Biffa plc

14 June 2017

RESULTS FOR THE 52 WEEKS ENDED 24 MARCH 2017

Continued strong momentum; delivering on strategic objectives

Biffa plc ('Biffa', 'the Group' or 'the Company'), a leading UK integrated waste management company, announces results for the 52 weeks ended 24 March 2017, with strong growth in Net Revenue and Underlying Operating Profit margin.

BUSINESS OVERVIEW

- A pleasing year of organic and acquisitive growth; all four divisions performed in line with expectations
  - Net Revenue[1] up 8.3% to £898.8m (2016: £830.3m) (3.3% organic and 5.0% acquired)
  - Underlying EBITDA[2] up 12.6% to £137.7m (2016: £122.3m)
  - Underlying Operating Profit[3] up 18.1% to £73.8m (2016: £62.5m)
  - Underlying Profit after Tax[4] up 251% to £35.8m (2016: £10.2m); statutory loss after tax £10.9m (2016: £5.1m) due to IPO-related and other items
  - Maiden dividend of 2.40p per share proposed[5]

- Strong cash flow and capital structure
  - Underlying Free Cash Flow[6] £28.8m (2016: £35.9m)
  - Year end Reported Net Debt[7] £246.1m (1.8x Underlying EBITDA)

- Continued momentum in delivering strategy
  - Five acquisitions completed (total £25.7m investment) with strong pipeline of opportunities
  - Further infrastructure investments made
  - Agreement signed with leading energy from waste (EfW) developer and operator Covanta to jointly explore two potential EfW projects on an exclusive basis

- Board's expectations for the year ahead unchanged

Underlying Group results	**2017 £m**	2016 £m	Change £m	Change %
Revenue	**990.4**	927.5	62.9	6.8
Net Revenue[1]	**898.8**	830.3	68.5	8.3
EBITDA[2]	**137.7**	122.3	15.4	12.6
EBITDA Margin[8]	***13.9%***	*13.2%*		
Operating Profit[3]	**73.8**	62.5	11.3	18.1
Operating Profit Margin[8]	***7.5%***	*6.7%*		
Profit before Tax	**45.1**	21.2	23.9	112.7
Profit after Tax[4]	**35.8**	10.2	25.6	251.0

Other items net of tax[10]	**(46.7)**	(15.3)	(31.4)	
Statutory Profit / (Loss) after Tax	**(10.9)**	(5.1)	(5.8)	

Ian Wakelin, Chief Executive of Biffa, said:

"Biffa delivered a strong performance in the year that also saw our successful listing on the main market of the London Stock Exchange.

"As a fully integrated, market-leading waste management services provider, we have the scale and the network to act as a consolidator in a highly fragmented market place. In the year we completed five acquisitions and have a strong pipeline of acquisition opportunities. At the same time, we have continued to take actions to improve the efficiency of our operations, get closer to our customers and leverage new opportunities for investment.

"We are also pleased to have signed an exclusive partnership with Covanta, a leading developer and operator of energy recovery facilities (ERFs) to explore the potential development of two large-scale ERFs in Leicestershire and Cheshire. The UK has a significant shortage of energy from waste treatment capacity. We look forward to exploring this opportunity further.

"Our expectations for the year ahead remain unchanged and we look forward with confidence."

DIVISIONAL PERFORMANCE

	Net Revenue £m			Underlying Operating Profit £m		
	2017	2016	Change %	**2017**	2016	Change %
I&C	**522.1**	479.2	9.0	**38.5**	27.3	41.0
Municipal	**182.2**	157.7	15.6	**11.0**	9.0	22.2
RR&T	**107.2**	104.7	2.4	**11.6**	5.4	114.8
Energy	**87.2**	88.8	(1.8)	**29.9**	34.5	(13.3)
TOTAL[9]	**898.8**	830.3	8.3	**73.8**	62.5	18.1

Industrial & Commercial

- Strong organic revenue growth of 5.9% driven by new customer wins including Gala Bingo, Coca Cola Enterprises and Engie
- Acquisition revenue growth of 3.1% driven by five acquisitions during the year including Cory (c.£8m annualised) and Blakeley's (c.£8m annualised)
- Significant margin enhancement to 7.4% from 5.7% driven by delivery of acquisition synergies, optimisation of disposal costs and enhanced customer pricing sophistication and discipline
- Positive outlook due to continued revenue and margin growth, and strong acquisition pipeline

Municipal

- Solid performance in a competitive market
- Net Revenue growth of £24.5m or 15.6% to £182.2m, driven predominantly by the acquired Cory contracts (2.0% organic and 13.6% acquired)
- Underlying Operating Profit increased 22.2% to £11.0m with margin improvement from 5.6% to 6.0%. Cory synergies delivered
- Manchester City contract performing well; North Somerset contract commenced in March 2017 (c.£7m revenue pa)
- Stable outlook

Resource Recovery & Treatment

- Net Revenue increase of 2.4% to £107.2m and Underlying Operating Profit margin expansion to 5.8% from 2.7% driven by improved operational performance in Materials Recycling Facilities ('MRFs') and recovery of commodity prices
- Commodity risk share – c.50% de-risked at year end
- Landfill volumes stable; prices firmed
- New projects in soil treatment and aggregates recycling contributed to the results
- Expansion of HDPE polymer plant in Redcar commenced commissioning on schedule toward year end
- Positive outlook due to contribution from new facilities more than offsetting modest landfill decline

Energy

- Net Revenue declined in line with expectations by 1.8% to £87.2m due to reducing landfill gas yields of 7.3% and wholesale energy prices
- Underlying Operating Profit margin decreased from 38.9% to 34.3% due to expected reduced landfill gas electricity volumes and pricing
- First full year of full operations at West Sussex: EPC and client contract issues resolved satisfactorily
- Agreement signed with Covanta to explore the possible development of two energy recovery facilities
- Outlook: LFG volumes reducing as expected (c.7% - 7.5% pa); wholesale electricity prices (£18.5m revenue in FY17) c.95% hedged at £41.93/MWH

PRESENTATION OF RESULTS

There will be a presentation of the results to analysts and investors at 9:30am today (14 June 2017) at Instinctif, 65 Gresham Street, EC2V 7NQ. To register your attendance please contact biffa@instinctif.com

A live audio webcast of the presentation will be available on Biffa's website – www.biffa.co.uk

The presentation slides will be added to Biffa's website prior to the analyst meeting.

PUBLICATION OF ANNUAL REPORT

The Company has today published its Annual Report and Accounts 2017. This document is available to view on the Company's website at www.biffa.co.uk and is also being submitted to the National Storage Mechanism for inspection at www.morningstar.co.uk/uk/nsm.

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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 in light of 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.

Notes:

See Note 3 to the consolidated financial statements for basis of preparation and definitions of all non-statutory measures

1 Revenue excluding Landfill Tax

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

3 Profit before exceptional items, amortisation of acquisition intangibles, impact of real discount rate changes to landfill provisions, finance costs and taxation

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

5 Dividend in respect of period since IPO

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

7 Excludes £43.8m notional liability in respect of EVP instrument

8 Calculated as a percentage of statutory revenue

9 Total Underlying Operating Profit includes central costs of £17.2m (£13.7m in prior year)

10 Results include impact of other items as detailed in Note 3 and explained in the Financial Review below

CHAIRMAN'S LETTER

Dear Shareholder

It is a pleasure to introduce Biffa's maiden set of full year results, following the Group's return to the public markets in October 2016. This was achieved in uncertain IPO market conditions in the aftermath of the widely unexpected Brexit result. The confidence shown in Biffa by existing and new shareholders alike was therefore hugely gratifying.

The Group Executive Team, ably led by CEO Ian Wakelin, have transformed the Group's prospects in recent years; a relentless focus on customer retention and acquisition, operational delivery and safety has resulted in consistent improvements in profitability.

A detailed business plan is in place to continue to drive Biffa's growth over the coming years, both organically and through a selective pipeline of synergistic acquisitions in markets that we thoroughly understand. Biffa has an experienced and highly respected management team, around 7500 dedicated employees and now also the capital structure is in place to continue to evolve the business over the coming years.

Performance

The Group has delivered good full year results, which were fully in line with the Board's expectations at the time of the IPO. Revenues of £990.4m were 6.8% ahead of prior year and Net Revenues rose 8.3% to £898.8m, driven by growth in our I&C, Municipal and RR&T divisions. Underlying Operating Profit rose 18.1% to £73.8m with the Underlying Operating Profit margin increasing to 7.5% from 6.7%, reflecting our ongoing focus on the optimisation of operations as well as growth. Year end Reported Net Debt was £246.1m, and therefore below 2.0x Underlying EBITDA.

Ian Wakelin's Chief Executive's Statement covers the business performance across the Group in some detail, and also our strategic priorities. The Group's financial reporting for the past year is made more complex by the refinancing and exceptional costs associated with the IPO. These and certain other items resulted in the Group reporting a statutory loss after tax of £10.9m (prior year £5.1m) as explained in Michael Topham's Financial Review. As a result of these other items, the commentary in the Operating Review has utilised underlying performance measures.

The Board of Biffa considers that health, safety and wellbeing is the highest priority within the business and is committed to keeping our people, our customers and the public safe by promoting high standards on all our sites, premises, and in all our activities. In the year, key safety performance measures, including statutory RIDDOR and Lost Time Injury (LTI) continued a long-term trend of improvement, equating to a three-fold reduction in accident rates over the past five years.

Board, Corporate Governance and Employees

Your Board believes that the effective stewardship of the Group is enhanced by the wealth of experience and range of expertise of its members. Together, we are committed to building a stronger Group for the future and delivering sustainable value to our shareholders and improving services for customers.

Our Governance Report sets out and explains the processes we have put in place to deliver long-term success whilst also ensuring that the Group complies with all applicable laws and regulations, and meets the requirements of our shareholders and their representative bodies.

Ahead of the IPO in October 2016, we were pleased to welcome two new Non-Executive Directors to the Board, both of whom bring a significant breadth and depth of expertise in leading successful and growing listed companies. David Martin, who serves as Senior Independent Director, was previously Chief Executive of Arriva. Ken Lever, who was appointed Audit Committee Chair, was previously Chief Executive of Xchanging plc and Group Finance Director at Tomkins plc.

My thanks to Ken and David, to other Board colleagues and above all to the Group Executive Team for their very considerable commitment to Biffa over the last 12 months. Achieving a successful IPO whilst maintaining focus on driving the business forward, is a considerable undertaking.

I would also like to thank the Group's loyal employees for their hard work and commitment this year. We were pleased that employees also directly participated in Biffa's listing through the receipt of free shares under the share-award scheme. This summer Biffa will also be launching a new Sharesave plan, offering employees the opportunity to participate in Biffa's success going forward.

Capital Allocation

The Board is committed to ensuring the efficient allocation of capital. The Group has a strong balance sheet and has strong and predictable free cash flow generation. With a clear strategy for sustainable profitable growth, reinforced by strict controls over capital expenditure and good working capital management, the Board will continually review organic growth opportunities, value enhancing acquisitions and shareholder returns to ensure it operates with an optimal capital structure.

Dividend

As previously stated, the Board has adopted a progressive dividend policy that will balance shareholder returns with our commitment to investing for long-term growth. The Board is recommending a maiden dividend of 2.40 pence per share, to cover the approximately five-month period since listing in October 2016 to the end of the financial year 2017. This is expected to be paid following receipt of approval to pay a dividend at our Annual General Meeting, (AGM) to be held in July 2017.

In future years, the Group intends to pay interim dividends in December in the relevant financial year and final dividends in July of the following financial year, with the amount being paid in an approximate one-third (interim) and two-thirds (final) split. The Group intends to pay annual dividends based on a targeted dividend pay-out ratio of approximately 35% of consolidated annual Underlying Profit After Tax.

Looking Forward

The Board anticipates that the next 12 months will bring more opportunity and see further progress for Biffa. We have a strong management team in place and I am confident that together we will create further value by continuing to deliver against the Group's strategic priorities. I look forward to the next stage of our journey.

Steve Marshall
Chairman

CHIEF EXECUTIVE'S STATEMENT

A Successful Year

The past 12 months has been an exciting time for our business, as we transitioned to a public company following our IPO in October 2016. This was a significant milestone for Biffa, achieved despite uncertain capital markets, and has positioned the Group well for the future. It has also proved to be another successful year for the business and I am delighted to report a continued strong performance. The strength of our business model combined with the execution of our strategy has once again delivered growth.

Performance Overview

Biffa traded strongly in the year, delivering robust Net Revenue growth of 8.3% to £898.8m and Underlying Operating Profit margin expansion from 6.7% to 7.5%. The Group has delivered good organic growth, driven by new business and improved operational efficiencies, as well as an encouraging contribution from acquisitions. The business remains well positioned in all its key markets.

- In the I&C division, ongoing pricing discipline and a steady flow of customer wins delivered Organic Revenue Growth of 5.9%, while acquisitions added 3.1% to revenues for the year. Significant new corporate customer contracts included John Lewis Partnership, Coca Cola Enterprises and Engie, achieved as a result of our national presence and integrated service offering. The I&C division showed continued margin progression with operating margins for the year increasing to 7.4% from 5.7%, driven by operational efficiencies and acquisition synergies.
- The Municipal division has recorded a solid performance in a competitive market. We have delivered the underlying operating margin growth in our municipal contract portfolio by improving cost efficiency and successfully integrating the recent Cory Environmental Municipal Services (Cory) acquisition. Another strong customer relationship performance, with new business wins and 100% contract extensions, was also achieved.
- In the RR&T division, infrastructure and operational improvements in our recycling facilities have continued and together with improvements in underlying commodity prices supported the 114.8% increase in Underlying Operating Profit across the division. New projects in soil treatment and aggregates recycling, as well as upgrades to glass processing, have also improved operating efficiency and quality. Landfill volumes remained strong in the year.
- The Energy division delivered a solid operational performance with year-on-year revenue stable, despite the expected reduction in landfill gas volumes which were partially offset by the West Sussex MBT plant that completed its first full year of operations. Reduced operating costs also helped offset the natural decline in landfill gas output.

Strong cash management and capital discipline continued in 2016/17. We kept tight control of our operating cash flows. Underlying Free Cash Flow was £28.8m, substantially increased on the prior year once significant one off items are excluded. Our Reported Net Debt on 24 March 2017 was 246.1m, representing a multiple of 1.8 times Underlying EBITDA, comfortably within our covenant level.

Our Strategy – Grow, Develop, Optimise

Our strategy continues to deliver results and therefore remains unchanged. The Group is focused on executing a very clear three-pronged strategy around growing market share, developing services and infrastructure and optimising systems and processes and has demonstrated success in all these areas over the past 12 months.

Firstly, we have driven organic growth by leveraging our competitive advantages of scale, technical expertise and service excellence to increase the volume of waste collected to 3.8m tonnes. We completed 5 attractive in-fill acquisitions in the fragmented UK waste market to deliver significant value as discussed in more detail below. The waste management industry continues to be one which evolves in a way that involves an ever increasingly complicated supply chain. This lends itself to larger players with the capital, knowledge and technical abilities to respond quickly to these changes and customer needs.

Secondly, the ongoing strategic development of Biffa's processing infrastructure and services is strongly evidenced across the business. This includes a new RDF plant in Southampton, as well as advancements in glass processing, soil treatment and polymers in the RR&T division. Measured expansion of our capabilities enables us to capture more of the value inherent in each tonne of waste handled.

Thirdly, in recent years, Biffa has focused on driving value from its existing operations by optimising its systems and processes to improve the customer experience and reduce operating costs. Examples of these efforts in the past year include a series of changes in I&C to protect margins from increased disposal costs alongside pricing discipline, and progress in the implementation of a groupwide IT modernisation programme with the goal of streamlining sales and operating processes and enhancing the customer experience.

Acquisitions

Acquisitions are an important component of our Group's strategy. We continue to see opportunities to improve the utilisation of our existing asset base, and in this regard, will continue to target acquisition opportunities where we see clear value creation opportunities through asset combinations. I am pleased with the level of M&A activity this year and I am confident that the skills we have developed and resources we have mobilised strengthen our ability to successfully identify, acquire and importantly fully integrate businesses into our existing Group.

Our acquisitions are mentioned in the Financial Review, but I want to make special mention of a couple. Last summer we were delighted to acquire the waste collection business of Cory, taking over the provision of commercial waste collection and recycling services to a customer base of about 6,300 I&C customers, as well as four major Local Authority contracts. In November, the acquisition of Blakeley's Recycling (Blakeley's) was completed, adding to our I&C business over 3,400 customers and a large, modern and well positioned facility in the North West of England. The acquisitions provide further demonstration that Biffa is a natural consolidator in the industry.

A Platform for Sustainable Growth

Biffa is distinguished from its peers owing to its control of waste. This control of large quantities of waste is a tangible asset to our business whether that be through securing commercially attractive outlets for that waste or using the control of waste to underpin the development of infrastructure.

We have continued to look at the opportunity open to us to invest in the continually growing Energy from Waste (EfW) market. There is a deficit of EfW infrastructure to deal with the residual waste arising in the UK. Biffa is very well positioned to facilitate the development of these required facilities through our control of large quantities of waste. We are delighted to have reached an agreement with the leading EFW developer and operator Covanta to jointly explore on an exclusive basis the development of two much needed facilities in the North West and East Midlands. We look forward to reporting again in due course on the nature and extent of our potential involvement in these two projects.

Our People and Community

The success of Biffa throughout the year is in large part due to the unstinting effort and commitment of our 7,500 employees. I would like to personally thank all the people of Biffa for their hard work and dedication, especially through a demanding listing process. We have worked hard on our employee engagement programmes over many years, and I was delighted to see our employee engagement score improve, once again.

Biffa's strategy is supported by sound business processes and a commitment to fulfilling our responsibilities to our employees and the wider community. We again made good progress with ensuring the health and safety of our employees and all other stakeholders. In particular, during the year we delivered a 14.2% reduction in reported accidents (based on RIDDOR data), and saw improvements year on year with all other key safety indicators. This performance is the direct result of prioritising safety management and our efforts will continue in this important aspect of our business. We have also improved our environmental performance, ensuring we continue to fulfil a vital role in society in as environmentally a sensitive manner as possible.

Prospects

Biffa is a successful business with significant potential. The prospects of the Group are positive thanks to a competitive market position, stable operating environment and our ability to grow the business both organically and through acquisition.

We have entered the new financial year with continued optimism and at this early stage we are confident that the Group will deliver results for the year in line with the Board's expectations.

Ian Wakelin
Chief Executive
13 June 2017

OPERATING REVIEW

Industrial and Commercial

The I&C division provides services to corporate, industrial, commercial and public sector customers, including waste and recyclables collection, sorting, processing and transfer of materials for reprocessing, energy recovery or disposal.

Highlights

Summary (£m unless stated)

	2017	2016	Growth
Statutory revenue	522.1	479.2	9.0%
Underlying EBITDA	65.5	50.1	30.7%
Underlying Operating Profit	38.5	27.3	41.0%
Underlying Operating margin	7.4%	5.7%	

- Strong revenue growth (9.0%): organic revenue growth (5.9%) and revenue from acquired business (3.1%).
- Underlying Operating Profit margin growth from 5.7% to 7.4%: Prior year acquisitions fully integrated while other cost efficiencies and price discipline delivered into the base business.
- Current year acquisitions of the commercial elements of Cory, Blakeley's and several smaller regional businesses are performing well and expected to deliver in-line with businesses case in the coming year.
- Continued focus on organic and acquisition growth, coupled with ongoing cost initiatives to drive margin growth in a stable market places us well for the year ahead.

Performance Summary

The I&C division has continued to see strong growth with revenue increasing by 9.0% to £522.1m and Underlying Operating Profit increasing by 41.0% to £38.5m. Revenue has grown through increased collection volume from a number of major new business wins such as The John Lewis Partnership, Next and FM provider Engie supplemented by the full year impact of the acquisitions in 2016 and the initial contribution from those in 2017. The cost efficiencies arising from integrating the acquisitions of the commercial elements of Cory (c.£8m revenue annualised), Blakeley's (c.£8m revenue annualised) and three smaller local businesses (c.£2m revenue annualised) have helped overall Underlying Operating Profit increase, but also driven the operating margin from 5.7% to 7.4%. A significant cost of the I&C business relates to the cost of disposing of residual waste, and in recent years we have developed a network of facilities to prepare waste into Refuse Derived Fuel (RDF), from where it is sent for incineration in both the UK and other European countries. During the year we further expanded this operation, and increased the amount of RDF sent to UK facilities, further growing our margins despite the additional costs arising from the rise in value of the Euro.

Market Conditions

UK market waste volumes are relatively stable but there is an increasing degree of complexity as certain waste types, such as food and glass, are increasingly collected on a segregated basis. The European EfW demand for RDF has remained consistent with previous years but we have seen an increasing requirement from UK EfW sites for industrial and commercial RDF. The commercial collections marketplace in the UK remains fragmented with a sizeable number of smaller scale or regional businesses providing the I&C division with the opportunity to drive further value by building scale through acquisitions and delivering ongoing operating efficiencies through an increased density of collections.

Strategic objectives

The I&C division remains focused on driving organic revenue growth through targeted sales across all of our customer channels and by making further improvements in our levels of customer retention. The I&C network has an unparalleled national capability but with a regional focus which allows us to compete effectively at both national and local levels.

In the year we delivered a number of new service initiatives and we will continue to develop these as part of our strategy to provide an increasingly broad service offering to our customers. We expect our RDF supply to mainland Europe to remain constant in the year ahead although we expect to increase our RDF production for a number of new UK EfW plants. To ensure a balanced approach, we continue to focus on driving operational efficiencies to achieve a 'lowest cost to serve' and we expect to target further acquisitions as the market place continues its trend towards consolidation.

Municipal

The Municipal division offers household waste and recycling collection services and associated services such as street cleansing and the management of household waste and recycling centres on behalf of local governments across the UK.

Highlights

Summary (£m unless stated)

	2017	2016	Growth
Statutory revenue	182.2	161.1	13.1%
Underlying EBITDA	23.8	21.4	11.2%
Underlying Operating Profit	11.0	9.0	22.2%
Underlying Operating margin	6.0%	5.6%	

- Strong organic revenue growth and the incorporation of the Cory acquisition drove statutory revenue forward by 13.1% year on year.
- Cost efficiencies across the contract portfolio helped to advance Operating Profit by 22.2% thereby increasing operating margin from 5.6% to 6.0%.
- The acquisition of the municipal contracts of Cory, incorporating the Cornwall, Lincoln, Rutland and Tunbridge Wells Local Authority collection contracts are performing well and expected to deliver in-line with our targets in the coming year.
- The recent win and mobilisation of the North Somerset contract, together with contract extensions and the addition of the Cory contracts, gives us good visibility of earnings into the future.

Performance Summary

The Municipal division has continued to see strong growth with revenue increasing by 13.1% to £182.2m and Underlying Operating Profit increasing by 22.2% to £11.0m. Revenue has grown both organically to replace expiring contracts and through the impact of the Cory acquisition. The cost efficiencies arising from integrating the acquisition and from some of our newer maturing contracts have helped overall Underlying Operating Profit increase, but also driven the operating margin forward by 0.4% to 6.0%. During the year we were delighted to secure the North Somerset contract, which is expected to add circa £7m to annual revenues. The contract was mobilised in March 2017. We are very proud to partner with some of the best performing local governments in the country for recycling and were pleased to see that in 2015/6, 4 of the top ten performing authorities were Biffa customers.

Market Conditions

The market remains competitive but has seen increasing stability as a result of local governments seeking ever more complex, broad ranging outsourced waste contracts. This has reduced the number of businesses with the credibility and experience required to offer the services. Local government customers have also recognised the need to see a balance of risk and reward with the outsource service providers – which has seen a move toward gain share arrangements in areas such as recycling performance and also for service improvement initiatives.

Local government customers continue to face financial pressures and whilst collection costs rightly do not escape scrutiny, customers are often keen to explore opportunities to reduce their overall waste management costs by investing more in collection services to increase recycling levels (such as separate food waste collections), thereby reducing disposal costs, or by looking at introducing optional services – such as garden waste collections – that are paid for directly by householders. These market changes together with the demographic increase in household numbers and waste volumes is resulting in larger contracts better suited toward large scale bidders.

Strategic objectives

The Municipal division will continue to seek to grow revenue profitably through maximising customer retention through contract extensions and by capitalising on the trend toward larger scale contracts. There is scope to develop further service offerings direct to our residential customers to complement our municipal revenue stream. Optimising our collection service through deployment of technology and increasing segregated food collection will allow us to focus on reducing costs for our clients whilst supporting our margins.

Resource Recovery and Treatment

The RR&T division focuses on the treatment, recycling and disposal of waste. It provides a number of treatment services for those materials that can be recovered, and landfill disposal for those that are not suitable for recycling or energy recovery.

	2017	2016	Growth
Statutory Revenue	198.9	198.4	0.3%
Net Revenue	107.2	104.7	2.4%
Underlying EBITDA	29.5	21.4	37.9%
Underlying Operating Profit	11.6	5.4	114.8%
Underlying Operating margin	5.8%	2.7%	

- Revenue relatively flat year on year but improvements in performance of our recycling facilities has driven Underlying Operating Profit forward by 114.8%.
- Landfill volumes stable in the year; prices improved.
- A number of new projects in soil treatment and aggregates recycling have begun to contribute to earnings.
- In our Materials Recycling Facilities (MRFs), the improvements in achieved commodity sales were complemented by a more balanced risk share with our customers and an improvement in facility up-time.
- The expansion of our Polymers business was completed towards the end of the year and will contribute to earnings in the coming year.

Performance Summary

The RR&T division has seen revenue held fairly flat but significant improvement in the selling prices achieved in commodity sales has contributed to Underlying Operating Profit growth of 114.8% to £11.6m. We have continued to evolve the recycling business model to one of shared risk, meaning that in future earnings volatility in this part of our business will be reduced. As at the end of the year circa 50% of the commodity price risk was held by Biffa. In addition to benefitting from improved

commodity prices, we delivered a number of key operational initiatives within our facilities, helping us to maximise material yields and throughputs whilst reducing processing costs.

Landfill volumes remained strong in the year and pricing improved. We continue to focus on materials that cannot be economically recycled or treated for energy recovery, and for which landfill is the only viable means of safe disposal. In parallel we continued to focus on developing alternative treatments for certain materials, including composting, aggregates recycling and polymer reprocessing. Towards the end of the year we completed the £6m expansion of our HDPE processing facility, supplying recycled food-grade HDPE to the food and cosmetics industries.

Market Conditions

The recycling market continues to mature, with a greater focus on material quality and an acceptance by local government customers that they must share some of the unavoidable volatility in commodity values.

Opportunities to invest in processing solutions for particular types of waste continue to be available for those operators who control the supply of waste and have the right locations and expertise.

The landfill market is increasingly focused on waste that cannot be recycled or treated for energy recovery. Landfill sites continue to close once they have been filled and are not being replaced – leaving the UK with fewer sites. Whilst overall tonnages will continue to reduce over time, those sites that remain open are likely to see increased tonnages and prices.

Strategic objectives

The RR&T division will continue to seek to grow revenue through expanding its processing infrastructure where the appropriate market conditions exist and where the risks are understood and can be managed.

There is scope to develop further service offerings from our existing landfill facilities, including seeking to increase the amount of waste that is transported by rail, in order to increase the mobility of inactive waste. By utilising these rail hubs we can enhance the contribution per tonne from the landfilled waste.

Energy

Biffa is a significant provider of renewable energy with 91.2MW of installed energy generation capacity. The Energy division comprises the Group's energy production operations from landfill gas and from food waste via anaerobic digestion.

	2017	2016	Growth
Statutory revenue	87.2	88.8	-1.8%
Underlying EBITDA	35.5	40.9	-13.2%
Underlying Operating Profit	29.9	34.5	-13.3%
Underlying Operating margin	34.3%	38.9%	
Energy generation (GWh)	512	530	-3.4%
Energy price (t/MWh)	38.0	49.2	-22.8%

Highlights

- Strong operational performance with year on year revenue relatively flat despite an expected 7% decline in landfill gas production.
- Operating cost reductions minimised the profit impact of the natural decline of landfill gas output.
- Development of three new food transfer stations enabled bulking and transfer of food to the Poplars AD plant enhancing total contribution.
- Partnership with Covanta to investigate the feasibility of developing large scale EfW plants in two UK locations.

Performance Summary

The Energy division has continued to see strong operational performance to hold revenue relatively flat despite the natural decline in gas yields year on year. During the year the Energy division satisfactorily completed the settlement of all outstanding construction items and contract variation issues with the MBT plant in West Sussex to put the ongoing operation on a sustainable footing. Further investment was made in the year in developing food transfer stations in three strategic locations around the country to enable the bulk transfer of food from the I&C business into the AD plant at Poplars internalising this feedstock and enhancing total margin of food processed.

Market Conditions

Energy prices remain uncertain and for that reason we forward sell our generation (from which we earned revenues of £18.5m in the year) for the coming year to provide earnings stream. Landfill gas will continue to decline over time as landfill waste inputs reduce. Separate food waste collections have grown in recent years and this has supported the development of AD facilities. Currently there appears to be excess capacity and this has resulted in a downward pressure on gate fees. Conversely, we see a significant deficit in capacity for UK residual waste treatment infrastructure and expect this gap to remain, creating a potentially attractive investment opportunity for operators with the control of supply of waste.

Strategic objectives

The Energy Division will continue to seek to maximise earnings from its existing operations by optimising gas, electrical and material yields.

Our growing available grid headroom at many of our locations offers a potentially valuable asset and we will investigate opportunities to best utilise it over time.

In the AD market, whilst the sector remains challenged we remain optimistic of its future prospects and will continue to look into ways to increase our operating footprint in readiness for the stabilisation of the market.

We see many opportunities to leverage the Group's control of waste, and specifically look forward to working with Covanta to explore the feasibility of developing two large scale Energy Recovery Facilities with them.

FINANCIAL REVIEW

Underlying Group Performance

Revenues grew from £927.5m to £990.4m (6.8%) and Net Revenues grew from £830.3m to £898.8m (8.3%).

Underlying EBITDA increased by 12.6% to £137.7m and Underlying Operating Profit increased by 18.1% to £73.8m. Underlying Profit Before Tax increased 113% to £45.1m and Underlying Profit after tax increased 251% to £35.8m.

Other Items

Statutory loss after tax for the year was £10.9m (prior year £5.1m). To enable a better understanding of business performance, certain items are excluded when calculating the Group's Underlying measures of performance.

The items are more fully explained in Note 3 to the consolidated financial statements and include exceptional items, amortisation of acquisition intangibles and material impacts from changes in real discount rates on landfill provisions and totalled £61.7m (at the operating profit level) in the year (prior year £18.3m). The principal reasons for the significant increase in the current year are the exceptional costs associated with Biffa's IPO in October 2016 of £29.0m and the impact of the reduction in the real discount rate on landfill provisions, which resulted in a charge of £17.9m in the year (prior year £nil).

A reconciliation from Underlying Profit after Tax to statutory loss after tax is set out below.

	FY 17 (£m)	FY 16 (£m)
Underlying Profit after Tax	35.8	10.2
Exceptional items	(29.2)	(3.5)
Amortisation of acquisition intangibles	(14.6)	(14.8)
Impact of changes in real discount rate on landfill provisions	(17.9)	–
Net interest	(2.1)	-
Tax	17.1	3.0
Statutory loss after tax	(10.9)	(5.1)

Finance Charges

Finance charges (totalling £33.6m on an underlying basis) includes interest charges on the Group's borrowings (£29.3m, including £7m on finance leases), bond premiums (£1.8m) and discount unwind on landfill provisions (£2.5m).

Finance charges reduced by £10.3m in the year, £13.0m on an underlying basis. The decrease in underlying interest is due to a reduction in both the principal amount of the Group's term debt and the post-IPO cost of funding.

Taxation

The effective tax rate on Underlying Profits was 21%. The effective tax is higher than the prevailing rate due to certain charges being disallowed for UK corporation tax.

During the second half of the year, the Group successfully concluded negotiations with HMRC in respect of certain historic expenditures; as a result the Group has recognised the associated losses within its deferred tax asset as disclosed in note 21 of the financial statements.

Payments in respect of Corporation Tax in the year were nil (prior year nil). The Group's deferred tax balance of £28.5m (prior year £16.9m), will serve to reduce future cash tax payments in the years to come.

Earnings per Share

The reported earnings per share figures are impacted by the Group's IPO during the year.

Underlying Earnings Per Share decreased to 29.3 pence per share. Total loss per share reduced to 9.0 pence per share.

Dividend

The Board has adopted a progressive dividend policy aiming to pay circa 35% of Underlying Profit After Tax being paid in an approximate one third (interim) and two thirds (final) split. The Directors recommend a final dividend in respect of the period from the IPO to 24 March 2017 of 2.40 pence per share. This is expected to total £6.0m and, if approved, be paid on the 28 July 2017 to those shareholders on the register at 7 July 2017.

Retirement Benefits

The Group operates a defined benefit pension scheme for certain employees which closed to future accrual for the majority of its members as at 1 November 2013. At 24 March 2017, the net retirement benefit surplus was £15.4m compared to a surplus of £29.5m at 25 March 2016. Both the assets and liabilities of the scheme have increased significantly over the period due to the fall in gilt yields during the year. The scheme had an actuarial deficit of £66.7m as at the time of the last valuation in March 2015, and an inflation-linked annual payment of £3.85m from March 2017 has been agreed with the trustee of the scheme.

Capital Allocation and Return on Capital

The Board is committed to ensuring the efficient allocation of capital, with a clear strategy for sustainable profitable growth, reinforced by strict controls over capital expenditure and good working capital management. The Board will continually review organic growth opportunities, value enhancing acquisitions and shareholder returns to ensure it operates with an optimal capital structure.

Group Return on Operating Assets (measured as Underlying Operating Profit divided by average of opening and closing Tangible Fixed Assets plus net working capital) increased from 24.1% to 27.6%.

Group Return on Capital Employed (measured as Statutory Operating profit excluding exceptionals and the real discount rate changes to landfill provisions divided by the average of opening and closing shareholder's equity plus net debt (including finance leases), pensions and environmental provisions increased from 8.6% to 9.9%.

Acquisitions

During the year the Group completed five acquisitions; the entire issued share capital of Cory (on 8 June 2016, for a consideration of £13.5m), the trade and assets of Blakeley's, a medium sized trade waste collection business in North West England (on 1 November 2016, for a consideration of £2.6m) and three small trade waste collection businesses for an aggregate consideration of £0.7m.

Cash Flow

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

	FY 17 (£m)	FY 16 (£m)
Underlying EBITDA	137.7	122.3
Working capital movement	(4.8)	5.2
Capital expenditure	(46.2)	(42.4)
Sale of fixed assets	2.4	7.1
Net interest paid	(28.5)	(27.5)
Finance lease principal payments	(28.9)	(26.3)
Pension deficit payments	(3.0)	(3.0)
Other	0.1	0.5
Underlying Free Cash Flow	**28.8**	**35.9**
Restructuring and exceptional items	(34.9)	(5.7)
EVP prepayment & associated interest	(63.6)	–
Acquisitions	(14.8)	(8.7)
Changes in borrowings and share capital on IPO	28.0	–
Movement in financial assets	6.9	(5.0)
Net cash flow	**(49.6)**	**16.5**

Prior year Underlying Free Cash Flow included receipts of £15m relating to plant acceptance (£12m in working capital and £3m in net interest paid) at West Sussex and £6.4m from the sale of a surplus freehold property, both of which were one-off in nature. Working capital movement in the year was adversely affected by £3.7m relating to the acquisition of Cory, which is expected to reverse over time. Net cashflow was materially affected by cashflows relating to the Group's IPO, including exceptional costs (£31.4m), EVP prepayment (£63.6m, see below) and net proceeds from refinancing of £28.0m.

Net interest paid increased due to the non-recurrence of the aforementioned one-off £3m interest income in the prior year relating to the West Sussex contract.

Finance lease principal payments increased due to phasing of the Group's ongoing vehicle replacement programme.

Net Debt and Borrowings

Followings Biffa's Listing on the London Stock Exchange in October 2016, the Group's Reported Net Debt and ongoing financing costs reduced. Reported Net Debt as at the year end was £246.1m or 1.8 times Underlying EBITDA.

Reported Net debt (£m)	**24 March 17**	**25 March 16**
	Actual	Actual
Cash	56.4	106.0
Loans	(193.6)	(409.1)
Finance leases	(108.9)	(82.8)
Junior shareholder loan	–	(120.0)
Total	**(246.1)**	**(505.9)**

The above analysis excludes the liability in respect of the EVP Dispute (see below).

Following the refinancing of the Group's debts at IPO (as explained below) the Group's net finance charges were reduced to approximately £22m p.a. of which approximately £20m p.a. is cash.

Debt facilities and liquidity

As part of the IPO, the Group entered into new borrowing facilities with a syndicate of banks. These new facilities comprise a fully drawn £200m 5 year term loan and a £100m Revolving Credit Facility (RCF). At the year end, the RCF was undrawn and provides significant liquidity for the Group to pursue its strategic objectives.

EVP Dispute

The Group is engaged in a dispute with HMRC concerning historic landfill tax. Arrangements were put in place at the time of the Group's IPO to ensure the tax at risk was prepaid to HMRC and that the Group was protected against any adverse outcome from the dispute. For further details see note 32 to the financial statements.

Consolidated Statement of Profit or Loss

	Notes	52 weeks ended 24 March 2017 Underlying Activities £m	Other Items £m (note 3)	Total £m	52 weeks ended 25 March 2016 Underlying Activities £m	Other Items £m (note 3)	Total £m
Continuing operations							
Revenue	2	990.4	-	990.4	927.5	-	927.5
Cost of sales		(866.0)	(31.5)	(897.5)	(811.7)	(11.3)	(823.0)
Gross profit		124.4	(31.5)	92.9	115.8	(11.3)	104.5
Operating costs	6	(50.6)	(30.2)	(80.8)	(53.3)	(7.0)	(60.3)
Operating profit		73.8	(61.7)	12.1	62.5	(18.3)	44.2
Finance income	4	4.9	0.6	5.5	5.3	-	5.3
Finance charges	4	(33.6)	(2.7)	(36.3)	(46.6)	-	(46.6)
Profit/(loss) before taxation	6	45.1	(63.8)	(18.7)	21.2	(18.3)	2.9
Taxation	9	(9.3)	17.1	7.8	(11.0)	3.0	(8.0)
Profit/(loss) for the period		35.8	(46.7)	(10.9)	10.2	(15.3)	(5.1)
Profit/(loss) attributable to shareholders of the parent company		35.8	(46.7)	(10.9)	10.2	(15.3)	(5.1)
Basic earnings/(loss) per share (pence)	10	29.3	(38.3)	(9.0)	37.7	(56.6)	(18.9)

Other items includes exceptional items, the impact of real discount rate changes to landfill provisions and amortisation of acquisition intangibles.

Consolidated Statement of Other Comprehensive (Loss)/ Income

	Notes	52 weeks ended 24 March 2017 £m	52 weeks ended 25 March 2016 £m
Loss for the period		(10.9)	(5.1)
Other comprehensive(loss)/ income			
Items from continuing operations that will not be reclassified subsequently to profit or loss:			
Actuarial (loss)/ gain on defined benefit pension scheme	28	(17.6)	60.4
Tax relating to items that will not be reclassified subsequently to profit or loss	9	3.4	(12.2)
		(14.2)	48.2
Items from continuing operations that may be reclassified subsequently to profit or loss:			
Net gains on cash flow hedge	18	0.3	-
Tax relating to items that may be reclassified subsequently to profit or loss	9	-	-
Other comprehensive (loss)/income for the period, net of income tax		(13.9)	48.2
Total comprehensive (loss)/profit for the period		(24.8)	43.1
Attributable to shareholders of the parent company		(24.8)	43.1

Consolidated Statement of Financial Position

	Notes	As at 24 March 2017 £m	As at 25 March 2016 £m
Assets			
Non-current assets			
Goodwill	12	70.4	64.4
Other intangible assets	13	219.9	224.9
Property, plant and equipment	14	327.8	292.9
Long term receivables	16	75.6	8.0
Deferred tax assets	21	28.5	16.9
Retirement benefit surplus	28	15.4	29.5
		737.6	636.6
Current assets			
Inventories	15	9.1	8.2
Trade and other receivables	16	177.7	179.3
Financial assets	18	10.7	17.5
Derivative financial instruments	18	0.3	-
Cash and cash equivalents	17	56.4	106.0
		254.2	311.0
Current liabilities			
Borrowings	18	(30.8)	(107.6)
Derivative financial liabilities	18	-	(2.1)
Trade and other payables	19	(230.8)	(230.0)
Current tax liabilities		(0.9)	(2.0)
Provisions	20	(10.3)	(11.6)
Total current liabilities		(272.8)	(353.3)
Net current liabilities		(18.6)	(42.3)
Non-current liabilities			
Borrowings	18	(315.5)	(504.3)
Trade and other payables	19	(13.1)	(0.1)
Non-current provisions	20	(98.8)	(86.5)
Total non-current liabilities		(427.4)	(590.9)
Net assets		291.6	3.4
Equity			
Called up share capital	23	2.5	-
Share premium	23	235.5	-
Hedging reserves		0.3	-
Merger reserve	23	74.4	-
Retained (deficit)/earnings	24	(21.1)	3.4
Total equityattributable to shareholders		291.6	3.4

The financial statements were approved by the Board of Directors and authorised for issue on 13 June 2017. They were signed on its behalf by:

Director

Company number: 10336040

Consolidated Statement of Changes in Equity

	Notes	Called up share capital £m	Share premium £m	Merger reserve £m	Hedging and other reserves £m	Retained earnings/ (deficit) £m	Total equity £m
As at 27 March 2015			-	-	-	(39.7)	(39.7)
Loss for the period		-	-	-	-	(5.1)	(5.1)
Other comprehensive income for the period		-	-	-	-	48.2	48.2
Total comprehensive income for the period		-	-	-	-	43.1	43.1
As at 25 March 2016		-	-	-	-	3.4	3.4
Loss for the period		-	-	-	-	(10.9)	(10.9)
Issue of share capital	23	2.5	261.0	-	-	-	263.5
Share issue costs			(25.5)				(25.5)
Cashflow hedges	18	-	-	-	0.3	-	0.3
Value of employee service in respect of share option schemes	23	-	-	-	-	0.6	0.6
Recognition of merger reserve		-	-	74.4	-	-	74.4
Other comprehensive loss		-	-	-	-	(14.2)	(14.2)
Total comprehensive income/(loss) for the period		2.5	235.5	74.4	0.3	(24.5)	288.2
As at 24 March 2017		2.5	235.5	74.4	0.3	(21.1)	291.6

Consolidated Statement of Cash Flows

	Notes	52 weeks ended 24 March 2017 £m	52 weeks ended 25 March 2016 £m
Cash flows from operating activities			
Cash generated from operations	25	73.3	120.0
Restructuring and exceptional costs		(34.9)	(5.7)
Net cash from operating activities		38.4	114.3
Cash flows from investing activities			
Purchases of property, plant and equipment		(39.4)	(37.8)
Purchases of intangible assets		(6.8)	(4.6)
Acquisitions	11	(14.8)	(8.7)
Proceeds from the sale of property, plant and equipment		2.4	7.1
Interest received		0.3	4.0
Net cash used in investing activities		(58.3)	(40.0)
Cash flows from financing activities			
Interest paid		(28.8)	(31.5)
Repayment of borrowings		(420.5)	-
Finance lease principal payments		(28.9)	(26.3)
Drawdown of new borrowings		245.0	-
Proceeds from issue of share capital		212.6	-
Cost of issue of share capital		(5.4)	-
Deposits made in respect of long term bonds		(3.7)	-
Net cash flow used in financing activities		(29.7)	(57.8)
Net (decrease)/increase in cash and cash equivalents		(49.6)	16.5
Cash and cash equivalents at the beginning of the period		106.0	89.5
Cash and cash equivalents at the end of the period	17	56.4	106.0

1. Accounting policies

Basis of preparation

The consolidated financial statements have been prepared in accordance with International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) and related interpretations issued by the IASB and the European Union (IFRS as adopted by EU). They are prepared on the basis of all IFRS accounting standards and interpretations that are mandatory for the periods ending 24 March 2017 and in accordance with the Companies Act 2006 applicable to Companies reporting under IFRS and Article 4 of the EU IAS regulations. The comparative information has been prepared on the same basis.

The consolidated financial statements have been prepared on a historic cost basis, except for the recording of pensions assets and liabilities and the revaluation of certain derivative financial liabilities instruments.

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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in the Annual Report and Accounts 2017.

Reorganisation

On 20 October 2016, the Group completed the initial public offering (IPO) of its Ordinary Shares, was admitted to the premium listing segment of the Official List of the Financial Conduct Authority and is trading on the London Stock Exchange.

The Company was initially incorporated on 18 August 2016, with its registered office situated in the United Kingdom.

Prior to listing, the Company became the holding company of the Group through the acquisition of the full share capital of Wasteholdco 1 Limited and its subsidiaries (the Existing Group). Shares in Wasteholdco 1 Limited, an entity formerly owned primarily by GL Europe Luxembourg S.à.r.l, Botticelli LLC and Sankaty European Investments S.à.r.l, the former equity sponsors and principal shareholders, were exchanged for 104,194,841 shares in the Company. These shares were issued and credited as fully paid of £0.01 each.

The transaction does not meet the definition of a business combination under IFRS 3 Business Combinations and as such, falls outside the scope of that standard. As a consequence, following guidance from IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, the integration of the Company has been prepared under merger accounting principles. This policy, which does not conflict with IFRS, reflects the economic substance of the transaction.

Under these principles, the Group has presented its Financial Statements of the Group as though the current Group structure had always been in place. Accordingly, the results of the combined entities for both the current and prior period are presented as if the Group had been in existence throughout the periods presented, rather than from the restructuring date.

Going concern

The Group's business together with the factors likely to affect its future development, performance and position are set out in the business review. The financial position of the company, its cashflows, liquidity position and borrowing facilities are described in the Financial Review.

The Group meets its day-to-day working capital requirements through its bank facilities. The current economic and political conditions create uncertainty, however, the Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the current level of its facilities. The Group has made a loss after tax in the reported period however having assessed the principal risks and other matters discussed in connection with the viability statement, the Directors consider it appropriate to adopt the going concern basis in preparing the consolidated financial statements.

In addition see the Group's viability statement set out in the Annual Report and Accounts 2017.

Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and all of its subsidiaries. Subsidiaries are all entities over which the Group has the power to affect its returns. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to its ability to govern. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date on which control ceases.

All intra-group transactions are eliminated as part of the consolidation process. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Changes in accounting policies and disclosures

The following standards have been adopted by the Group for the first time for the financial year beginning on or after 26 March 2016:

- Annual improvements to IFRS 2012
- Annual improvement to IFRS 2014
- Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to IAS 1 Presentation of Financial Statements
- Amendments to IFRS 11 Joint Arrangements

Adoption of the above has not led to any changes in accounting policies or had any material impact on the financial statements.

At the date of authorisation of these financial statements, The Group has not applied the following new and revised IFRSs which have been issued but are not yet effective:

IFRS 9 Financial Instruments

IFRS 15 Revenue from Contracts with Customers

IFRS 16 Leases

IFRS 2 (amendments) Classification and Measurement of Share-based Payment Transactions

IAS 7 (amendments) Disclosure Initiative

IAS 12 (amendments) Recognition of Deferred Tax Assets for Unrealised Losses

IAS 40 (amendments) Investment Property

IFRIC 22 Foreign Currency Transactions and Advance Consideration

Annual improvements to IFRS Standard 2014-2016 cycle

None of these are expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010 and endorsed by the EU in November 2016. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments and is effective for periods commencing 1 January 2018.

IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

At this time the Group does not expect IFRS 9 will have a significant impact on its existing accounting policies for financial instruments, because the new rules have a more direct impact on the accounting treatment of financial assets to which the Group has limited exposure except for trade receivables. The key

area of impact for the Group will be as a result of the introduction of the forward looking expected credit loss model.

Similarly the way that the Group currently deals with its hedge accounting transactions will not be significantly impacted by the move to IFRS 9. However it is likely that disclosures around the entity's risk management strategy and the impact of hedge accounting on the financial statements will be increased.

As outlined above, the key area of impact for the Group will be as a result of the introduction of the forward looking expected credit loss model. During 2017 the Board will complete its detailed assessment of the impact of IFRS 9 ahead of adopting the standard from 31 March 2018.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cashflows arising from an entity's contracts with customers.

Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted subject to EU endorsement. The Board is still in the process of reviewing the full impact of implementation but at this time the Group does not expect there to be any significant impact of the standard on revenue recognition within the Group which will continue to recognise revenue in line with current reporting. The standard includes detailed application guidance which will be considered across all business lines as part of the Group's detailed review and implementation plan ahead of the implementation of the standard from 1 January 2018.

In January 2016 IFRS 16 – 'Leases' was issued. The Board is still in the process of reviewing the impact of IFRS 16 on the Group's accounting policies. The Group currently leases both properties and plant and equipment under a series of operating leases which will be impacted by the new standard and these types of leases may need to be brought onto the Group's statement of financial position from the date of the adoption of the new standard. As a consequence of this there is likely to be an impact on the Group's statement of profit and loss where operating lease rentals are likely to be replaced by a depreciation charge and related interest charge. There will also be an increase to fixed assets and finance leases creditors on statement of financial position. The Board has not yet reached a decision whether the modified retrospective approach, whereby comparatives will not be restated on adoption of the new standards but instead a cumulative adjustment is reflected in retained earnings will be adopted or whether the prior year comparatives will be restated.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

Business combinations

The Group accounts for acquisitions of businesses using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred to the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

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

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition date amounts of the identifiable assets and acquired and the liabilities assumed exceeds the sum of the consideration transferred, the amount of

any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

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

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

Goodwill

Goodwill is initially recognised and measured as set out above.

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

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

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

Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (CODM). 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 internal reporting structure is aligned on the same basis and segmental information is presented on a basis consistent with this reporting structure.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for value added taxes and trade discounts. Landfill tax is included within both revenue and cost of sales.

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction shall be recognised by reference to the stage of completion of the transaction at the end of the reporting period.

Municipal collection and environmental services revenue is recognised in accordance with quantities specified in the agreed customer contracts.

Other collection revenue is recognised on collection of waste from customer sites.

Revenue from waste processing, treatment and landfill facilities is recognised when waste is physically received at the Group sites.

Energy generation revenue is recognised at the point that power is supplied to the customer based on the quantity of units supplied.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis,

by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Foreign currencies

In preparing the financial information of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are recognised as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.
- For the purposes of presenting these consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into sterling using the exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

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

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

Employee benefits

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- remeasurement.

The Group presents service costs in operating costs and net interest expense or income is included in finance income. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension plans on a contractual or voluntary basis. The Group recognises contributions payable to these plans in exchange for employee services in employee benefit expense.

A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Share based payment plans

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

Exceptional items

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

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss because of items of income or expense that are

taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit not the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

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

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

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

Property, plant and equipment

Landfill sites are recorded at cost less accumulated depreciation and accumulated impairment losses. The cost of landfill sites includes the cost of acquiring, developing and engineering sites. There are no directly attributable borrowing costs. Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses.

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

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

- Buildings – length of lease straight line method
- Plant, vehicles and equipment – 4-15 years straight line method
- Landfill sites – void consumed

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

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

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

- Customer contracts – 3-20 years
- IT development – 3–5 years
- Landfill gas rights – Length of projected profitable gas extraction based on landfill site content degradation

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

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

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

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

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Pre-contract costs

Pre-contract costs are expensed as incurred until the group is appointed preferred bidder. Preferred bidder status provides sufficient confidence that the conclusion of the contract is probable, the outcome can be measured reliably and is expected to generate sufficient net cash inflows to enable recovery.

Pre-contract costs incurred subsequent to appointment as preferred bidder are capitalised onto the statement of financial position. The capitalised balance is expensed to the statement of profit or loss over the period of the contract. Costs, which have been expensed, are not subsequently reinstated when a contract award is achieved.

Impairment of tangible and intangible assets other than goodwill

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment.

Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less estimated costs of completion and costs necessary to make the sale. Full provision is made for obsolete or defective stock.

Provisions

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

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

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

Provisions for the cost of restoring landfill sites and aftercare costs are made as the obligation to restore the site arises. Costs are charged to the profit or loss over the operational life on the basis of the usage of void space for each landfill site. The restoration obligation is typically fulfilled within 2 years of the landfill site being closed to waste.

Provisions for aftercare costs are made as the aftercare liability arises. Costs are charged to the profit or loss over the operational life of each landfill site on the basis of usage of void space. When the obligation recognised as a provision gives access to future economic benefits, an asset in property, plant and equipment is recognised. The asset is depreciated over the period of gas generation. Aftercare costs are provided for based on the Directors' expectation that the obligation will have been fulfilled 60 years post closure of the site.

Onerous contracts

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

Financial Instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date the entity becomes party to the contractual provisions of the instrument and are subsequently remeasured at their fair value at each balance sheet date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and the nature of the item being hedged.

The Group designates certain derivatives as either a) fair value hedge (hedges of the fair value of recognised assets or liabilities; or b) cash flow hedge (hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction); or c) net investment hedge (hedges of net investments in foreign operations).

The Group documents the transaction relationship between the hedging instruments and hedged items at inception. At inception and at each reporting date the Group assesses whether the derivatives used have been highly effective in offsetting changes in the fair value of hedged items.

The fair values of derivative instruments used for hedging are shown in note 18. Movements in the hedging reserve are shown in the statement of changes in equity.

At the reporting date the Group has no fair value hedges or net investment hedges.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated as cash flow hedges are recognised in equity. The Group's cash flow hedges in respect of forward foreign exchange contracts result in recognition in either profit and loss or in the hedging reserve.

When a hedging instrument expires or is sold, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss in equity at that time remains in equity and is recognised when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity will be transferred to the statement of profit or loss.

Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the statement of profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets with the timeframe established by regulation or convention in the marketplace.

Financial assets are classified into the following specified categories: financial assets at 'fair value through profit or loss' (FVTPL) and 'loans and receivables'.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is held for trading if:

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

A financial asset other than a financial asset held for trading may be designated as FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a
- measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract to be designated as FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in profit or loss.

Trade and other receivables

Trade receivables are recognised initially at fair value less any provision for impairment. They are subsequently held at amortised cost less provision for impairment. A provision for impairment is established when there is objective evidence that amounts due will not be recoverable. When a trade receivable is considered uncollectible, it is written off and recognised in the statement of profit or loss.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Financial liabilities and equity instruments

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Any difference between the amount initially recognised (net of transaction costs) and the redemption value is recognised in the statement of profit or loss over the period of the borrowings using the effective interest method.

Commitment and borrowing fees are capitalised as part of the loan and amortised over the life of the relevant agreement. All other borrowing costs are recognised in the statement of profit or loss in the period in which they are incurred.

Borrowings are classified as non-current liabilities where the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised as the proceeds received, net of direct issue costs.

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortised cost using the effective interest method.

Share capital

Ordinary shares are classified as equity and recorded at par value of proceeds received. Where shares are issued above par value, the proceeds in excess of par value are recorded in the share premium account net of direct issue costs.

Dividend distribution

Final dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved. Interim dividends are recognised when paid.

Critical accounting judgements and key sources of estimation uncertainty

The Group does not have any critical judgements in the process of applying the Group's accounting policies.

The Group's valuation of goodwill in the Energy division is supported by the valuation of the operating segment assets which is based on derived market valuations and projected EBITDA. The valuation is sensitive to both changes in the market conditions and changes in the estimates used in calculating budgeted EBITDA. Budgets comprise forecasts of revenue, staff costs and overheads based on current and anticipated market conditions that have been considered and approved by the Board. The valuation is sensitive to changes in these assumptions which could cause a material adjustment to the carrying amount of segmental assets and liabilities within the next year.

The Group is required to make annual estimates and assumptions in relation to the discount rate, inflation rate and life expectancy for defined benefit schemes. See note 28.

The Group activities result in commitments for environmental and aftercare costs and accordingly the Group is required to make estimates for provisions. These estimates depend upon the outcome of future events and may need to be revised if circumstances change.

2. Segmental information

The Group is managed by type of business and is organised into four operating divisions. These divisions represent the business segments in which the Group reports its primary segment information 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 activities of the divisions are detailed in the Annual Report and Accounts 2017. The Group's segmental results are as follows:

Revenue within segments is eliminated on consolidation.

	52 weeks ended 24 March 2017 £m	52 weeks ended 25 March 2016 £m
Revenue – continuing operations		
Industrial and Commercial	522.1	479.2
Municipal	182.2	161.1
Resource Recovery and Treatment	198.9	198.4
Energy	87.2	88.8
	990.4	927.5

Sales between operating divisions are carried out at arms-length.

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 (2016: none).

	52 weeks ended 24 March 2017 £m	52 weeks ended 25 March 2016 £m
Underlying EBITDA		
Industrial and Commercial	65.5	50.1
Municipal	23.8	21.4
Resource Recovery and Treatment	29.5	21.4
Energy	35.5	40.9
Group costs	(16.6)	(11.5)
Underlying EBITDA	137.7	122.3
Depreciation and amortisation	(63.9)	(59.8)
Underlying Operating Profit	73.8	62.5
Exceptional items (note 3)	(29.2)	(3.5)
Amortisation of acquisition intangibles	(14.6)	(14.8)
Impact of real discount rate changes to landfill provisions	(17.9)	-
Operating Profit	12.1	44.2
Finance income	8.1	5.3
Finance charges	(38.9)	(46.6)
(Loss)/profit before taxation	(18.7)	2.9

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.

	52 weeks ended 24 March 2017 £m	52 weeks ended 25 March 2016 £m
Underlying operating profit		
Industrial and Commercial	38.5	27.3
Municipal	11.0	9.0
Resource Recovery and Treatment	11.6	5.4
Energy	29.9	34.5
Group costs	(17.2)	(13.7)
	73.8	62.5

Underlying EBITDA represents the underlying profit earned by each segment without allocation of the share of depreciation and amortisation, exceptional items, finance costs, material impacts of changes in real discount rate applied to the Group's long term landfill provisions and income tax expense. Underlying operating profit recognises the impact of depreciation and amortisation excluding the amortisation of acquisition intangibles. These measures are both reported to the Group Executive Team for the purpose of resource allocation and assessment of segment performance.

The exceptional costs of £29.2 million (2016: £3.5 million) are disclosed in note 3.

	Net book value as at 24 March 2017 £m	Net book value as at 25 March 2016 £m
Tangible and intangible assets		
Industrial and Commercial	151.0	128.7
Municipal	70.0	49.8
Resource Recovery and Treatment	89.1	79.1
Energy	192.4	203.7
Shared services and corporate	45.2	56.5
	547.7	517.8

	52 weeks ended 24 March 2017 £m	52 weeks ended 25 March 2016 £m
Capital expenditure		
Industrial and Commercial	49.3	36.9
Municipal	23.7	17.8
Resource Recovery and Treatment	25.0	18.8
Energy	3.5	3.6
Shared services and corporate	8.2	6.1
	109.7	83.2

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

	52 weeks ended 24 March 2017 £m	52 weeks ended 25 March 2016 £m
Depreciation and amortisation		
Industrial and Commercial	27.0	22.8
Municipal	12.8	12.4
Resource Recovery and Treatment	17.9	16.0
Energy	5.6	6.4
Shared services and corporate	0.6	2.2
	63.9	59.8
Amortisation of acquisition intangibles	14.6	14.8
Total	78.5	74.6

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

3. Other items

The Group's financial performance is analysed into two components; underlying performance (which excludes other items), and other items. Underlying performance is used by management to monitor financial performance as it is considered it aids comparability of the reported financial performance year to year.

Other items includes exceptional items, amortisation of acquisition intangibles and the impact of real discount rate changes in landfill provisions.

Management utilises an exceptional item framework that has been approved by the Board. This follows a three step process which considers the nature of the event, the financial materiality involved and the particular facts and circumstances. Items of income and expense that are considered by management for designation as exceptional items include items such as significant corporate restructuring costs, acquisition related costs, write downs or impairments of non-current assets, movements on onerous contract provisions and strategy related costs including the implementation of Project Fusion.

Included within operating profit:	52 weeks ended 24 March 2017 £m	52 weeks ended 25 March 2016 £m
Exceptional items:		
Acquisition related costs	1.2	0.4
Corporate restructuring costs	29.1	5.1
Onerous contracts	(2.4)	(3.5)
Strategy related costs	1.3	1.5
	29.2	3.5
Amortisation of acquisition intangibles	14.6	14.8
Impact of real discount rate changes to landfill provisions	17.9	-
	61.7	18.3
Corporate restructuring costs included within finance costs:		
Finance charges	2.6	-
Finance income	(4.7)	-
Taxation impact of other items	17.1	3.0

	52 weeks ended 24 March 2017 £m	52 weeks ended 25 March 2016 £m
Segmental exceptional items:		
Industrial and Commercial	0.5	0.3
Municipal	(0.8)	(1.0)
Resource Recovery and Treatment	(1.0)	(1.5)
Energy	0.1	0.7
Group costs	30.4	5.0
	29.2	3.5

Acquisition related costs

The £1.2 million of acquisition related expenditure in the 52 weeks ended 24 March 2017 relates to professional fees and other costs which are directly attributable to acquisitions. This includes £0.8m in relation to the acquisition of 100% of the issued share capital of Cory Environmental Municipal Services Limited.

The £0.4 million of acquisition related expenditure in the 52 weeks ended 25 March 2016 includes £0.3 million in relation to the acquisition of PHS Chemical Waste Limited and the trading assets of Enviroco Limited's Sheffield-based hazardous waste business.

Corporate restructuring costs

Corporate restructuring costs are largely professional fees directly related to the admission of the Group's share capital to the London Stock Exchange including amounts relating to the ongoing EVP case.

Finance charges and income were incurred on the early repayment of the pre-IPO borrowing facilities as part of the corporate restructuring.

Onerous contracts

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

Strategy related costs

Strategy related costs relate to discontinued operations, any major business turnaround and Project Fusion.

Strategy related costs in the 52 weeks ended 24 March 2017 primarily relate to the Group's system replacement programme Project Fusion (£0.5 million in the 52 weeks ended 25 March 2016).

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.

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

The tax impact of other items is calculated as 20% (2016: 20%) of the expenses allowable in calculating the taxable profit.

4. Finance income and charges

	52 weeks ended 24 March 2017 £m	52 weeks ended 25 March 2016 £m
Finance charges		
Interest on bank overdrafts, bonds and loans	(24.4)	(34.2)
Interest on obligations under finance leases	(7.0)	(6.1)
Interest unwind on discounted provisions	(2.5)	(3.3)
Interest on swaps	(2.4)	(2.1)
Other interest payable	-	(0.9)
Total finance charges	(36.3)	(46.6)
Change in fair value arising from derivative items not in a hedging relationship	2.1	1.3
Interest income	3.4	4.0
Finance income	5.5	5.3
Net finance charges	(30.8)	(41.3)

Recognised in other items (note 3)

	52 weeks ended 24 March 2017 £m	52 weeks ended 25 March 2016 £m
Finance charges		
Interest on bank overdrafts, bonds and loans	(2.7)	-
Total finance charges	(2.7)	-
Interest income	0.6	-
Finance income recognised in other items	0.6	-
Net finance charges recognised in other items	(2.1)	-

5. Financial instrument gains and losses

	52 weeks ended 24 March 2017 £m	52 weeks ended 25 March 2016 £m
At fair value through profit or loss		
Change in fair value arising from derivative items not in a hedge relationship	2.1	1.3
Loans and receivables		
Interest income at amortised cost	3.4	4.0
Other financial liabilities		
Interest expense at amortised cost	(36.3)	(46.6)

6. Profit/(loss) before taxation

	52 weeks ended 24 March 2017 £m	52 weeks ended 25 March 2016 £m
The following items have been included in arriving at the pre-tax profit/(loss)		
Staff costs (note 7)	247.1	218.7
Depreciation of property, plant and equipment		
- owned assets	41.0	39.9
- assets held under finance leases	22.1	19.1
Amortisation of intangible assets		
- acquisition intangibles	14.6	14.8
- other intangibles	0.8	0.8
Operating lease charges:		
- plant and machinery	1.8	2.8
- other	11.0	10.3
Exceptional items (note 3)	29.2	3.5
Profit/(loss) on disposal of property, plant and equipment	0.9	2.3

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

	52 weeks ended 24 March 2017 £m	52 weeks ended 25 March 2016 £m
Operating costs		
Distribution costs	19.1	17.0
Administrative expenses	31.5	36.3
	50.6	53.3

7. Employees and Directors

The average monthly number of persons (including Executive Directors) employed by reporting segment, by the Group during the period was:

	52 weeks ended 24 March 2017	52 weeks ended 25 March 2016
By segment		
Industrial and Commercial	2,733	2,650
Municipal	3,335	2,754
Resource Recovery and Treatment	599	576
Energy	150	149
Shared services and corporate	359	331
	7,176	6,460

	52 weeks ended 24 March 2017 £m	52 weeks ended 25 March 2016 £m
Their aggregate remuneration comprised		
Wages and salaries	221.1	195.4
Social security costs	17.3	15.6
Other pension costs	7.6	6.6
Redundancy and termination payments	1.1	1.1
	247.1	218.7

The remuneration of the Directors is set out within the Directors' Report on Remuneration

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Key management compensation

	52 weeks ended 24 March 2017 £m	52 weeks ended 25 March 2016 £m
Their aggregate remuneration comprised		
Wages and salaries	1.7	1.6
Social security costs	1.3	0.4
Other pension costs	0.2	0.2
Short term incentives	1.3	1.3
Long term incentives	6.6	-
	11.1	3.5

Key management personnel have been defined as the Group Executive Team.

8. Auditor's remuneration

The analysis of the Company and Biffa Group's auditor's remuneration is as follows:

	52 weeks ended 24 March 2017 £m	52 weeks ended 25 March 2016 £m
Fees payable to the Company's auditor for the audit of the Company's consolidated annual financial statements	0.3	0.1
Fees payable to the Company's auditor for the audit of the Company's subsidiaries	0.4	0.3
Total audit fees	0.7	0.4
Audit-related assurance services	0.2	-
Other taxation advisory services	0.1	0.3
Other assurance services	0.1	-
Corporate finance services	1.3	0.8
Total audit and non-audit fees	2.4	1.5

Audit fees in the year represent fee for the audit of the consolidated financial statements for the period ended 24 March 2017 and 25 March 2016 and for the 6 month period ended 23 September 2016.

Non- audit fees relate to due diligence and advisory services in relation to the IPO completed in October 2016.

9. Income tax recognised in profit or loss

	52 weeks ended 24 March 2017 £m	52 weeks ended 25 March 2016 £m
Current tax		
In respect of the current year	-	1.1
Adjustment in respect of prior years	(0.5)	(0.7)
	(0.5)	0.4
Deferred tax		
Losses recognised in respect of the current year	(11.0)	(0.1)
Adjustment in respect of prior years	1.2	6.0
Adjustment attributable to changes in tax rates and laws	2.5	1.7
	(7.3)	7.6
Total tax (credit)/charge	(7.8)	8.0

Corporation tax is calculated at 20% (2016: 20%) of the estimated assessable (loss)/profit for the period. The (credit)/charge for the period can be reconciled to the (loss)/profit per the consolidated statement of profit or loss and other comprehensive income as follows:

	52 weeks ended 24 March 2017 £m	52 weeks ended 25 March 2016 £m
(Loss)/profit before tax	(18.7)	2.9
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in UK of 20% (2016: 20%)	(3.7)	0.6
Effects of:		
Under provision in respect of prior years	0.7	5.4
Expenses not deductible for tax purposes	6.6	0.6
Non-taxable income	(0.2)	(0.3)
Utilisation of unrecognised tax losses	(1.2)	-
Recognition of deferred tax on previously unrecognised losses	(12.5)	-
Effect of change in tax rate	2.5	1.7
Total taxation	(7.8)	8.0

In addition to the amount credited to the consolidated statement of other comprehensive income, the following amounts have been credited/(charged) directly to equity:

	52 weeks ended 24 March 2017 £m	52 weeks ended 25 March 2016 £m
Deferred tax credit/(charge) arising on actuarial losses	3.4	(12.2)

Finance (No.2) Act 2016, which provides for reductions in the main rate of corporation tax from 20% to 19% effective from 1 April 2017 and to 17% effective from 1 April 2020, was enacted on 15 September 2016. As deferred tax assets and liabilities are measured at the rates that are expected to apply in the periods of the reversal, deferred tax balances at the balance sheet date have been calculated at the rate at which the relevant balance is expected to be recovered or settled.

Continuing focus on tax reform during 2016/17 specifically the OECD's Base Erosion and Profit Shifting (BEPS) project to address mismatches in international rules resulted in draft legislation on areas such as interest deductibility being issues during the year. We will continue to monitor developments and assess the potential impact for Biffa of these and any further initiatives.

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

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

10. Earnings per share

Basic earnings per ordinary share are based on the Group profit for the year and a weighted average of 121,889,489 (2016: 27,038,437) Ordinary Shares in issue during the year.

An adjusted earnings per ordinary share figure has been presented to eliminate the effects of exceptional items, amortisation of acquisition intangibles and the impact of the change in the real discount rate to long term provisions. The presentation shows the trend in earnings per ordinary share that is attributable to the underlying trading activities of the Group.

The reconciliation between the basic and adjusted figures for the Group is as follows:

	52 weeks to 24 March 2017 £m	52 weeks to 24 March 2017 Earnings per share pence	52 weeks to 25 March 2016 £m	52 weeks to 25 March 2016 Earnings per share pence
Profit attributable to owners of parent company for basic earnings per share calculation	(10.9)	(9.0)	(5.1)	(18.9)
Other items (note 3)	46.7	38.3	15.3	56.6
Adjusted earnings	35.8	29.3	10.2	37.7

At 24 March 2017 the Company has 1,112,278 weighted potential Ordinary Shares in the Company which underlie the Company's share option awards and may dilute earnings per share in the future. No dilution per share was calculated in the period or in the prior period with the reported loss as they are anti-dilutive.

11. Acquisitions

52 weeks ended 25 March 2016

On 29 September 2015, Biffa Waste Services Limited, a 100% owned subsidiary of Wasteholdco 1 Limited, acquired 100% of the share capital of PHS Chemical Waste Limited owned by PHS Group Limited.

Assets with a fair value of £0.3million and liabilities of £1.1 million were acquired for consideration of £3.1million, resulting in goodwill of £3.9 million recognised. Since acquisition the PHS Chemical Waste business has generated revenue of £4.6 million and profit before tax of £0.6 million. If the acquisition of PHS Chemical Waste had been completed on the first day of the financial year, Group revenues for the period would have increased by £9.2 million to £936.7 million and loss before tax would have increased by £1.2 million to £4.1 million.

On 1 November 2015, Biffa Waste Services Limited acquired 100% of the share capital of Commercial Waste Limited.

Assets with a fair value of £1.4m and liabilities of £1.2m were acquired for consideration of £2.0m, resulting in goodwill of £1.8m recognised. Since acquisition the Commercial Waste business has generated revenue of £1.8 million and profit before tax of £0.3 million. If the acquisition of Commercial Waste Limited had been completed on the first day of the financial year, Group revenues for the period would have increased by £4.7 million to £932.2 million and profit before tax would have increased by £0.7 million to £3.6 million.

Biffa Waste Services Limited acquired the business and assets of six further businesses during the 52 weeks ended 25 March 2016. Tangible assets with a fair value of £1.9 million were acquired for consideration of £3.6 million, resulting in goodwill of £1.7 million recognised. If the acquisition of these six businesses had been completed on the first day of the financial year, Group revenues for the period would have increased by £12.9 million to £940.4 million and profit before tax would have increased by £1.4 million to £4.3million.

The goodwill recognised on acquisition of £7.4 million represents future opportunities in the UK integrated waste management sector. None of the goodwill is expected to be deductible for corporation tax purposes.

52 weeks ended 24 March 2017

On 8 June 2016, the Group acquired 100% of the issued share capital of Cory Environmental Municipal Services Limited. Cory Environmental Municipal Services Limited is a waste management business servicing commercial customers in the South East and South West of England and municipal customers in Cornwall, Lincoln, Rutland and Tunbridge Wells. Cory Environmental Municipal Services Limited was acquired in order to extend the Group's commercial and municipal customer base.

During the year, the Group acquired the trade waste collection business of McGrath Bros Waste Control Limited on 1 June 2016, the business of Blakeley's Recycling Limited on 1 November 2016, the trade waste collection business of Orion Support Services Limited on 1 December 2016 and the trade and assets of Yorwaste Limited on 6 March 2017. Tangible assets of £1.7 million were acquired for cash consideration of £3.4 million resulting in goodwill of £1.4m being recognised. If these acquisitions had been completed on the first day of the financial year, group revenues for the period would have increased by £5.9m and group profit would have increased by £0.1 million.

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

	Cory Environmental Municipal Services Limited £m	Other acquisitions £m	Total Preliminary £m
Property, plant and equipment	9.7	1.8	11.5
Intangible assets	3.7	-	3.7
Inventory	0.2	-	0.2
Debtors	4.2	-	4.2
Cash and cash equivalents	2.0	-	2.0
Deferred tax asset	0.9	-	0.9
Creditors	(3.2)	-	(3.2)
Borrowings	(8.2)	-	(8.2)
Provisions	(0.4)	-	(0.4)
Total net assets	8.9	1.8	10.7
Goodwill	4.6	1.5	6.1
Total consideration	13.5	3.3	16.8
Satisfied by:			
Cash	13.5	3.3	16.8
Total consideration transferred	13.5	3.3	16.8
Net cash outflow arising on acquisition:			
Cash consideration	13.5	3.3	16.8
Less: cash and cash equivalent balances acquired	(2.0)	-	(2.0)
	11.5	3.3	14.8

The fair value of the debtors includes receivables due from trade debtors with a fair value of £1.4 million and a gross contractual value of £1.6 million. The best estimate at acquisition date of the contractual cash flows not to be collected is £0.2 million.

No contingent liabilities were identified at the acquisition date.

Acquisition-related costs included in exceptional costs amount to £0.8 million.

Cory Environmental Municipal Services Limited contributed £26.3 million revenue and £1.1 million to the Group's profit before tax for the period between the date of acquisition and the balance sheet date.

If the acquisition of Cory Environmental Municipal Services Limited had been completed on the first day of the financial year, group revenues for the period would have increased by £31.6 million and group profit would have increased by £1.3 million.

The preliminary total goodwill of £6.1 million arising from these acquisitions represents the increase in Industrial & Commercial business and the Group's strategy to become the leading UK based integrated waste management business. None of the goodwill is expected to be deductible for income tax purposes.

12. Goodwill

	Total £m
Cost:	
As at 27 March 2015	57.5
Additions	7.4
As at 25 March 2016	64.9
Additions	6.1
Disposal	(0.1)
As at 24 March 2017	70.9
Amortisation:	
As at 27 March 2015	-
Impairment Charge	(0.5)
As at 25 March 2016	(0.5)
Impairment Charge	-
As at 24 March 2017	(0.5)
Net book amount:	
As at 24 March 2017	70.4
As at 25 March 2016	64.4

	24 March 2017 £m	25 March 2016 £m
By segment		
Industrial and Commercial	18.5	17.4
Municipal	16.2	11.3
Resource Recovery and Treatment	4.3	4.3
Energy	31.4	31.4
	70.4	64.4

The Group reviews at each reporting period whether there are any indicators of impairment in accordance with IAS 36 Impairment of assets. An annual impairment review is completed by comparing the carrying amount of the goodwill for each operating segment to its recoverable amount. The recoverable amount is the higher of its fair value less costs of disposal and its value in use. If the recoverable amount is less than the carrying amount, an impairment loss is allocated first to reduce the carrying amount of the goodwill and then to the assets of each cash generating unit. In the current year the Energy division has been valued on the basis of fair value less costs of disposal rather than value in use on the basis that it is the higher of the two valuations. This is a different method to the prior period.

The key assumptions when calculating the value in use are forecast revenue and costs. Management's calculation of value in use has been developed from forecast five year cash flows which are prepared on the basis of past performance, expectation of future performance and market information. The value in use has been calculated on the basis of up to 20 years discounted future cashflow. The final year growth rate assumption used beyond the 5 year plan period based on market trends, after adjusting for assumed inflation is 2.0% (2016: 2.0%). This is considered appropriate based on the long term nature of the business. A pre-tax discount rate of 7.5% (2016: 7.0%) was applied across all CGUs as the inherent risks have been included in the segmental cash flow forecasts. No reasonably foreseeable change in the assumptions used in the value in use calculations would cause an impairment.

The cash generating unit recoverable amount for the Energy division has been based on operating segment in accordance with IAS 36 as this is the level at which the chief operating decision maker is provided with internal reporting for the purpose of allocating resources and assessing performance. For the purpose of calculating the fair value less costs of disposal the segment has been split into key components that have been identified as the AD business, landfill gas business and the West Sussex contract. The calculation of fair value less costs of disposal utilises a price to earnings multiple approach based on the most recent Board approved budget for the landfill gas and AD businesses. The price to earnings multiple is derived from market observable data for a broadly comparable business. The West Sussex contract has been valued on the basis of the present value of the cashflows over the remaining life of the contract. The determination of the fair value less costs of disposal uses Level 3 valuation techniques.

The valuation of goodwill allocated to the Energy CGU group is most sensitive to the achievement of the 2017/18 budget. Budgets comprise forecasts of revenue, staff costs and overheads based on current and anticipated market conditions that have been considered and approved by the Board. The Group has the ability to manage staff costs, direct costs and overheads, but the revenue projections are inherently uncertain due to market conditions.

As at 24 March 2017 the recoverable amount exceeds the carrying amount by £13.7 million. A change to the key assumptions could potentially lead to a material misstatement in the future.

13. Other intangible assets

	Gas Rights £m	IT development £m	Brand £m	Customer contracts £m	Total £m
Cost:					
As at 27 March 2015	190.2	1.9	33.3	39.8	265.2
Additions	-	2.6	-	2.5	5.1
Reclassification	-	3.0	-	-	3.0
As at 25 March 2016	190.2	7.5	33.3	42.3	273.3
Additions	-	4.8	-	5.7	10.5
Disposals	-	(0.2)	-	-	(0.2)
Reclassification	-	(1.0)	-	0.9	(0.1)
As at 24 March 2017	190.2	11.1	33.3	48.9	283.5
Accumulated amortisation:					
As at 27 March 2015	(19.8)	(0.3)	-	(12.7)	(32.8)
Charge for the period	(9.1)	(0.7)	-	(5.8)	(15.6)
As at 25 March 2016	(28.9)	(1.0)	-	(18.5)	(48.4)
Charge for the period	(8.8)	(0.4)	-	(6.2)	(15.4)
Disposals	-	0.2	-	-	0.2
As at 24 March 2017	(37.7)	(1.2)	-	(24.7)	(63.6)
Net book amount:					
As at 24 March 2017	152.5	9.9	33.3	24.2	219.9
As at 25 March 2016	161.3	6.5	33.3	23.8	224.9
As at 27 March 2015	170.4	1.6	33.3	27.1	232.4

All amortisation charges are recognised in profit or loss. The customer contract additions arose primarily as a result of the business combinations, detailed in note 11.

IFRS 3 requires that on acquisition, intangible assets are recorded at fair value. The Biffa brand was first created in the early 20th century and has been used throughout the Group since then. It remains a highly recognisable brand. Given the longevity of the brand, the Directors consider the asset to have an indefinite life. The Directors reconsider the valuation of the brand at each reporting date. The brand and landfill gas rights initially arose during the fair value exercise undertaken following the acquisition of the Biffa Group by Wasteshareholderco 1 in 2008. The values were subsequently remeasured following the restructuring of the Group in 2013.

14. Property, plant and equipment

	Land & Buildings £m	Landfill sites £m	Plant and equipment £m	Total £m
Cost:				
As at 27 March 2015	75.3	51.2	244.4	370.9
Additions	5.2	8.3	64.7	78.2
Disposals	(8.4)	-	(54.9)	(63.3)
Reclassifications	-	1.6	(3.8)	(2.2)
As at 25 March 2016	72.1	61.1	250.4	383.6
Additions	3.3	9.4	86.5	99.2
Disposals	(6.2)	-	(64.8)	(71.0)
Reclassifications	0.4	2.6	(0.4)	2.6
As at 24 March 2017	69.6	73.1	271.7	414.4
Accumulated depreciation:				
As at 27 March 2015	(14.9)	(18.4)	(55.0)	(88.3)
Charge for the period	(4.0)	(6.6)	(48.4)	(59.0)
Disposals	3.9	-	53.2	57.1
Reclassifications	(0.3)	(1.0)	0.8	(0.5)
As at 25 March 2016	(15.3)	(26.0)	(49.4)	(90.7)
Charge for the period	(3.8)	(6.9)	(52.4)	(63.1)
Disposals	5.1	-	62.7	67.8
Reclassifications	-	(0.6)	-	(0.6)
As at 24 March 2017	(14.0)	(33.5)	(39.1)	(86.6)
Net book amount:				
As at 24 March 2017	55.6	39.6	232.6	327.8
As at 25 March 2016	56.8	35.1	201.0	292.9
As at 27 March 2015	60.4	32.8	189.4	282.6

Landfill assets includes £8.4 million (2016: £6.8 million) in relation to future economic benefit to be derived as a result of actively fulfilling aftercare obligations that results in gas generation.

The carrying amount of the Group's property, plant and equipment includes £107.5 million (2016: £84.0 million) in respect of assets held under finance leases, analysed as follows:

	As at 24 March 2017 £m	As at 25 March 2016 £m
Land and buildings	2.0	2.0
Landfill sites	2.5	2.6
Plant, vehicles and equipment	103.0	79.4
	107.5	84.0

No other assets have been pledged to secure borrowings.

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

	As at 24 March 2017		As at 25 March 2016	
	Land and buildings £m	Landfill sites £m	Land and buildings £m	Landfill sites £m
Freehold	33.4	16.5	34.4	15.8
Long leasehold	13.9	17.5	14.5	15.4
Short leasehold	8.3	5.6	7.9	3.9
	55.6	39.6	56.8	35.1

As at 24 March 2017 the Group had entered into contractual commitments for the acquisition of plant, property and equipment amounting to £4.4 million (2016: £3.4 million).

15. Inventories

	As at 24 March 2017 £m	As at 25 March 2016 £m
Raw materials and consumables	0.9	0.7
Finished goods	8.2	7.5
	9.1	8.2

Inventories consumed in the period ended 24 March 2017 were £37.5 million (2016: £57.1 million). Inventory written down in the period totalled £nil million (2016: £nil).

16. Trade and other receivables

	As at 24 March 2017 £m	As at 25 March 2016 £m
Amounts falling due within one year		
Trade receivables	116.7	120.0
Less provision for impairment of receivables	(1.7)	(4.5)
Trade receivables – net	115.0	115.5
Other debtors	11.8	6.6
Prepayments and accrued income	49.3	51.9
Prepaid landfill provision expenditure	1.6	5.3
	177.7	179.3

All amounts included within other debtors, prepayments and accrued income are due within one year. Trade receivables are non-interest bearing. Due to their short maturities, the fair value of trade and other receivables approximate their book value. The average credit period taken on invoices was 37.3 days (2016: 43.1 days).

Credit limits for new customers are assigned based on the potential customer's credit quality. An external credit scoring system is used before assigning any credit limit over £500. Management monitors the utilisation of credit limits regularly. The trade receivables balance consists of a large number of customer balances, represented largely by local account customers, and there is no significant concentration of credit risk.

Included in the Group's trade receivables balances are debts with a carrying amount of £18.9 million (2016: £31.3 million) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

	As at 24 March 2017 £m	As at 25 March 2016 £m
Ageing of past due but not impaired receivables (days)		
1-30 days	14.3	16.8
31-60 days	1.7	3.6
61-90 days	2.0	1.8
Over 91 days	0.9	9.1
	18.9	31.3

The allowance for doubtful debts consists of individually impaired trade receivables which are in excess of 120 days overdue, in liquidation or are the subject of legal action. The impairment recognised represents the difference between the carrying amount of these trade receivables and the present value of any expected recoveries.

	As at 24 March 2017 £m	As at 25 March 2016 £m
Movement in the allowance for doubtful debts		
Balance at the beginning of the period	4.5	5.7
Impairment losses recognised	(0.1)	(0.1)
Amounts recovered during the period	1.7	2.3
Amounts written off as uncollectable	(4.4)	(3.4)
	1.7	4.5

The Directors consider that the carrying amount of trade receivables approximates their fair value.

Long term receivables

	As at 24 March 2017 £m	As at 25 March 2016 £m
Amounts falling due after more than one year		
Funds on long term deposit	12.0	8.0
Prepayment in respect of EVP dispute (note 32)	63.6	-
	75.6	8.0

The Group is engaged in a dispute with HMRC in relation to the landfill tax treatment of certain materials used in the engineering of landfill sites from September 2009 to May 2012. Prior to the IPO, the Group had hardship relief which meant payment was not required to be made to HMRC. Subsequent to the IPO the Group pre-paid the disputed amount to HMRC as disclosed in note 32.

17. Cash and cash equivalents

	As at 24 March 2017 £m	As at 25 March 2016 £m
Cash at bank and in hand	50.0	105.3
Short term deposits	6.4	0.7
Balance at the end of the period	56.4	106.0

Deposits comprise £0.1 million (2016: £0.1 million) of funds on overnight deposit via a group cash pooling facility and an insurance deposit of £6.3 million (2016: £0.6 million) which represents cash held as security for self insurance obligations. Included within the total cash balance is £8.7 million (2016: £2.7 million) which cannot be accessed by the Group as it is held as collateral against insurance liabilities by Bray Insurance Company Limited. Bray Insurance Company Limited is the Group's captive insurance company.

18. Financial instruments

	As at 24 March 2017 £m	As at 25 March 2016 £m
At fair value through profit and loss:		
Loans and receivables:		
Liquidity fund (i)	10.7	17.5
	10.7	17.5

(i) Current investments held by Bray Insurance Company Limited, the Group's captive insurance company.

Derivative financial instruments

The derivatives that the Group has entered into during the year qualify for hedge designation as a cash flow hedge under IAS 39. The Group has entered into forward foreign exchange rate contracts which all mature within one year.

The forward foreign exchange contracts have resulted in the recognition of a derivative asset of £0.3 million. During the year a gain of £0.3 million has been recognised in the statement of other comprehensive income.

The fair value of forward foreign exchange contracts are calculated by discounting the contracted forward values and translating at the balance sheet rates. The fair value measurements are classified as Level 2 in the fair value hierarchy as defined by IFRS 13 'Fair value measurement', as the inputs are from observable quoted exchanges.

The fair value and the notional amounts are as follows:

	As at 24 March 2017		As at 25 March 2016	
	Fair value	Notional	Fair value	Notional
	£m	£m	£m	£m
Forward foreign exchange contracts	0.3	19.8	-	-

Subsequent to the IPO, on settlement of its debt facilities the Group also settled its historic interest rate swap which did not qualify for hedge designation. The movement in the fair value of the derivative instrument of £2.1 million was recognised in the statement of profit or loss immediately.

Borrowings

	As at 24 March 2017		As at 25 March 2016	
	Book value	Average interest rate	Book value	Average interest rate
	£m	%	£m	%
Current				
Obligations under finance leases	30.8	7.0%	20.5	7.4%
Bank Loans	-	0.0%	87.1	6.7%
	30.8		107.6	
Non-current				
Obligations under finance leases	78.1	7.0%	62.3	7.4%
Bank loans	193.6	3.8%	442.0	4.3%
EVP preference instrument	43.8	5.5%	-	
	315.5		504.3	
	346.3		611.9	

	As at 24 March 2017	As at 25 March 2016
	£m	£m
Bank borrowings including finance leases	302.5	611.9
EVP preference instrument	43.8	-
	346.3	611.9

On 20 October 2016, the Group's existing Senior and Super Senior debt were repaid in full and a new £200 million facility was drawn down. The new facility is repayable on 20 October 2021 and includes standard leverage and interest cover covenants for a facility of this type. The facility also includes an undrawn £100 million RCF.

The holders of the Junior Facility Agreement were issued with preference share capital in Wasteholdco1 Limited in exchange for settlement of the Junior Collapsible facility. In the event that the Group is successful in its EVP case (see note 32) with HMRC, the EVP preference shareholders will be entitled to certain funds recovered from HMRC by the Company. The Directors consider it likely that the Group will be successful in the case and accordingly have recognised a liability in respect of the EVP preference shares. In the event that the Group is unsuccessful in the EVP proceedings and does not recover the amount prepaid to HMRC the Group expects to release the majority of the associated EVP liability as disclosed in note 32.

All borrowings are measured at amortised cost.

All financial assets and financial liabilities have been categorised as level 2. Level 2 financial instruments have been valued using inputs other than quoted prices that are observable for the asset or liability either directly or indirectly.

Interest rates on borrowings

	As at 24 March 2017		As at 25 March 2016	
	Principal £m	Average interest rate %	Principal £m	Average interest rate %
Term facility	200.0	3.8%		
Super Senior Facility Agreement	-	-%	87.0	6.69%
Senior Facility Agreement	-	-%	247.0	6.17%
Senior Facility Agreement	-	-%	75.0	5.71%
Junior Facility Agreement	-	-%	120.0	1.11%
	200.0		529.0	

Transaction costs of £6.4 million (2016: £0.9 million) incurred in the origination of these facilities have been netted against the carrying value of the loans. The EVP preference instrument is non-interest bearing however in accordance with IAS 39 Financial Instruments, an imputed interest charge of 5.5% is being recognised.

Fair value of financial assets and liabilities

	As at 24 March 2017		As at 25 March 2016	
	Book value £m	Fair value £m	Book value £m	Fair value £m
Borrowings	(302.5)	(311.2)	(611.9)	(606.0)
EVP preference instrument	(43.8)	(43.8)	-	-
Trade and other payables (note 19)	(161.2)	(161.2)	(155.9)	(155.9)
Trade and other receivables (note 16)	115.0	115.0	115.5	115.5
Liquidity fund	10.7	10.7	17.5	17.5
Funds on long term deposit	12.0	4.8	8.0	3.7
Prepayment in respect of EVP dispute	63.6	59.2	-	-
Cash and cash equivalents (note 17)	56.4	56.4	106.0	106.0
Derivative financial instruments	0.3	0.3	(2.1)	(2.1)
	(249.5)	(269.8)	(522.9)	(521.3)

(i) Trade and other receivables excludes prepayments, other debtors and accrued income.
(ii) Trade and other payables excludes deferred income, taxation and social security and other non-financial liabilities.

The fair values of financial assets and liabilities are determined as follows:

Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

The fair value of non-derivative financial assets and liabilities are determined based on discounted cash flow analysis using current market rates for similar instruments.

Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including capital risk management, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programmes focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the Group's financial performance. Financial risk management in the above areas is carried out under a policy approved by the Board of Directors.

Capital risk management
The Group manages its capital structure using a number of measures and taking into account its future strategic plans. Such measures include its net interest cover, liquidity and leverage ratios. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position plus net debt. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated statement of financial position) less cash and cash equivalents. The Directors are satisfied that the current risk management strategy is appropriate and effective.

Cash flow interest rate risk
The Group's interest-bearing assets include cash and cash equivalents which earn interest at floating rates. The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Group policy is to maintain an appropriate proportion of its borrowings at fixed rate using interest rate swaps to achieve this when necessary.

The interest rate risk profile of the Group's financial assets and liabilities were as follows:

	As at 24 March 2017 £m	As at 25 March 2016 £m
Financial liabilities		
Floating rate financial liabilities (excluding derivatives)	193.6	529.1
Floating rate financial liabilities (derivatives)	-	2.1
Fixed rate financial liabilities	108.9	82.8
Non-interest bearing financial liabilities	161.2	155.9
EVP preference instrument	43.8	-
Total financial liabilities	507.5	769.9

Fixed rate financial liabilities relate to obligations under finance leases.
Non-interest bearing financial liabilities comprise of trade payables.

	As at 24 March 2017 £m	As at 25 March 2016 £m
Financial assets		
Floating rate financial assets (excluding derivatives)	75.6	8.0
Floating rate financial assets (cash and cash equivalents)	56.4	106.0
	132.0	114.0
Non-interest bearing assets		
Liquidity fund	10.7	17.5
Non-interest bearing financial assets	115.0	115.5
	125.7	133.0
Total financial assets	257.7	247.0

(i) The interest on fixed rate financial instruments is fixed until maturity of the investment. The interest on floating rate financial instruments is re-set at intervals of less than one year. The other financial assets and liabilities of the Group that are not included in the above tables are non-interest bearing and therefore not subject to interest rate risk.
(ii) Fixed rate and non-interest bearing financial assets and liabilities are exposed to fair value interest rate risk and floating rate financial assets and liabilities to cash flow interest rate risk.

The minimum lease payments under finance leases fall due as follows:

	As at 24 March 2017 £m	As at 25 March 2016 £m
No later than one year	36.5	28.9
Later than one year but not more than five	75.1	58.6
More than five years	18.3	14.7
	129.9	102.2
Future finance charges on leases	(21.0)	(19.4)
Present value of finance lease liabilities	108.9	82.8

Currency risk

The Group is exposed to currency risk arising from currency exposures primarily related to the disposal of RDF via export to Europe. The Group enters into forward contracts to purchase Euros based upon expected costs. These derivatives are classified as cash flow hedges.

Price risk

The Group is not materially exposed to any equity securities price risk. All four divisions are exposed to commodity price risks to a greater or lesser degree on their outputs. The commodities that the Group are exposed to commodity price risks on fuel, electricity, paper, glass, cardboard, steel, aluminium and plastics (including HDPE and PET). The price risk associated with commodities is considered to be in the ordinary course of business for the Group.

Credit risk

Credit risk is managed on a group basis as appropriate. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables. For banks and financial institutions, only independently rated parties with a minimum rating of ‘A’ are accepted.

Management does not expect any significant losses of receivables that have not been provided for as shown in note 16. Further detail on trade receivables is included in note 16.

The carrying amount of financial assets recorded in the financial information, which is net of impairment losses, represents the Group's maximum exposure to credit risk. These amounts include receivable balances from local authority clients, hence are not exposed to significant credit risk. Given the above factors, the Board does not consider it necessary to present a detailed analysis of credit risk.

Liquidity risk

The Group ensures that there are sufficient committed loan facilities in order to meet short term business requirements, after taking into account the cash flows from operations and its holding of cash and cash equivalents. The expected undiscounted cash flow of the Group’s financial liabilities (including derivatives), by remaining contractual maturity, at the balance sheet date is shown below.

	As at 24 March 2017				
	Due within one year £m	**Due between one and two years £m**	**Due between two and five years £m**	**Due five years and beyond £m**	**Total £m**
Non-derivative financial liabilities					
Borrowings, excluding finance lease	-	-	(200.0)	-	(200.0)
Finance lease liabilities	(36.5)	(28.7)	(46.5)	(18.3)	(130.0)
Interest payments on borrowings	(8.1)	(7.8)	(21.4)	-	(37.3)
Other non-interest bearing liabilities	(161.2)	-	-	-	(161.2)
Derivative financial liabilities					
Net settled interest rate swaps	-	-	-	-	-
Non-derivative financial assets					
Cash and cash equivalents	56.4	-	-	-	56.4
Liquidity fund	10.7	-	-	-	10.7
Non-interest bearing financial assets	115.0	75.6	-	-	190.6
	(23.7)	39.1	(267.9)	(18.3)	(270.8)

	As at 25 March 2016				
	Due within one year £m	Due between one and two years £m	Due between two and five years £m	Due five years and beyond £m	Total £m
Non-derivative financial liabilities					
Borrowings, excluding finance lease	(91.0)	(442.0)	-	-	(533.0)
Finance lease liabilities	(29.4)	(24.3)	(34.6)	(14.7)	(103.0)
Interest payments on borrowings	(21.8)	(17.5)	(0.6)	-	(39.9)
Other non-interest bearing liabilities	(155.9)	-	-	-	(155.9)
Derivative financial liabilities					
Net settled interest rate swaps	(3.2)	(0.5)	-	-	(3.7)
Non-derivative financial assets					
Cash and cash equivalents	106.0	-	-	-	106.0
Liquidity fund	17.5	-	-	-	17.5
Non-interest bearing financial assets	115.5	8.0	-	-	123.5
	(62.3)	(476.3)	(35.2)	(14.7)	(588.5)

Borrowing facilities

The Group has an undrawn £100 million revolving credit facility at 24 March 2017 (2016: £nil).

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the balance sheet date. For floating rate liabilities, the analysis is prepared taking an average of the liability outstanding over the period.

If interest rates had been 2% higher/1% lower and all other variables were held constant, the Group's result for the 52 weeks ended 24 March 2017 would increase/decrease by the amounts shown in the table below. This analysis assumes that, where interest rates are currently less than 1%, any reduction is capped at zero.

	52 weeks ended 24 March 2017		52 weeks ended 25 March 2016	
	2% increase in interest rates £m	1% decrease in interest rates £m	2% increase in interest rates £m	1% decrease in interest rates £m
Gain/(loss) – derivative financial instruments	-	-	4.9	(2.4)
Gain/(loss) – variable rate financial instruments	(1.7)	0.8	(10.5)	5.3
	(1.7)	0.8	(5.6)	2.9

Reconciliation of level 3 fair value measurements of financial assets and liabilities

	As at 24 March 2017 £m	As at 25 March 2016 £m
Balance brought forward	-	1.1
Total losses in profit or loss	-	(1.1)
Balance carried forward	-	-

The level 3 financial asset is recognised in accordance with IFRIC 12 Service concession arrangements. The unobservable inputs are the assumptions made in relation to the related contracts on day one of the contract including revenue and operating costs expected to be achieved. IFRIC 12 does not allow these assumptions to be amended and as such the sensitivity relates to these initial assumptions made based on the commercial expectations of the contract.

19. Trade and other payables

	As at 24 March 2017 £m	As at 25 March 2016 £m
Current		
Trade payables	120.6	111.5
Taxation and social security	52.0	55.3
Interest payable	3.3	4.4
Accruals and deferred income	54.2	56.1
Other payables	0.7	2.7
	230.8	230.0
Non-current		
Trade and other payables	13.1	0.1

Included within accruals and deferred income is £0.1 million (2016: £0.1 million) in relation to government grants which will be recognised in more than one year. £13.0 million has also been recognised in relation to the EVP dispute as disclosed in note 32.

20. Provisions

	Landfill restoration & aftercare £m	Insurance £m	Other £m	Total £m
As at 27 March 2015	69.3	13.5	24.5	107.3
Acquired	-	-	0.5	0.5
Utilised	(11.1)	1.5	(2.1)	(11.7)
Charged/(credited) to profit and loss account	6.4	(2.9)	(4.8)	(1.3)
Unwinding of discount	3.3	-	0.1	3.4
Transfers from fixed/other assets	(1.0)	0.1	0.8	(0.1)
As at 25 March 2016	**66.9**	**12.2**	**19.0**	**98.1**
Utilised	(8.8)	(0.7)	(1.9)	(11.4)
Charged/(credited) to profit and loss account	4.1	0.1	(1.7)	2.5
Impact of real discount rate changes to profit and loss account	17.9	-	-	17.9
Unwinding of discount	2.5	-	-	2.5
Transfers from fixed/other assets	(1.7)	-	1.2	(0.5)
As at 24 March 2017	80.9	11.6	16.6	109.1

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

	As at 24 March 2017 £m	As at 25 March 2016 £m
Current	10.3	11.6
Non-current	98.8	86.5
	109.1	98.1

Landfill restoration and aftercare

As part of its normal activities, the Group undertakes to restore its landfill sites and to maintain the sites and control leachate and methane emissions from the sites. Provision is made for these anticipated costs. A number of estimate uncertainties affect the calculation including the impact of regulation. Accuracy of site surveys, transportation costs and changes in the discount rate. The provisions incorporate our best estimates of the financial effects of these uncertainties, but future changes in any of these estimates could materially impact the calculation of the provision. Restoration costs are incurred as each site is filled, and in the period immediately after its closure.

Maintenance and leachate and methane control costs are incurred as each site is filled and for a number of years post closure. Long-term aftercare provisions included in landfill restoration and aftercare provisions have been discounted at an average rate of 2.3% (2016: 3.53%). An increase of 1% in the discount rate (at current cost) would result in a decrease of environmental provisions of approximately £17 million.

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

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

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

Other
Other provisions include a provision for dilapidations for £10.4 million (2016: £10.5 million) and £2.7 million (2016: £5.0 million) relating to onerous contracts. The associated outflows are estimated to arise over a period of up to 20 years from the balance sheet date.

21. Deferred taxation

The following are the major deferred tax assets and liabilities recognised by the Group and movements thereon during the current period

	Temporary difference arising on Property, Plant and Equipment £m	Service concession arrangements £m	Provisions £m	Retirement benefit obligation £m	Goodwill £m	Intangible assets £m	Recognised tax losses carried forward £m	Total £m
As at 27 March 2015	**50.4**	**(0.2)**	**3.5**	**6.4**	**15.4**	**(46.7)**	**7.9**	**36.7**
Credit / (charge) to income	(5.1)	0.2	(1.4)	0.5	(4.4)	8.8	(6.2)	(7.6)
Credit / (charge) to SOCI	-	-	-	(12.2)	-	-	-	(12.2)
As at 25 March 2016	45.3	-	2.1	(5.3)	11.0	(37.9)	1.7	16.9
Acquired	1.6	-	-	-	-	(0.7)	-	0.9
Credit / (charge) to income	(4.8)	-	(0.1)	(0.8)	(1.5)	3.8	10.7	7.3
Credit / (charge) to SOCI	-	-	-	3.4	-	-	-	3.4
As at 24 March 2017	42.1	-	2.0	(2.7)	9.5	(34.8)	12.4	28.5

Deferred tax has been recognised in the current year using the tax rate of 17% (2016: 18%).Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities.

The deferred tax asset of £28.5 million (2016: £16.9 million) has been recognised in the accounts because the Group considers, based upon its financial projections, that it is probable that future taxable profits will arise against which the assets can be utilised.

As at 24 March 2017, the Group has unused tax losses of £75.8 million (2016: £85.6 million) available for offset against future profits. A deferred tax asset has been recognised in respect of £3.6 million (2016: £9.7 million) of such losses. No deferred tax asset has been recognised in respect of the remaining £72.2 million (2016: £75.9 million) as it is not considered probable that there will be future taxable profits available in the statutory entity in which these losses are being carried forward.

22. Share based payments

As at 24 March 2017, the following conditional share awards granted to Directors and staff remain outstanding

	As at 24 March 2017 Number	As at 25 March 2016 Number
Date of grant		
20 October 2016	2,635,794	-
24 January 2017	84,189	-

The following share based expenses charged in the year are included within administration expenses:

	As at 24 March 2017 £m	As at 25 March 2016 £m
Performance share plan	0.6	-

During the year the Group had 17 conditional share based payment arrangements granted to Directors and staff. The schemes are equity settled.

Performance share plan

Date of grant	Number of options originally granted	Contractual life (years)	Share price at date of grant	Number of employees at grant	Expected volatility	Expected life (years)	Risk free rate	Fair value per option (pence)
20 October 2016	2,635,794	2.65	1.795	13	27%	2.65	0.25%	105.2
24 January 2017	84,189	2.4	1.868	4	27%	2.4	0.23%	109.3

The Group has used the stochastic model to value its share awards.

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

A reconciliation of movements in the number of share awards can be summarised as follows:

Date of grant	Granted	Vested	Lapsed	24 March 2017
At 25 March 2016	-	-	-	-
20 October 2016	2,635,794	-	-	2,635,794
24 January 2017	84,189	-	-	84,189
At 24 March 2017	2,719,983	-	-	2,719,983

The Performance Share Plan (PSP) provides for the grant of awards in the form of conditional free shares or nil costs options. Shares in relation to the award will be released to participants subsequent to the date of the preliminary announcement of results for the 2018/19 financial year dependant upon the extent to which the performance conditions of achievement of adjusted EPS targets for the fiscal year ended March 2019 and performance of the Company's relative total shareholder growth have been satisfied. The EPS fair value is equivalent to the share price at grant date on the basis that it is a non-market based measure.

23. Share capital

	Number of shares	Called up share capital
	No	£
As at 25 March 2016	27,038,437	270,384
Shares issued to JCN holders	77,156,404	771,564
Shares issued to senior management	2,907,980	29,080
Shares available for public offer	118,001,417	1,180,014
Share for debt exchange	24,895,762	248,958
As at 24 March 2017	250,000,000	2,500,000

As a result of merger accounting, share capital is required to be presented as if merger accounting had been in place at 25 March 2016. The 10,000,000 shares in Wasteholdco 1 at 25 March 2016 were exchanged for 27,038,437 Ordinary shares in Biffa plc. Prior to the IPO the holders of the JCN exchanged an element of the debt for share capital in Wasteholdco 1, this was subsequently exchanged for 77,156,404 of Biffa plc share capital. As part of the IPO transaction 2,907,980 shares were issued to key management, 118,001,417 were made available for the public to purchase and the holders of the term loan B exchanged £44.8 million of their loan for shares in the Company at the offer price.

Share premium

The share premium represents amounts received in excess of the nominal value of shares issued upon IPO, net of the direct costs associated with issuing those shares.

	As at 24 March 2017 £m
As at 25 March 2016	
Premium arising on issue of new shares	261.0
Expenses on issue of equity shares	(25.5)
	235.5

Merger reserve

The merger reserve of £74.4 million arose on the acquisition of Wasteholdco 1 Limited and is the difference between the carrying value of the net assets acquired and the nominal value of the share capital.

24. Retained (deficit)/earnings

	As at 24 March 2017 £m	As at 25 March 2016 £m
Retained earnings/(deficit) at the end of the period	3.4	(39.7)
Loss for the period	(10.9)	(5.1)
Other comprehensive (loss)/income for the period	(14.2)	48.2
Employee service in respect of share option schemes	0.6	-
Retained (deficit)/surplus at the end of the period	(21.1)	3.4

25. Cash flows from operations

	52 weeks ended 24 March 2017 £m	52 weeks ended 25 March 2016 £m
Loss for the period	(10.9)	(5.1)
Adjustments for:		
Finance income	(5.5)	(5.3)
Finance charges	36.3	46.6
Taxation	(7.8)	8.0
Operating profit	12.1	44.2
Exceptional items	29.2	3.5
Amortisation of intangibles	15.4	16.1
Depreciation of property, plant and equipment	63.2	59.0
Profit on disposal of fixed assets	(0.9)	(2.3)
(Increase)/decrease in inventories	(0.7)	(0.3)
(Increase)/decrease in debtors	(62.1)	17.9
(Decrease)/increase in creditors	(1.5)	2.9
Decrease/(increase) in financial asset	6.9	(3.9)
Increase/(decrease) in provisions	11.7	(17.1)
Total cash generated from operations	73.3	120.0

Included within the increase in debtors is the prepayment of £63.6m in respect of the EVP dispute as detailed in note 32.

26. Reconciliation of net cash flow to movement in debt

	52 weeks ended 24 March 2017 £m	52 weeks ended 25 March 2016 £m
Net (decrease)/increase in cash and cash equivalents	(49.6)	16.5
Net decrease/(increase) in borrowings	265.6	(18.0)
Movement in net debt in the period	216.0	(1.5)
Net debt at start of period	(505.9)	(504.4)
Net debt at end of period	(289.9)	(505.9)

Analysis of net debt

	As at 24 March 2017 £m	As at 25 March 2016 £m
Cash and cash equivalents	56.4	106.0
Finance leases	(108.9)	(82.8)
Bank loans	(193.6)	(529.1)
Reported Net Debt	(246.1)	(505.9)
EVP preference liability	(43.8)	-
	(289.9)	(505.9)

The EVP preference liability has been excluded from Reported Net Debt on the basis that it relates wholly to the ongoing EVP dispute as detailed in note 32.

27. Operating lease commitments

As at the balance sheet date the Group has outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	As at 24 March 2017		As at 25 March 2016	
	Land and buildings £m	Other £m	Land and buildings £m	Other £m
Within one year	12.8	1.5	11.2	1.0
Between one and five years	43.4	1.8	38.7	1.2
After five years	90.9	-	101.7	-
	147.1	3.3	151.6	2.2

The Group leases various offices and operational facilities under non-cancellable operating lease agreements. The leases have various terms, escalation clauses and renewal rights.

28. Pension and post retirement benefits

Defined contribution schemes

	52 weeks ended 24 March 2017 £m	52 weeks ended 25 March 2016 £m
Defined contribution expense	4.1	3.1

Defined benefit schemes

The Group operates a defined benefit scheme, the Biffa Pension Scheme (the Scheme), formerly the UK Waste Pension Scheme, for employees of Biffa Corporate Holdings Limited, Biffa Waste Services Limited, Island Waste Services Limited, Biffa Leicester Limited and Biffa West Sussex Limited. The scheme offers both pensions in retirement and death benefits to members. As at 1 November 2013, the defined benefit section of the Scheme closed to future accrual for the majority of members. Contributions to the Scheme by the Group for the year beginning 25 March 2017 are currently expected to be £4.4 million.

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

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

There is an additional £1.7 million (2016: £1.4 million) of unfunded defined benefit commitment which has been included within liabilities. The accounting policy used to recognise the actuarial gains and losses is the Other Comprehensive Income (OCI) approach.

The Group is also an admitted body in the Cornwall Pension Fund following the acquisition of Cory Environmental Municipal Services Limited (CEMS) on 8 June 2016. The Cornwall Pension Fund is part of the Local Government Pension Scheme and the Group's participation in the Cornwall Pension Fund will cease when the CEMS contract with Cornwall Council expires in 2020. On an accounting basis the Cornwall Pension Fund was in surplus at the point of acquisition. On cessation of participation, CEMS is required to pay a lump sum to the Fund in respect of any deficit that may exist at that time on a basis determined by the Fund's actuary and if a surplus exists at this time it is retained by the Fund and not refunded to CEMS. The Group does not therefore recognise any accounting surplus in the Cornwall Pension Fund as it is not expected to be recoverable. Contributions to the Cornwall Fund for the year beginning 25th March 2017 are expected to be £0.2 million.

The Group is an admitted body in four other schemes that are part of the Local Government Pension Scheme, the contractual terms of the commercial agreements that admit the Group to the schemes limit the actuarial risk that the Group is exposed to, consequently these schemes have been accounted for as defined contribution schemes.

The Scheme typically exposes Biffa plc to actuarial risks such as: investment risk; interest rate risk; longevity risk and inflation risk.

Investment risk

The present value of the defined benefit Scheme liability is calculated using a discount rate determined by reference to yields available on high quality AA rated corporate bond yields; in other words, from the position of being fully funded then if the return on the Scheme assets was below this rate, it would create a deficit in the Scheme. Currently the Scheme has around 55% of assets invested in return seeking assets and 45% of assets in protection assets in order to manage the investment risk.

Interest risk

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

Longevity risk

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

Inflation risk

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

The lump sum death benefits paid to the dependants of Scheme members are insured with an external insurance company.

The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

A full actuarial valuation of the scheme was carried out as at 31 March 2015 and has been updated to 24 March 2017 by a qualified independent actuary. The major assumptions used by the actuary were (in nominal terms) as follows:

	As at 24 March 2017	As at 25 March 2016
Discount rate	2.9%	3.9%
Rate of salary increase	3.4%	3.1%
Rate of inflation – RPI	3.4%	3.1%
Rate of inflation – CPI	2.4%	2.1%
Rate of pension increases* - RPI with floor of 0% cap of 2.5% p.a.	2.2%	2.2%
Rate of pension increases* - RPI with floor of 0% cap of 5.0% p.a.	3.3%	3.0%
Rate of pension increases* - RPI with floor of 0% cap of 6.0% p.a.	3.4%	3.1%
Rate of pension increases* - CPI with floor of 0% cap of 3.0% p.a.	2.2%	2.0%
Longevity (years)		
Expected future lifetime of a male pensioner currently aged 65	21.7	22.4
Expected future lifetime of a female pensioner currently aged 65	24.3	25.0
Expected future lifetime from age 65 of a male member currently aged 50	23.3	24.1
Expected future lifetime from age 65 of a female member currently aged 50	26.3	26.9

*in excess of any Guaranteed Minimum Pension (GMP)

The assets in the scheme were:

	As at 24 March 2017		As at 25 March 2016	
	£m	%	£m	%
Asset category				
Equities	142.5	28.3%	106.4	26.8%
Bonds	198.6	39.4%	161.9	40.7%
Properties and infrastructure	81.5	16.2%	61.9	15.6%
Hedge funds	65.0	12.9%	64.6	16.2%
Other	16.5	3.2%	2.9	0.7%
	504.1		397.7	
Actual return on plan assets	100.8		10.0	

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

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

	As at 24 March 2017 £m	As at 25 March 2016 £m
Benefit obligation at beginning of period	368.2	426.3
Cory defined benefit obligation acquired	12.7	-
Service cost	0.9	0.8
Interest cost	14.5	14.3
Contributions by plan participants	0.1	0.1
Net remeasurement (gains)/losses – financial	125.4	(42.4)
Net remeasurement (gains)/losses – demographic	(19.8)	(21.4)
Net remeasurement (gains)/losses – experience	(1.6)	-
Benefits paid	(11.7)	(9.5)
Benefit obligation at end of period	488.7	368.2

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

	As at 24 March 2017 £m	As at 25 March 2016 £m
Fair value of plan assets at beginning of period	397.7	394.3
Cory defined benefit plan assets acquired	14.1	-
Interest income on scheme assets	15.9	13.4
Return on assets, excluding interest income	84.9	(3.4)
Contributions by employers	3.7	3.5
Contributions by plan participants	0.1	0.1
Benefits paid	(11.7)	(9.5)
Scheme administrative cost	(0.6)	(0.7)
Fair value of plan assets at end of period	504.1	397.7

Amounts recognised in comprehensive income in respect of defined benefit plans

	As at 24 March 2017 £m	As at 25 March 2016 £m
Current service cost	0.9	0.8
Administrative cost	0.6	0.7
Net interest on the net defined benefit liability	(1.3)	0.9
Components of defined benefit cost recognised in profit or loss	0.2	2.4
Remeasurement on the net defined benefit liability		
Return on plan assets(excluding amounts in net interest expense)	84.9	(3.4)
Actuarial gains and losses from changes in financial assumptions	(125.4)	42.4
Actuarial gain from changes in demographic assumptions	19.8	21.4
Actuarial gain from changes in experience assumptions	1.6	-
Movement in asset ceiling	1.5	-
Components of defined benefit cost recognised in other comprehensive income	(17.6)	60.4

The current service cost is included in operating costs in profit or loss. The net interest expense is included within finance charges in the consolidated statement of profit or loss.

The remeasurement of the net defined benefit liability is included in other comprehensive income.

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

	As at 24 March 2017 £m	As at 25 March 2016 £m
Present value of funded defined benefit obligation	(488.7)	(368.2)
Fair value of funded plan assets	504.1	397.7
Net asset/(liabilities) arising from defined benefit obligation	15.4	29.5

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

If the discount rate is 0.5% lower the defined benefit asset would decrease by £60.7 million.

If the inflation assumption increases by 0.5% the defined benefit asset would decrease by £45.6 million.

If the life expectancy increases by one year for both men and women, the defined benefit asset would decrease by £18.0 million.

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the statement of financial position.

The Scheme's participating employers are Biffa Waste Services Limited, Island Waste Services Limited, Biffa Leicester Limited and Biffa West Sussex Limited. These subsidiaries fund the cost of any protected members' future accrual (to the extent that any protected members remain working for each of these companies) earned on a yearly basis.

Protected members pay a range of fixed contributions of pensionable salary depending on what section of the Scheme they are in. These contributions range from 3% to 6% of pensionable salary. The residual contribution (including past service augmentations) is paid by the above entities of the Group. These contributions, required to fund accrual, are agreed between Biffa Corporate Holdings Limited (the Principal Employer) and the Trustees of the Scheme following each triennial valuation of the Scheme.

In accordance with the Pensions Act 2004, the Scheme's liability is measured using a prudent discount rate at the triennial valuation, but some asset outperformance is allowed for when calculating the deficit recovery contributions paid for by the participating employers. Additional liabilities stemming from past service due to augmentation of benefits are added to the Scheme's deficit.

The average duration of the benefit obligation at 24 March 2017 is approximately 23 years (2016: 22 years).

The Group expects to make a contribution of £4.4 million (2016: £3.5 million) to the Scheme during the financial year to 30 March 2018.

29. Related party transactions

There have been no material related party transactions in the year ended 24 March 2017 (2016: nil) except for key management compensation as set out in the report of the remuneration committee.

Details of the Directors remuneration are set out in the report of the remuneration committee.

There have been no related party transactions with any directors in the year or in the subsequent period.

No Directors held any material interest in any contract with the Company or the Group in the year or subsequent period to 25 March 2016.

The Group has made £7.8 million (2016: £6.6 million) contributions to the pension schemes.

30. Subsidiary undertaking

All subsidiary undertakings have a financial year ended coterminous with Biffa plc unless otherwise noted. The Companies disclosed below are deemed to be the principal subsidiaries of the Group.

Principal Subsidiary	Place of incorporation	Activity	Shareholding
Biffa Polymers Limited[1]	England and Wales	Waste Management	100%
Biffa Municipal Limited[1]	England and Wales	Waste Management	100%
UK Waste Management Limited[2]	England and Wales	Waste Management	100%
Biffa Waste Management Limited[2]	England and Wales	Waste Management	100%
Biffa West Sussex Limited[2]	England and Wales	Waste Management	100%
Bray Insurance Company Limited[3]	Malta	Insurance services	100%
Barge Waste Management Limited[2]	England and Wales	Waste Management	100%
Island Waste Services Limited[2]	England and Wales	Waste Management	100%
Poplars Resource Management Company Limited[2]	England and Wales	Waste Management	100%
Biffa Waste Services Limited[2]	England and Wales	Waste Management	100%
Biffa Leicester Limited[2]	England and Wales	Waste Management	100%
Commercial Waste Limited[2]	England and Wales	Waste Management	100%
Biffa Chemical Waste Limited[2]	England and Wales	Waste Management	100%
Biffa Environmental Municipal Services Limited[2]	England and Wales	Waste Management	100%

[1]Registered at Third Floor, The Gatehouse, Gatehouse Way, Aylesbury, Buckinghamshire HP19 8DB.
[2]Registered at Coronation Road, Cressex, High Wycombe, Buckinghamshire HP12 3TZ
[3]Registered at Development House, St Anne Street, Floriana, Malta

31. Contingent liabilities

The Group must satisfy the financial security requirements of environmental agencies in order to ensure that it is able to discharge the obligations in the licences or permits that the Group holds for its landfill sites. The Group satisfies these financial security requirements by providing financial security bonds. The amount of financial security which is required is determined in conjunction with the regulatory agencies, as is the method by which assurance is provided. The Group has existing bond arrangements in England and Wales of approximately £82.1 million outstanding at 24 March 2017 (2016: £84.3 million) in respect of the Group's permitted waste activities where the Group has obligations under the Environment Agency's "fit and proper person" test to make adequate financial provision in order to undertake those activities. Additionally the Group has bonds to a value of £18.6 million (2016: £10.4 million) in connection with security for performance of local authority contracts. No liability is expected to arise in respect of these bonds.

The Group is engaged in a dispute with HMRC in relation to the landfill tax treatment of certain materials used in the engineering of landfill sites from September 2009 to May 2012. The Group has recognised the payment of the initial assessment for landfill tax but is awaiting an assessment from HMRC in relation to the expected interest.

32. EVP related items

The Group is engaged in a dispute with HMRC concerning historic landfill tax.

HMRC claims that the Group is liable for £62m of Landfill tax in respect of certain waste materials deposited in Biffa's landfill sites from 2009 to 2012 ('EVP'). Biffa contests that the material was used in the sites for an engineering purpose and is not therefore subject to Landfill tax. Notwithstanding the Group's opinion on the tax treatment of this material, since 2012 all materials of this nature have been subjected to Landfill Tax. The matter has been heard by the First Tier Tax Tribunal and we are awaiting judgment. Appeals to higher courts are expected following this judgment.

The contested amount was originally unpaid under a hardship agreement with HMRC but was paid to HMRC following the refinancing of the Group upon its IPO in October 2016. In addition to the payment of £62m, the Group expected to be required to pay interest of approximately £10.4m at the same time. Interest of £1.7m was paid on request prior to the year end, although to date no request has been made for the remaining £8.7m of interest, although we expect one to be received and to make this payment in the coming months.

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

As part of the IPO of the Group, arrangements were put in place to make certain payments to the shareholders and certain members of employee incentive schemes of the Group immediately prior to its listing, subject to and in respect of the outcome of the dispute. A liability of £42.8m has been recognised in borrowings, an accrual of £13m has been recognised in non-current liabilities, and a non-underlying non-cash interest charge of £1m has been recognised in finance charges in respect of these obligations. The liability of £42.8m in borrowings has been excluded from Reported Net Debt.

33. Service concession arrangements

The Group has two integrated waste management contracts with Leicester City Council (25 years - awarded in 2003), West Sussex County Council (25 years – awarded in October 2015). The concessions vary as to the extent of their obligations, but typically require the construction and operation of an asset during the concession period including scheduled maintenance and capital expenditure. The operation of the assets includes the provision of waste management services such as collection, recycling and disposal. Typically at the end of concession periods the assets are returned to the concession owner.

These contracts generated revenue of £54.7 million in the 52 weeks ended 24 March 2017 (2016: £52.1 million).

34. Non-principal subsidiary undertakings

The following entities complete the full list of the Company's subsidiary undertakings.

All subsidiaries are 100% owned and consolidated unless otherwise stated.

Wasteholdco 1 Limited[3]***	Jersey	Holding company	100%
Wasteholdco 2 Limited[3]	Jersey	Holding company	100%
Biffa Group Holdings Limited[3]	Jersey	Holding company	100%
Biffa Group Limited[2]	England and Wales	Holding company	100%
GS Equity Co	Cayman Islands	Holding company	100%
GS Acquisitions Limited[2]	England and Wales	Holding company	100%
Biffa GS Holdings Limited[1]	England and Wales	Holding company	100%
Material Recovery Nominees Limited[1]*	England and Wales	Dormant	100%
Biffa GS UK Holdings Limited[1]	England and Wales	Holding company	100%
Andela Products Limited[1]*	England and Wales	Dormant	100%
Wastelink Services Limited[1]*	England and Wales	Dormant	100%
Biffa GS (LPP) Limited[1]	England and Wales	Waste Management	100%
Biffa GS Environmental Limited[1]	England and Wales	Waste Management	100%
MRL (Scotland) Limited[4]*	Scotland	Dormant	100%
Biffa GS (RUR) Limited[1]*	England and Wales	Dormant	100%
Biffa GS (WS) Limited[1]*	England and Wales	Dormant	100%
Biffa GS Environmental Recycling Limited[1]	England and Wales	Waste Management	100%
Wespack Limited[1]	England and Wales	Dormant	100%
Biffa GS (M&B) Limited[1]	England and Wales	Waste Management	100%
Biffa GS(FC) Limited[1]	England and Wales	Waste Management	100%
Chiltern Skip Hire Limited[1]*	England and Wales	Dormant	100%
Chiltern Supplies Limited[1]*	England and Wales	Dormant	100%
The Fosse Group Limited[1]	England and Wales	Dormant	100%
Ecovert DLS Limited[1]*	England and Wales	Dormant	100%
Ecovert Limited[1]*	England and Wales	Dormant	100%
Biffa Group Holdings (UK) Limited[2]	England and Wales	Holding company	100%
Biffa Corporate Services Limited[2]*	England and Wales	Dormant	100%

Biffa Corporate Holdings Limited[2]	England and Wales	Holding company	100%
Biffa Netherlands B.V[6]	Netherlands	Holding company	100%
Biffa Servicios de Energia Mexico SA de CV**	Mexico	Waste Management	100%
Empresa de Servicios Espezialoados**	Mexico	Waste Management	100%
Biffa Waste Limited[2]	England and Wales	Waste Management	100%
Biffa Holdings (Jersey) Limited[3]	Jersey	Holding company	100%
Biffa UK Group Limited[2]*	England and Wales	Dormant	100%
Biffa UK Limited[2]*	England and Wales	Dormant	100%
Biffa (UK) Holdings Limited[2]	England and Wales	Waste Management	100%
UK Waste Management Holdings Limited[2]	England and Wales	Waste Management	100%
S.C.S Contractors Limited[2]*	England and Wales	Dormant	100%
Practical Recycling Systems	England and Wales	Dormant	100%
R A Johnson (Haulage) Limited[2]*	England and Wales	Dormant	100%
Waterblast Limited[2]*	England and Wales	Dormant	100%
W R Pollard & Son Limited[2]*	England and Wales	Dormant	100%
A Smith & Sons (Waste Disposal) Limited[2]*	England and Wales	Dormant	100%
Biffa (Land) Limited	Guernsey	Waste Management	100%
Photodigit Limited[2]*	England and Wales	Dormant	100%
Tyneside Wastepaper Co Limited[2]*	England and Wales	Dormant	100%
Pilmuir Waste Disposal Limited[2]*	England and Wales	Dormant	100%
Biffa (Roxby) Limited[2]*	England and Wales	Dormant	100%
Norwaste Limited[2]*	England and Wales	Dormant	100%
Waste Clearance (Holdings)	England and Wales	Dormant	100%
Clarfield Recycling Limited[2]*	England and Wales	Dormant	100%
Verdant Municipal Limited[2]*	England and Wales	Dormant	100%
Rent-A-Weld (Wirral) Limited[2]*	England and Wales	Dormant	100%
Westley Trading Limited[2]*	England and Wales	Dormant	100%
Biffa West Sussex Holdco Limited[2]*	England and Wales	Dormant	100%
Bray 2008 (Malta) Limited	Malta	Holding company	100%
Reclamation & Disposal Limited[2]	England and Wales	Dormant	100%
Biffa Holdings Limited[2]	England and Wales	Holding company	100%
Biffa (Jersey) Limited[3]	Jersey	Holding company	100%
Richard Biffa (Reclamation)	England and Wales	Dormant	100%
Exclusive Cleansing Services Limited[2]*	England and Wales	Dormant	100%
Richard Biffa Limited[2]*	England and Wales	Dormant	100%
Biffa Environmental Technology Limited[2]*	England and Wales	Dormant	100%
Descaling Contractors Limited[2]*	England and Wales	Dormant	100%
M Joseph & Son (Birmingham) Limited[2]*	England and Wales	Dormant	100%
Biogeneration Limited[2]*	England and Wales	Dormant	100%
Biffa Pension Scheme Trustees Limited[2]*	England and Wales	Dormant	100%
Hales Waste Control Limited[2]*	England and Wales	Dormant	100%
Cressex Insurance Services	England and Wales	Dormant	100%
White Cross Limited[2]*	England and Wales	Dormant	100%
Biffa (Transport Services) Limited[2]*	England and Wales	Dormant	100%
Wastedrive Limited[2]*	England and Wales	Dormant	100%
Wastedrive (Manchester) Limited[2]	England and Wales	Waste Management	100%
The Withnell Brick & Terra Cotta Company (1912) Limited[2]*	England and Wales	Dormant	100%

Reformation Disposal Services Limited[2]*	England and Wales	Dormant	100%
Recycling & Resource Management Limited[2]*	England and Wales	Dormant	100%
De-Pack Limited[2]*	England and Wales	Dormant	100%
Recyclite Ltd[2]*	England and Wales	Dormant	100%
Biffa Operations Ireland Limited[5]*	Republic of Ireland	Dormant	100%
Wastecare (GB) Limited[2]*	England and Wales	Dormant	100%

* financial year ended 31 March 2017
** financial year ended 31 December 2016
***directly held by Biffa plc

[1]Registered at Third Floor, The Gatehouse, Gatehouse Way, Aylesbury, Buckinghamshire HP19 8DB.
[2]Registered at Coronation Road, Cressex, High Wycombe, Buckinghamshire HP12 3TZ
[3]Registered at 44 Esplanade, St Helier, Jersey, JE4 9WG
[4]Registered at East Lothian Depot, Barbachlaw, Wallyford, East Lothian, EH21 8QQ
[5]Registered at 70 Sir John Rogerson's Quay, Dublin 2, Ireland
[6]Registered at Strawinskylaan 3127, 8e verdieping, 1077ZX Amsterdam

35. Dividends

The Directors propose a final dividend of 2.40 pence per ordinary share for the year ended 24 March 2017. The dividend will be submitted for formal approval at the Annual General Meeting to be held on 19 July 2017 and, subject to approval, will be paid on 28 July 2017 to those shareholders registered on 7 July 2017.

36. Notice

The financial information given does not constitute the Company's statutory accounts for the year ended 24 March 2017 or the year ended 25 March 2016, but is derived from those accounts. Statutory accounts for the year ended 25 March 2016 have been delivered to the Registrar of Companies and those for the year ended 24 March 2017 will be delivered following the Company's annual general meeting. The auditors have reported on those accounts; their reports were unqualified, did not draw attention to any matters by way of emphasis without qualifying their reports, and did not contain statements under s. 498(2) or (3) Companies Act 2006.

Biffa plc – Parent Company Statement of Financial Position

The parent company statements are prepared under FRS101 and relate to the company and not to the group. The accounting policies which have been applied to these accounts and a separate independent auditors' report can be found in the Annual Report and Accounts 2017.

	Notes	**As at 24 March 2017 £m**
Assets		
Non-current assets		
Investments	2	251.5
Trade and other receivables	3	3.5
		255.0
Current assets		
Financial assets		0.3
Other receivables		24.0
Cash and cash equivalents	4	0.1
		24.4
Net current assets		24.4
Non-current liabilities		
Trade and other payables	6	(19.9)
Total non-current liabilities		(19.9)
Net assets		259.5
Equity		
Called up share capital	7	2.5
Share premium		235.5
Retained earnings		21.1
Hedging and fair value reserves		0.3
Total surplus attributable to shareholders		259.5

Retained profit for the year was £22.7 million (2016: £nil million).

The financial statements of the Annual Report and Accounts 2017 were approved by the Board and signed on its behalf by:

Director

Biffa plc
Registered no: 10336040

Parent Company Statement of Changes in Equity

	Called up share capital £m	Share premium £m	Hedging and fair value reserves £m	Retained earnings/ (deficit) £m	Total equity £m
At incorporation	-	-	-	-	-
Issue of share capital	2.5	261.0	-	-	263.5
Share issue costs	-	(25.5)	-	-	(25.5)
Profit for the period	-	-	-	21.2	21.2
Cashflow hedges	-	-	0.3	-	0.3
As at 24 March 2017	2.5	235.5	0.3	21.2	259.5

As permitted by Section 408 of the Companies Act 2006, the company has not presented its own income statement or statement of comprehensive income. The profit of the company for the year attributable to shareholders was £22.7 million.

Accounting policies to the parent company financial statements

Basis of preparation

These financial statements relate to Biffa plc, a publicly traded company incorporated and domiciled in England and Wales. The registered address is Coronation Road, Cressex, High Wycombe, Buckinghamshire, HP12 3TZ.

These financial statements present the results of the Company as an individual entity and are prepared on the going concern basis, in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS101) and the Companies Act 2006.

The Company is part of a larger group and participates in the Group's centralised treasury and banking arrangements. The Company is expected to generate positive cashflows to continue to operate in the foreseeable future.

The Company has not presented its own income statement or statement of comprehensive income as permitted by section 408 of the Companies Act 2006.

The financial statements have been prepared in accordance with the accounting policies set out below, which have been consistently applied to all the years presented except where the Company has elected to take the following exemptions under FRS 101

- The requirements of IAS 7 Statement of cashflows
- The requirements of paragraph 17 of IAS 24 Related Party disclosures in respect of key management personnel
- Requirements of IAS 24 Related Party disclosures to disclose transactions between wholly owned members of the Biffa plc group
- The requirements of IFRS 7 Financial Instruments: Disclosures, as equivalent disclosures are provided in the consolidated financial statements of the group to which the Company belongs
- The requirements of IFRS 2 Share based payments
- The requirements of paragraphs 91 to 99 of IFRS 13 Fair Value Measurements, as equivalent disclosures are presented in the consolidated financial statements

Critical accounting judgements and key sources of estimation uncertainty

The Company does not have any key assumptions concerning the future, or other key areas of estimation uncertainty in the reporting period that may have a significant risk of causing material adjustment to the carrying amount of assets and liabilities within the next financial year.

Investments

Investments are initially stated at cost. Investments are tested for impairment when an event that might affect asset value has occurred. An impairment loss is recognised to the extent that the carrying amounts cannot be recovered either by selling the asset or by the discounted future cashflows from the investment.

Dividend distribution

Final dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders. Interim dividends are recognised when paid.

Other receivables

Other receivables are recognised initially at fair value less any provision for impairment. They are subsequently held at amortised cost less any provision for impairment.

Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and subsequently remeasured at fair value at each balance sheet date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and if so, the nature of the item being hedged.

The Company designates certain derivatives as either a) fair value hedge (hedges of the fair value of recognised assets or liabilities); or b) cash flow hedge (hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction); or c) net investment hedge (hedges of net investments in foreign operations).

The Company documents the transaction relationship between the hedging instruments and hedged items at inception. At inception and at each reporting date the Company assesses whether the derivatives used have been highly effective in offsetting changes in the fair value of hedged items.

The fair values of derivative instruments used for hedging are shown in note 5. Movements in the hedging reserve are shown in the statement of changes in equity.

At the reporting date the Company has no fair value hedges or net investment hedges.

Cash flow hedge
The effective portion of changes in the fair value of derivatives that are designated as cash flow hedges are recognised in equity. The Company's cash flow hedges in respect of forward foreign exchange contracts result in recognition in either profit and loss or in the hedging reserve.

When a hedging instrument expires or is sold, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss in equity at that time remains in equity and is recognised when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity will be transferred to the income statement.

Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement.

Other payables
Accounts payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Share capital
Ordinary shares are classified as equity and are recorded at par value of proceeds received. Where shares are issued above par value, the proceeds in excess of par value are recorded in the share premium account net of direct issue costs.

1. Employees and Directors

Details of the remuneration received by Directors of Biffa plc are included in the remuneration report. Biffa plc does not have any employees.

2. Investments

	Interests in group undertakings £m
At incorporation	-
Additions	251.5
Balance at the end of the period	251.5

There have been no indicators of impairment during the year and no requirement for impairment. The Directors believe that the carrying value of the investments is supported by their underlying net assets.

Disclosure of the Company's subsidiaries is given in notes 30 and 34 of the group financial statements.

3. Trade and other receivables

	As at 24 March 2017 £m
Amounts falling due within one year	
Amounts due from subsidiary undertaking	24.0
Amounts falling after more than one year	
Other receivables	3.5

The Directors consider that the carrying amount of trade receivables approximates their fair value.

4. Cash and cash equivalents

	As at 24 March 2017 £m
Cash at bank and in hand	0.1

5. Fair value of financial assets and liabilities

Financial assets and liabilities	As at 24 March 2017 Book value £m	Fair value £m
Derivative asset	0.3	0.3
Trade and other receivables	27.5	27.5
Cash and cash equivalents	0.1	0.1
Trade and other payables	(19.9)	(19.9)
Total financial assets and liabilities	8.0	8.0

6. Trade and other payables

	As at 24 March 2017 £m
Current	
Amounts payable to subsidiary undertakings	(19.9)

All creditors are unsecured.

The fair value of non-derivative financial assets and liabilities are determined based on discounted cash flow analysis using current market rates for similar instruments.

7. Called up share capital

	Number of shares No	Called up share capital £
As at 25 March 2016	-	-
Issued share capital	250,000,000	2,500,000
As at 24 March 2017	250,000,000	2,500,000

8. Related party transactions

There have been no material related party transactions in the year ended 24 March 2017 (2016: nil) except for key management compensation as set out in the report of the remuneration committee.