitted by IFRS 3 "Business Combinations", the fair value of identified assets and liabilities acquired have been presented on a provisional basis. The fair value of these assets and liabilities will be finalised within twelve months of the acquisition date Acquisition-related costs included in adjusting items amount to £2.0m.

Going forward into the next financial year, a new segment; Specialist Services, will be introduced to recognise the differing operations of CSG plus the existing Specialist Services currently reported in the Collections segment.

	52 weeks ended 26 March 2021 £m	**52 weeks ended 27 March 2020 £m**
Operating profit/(loss) excluding adjusting items		
Collections	**49.1**	72.2
Resource & Energy	**11.8**	37.7
Group Costs	**(16.7)**	(19.4)
	44.2	90.5

	52 weeks ended	**52 weeks ended**

	26 March 2021 £m	27 March 2020 £m
Statutory operating profit/loss		
Collections	**36.0**	66.1
Resource & Energy	**(43.9)**	32.5
Group Costs	**(29.7)**	(24.5)
	(37.6)	74.1

	52 weeks ended 26 March 2021 £m	52 weeks ended 27 March 2020 £m
Tangible asset net book value		
Collections	**308.1**	320.3
Resource & Energy	**194.8**	186.7
Shared services and corporate	**59.3**	20.8
Total	**562.2**	527.8

	52 weeks ended 26 March 2021 £m	52 weeks ended 27 March 2020 £m
Intangible asset net book value		
Collections	**14.8**	5.3
Resource & Energy	**101.3**	122.9
Shared services and corporate	**66.4**	68.8
Total	**182.5**	197.0

	52 weeks ended 26 March 2021 £m	52 weeks ended 27 March 2020 £m
Capital expenditure		
Collections	**99.0**	65.4
Resource & Energy	**64.2**	48.1
Shared services and corporate	**9.6**	6.4
	172.8	119.9

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

The Industrial & Commercial division expenditure includes £79.9m (2020: £3.2m) of acquired assets.

	52 weeks ended 26 March 2021 £m	**52 weeks ended 27 March 2020 £m**
Depreciation and amortisation		
Collections	**53.9**	54.1
Resource & Energy	**28.9**	25.7
Shared services and corporate	**4.4**	3.7
	87.2	83.5
Amortisation of acquisition intangibles	**27.4**	16.9
	114.6	100.4

Depreciation and amortisation relate to the write down of both intangible and tangible fixed assets over their estimated useful economic lives. The depreciation includes £6.8m of impairments to assets. Amortisation of acquisition intangibles is disclosed separately in line with the segmental Business Operating Profit before adjusting items.

3. Adjusting Items

The Group's financial performance is analysed into two components, "business performance excluding adjusting items" and "adjusting items". Business performance excluding adjusting items is used by management to monitor financial performance as it is considered it aids comparability of the reported financial performance year to year. 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 business performance trends, financial performance and position. These APMs are also used to enhance the comparability of information between reporting periods and the Group's divisions, to aid the user in understanding the performance of the business. 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.

The Group's policy is to exclude items that are considered significant in nature and/or value, not in the normal course of business or are consistent with items that were separately disclosed in prior periods. Management utilises an adjusting item framework that has been approved by the Board. This follows a three-step process which considers the nature of the event, the financial materiality involved and the particular facts and circumstances.

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

	52 weeks ended 26 March 2021 £m	**52 weeks ended 27 March 2020 £m**
Acquisition related costs	**2.0**	1.1
Specified onerous contracts	**10.3**	(1.5)

Asset impairments	**21.9**	3.8
Strategy related and restructuring (gain)/costs	**(0.4)**	1.0
Amortisation of acquisition intangibles	**27.4**	16.9
Impact of real discount rate changes to provisions	**20.6**	(4.9)
Total adjusting items	**81.8**	16.4
Corporate restructuring costs included within finance costs:		
Finance charges	-	(1.1)
Taxation impact of adjusting items	**(18.7)**	(3.5)

	2021 £m	2020 £m
Segmental adjusting items:		
Collections	**13.1**	6.1
Resources & Energy	**55.7**	5.2
Group costs	**13.0**	5.2
Total adjusting items	**81.8**	16.4

Acquisition-related costs

Delivery of the Group's strategy includes investment in acquisitions that enhance the quality of its operations. The exclusion of significant items arising from M&A activity is designed by the Board to align short-term operational decisions with this longer-term strategy. Accordingly, amounts arising on acquisitions are excluded from business performance before adjusting items. The £2.0m (2020: £1.1m) of acquisition-related expenditure in the 52 weeks ended 26 March 2021 relates to professional fees and other costs which are directly attributable to acquisitions.

Specified onerous contracts

Onerous contract costs reflect the additional profit and loss movements on three specific legacy contracts that became onerous in prior years due to exceptional circumstances. The Municipal business has a portfolio of contracts which trade profitably and we would not expect any other contracts to be separately reported in the absence of any future external regulatory change. Any utilisation of the provision or cash settlement on those contracts is also treated as adjusting items accordingly. At the point at which a contract is no longer considered to be onerous whether by completion or settlement it is no longer considered to be an adjusting item and treated as part of business performance before adjusting items.

North Somerset - £3.2m

The 7-year contract with North Somerset District Council ran at a loss from its commencement. 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 was subsequently revised with the contract expected to remain in a loss-making position throughout its term. As a consequence Biffa and North Somerset District Council have mutually ended the contract.

Mid-Kent Partnership - £3.0m

The contracts with the Mid-Kent Partnership (being Swale, Maidstone & Ashford) have been running at a loss since 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 third party terminating a contract for fleet repairs and maintenance, resulting in the Group internalising this activity at increased cost. The provision for Mid-Kent has therefore been revised to include these additional costs. In arriving at the onerous contract provision for the Mid-Kent Partnership contract, the Group has discounted the future cash flows using a risk free rate of 1.0%. If this rate increased by 500 basis points the provision charge would decrease by £0.4m.

Leicester - £4.1m

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. In arriving at the onerous contract provision for the Leicester contract, the Group has discounted the future cash flows using a risk free rate of 1.6%. If this rate increased by 500 basis points the provision charge would decrease by £2.1m.

Asset Impairments

Plant, property and equipment impairment

There is an £8.2m one-off cost related to the impairment of the Poplars Anaerobic Digestion plant in the Resources & Energy division. Covid-19 had a significant impact on the hospitality and accommodation sector resulting in lower volumes of food waste and associated gate fees. The lower activity levels and fall in future energy price curves, 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, volumes and productions levels. This has led to impairment of the assets as future value in use is deemed significantly lower than previously expected. In assessing for impairment, the Group has used future energy price curves that take into account the impact of climate change (provided by third party analysts; Baringa and Aurora).

Intangible asset impairment

The Group-wide IT system replacement programme, Project Fusion was also impaired during the period. Due to Covid-19 the programme has experienced significant delays in restarting works causing previously capitalised works to become obsolete. Management have also reviewed the scope and requirements of the IT replacement programme and identified an incompatibility of the current HR module and made a strategic decision to cease the full project and replan it post the integration of the Viridor acquisition. As a result, obsolete capitalised work of £13.7m has been written off in the year.

Strategy-related and restructuring costs

Strategy-related costs of £2.4m 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 over the duration of the project and do not form part of activities that the Directors would consider part of our operational performance. Adjusting for these charges provides a measure of operating profitability that is comparable over time. Within the strategy-related costs is £1.6m relating to Project Fusion which do not qualify for capitalisation.

Included within strategy-related items is a £2.8m gain resulting from Biffa's sale of a 25% right to participate in the Protos Project to Covanta UK for £3.0m, net of £0.2m transactions costs. Covanta UK's equity interest is shared with Green Investment Group Limited and their joint 75% equity interest is held through Covanta Green Protos Holding Limited.

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, which amounts are reported separately from the Group's depreciation and amortisation charges. The charges are reported separately and performance of the acquired business is assessed as part of the Group's operational results before adjusting items. The Group uses this alternative performance measure (APM) to improve the comparability of information between reporting periods and its divisions to aid the user of the Annual Report in understanding the activities taking place across the Group's portfolio.

Impact of real discount rate changes to provisions

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

In addition to the Adjusting 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:

	2021	2020
	£m	£m

Return on Operating Assets		
Operating profit/(loss) before adjusting items[1]	**44.2**	90.5
Average of property, plant and equipment[2]	**545.0**	514.0
Average net working capital[3]	**(58.8)**	(46.7)
Total average of property, plant and equipment plus net working capital	**486.2**	467.3
Return on Operating Assets[4]	**9.1%**	19.4%

1 Profit/(loss) before adjusting items, finance costs and taxation.

2 Average of opening and closing net book value of property, plant and equipment.

3 Average balance in 2021 and 2020 of the closing net of inventories, trade and other receivables and trade and other payables.

4 Return on Operating Assets is determined by operating profit/(loss) before adjusting items divided by the average of opening and closing PP&E plus net working capital.

	2021 £m	2020 £m
Return on Capital Employed		
Operating profit/(loss)	**(37.6)**	74.1
Adjusting items excluding amortisation of acquisition intangibles	**54.4**	(0.5)
Adjusted operating profit/(loss)	**16.8**	73.6
Average of shareholders' equity[1]	**434.4**	385.6
Average net debt[2]	**482.5**	477.3
Average retirement benefits[3]	**(118.4)**	(101.8)
Average environmental provisions[4]	**63.8**	62.0
	862.3	823.1
Average Return on Capital Employed	**1.9%**	8.9%

1 Average of opening and closing shareholders' equity.

2 Net debt comprises the average net debt in 2021 and 2020

3 Retirement benefits comprises the average retirement benefits in 2021 and 2020

4 Environmental provisions comprises the average in environmental provisions in 2021 and 2020

5 Return on Capital Employed is determined by adjusted operating profit divided by the average of opening and closing shareholders equity, plus the average of net debt, pensions and environmental provisions.

4. Cash Flows from Operations

	52 weeks ended 26 March 2021 £m	52 weeks ended 27 March 2020 £m
Profit/(loss) for the period	**(40.5)**	45.6
Adjustments for:		
Finance income	**(3.2)**	(3.4)
Finance charges	**17.6**	21.0
Share of result in joint venture	**0.8**	0.1
Taxation	**(12.3)**	10.8
Operating profit/(loss)	**(37.6)**	74.1
Share based payments	**3.8**	3.0
Adjusting items excluding amortisation of acquisition intangibles and movements on real discount rates for provisions	**33.8**	4.4
Amortisation of intangibles	**28.4**	17.9
Depreciation of property, plant and equipment	**87.2**	82.6
Impairment of assets	**6.8**	-
Profit/(loss) on disposal of fixed assets	**0.3**	(1.0)
Pension deficit payments	**(4.0)**	(0.9)
Decrease/(Increase) in inventories	**(2.4)**	(1.7)
Decrease/(Increase)in receivables	**36.7**	(14.7)
(Decrease)/Increase in payables	**(43.0)**	33.2
Increase in contingent and deferred consideration	**9.4**	-
(Increase)/decrease in financial asset	**(5.5)**	9.2
(Decrease)/increase in provisions	**20.6**	(12.3)
Total cash generated from operations	**134.5**	193.8