

Independent Auditor's Report to the members of Biffa plc

Report on the audit of the financial statements

1. Opinion

In our opinion:

- the financial statements of Biffa plc (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 26 March 2021 and of the group's loss for the 52 week period then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, International Financial Reporting Standards (IFRSs) as adopted by the European Union and IFRSs as issued by the International Accounting Standards Board (IASB);
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of other comprehensive income;
- the consolidated and parent company financial positions;
- the consolidated and parent company statements of changes in equity;
- the consolidated statement of cash flows;
- the accounting policies; and
- the related notes 1 to 37 for the consolidated financial statements and notes 1 to 9 of the parent company financial statements.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 and IFRSs as issued by the IASB and adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

2. Basis for opinion

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

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the group and parent company for the year are disclosed in note 7 to the financial statements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: ▪ Landfill Accounting ▪ Retirement Benefit Obligations ▪ Asset Impairment Indicators ▪ Onerous Contract Provisions ▪ Classification and Presentation of Adjusting Items ▪ Identification of Specified Intangibles as a Result of Business Combinations Within this report, key audit matters are identified as follows:  Newly identified  Increased level of risk  Similar level of risk  Decreased level of risk
Materiality	The materiality that we used for the group financial statements was £3.8 million which was determined on the basis of revenue and EBITDA excluding adjusting items. This equates to 0.4% of Group revenue and 2.7% of EBITDA excluding adjusting items.
Scoping	We performed full scope audits on 15 legal entities and specified audit procedures on 1 legal entity located in the United Kingdom and Gibraltar. These entities account for 97% of the Group's revenue, and 96% of net assets.
Significant changes in our approach	In the prior year, materiality was determined with reference to Group revenue, EBITDA excluding adjusting items and profit before tax excluding adjusting items. In the current year, we did not include profit before tax in the basis for our materiality determination as the movement is volatile year on year. We have included classification and presentation of adjusting items as a new key audit matter for the current year. Like other large complex groups, Biffa provides a number of alternative performance measures as part of its presentation and assessment of Group results. During the year there are a number of items this year which would meet management's consideration criteria for treatment as adjusting items. We have also included the identification of specified intangibles as a new key audit matter for the current year given the amount of consideration that has been allocated to goodwill in relation to the Company Shop Group (CSG) and Simply Waste business combinations. We no longer consider going concern to be a key audit matter following the recovery in the Group's financial performance and new issued share capital during the period. The capitalisation and classification of costs associated with Project Fusion is no longer reported as a key audit matter this year. Due to implementation challenges and further delays caused by Covid-19, management impaired the vast majority of this intangible's carrying amount, thereby reducing the risk of material misstatement in the capitalisation and classification of this project.

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4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included the following procedures:

- held discussions with management to understand the process that the Group will follow in respect of its going concern assessment;
- benchmarked the Group's forecasts against external sources with focus on the waste industry as well as the UK economy as a whole;
- performed an analysis on the Group's results against budget to assess historical accuracy;
- assessed the level of headroom available to the group from its loan facilities and evaluated the risk of breaching covenants;
- challenged management's analysis to assess whether it reflects a reasonable worst case scenario and perform sensitivity analysis on key variables;
- obtained evidence to verify the additional external funding facilities accessible to the Group;
- obtained and performed analysis on post year end results and benchmarked this against management's forecasts; and
- reviewed the disclosure in Note 1 of the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the reporting on how the group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Landfill accounting

Key audit matter description	As at 26 March 2021 the Group holds a landfill restoration and aftercare provision of £71.0 million (27 March 2020: £56.6 million). The Group operates a number of landfill sites in the UK. A significant cost of owning and operating a landfill site in the UK arises after the land filling operation ceases due to the constructive and legal obligation to restore sites and then to care for them until it can be demonstrated that they present no ongoing risk to the environment. The liabilities extend until the waste is considered to be inert, which is generally assumed to be up to 60 years following closure of the site. The Group makes the provision, within the financial statements, for such long-term obligations through its provisions for restoration. The level of costs expected are uncertain and can vary significantly from site to site. Biffa uses internal and external experts to help determine the total expenditure required to remediate sites. As these provisions arise in connection with an asset, under IAS 16 "Property, Plant and Equipment" the costs are capitalised and depreciated over the remaining life of the associated asset. The key audit matter arises from a number of estimation uncertainties which exist in relation to the level of the provision and depreciation required. These include the appropriateness of the total cost and void data as well as the accuracy of the underlying calculations with the key variables being gross cost assumptions, void assumptions and the discount rate applied to the cashflow forecasts. As part of our assessment of risk of material misstatements due to fraud, we evaluated which of the judgements and assumptions in landfill provision might give rise to potential fraud risks. We have focused our audit procedures to detect the inflation of performance through the manipulation of the provision. The associated disclosure is included in Note 20. The Audit Committee has included their assessment of this risk on page 102 and is included within the key sources of estimation uncertainty in Note 1. For specifics of the Group's accounting policy please see page 150.
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How the scope of our audit responded to the key audit matter	Our audit response focused on assessing and challenging the underlying data and key assumptions used by management in calculating the restoration and aftercare provisions. As part of the audit we obtained and inspected management's experts' reports for consistency with publicly available information and their reflection in the forecasts prepared. We have also assessed the competence, objectivity and capability of the experts. We performed procedures to test relevant controls in place over the completeness and accuracy of the data inputs used by management and also tested relevant review controls on the assumptions used to determine the valuation of the underlying accounting for the landfill provisions. We assessed and challenged the assumptions and judgements in management's calculations with reference to market and historical data, this included discount rates applied in the forecast cash flows. We independently calculated an appropriate discount rate range and used this to benchmark management's rate. We performed a sensitivity analysis of the environmental provision utilising our independently calculated range. We also tested the mathematical accuracy of the calculations prepared including the reversal and utilisation of provisions in the current period. Furthermore we performed an assessment of the reasonableness of the forecast earnings, that underpin the cash flows used in the calculation of the provision, for a sample of sites with comparison to historical financial information and agreement to budget. We tested landfill related provisions through analytical procedures and re-performed the arithmetical accuracy of the cost of the provision.
Key observations	Based on the work performed as outlined above we conclude the assumptions to be appropriate and concur with management that the level of landfill provision is adequate.
5.2. Retirement benefit obligations 	
Key audit matter description	The Group operates several defined benefit pension schemes which are accounted for under IAS 19 ("Employment Benefits"). At 26 March 2021, the Group has recognised a net defined benefit surplus arising from the defined benefit schemes of £112.1 million (27 March 2020: £124.7 million). Included within this figure is a gross defined benefit obligation of £525.8 million (27 March 2020: £485.9 million). Pension accounting is a specialist area requiring the exercise of significant management judgement and the use of technical expertise to determine the surplus or deficit of the scheme in accordance with generally accepted actuarial practices. We have identified a key audit matter specifically in relation to the assumption used in valuing the defined benefit pension liabilities including the use of assumptions on the discount rate, mortality assumption, inflation level, pension increase, yield curves and measures of longevity. The setting of these assumptions is complex and changes to the assumptions can have a material impact on the value of pension assets and the retirement benefit liability. Furthermore, in the current year with the recent requirements for all companies to comply with Guaranteed Minimum Pensions ("GMP") equalisation, we specifically looked at the costs associated with meeting these requirements. The associated disclosure is included in Note 28. The Audit Committee has included their assessment of this risk on page 102 and is included within the key sources of estimation uncertainty in Note 1. For specifics of the Group's accounting policy please see page 150.
How the scope of our audit responded to the key audit matter	We performed walk through procedures to obtain an understanding of relevant controls in place over the accounting of retirement benefit obligation. We have tested the significant judgements and estimates made by Biffa plc third party actuaries engaged by management, and assessed their competence, capability and objectivity to perform valuations of the relevant schemes. We also involved our internal actuarial specialists to assess the key assumptions applied in determining the pension obligation for the schemes and determine whether the key assumptions are reasonable. The assessment included reviewing and challenging available yield curves, discount rate, inflation, mortality data and the impact of the recent guaranteed minimum pension ruling, to recalculate a reasonable benchmark for the key assumptions. We challenged management to understand the sensitivity of changes in key assumptions and quantified the impact of illustrative benchmark rates that could be used in their calculations. We also tested a sample of the data used in the actuarial valuation, as well as assessing the basis on which pension surpluses were recognised. The latter involved agreeing related terms to the deeds of the relevant Group pension scheme.
Key observations	Based on the work performed as outlined above, we are satisfied that the methodologies adopted are appropriate. The key assumptions applied in relation to determining the pension valuation, when taken in aggregate, fall within an acceptable range and the pension liability balance is appropriate.

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5.3. Asset impairment indicators

Key audit matter description	As at 26 March 2021 the Group held non-current assets of £1,162.5 million (27 March 2020: £1,052.9 million) which could be at risk of impairment. Management is required to assess the carrying value of these assets and perform a full impairment review in accordance with the requirements of IAS 36 'Impairment of Assets' on an annual basis, or more frequently if an indicator of impairment exists. During 2021, management identified an indicator of impairment for Poplars anaerobic digestion plant cash generating unit (Poplars AD CGU) and following an impairment test, recorded an impairment charge of £8.2 million. No impairment charge was recorded by management as a result of the Landfill Gas Cash Generating Unit (LFG CGU) impairment test. We identified a key audit matter in relation Poplars AD CGU and LFG CGU within the Resources & Energy division based on their low level of headroom and high sensitivity to key inputs. The recoverable amounts used in management's impairment assessment have been calculated on a Value in Use basis ("VIU") for the Poplars AD and LFG CGUs. We have identified a key audit matter specifically in relation to the key areas of estimation uncertainty used in the forecasts. These include the discount rate, long term growth rates, forecast tonnage, energy prices, gate fees and gas curve projections. Biffa uses experts to help determine the inputs of the impairment models. The associated disclosures are included in Note 12 and 13. The Audit Committee has included their assessment of this risk on page 102 and is included within the key sources of estimation uncertainty in Note 1. For specifics of the Group's accounting policy please see page 151.
How the scope of our audit responded to the key audit matter	We held discussions with management to understand the process that the Group followed in its asset impairment assessment. Following these discussions, we obtained an understanding of relevant controls that management operates over the process. We reviewed the forecast reports provided by management's experts for consistency with other third party experts, publicly available information and the reflection in the cashflow forecasts. We have assessed the competence, objectivity, and capability of the external experts used. We evaluated the accuracy of future cash flow forecasts that underpin the cash flows used in the assessment with reference to recent performance and trend analysis. We also assessed the historical forecasting accuracy of management's forecasts against actual outturn. We evaluated management's assumptions made over the overheads allocated to the CGUs, and the eventual decline over time of the overheads as various trading elements of the CGUs cease, through comparison against previous forecasts and our understanding of the nature of the continuing business. We further challenged management's sensitivity analysis and performed our own sensitivity analysis on key variables. Having ascertained the extent of change in those assumptions that either were individually or collectively would be required for the tangible and intangible assets to be impaired, we considered the likelihood of such movement in those key assumptions arising. We involved our internal valuation specialists to determine an acceptable range of discount rates utilising market comparable information and compared the rate calculated by management. We challenged management in the long range growth rates through comparison to those used by comparable competitors. We also tested the mathematical accuracy of the calculation as performed. We validated the integrity of management's impairment model through testing the mechanical accuracy and verifying the application of the input assumptions. We also evaluated the process management undertook to prepare the cash flow forecasts and assessed their consistency with the latest Board approved plans and management approved forecasts. We considered reasonable possible changes in assumptions to challenge the appropriateness of management's assessment of reasonable possible change disclosures in light of the estimation uncertainty surrounding the LFG CGU and Poplars AD CGU. Our challenge was informed by input from certain of our internal valuation specialists, utilising their knowledge and expertise.
Key observations	We conclude that the assumptions applied in the impairment models, when taken in aggregate, are within our acceptable range. We are satisfied that the impairment assessment is reasonable and in accordance with IAS 36. We concur with management's view that significant estimation uncertainty surrounding the LFG CGU and Poplars AD CGU disclosed in Note 12 and Note 13 respectively represent reasonable worst case scenarios and are appropriately disclosed.

5.4. Onerous contract provisions

Key audit matter description	In the period ending 26 March 2021, the provision against onerous contracts increased to £20.5 million (2020: £15.4 million). These contracts relate to the operational challenges faced by the Group. These contracts are complex and the Group is therefore required to make operational and financial assumptions to estimate future losses over periods that can extend beyond 5 years. The prediction of future events over extended periods contains inherent risk and the outcome of customer disputes is uncertain and involves a high degree of management estimation. There is a risk that the provision recognised in respect of these contracts does not appropriately cover the unavoidable future losses against the contract as required under IAS 37 "Provisions, Contingent Liabilities and Contingent Assets". We have identified a key audit matter in respect of the judgements applied in the assessment of unavoidable future cash flows, particularly in relation to key estimation areas around the Retail Price Index (RPI) rate, commodity prices applied, discount rates and unavoidable costs under the contracts. The associated disclosure is included in Note 20. The Audit Committee has included their assessment of this risk on page 102 and is included within the key sources of estimation uncertainty in Note 1. For specifics of the Group's accounting policy please see page 151.
How the scope of our audit responded to the key audit matter	We obtained an understanding of relevant controls in place to identify contracts which may be onerous and determine whether the potential liability is appropriately accounted and disclosed in the Group's financial statements. We evaluated the accuracy of future cash flow forecasts with reference to recent performance, trend analysis, an assessment of historical forecasting accuracy, and operational improvements against the contracts. Additionally, we assessed the forecast assumptions used by management around RPI, commodity values against external market data, unavoidable costs and other rates in the model. These were assessed against underlying signed contracts and agreements. We evaluated the approach adopted in management's models and tested the models for arithmetical accuracy.
Key observations	Based on the work performed as outlined above, we are satisfied that the level of provision recognised by management is in accordance with IAS 37 "Provisions, Contingent Liabilities, and Contingent Assets" against onerous contracts.

5.5. Classification and presentation of adjusting items

Key audit matter description	Management adjust for certain items in order to eliminate factors which they consider to distort year-on-year comparisons. Adjusting items are not defined by IFRS and therefore significant judgement is required in determining the appropriate classification. Earnings excluding adjusting items is a key focus of management as well as external users of the accounts and creates an incentive to use the adjusting items to manipulate earnings excluding adjusting items. The use of Alternative Performance Measures ("APMs") within financial statements continues to be an area of increased focus by the regulators, in particular the Financial Reporting Council ("FRC") and the European Securities and Markets Authority ("ESMA"). The Group has reported an operating profit excluding adjusting items of £44.2 million (2020: £90.5 million), which is derived from statutory operating loss of £37.6 million (2020: profit of £74.1 million) adjusted for a number of items totalling £81.8 million (2020: £16.4 million) which the Group considers meet their definition of an 'adjusting item'. The most significant adjusting items in the year include impairment charges and onerous contract provisions. The associated disclosure is included in Note 3. The Audit Committee has included their assessment of this risk on page 102. For specifics of the Group's accounting policy please see page 144.
How the scope of our audit responded to the key audit matter	The audit procedures we performed in respect of this key audit matter included: ■ obtaining an understanding of management's process for determining the adjusting items and of relevant controls over this process; ■ challenging the adjustments between statutory and profit excluding adjusting items to understand the rationale for the separate classification; we considered their appropriateness by assessing their alignment with the Group's adjusting item accounting policy; ■ assessing the consistency of adjusting items in the reconciliation of operating profit to operating profit excluding adjusting items between periods; ■ challenging the consistency of the treatment of similar gains and losses as adjusting items; ■ assessing the disclosure within Note 3 to the accounts and determining whether it is fair, balanced and understandable; and ■ challenging the Group's alternative performance measures reporting against emerging practice and the guidance from the FRC and ESMA.
Key observations	Although we noted that management adjusts for certain immaterial items, within acquisition and strategy related costs, that do not entirely meet the group policy defined in Note 3 of the financial statements, we are satisfied that the overall classification and presentation of adjusting items is reasonable and materially accurate.

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5.6. Identification of specified intangibles as a result of business combinations

Key audit matter description	During the year Biffa plc acquired Company Shop Group (CSG) for a cash consideration of £86.0 million and Simply Waste for £31.0 million. In accordance with IFRS 3 "Business Combinations", management has recognised the identifiable assets and the liabilities at their acquisition date fair values. A number of significant judgements were required to estimate future revenues and margins for the contracts, as well long-term growth in these businesses for the valuation of the identified intangibles. Due to the significance of management's judgement around valuation and identification of intangible assets, we have determined the acquisition as a key audit matter. More specifically, we have pinpointed this to the risk associated with the valuation of the £8.2m brand at CSG and £15.1m customer relationships intangible at Simply Waste and the identification of specified intangibles as a result of these business combinations; as a significant proportion of the consideration amount has been allocated to goodwill as part of the purchase price allocation (PPA). The associated disclosure is included in Note 10. The Audit Committee has included their assessment of this risk on page 103. For specifics of the Group's accounting policy please see pages 140 – 141.
How the scope of our audit responded to the key audit matter	The audit procedures we performed in respect of this key audit matter included: ■ obtaining an understanding of management's process for determining the PPA of the acquisition and of relevant controls over this process; ■ enquiring of management, including individuals outside of finance, to understand and challenge the assumptions in the revenue forecasts, margins for contracts and long-term growth rate of the business with focus on estimates used in the valuation of the customer relationships and brand intangible assets; ■ testing the acquisition balance sheet and initial fair value adjustments of the acquired businesses; ■ challenging management with regards to the identification and valuation of intangible assets and liabilities post acquisition including consideration; ■ involving our internal valuation specialists in challenging management's assumptions with regard to the valuation methodology used, the identification and valuation of intangibles in light of the nature of the acquired businesses; and the determination of an appropriate discount rate; and ■ assessing the disclosure within Note 10 to the accounts and determining whether it is in accordance to IFRS 3 "Business Combinations".
Key observations	Based on the work performed, we are satisfied that the acquired businesses have been appropriately accounted for in accordance with IFRS 3 "Business Combinations". As a result of the work performed on the cash flow forecasts used to value the aforementioned intangibles, we are satisfied that, when taken together, management's assumptions lie within a reasonable range, albeit at the optimistic end of that range.

6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Materiality	£3.8 million (2020: £4.4m)	£1.2 million (2020: £1.8m)
Basis for determining materiality	Materiality has been determined with reference to revenue and EBITDA excluding adjusting items. The materiality determined of £3.8m equates to 0.4% (2020: 0.4%) of revenue. In the prior year, materiality was determined with reference to Group revenue, EBITDA excluding adjusting items and profit before tax excluding adjusting items. In the current year, we did not include profit before tax in the basis for our materiality determination as the movement is volatile year on year.	Parent company materiality was determined on the basis of net assets, capped at 50% of group materiality. It equates to 0.3% of net assets. In the prior year the parent company materiality was determined on the basis of net assets and equated to 0.8% of net assets.
Rationale for the benchmark applied	We consider that a materiality based on these benchmarks reflects critical underlying measures of the Group. These are given substantial prominence throughout the annual report and reflect the key metrics used by analysts in their reports and communications to shareholders and investors, as well as the communications of peer companies.	As the Company is non-trading and operates as primarily a holding Company for the Group's trading entities, we believe that the net asset position is the most appropriate benchmark to use.

6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent company financial statements
Performance materiality	60% (2020: 60%) of group materiality	60% (2020: 60%) of parent company materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered our cumulative experience from prior year audits, our risk assessment, including our understanding of the entity and its environment, the quality of the control environment and the history of uncorrected misstatements in previous years.	

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.19 million (2020: £0.22m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Identification and scoping of components

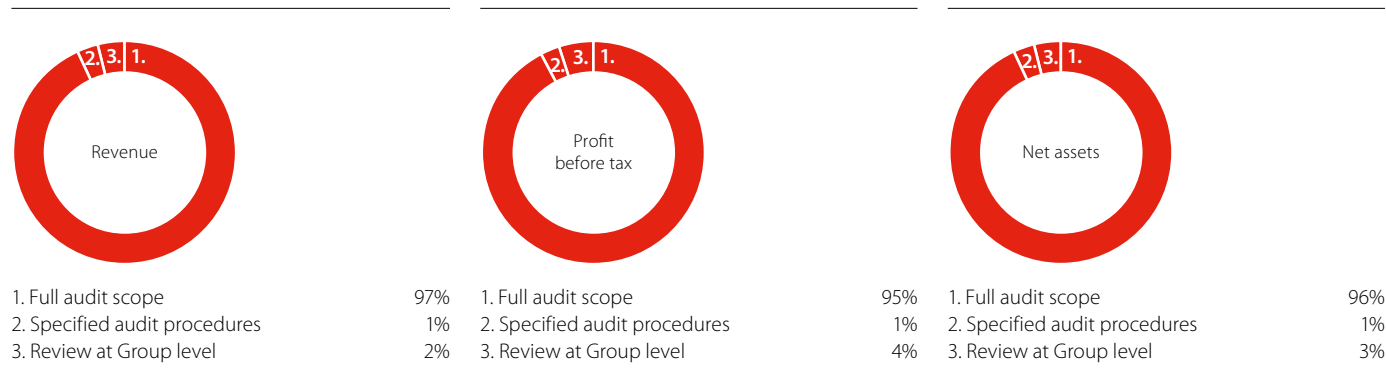
Biffa primarily operates in the United Kingdom; the Group has two active overseas entities based in Gibraltar that provide insurance services to the Group.

We consider the statutory reporting structure to reflect the components of the Group as this is how management monitor and control the business. The materiality and scope of work for each entity has been assessed based upon its significance and contributions to the Group. Audit procedures were then performed based upon the level of scope identified.

Based on this assessment, we performed full scope audits on 15 (2020: 15) legal entities and specified audit procedures on 1 (2020: 1) legal entity.

The full scope and specified audit procedures entities account for 98% (2020: 99%) of the Group's revenue, 96% (2020: 99%) of profit before taxation and 97% (2020: 99%) of net assets.

In addition to the work performed at a component level the group audit team also performed audit procedures on, but not limited to, corporate activities such as treasury and pensions as well as on the consolidated financial statements themselves, including entity level controls, litigation provisions, the consolidation, and financial statement disclosures including the parent company financial statements. In addition, we carried out review procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to a full scope audit or specified audit procedures.



7.2. Our consideration of the control environment

The Group operates a range of IT systems, which underpin the financial reporting process, especially Central System as the main Enterprise Resource Management system that governs the general ledger. In addition, we identified the Group-level MicroStrategy consolidation system as relevant for which we engaged IT specialists as part of our planned audit procedures in relation to the IT control environment and tested general IT controls of these systems by evaluating change management, user access and segregation of duties.

We have taken a controls reliance approach on landfill accounting, revenue recognition, fixed assets and financial reporting by testing whether key controls on these areas were operating effectively during the period.

A number of control deficiencies were identified in the FY20 audit and similar deficiencies were identified during the FY21 audit, particularly in relation to the design and implementation of controls in respect of the majority of the areas noted in the key audit matter section (see section 5). As a result of these findings we were unable to adopt a controls based audit approach in some of these areas. In response to the deficiencies identified, we revisited our risk assessment and altered the nature and extent of our planned testing, retaining our Group performance materiality at 60% of Group materiality (see section 6.2). As described in the Audit Committee Report on pages 100 – 104, they will review management's actions to address these deficiencies as well as those identified by internal audit during FY22.

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7.3. Working with other auditors

We engaged the Deloitte Gibraltar team as an integrated part of the group audit team for the procedures performed on the Gibraltar entity. A senior member of the Group audit team oversaw the Deloitte team's work on the Gibraltar entity. We included them in our team briefings, attended key meetings with management and reviewed their audit working papers.

8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of directors

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

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit and the audit committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
 - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team including significant component audit teams and relevant internal specialists, including tax, valuations, pensions, IT, forensic and industry specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud..

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: landfill accounting, impairment of assets in the Resource and Energy divisions, provision for onerous contracts and the capitalisation and classification of costs associated with Project Fusion. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules, pension's legislation and tax legislation in all relevant jurisdictions where the Group operates.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty.

11.2. Audit response to risks identified

As a result of performing the above, we identified landfill accounting, impairment of assets in the Resource and Energy divisions, provision for onerous contracts and the capitalisation and classification of costs associated with Project Fusion as key audit matters related to the potential risk of fraud. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters. As a result of performing the above, we did not identify any key audit matters related to the potential risk of fraud or non-compliance with laws and regulations.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Audit Committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC;
- in addressing the risk of fraud in Project Fusion, we held discussions with management to understand the process that the Group followed in the recognition of costs associated with Project Fusion and obtained an understanding of the relevant controls; challenged the Group's assessment of which assets represent inefficient spend and as such should be written off; assessed the reasonableness of the assumptions used in management's impairment review, tracing key inputs such as forecast costs and benefits to internal performance reporting and knowledge gained performing our other audit procedures; performed sensitivity analysis around the key assumptions in management's impairment model to assess whether headroom is sensitive to reasonably possible changes in key estimates; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Independent Auditor's Report to the members of Biffa plc continued

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

13. Corporate Governance Statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- the directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified;
- the directors' explanation as to its assessment of the Group's prospects, the period this assessment covers and why the period is appropriate;
- the directors' statement on fair, balanced and understandable;
- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems; and
- the section describing the work of the audit committee.

14. Matters on which we are required to report by exception

14.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

14.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

15. Other matters which we are required to address

15.1. Auditor tenure

Following the recommendation of the audit committee, we were appointed by the Board on 23 August 2016 to audit the financial statements for the period ending 24 March 2017 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 5 years, covering the periods ending 24 March 2017 to 26 March 2021.

15.2. Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

16. Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Peter Gallimore, FCA

Senior statutory auditor
For and on behalf of Deloitte LLP
Statutory Auditor
Birmingham, United Kingdom
10 June 2021

Consolidated Income Statement

	Notes	52 weeks ended 26 March 2021			52 weeks ended 27 March 2020		
		Business performance excluding adjusting items £m	Adjusting items* £m (Note 3)	Statutory results for the year £m	Business performance excluding adjusting items £m	Adjusting items* £m (Note 3)	Statutory results for the year £m
Revenue	2	1,042.0	–	1,042.0	1,163.1	–	1,163.1
Cost of sales		(940.4)	(68.1)	(1,008.5)	(1,012.7)	(11.6)	(1,024.3)
Gross profit		101.6	(68.1)	33.5	150.4	(11.6)	138.8
Operating costs		(57.4)	(13.7)	(71.1)	(59.9)	(4.8)	(64.7)
Operating Profit/(Loss)		44.2	(81.8)	(37.6)	90.5	(16.4)	74.1
Finance income	4	3.2	–	3.2	2.3	1.1	3.4
Finance charges	4	(17.6)	–	(17.6)	(21.0)	–	(21.0)
Share of results in joint venture	32	(0.8)	–	(0.8)	(0.1)	–	(0.1)
Profit/(Loss) before taxation	5	29.0	(81.8)	(52.8)	71.7	(15.3)	56.4
Taxation	8	(6.4)	18.7	12.3	(14.3)	3.5	(10.8)
Profit/(Loss) for the period		22.6	(63.1)	(40.5)	57.4	(11.8)	45.6
Profit/(Loss) attributable to shareholders of the parent Company				(40.5)			45.6
Basic earnings/(loss) per share (pence)	9			(13.7)			18.3
Diluted earnings/(loss) per share (pence)	9			(13.4)			17.9

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

Consolidated Statement of Other Comprehensive Income

	Notes	52 weeks ended 26 March 2021 £m	52 weeks ended 27 March 2020 £m
Profit/(Loss) for the period		(40.5)	45.6
Other Comprehensive Income/(Loss)			
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gain/(loss) on defined benefit pension scheme	28	(21.6)	40.9
Tax relating to items that will not be reclassified subsequently to profit or loss	8	4.1	(8.3)
		(17.5)	32.6
Items that may be reclassified subsequently to profit or loss:			
Loss on fair value of cash flow hedges			
Fair value loss arising on hedging instruments during the period	18	(2.6)	(0.6)
Net loss on cash flow hedge in joint venture	32	(1.0)	(1.8)
		(3.6)	(2.4)
Other comprehensive income/(loss) for the period, net of income tax		(21.1)	30.2
Total comprehensive income/(loss) for the period		(61.6)	75.8
Attributable to shareholders of the parent Company		(61.6)	75.8

Consolidated Statement of Financial Position

	Notes	As at 26 March 2021 £m	As at 27 March 2020 £m
Assets			
Non-current assets			
Goodwill	11	224.3	132.2
Investment in joint venture	32	9.6	3.0
Other intangible assets	12	182.5	197.0
Property, plant and equipment	13	562.2	527.8
Long-term receivables	15	65.8	65.8
Loan to joint ventures		6.0	2.4
Retirement benefit surplus	28	112.1	124.7
		1,162.5	1,052.9
Current assets			
Inventories	14	22.3	16.1
Trade and other receivables	15	141.3	165.3
Contract assets	16	50.6	56.2
Financial assets	18	12.8	6.7
Derivative financial instruments		0.3	0.4
Cash and cash equivalents	17	30.8	87.8
		258.1	332.5
Current liabilities			
Borrowings	18	(54.7)	(43.6)
Derivative financial instruments	18	(3.0)	(1.6)
Trade and other payables	19	(257.5)	(274.1)
Deferred and contingent consideration	10	(9.4)	–
Contract liabilities	16	(19.6)	(17.8)
Corporation tax creditor		(0.3)	(0.1)
Provisions	20	(16.1)	(10.2)
Total current liabilities		(360.6)	(347.4)
Net current liabilities		(102.5)	(14.9)
Non-current liabilities			
Borrowings	18	(474.2)	(511.0)
Derivative financial instruments		(0.9)	–
Trade and other payables	19	(14.6)	(13.6)
Provisions	20	(101.3)	(85.1)
Deferred tax liability	21	(11.1)	(17.3)
Total non-current liabilities		(602.1)	(627.0)
Net assets		457.9	411.0
Equity			
Called up share capital	23	3.1	2.5
Share premium	23	247.0	235.3
Hedging reserves		(6.4)	(2.8)
Merger reserve	23	170.3	74.4
Retained earnings	24	43.9	101.6
Total equity attributable to shareholders		457.9	411.0

The Financial Statements were approved by the Board of Directors and authorised for issue on 10 June 2021. They were signed on its behalf by:



Richard Pike

Director

Company no: 10336040

Consolidated Statement of Changes in Equity

	Called up share capital £m	Share premium £m	Merger reserve £m	Hedging reserve £m	Retained earnings £m	Total equity £m
As at 29 March 2019	2.5	235.3	74.4	(0.4)	48.4	360.2
Profit for the period	–	–	–	–	45.6	45.6
Other comprehensive income/(loss)	–	–	–	(2.4)	32.6	30.2
Total comprehensive income/(loss)	–	–	–	(2.4)	78.2	75.8
Share purchased by employee benefits trust	–	–	–	–	(9.1)	(9.1)
Value of employee service in respect of share option schemes (excluding NICs)	–	–	–	–	2.6	2.6
Deferred tax on share based payments	–	–	–	–	(0.2)	(0.2)
Dividends paid	–	–	–	–	(18.3)	(18.3)
As at 27 March 2020	2.5	235.3	74.4	(2.8)	101.6	411.0
Loss for the period	–	–	–	–	(40.5)	(40.5)
Other comprehensive loss	–	–	–	(3.6)	(17.5)	(21.1)
Total comprehensive loss	–	–	–	(3.6)	(58.0)	(61.6)
Equity raise*	0.5	1.3	95.9	–	–	97.7
Issue of share capital**	0.1	10.4	–	–	–	10.5
Shares purchased by employee benefits trust	–	–	–	–	(4.4)	(4.4)
Value of employee service in respect of share option schemes (excluding NICs)	–	–	–	–	3.2	3.2
Deferred tax on share based payments	–	–	–	–	1.5	1.5
As at 26 March 2021	3.1	247.0	170.3	(6.4)	43.9	457.9

* In May 2020, the Group incorporated a Jersey registered "cash box" company. This was used to facilitate the equity raise of 49,339,233 ordinary shares of 1p each at a placing price of £2.00 each. The transactions satisfied all required conditions under section 612 of the UK Company Act 2006 to obtain merger relief and therefore the excess of the net proceeds over the nominal value of the shares has been credited to a merger reserve rather than share premium. The net proceeds of the "cash box" equity raise was £95.9m, recognised in the merger reserve. At the same time, 660,766 shares were directly issued to the Board and executive management team as part of the equity raise. The net proceeds of the direct issue was £1.3m which has been recognised in share premium. The equity raise generated total proceeds of £100m and the Biffa plc group received cash proceeds of £97.7m net of expenses. The amount within the merger reserve relating to this equity raise is now a distributable reserve.

** During the period, the Group settled its FY20 bonus payments using share options. A share allotment of 3m shares was issued to partially cover this payment. This issue did not have a cash impact as share were issued to settle the bonus liability. The share premium on this issue was £6.3m.

Consolidated Statement of Cash Flows

	Notes	52 weeks ended 26 March 2021 £m	52 weeks ended 27 March 2020 £m
Cash flows from operating activities			
Cash generated from operations	25	134.5	193.8
Adjusting items		(11.0)	(14.0)
Net cash from operating activities		123.5	179.8
Income tax paid		(0.6)	(0.2)
Net cash inflow from operating activities		122.9	179.6
Cash flows from investing activities			
Purchases of property, plant and equipment		(45.0)	(56.8)
Purchases of intangible assets		(3.9)	(3.8)
Funds on long term deposit		(0.1)	–
Compensation		–	4.4
Purchases of business	10	(119.1)	(5.1)
Cash acquired from business combinations		16.0	–
Investment in joint ventures		(8.4)	(5.0)
Sale of rights to shares in joint venture		2.8	–
Proceeds from the sale of property, plant and equipment		0.8	1.6
Loan to joint venture		(3.6)	(2.4)
Interest received		0.1	0.3
Net cash used in investing activities		(160.4)	(66.8)
Cash flows from financing activities			
Interest paid		(14.6)	(17.2)
Employee share scheme purchase		(4.5)	(6.0)
Exercise of share options		4.9	–
New loans raised		70.0	1.0
Repayment of borrowings	26	(128.6)	–
Extension of borrowing fees		(0.6)	(0.5)
Cash flow on settlement of derivatives		(0.4)	–
Equity raise*		97.7	–
Lease liabilities principal payments	26	(43.4)	(50.2)
Dividends paid		–	(18.3)
Net cash flow used in financing activities		(19.5)	(91.2)
Net increase in cash and cash equivalents		(57.0)	21.6
Cash and cash equivalents at the beginning of the period		87.8	66.2
Cash and cash equivalents at the end of the period	17	30.8	87.8

* Net of transaction fees of £2.3m

Notes to the Consolidated Financial Statements

1. Accounting Policies

Basis of preparation

The consolidated financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. The financial statements have also been prepared in accordance with International Financial Reporting Standards as issued by the IASB. The comparative financial information has also been prepared on this basis.

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

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

The preparation of Financial Statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. 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 on pages 150 – 151.

The Group's financial performance is analysed into two components, "business performance excluding adjusting items" and "adjusting items". Business performance excluding adjusting items is used by management to monitor financial performance as it is considered it aids comparability of the reported financial performance year to year. The Group's income statement and segmental analysis separately identify a number of Alternative Performance Measures (APMs) in addition to those reported under IFRS. The Directors believe that the presentation of the results in this way, which is not meant to be a substitute for or superior to IFRS measures, is relevant to an understanding of the Group's business performance trends, financial performance and position. These APMs are also used to enhance the comparability of information between reporting periods and the Group's divisions, to aid the user in understanding the performance of the business. Our APMs and KPIs are aligned to our strategy and together form the basis of the performance measures for remuneration. Consequently, APMs are consistent with how the business performance is planned and reported internally to the Board and Operating Committees to aid their decision making. Additionally, some of these measures are used for the purpose of setting remuneration targets.

Going concern

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

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

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

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

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

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

On 21 May 2021, the Group has reached agreement to buy Viridor's Collection business and certain recycling assets. While a deal has been agreed, the deal will not complete until the necessary preparations and legal aspects have been completed and regulatory approval has been received for the deal. This is expected to happen by August 2021. Expected cash consideration is £126.0m and £17.0m of IFRS 16 lease liabilities will be assumed. The assets acquired delivered revenue of £142.0m and adjusted EBITDA of £18m in the year ending March 2020.

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

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

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

Notes to the Consolidated Financial Statements continued

1. Accounting Policies continued

Basis of consolidation

The consolidated financial statements incorporate the Financial Statements of the Company and entities controlled by the Company (its subsidiaries) made up to 26 March 2021. Control is achieved when the Company:

- has the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns

The company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in the Income Statement from the date the Company gains control until the date when the Company ceases to control the subsidiary.

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

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

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

- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform
- Amendments to References to the Conceptual Framework in IFRS Standards
- IFRS 16 Leases: Amendment to provide lessees with an exemption from assessing whether a Covid-19-related rent concession is a lease modification
- IAS 1 Presentation of Financial Statements: Amendments regarding the definition of material
- Amendments to IFRS 3 Definition of a business – The Group has adopted the amendments to IFRS 3 for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or Group of similar assets.

- Amendments to IAS 1 and IAS 8 Definition of material – The Group has adopted the amendments to IAS 1 and IAS 8 for the first time in the current year. The amendments make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition.

The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'.

The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of 'material' or refer to the term 'material' to ensure consistency.

The adoption of the standards listed above did not have a material impact on the financial statements of the Group.

New standards and interpretations not yet adopted

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

- IBOR Phase 2 (effective for reporting periods starting after 1 January 2021)
- Property, Plant and Equipment: Proceeds before intended use – Amendments to IAS 16 (effective for reporting periods starting after 1 January 2022)
- IFRS 17 Insurance Contracts

At the date of authorisation of these financial statements, there is expected to be no material impact to the Group's financial statements from IFRSs, IFRICs or other standards or interpretations that have been issued but which are not yet effective.

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 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 Share based payments at the acquisition date;

Business combinations continued

- 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 business 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.

Investment in joint venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Under the equity method, an investment in an associate or a joint venture is recognised initially in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group Executive Team.

The Group's operating segments are split into 2 divisions:

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

Revenue recognition

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

Waste collection revenue

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

Notes to the Consolidated Financial Statements continued

1. Accounting Policies continued

The Collections division also provides collections services to households on behalf of local authorities under Municipal contracts, for which revenue is recognised 'over time'. The nature of the contracts and performance obligations includes management fees to operate local authority recycling centres, waste collections and gate fees. The annual revenue for the service is agreed at the outset of the contract and invoiced in equal amounts, monthly in arrears. The Group recognises the revenue based on the working days within the accounting period, which is considered an appropriate approximation to when the process occurs. This is adjusted for any discounts given and penalties for non-delivery of services. However gate fee revenue is recognised as customer waste is deposited and based on tonnage received.

Landfill revenue

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

Revenue from sale of recyclate materials

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

Energy revenue

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

Revenue from redistribution of surplus food and household products

The Company Shop Group is a redistributor of surplus food and household product in the UK. The business redistributes surplus stock that it purchases from the Fast Moving Consumer Goods (FMCG) supply chain to members who work in key sectors including FMCG businesses, emergency services and social care. Sales are recognised at the point which the risks and rewards attached to the products (including product obsolescence) have been transferred to the customer. This occurs when the customers take possession of the stock that has been purchased.

Trade discounts

Trade discounts are agreed as part of the contractual terms of certain customer contracts. The discounts are usually in the form of a price reduction based on volume collected on a monthly basis. The calculations and terms of the discounts are set out in the respective agreed customer contracts. They are calculated in accordance with the contract, accrued automatically by the accounting system on a monthly basis, and reported as a reduction in revenue. At the end of the calendar month, the amount of the discount for that period is disclosed to and agreed with the relevant customers. This discount is then recognised either by raising a credit note or by the customer raising a separate invoice. These mechanisms are agreed at the outset of the contract. As the monetary trade discount per unit is known and the volume is known, there is no element of estimation within the calculation. Discounts are agreed with the customer to individual contracts on a monthly basis and are immaterial as at year end.

The Material Recycling Facilities (MRFs) have contracts with local authorities which contain a "risk sharing mechanism". Local authorities are charged a gate fee per tonne of waste delivered, at the point the waste enters the site. In addition, once the co-mingled waste recyclate streams have been sorted and sold, the local authorities are then entitled to a rebate based upon a pre agreed percentage of the recyclate value achieved. The calculations and terms of the rebates are set out in the respective contracts with local authorities. The rebates are accrued by netting this amount off revenue every reporting period. The calculation is shared with the customer and a credit note raised (or the customer raises an invoice). Rebates are agreed with the customer to individual contracts on a monthly basis and are immaterial at year end.

When the accruals are calculated the relevant price or index are used; or in the event that the material has not been sold or the latest index price is unavailable at the reporting date, latest available pricing is used. The terms and the mechanism of the trade discounts and commodity rebates are agreed and contained within the customer contracts, thereby providing certainty of the amounts to both parties of the contract. Furthermore, the discounts and rebates are confirmed prior to the invoices being raised. As the variability is resolved promptly on a monthly basis, there is no judgement or estimation uncertainty in determining discounts and commodity rebates and accordingly no revenue was constrained in the period.

Leases

The Group assesses whether a contract is or contains a lease at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets (defined by management to not exceed £5,000). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

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

Lease payments included in the measurement of the liability comprise:

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

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

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

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

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

Right-of-use assets

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

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

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are disclosed in note 13 to the Financial Statements.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, plant and equipment' policy. Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs.

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 carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined.

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; and
- 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 Group's foreign currency denominated assets and liabilities 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.

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.

Notes to the Consolidated Financial Statements continued

1. Accounting Policies continued

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.

During the period, the Group benefited from receipts from the UK government under the Coronavirus Job Retention Scheme (CJRS) of £12.0m. In accordance with IAS 20, amounts received were presented as a deduction to the employment costs upon which CJRS claims had been based.

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 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
- 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.

The Group makes contributions under Admitted Body status to a number of Local Government Pension Schemes (LGPS) for the period to the end of the relevant customer contracts. The Group will only participate in LGPS for a finite period up to the end of the relevant customer contracts.

The Group determines whether an LGPS scheme is accounted for under a defined benefit or defined contribution scheme based on whether the deficit/surplus can be passed through to the next contractor or Local Authority at the end of the contract. If at the end of the contract, the Group is not liable to settle any liability or equally entitled to any benefit, the scheme is recognised as defined contribution and contributions are recognised as an expense. For contracts that do not allow for pass through of pension costs, the Group recognises the defined benefit obligation less the fair value of scheme assets, and an adjustment to only recognise the amount of defined benefit for which it is responsible under the contract. Movements in this adjustment are recognised in the same way as movements in plan assets.

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 stochastic pricing model. The charge is recognised over the vesting period of the award.

Adjusting items

The Group income statement has been presented in a columnar format to enable users of the financial statements to view the business performance results of the Group excluding adjusting items. The Group's policy is to exclude items that are considered significant in nature and/or value, not in the normal course of business or are consistent with items that were separately disclosed in prior periods. Treatment as an adjusting item provides users of the accounts with additional useful information to assess the year-on-year trading performance of the Group. Further details relating to separately disclosed items are provided in note 3 and a full listing of the Group's alternative performance measures (APMs) are provided in the glossary on page 191.

Cash flow

Cash and cash equivalents as defined for the Statement of Cash Flows comprise cash in hand, cash held at bank with immediate access, other short-term investments and bank deposits with maturities of three months or less from the date of inception, and bank overdrafts.

Taxation

Income tax represents the sum of the tax currently payable and deferred tax. This facilitates comparison with prior periods to assess trends in financial performance more readily. It is determined by management that each of these items relates to events or circumstances that are non-recurring in nature.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated income statement 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 and their tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor 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 generated in subsequent reporting periods 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 Financial Statements depreciation was recognised so as to write off the assets on the below basis:

- Buildings – length of lease straight-line method
- Plant, vehicles and equipment – 4 to 15 years straight-line method
- Landfill sites – 2 to 51 years 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. Changes to the obligation are recorded as adjustments to the carrying value of the asset. The asset recognised is depreciated based on energy production and void used.

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

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

Notes to the Consolidated Financial Statements continued

1. Accounting Policies continued

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:

- Brand – indefinite life
- Customer contracts – 3 to 20 years
- IT development – 3 to 5 years
- Landfill gas rights – length of projected profitable gas extraction based on the life of the site's associated Renewable Obligation Certificates (ROCs). See change in accounting estimate of useful economic life of Landfill Gas division on page 151.

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 or 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.

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 two 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. Changes in the provision arising from revised estimates that relate to the asset are recorded as adjustments to the carrying value of the asset. The asset is depreciated over the period of gas generation which commences during the active phase of landfill and extends beyond the closure date, producing commercial volumes of gas for up to 16 years. 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.

Service concession arrangements

Concession arrangements involve the transfer of operating rights for a limited period, under the control of the local authority, using dedicated facilities supplied by the Group or made available to it for or without considerations.

The Group applies the financial asset model when the concession grantor contractually guarantees the payment of amounts specified in the contract or the shortfall, if any between amounts received from users of the public service and amounts specified.

Financial assets resulting from the application of IFRIC 12 'Service Concession Arrangements' are recorded in the Group Balance Sheet as financial assets or liabilities within working capital. These financial assets are assessed for impairment in line with the provisions of IFRS 9.

Where the Group has constructed infrastructure on behalf of a third party as part of an integrated waste management contract which grants the Group unconditional, contractual rights to future revenues, the right to consideration is recorded as a financial asset. This financial asset accrues finance income and is reduced as the financial payments are received.

Financial instruments

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

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

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 within 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.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value depending on the classification of the financial asset.

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at FVTPL.

Amortised cost and 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 measured subsequently at amortised cost and at FVTOCI.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. The Group has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss to the extent that they are not part of a designated hedging relationship.

Notes to the Consolidated Financial Statements continued

1. Accounting Policies continued

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. The Group recognises a loss allowance for expected credit losses. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition.

The expected credit losses are estimated based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast future conditions at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 90 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Impairment of financial instruments

The Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- the financial instrument has a low risk of default;
- the debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and
- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

All customers are subject to credit scoring on a quarterly basis. The Group considers a financial asset to have low credit risk when the external credit rating of the counterparty exceeds the Group's minimum required score, and when the counterparty has a strong financial position and payments are being made within the contractual terms.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying a significant increase in credit risk before the amount becomes past due.

The Group considers the below as constituting an event of default as historical experience indicates that financial assets that meet the following criterion are generally not recoverable:

- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

Financial assets may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate.

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data such as significant financial difficulty of the borrower or it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation. The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

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.

The Group has not participated in any material supplier financing arrangements during the current or prior year.

Financial liabilities and equity instruments

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 income statement 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 income statement 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.

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 the income statement.

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 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 income statement or in the hedging reserve.

When a hedging instrument expires or is sold, 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.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship so that it meets the qualifying criteria again.

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

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.

Areas of judgement and key sources of estimation uncertainty

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

Judgements

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

The Group also applies judgement in identifying the significant, exceptional and non-recurring items of income and expense. We have summarised the policy in more detail in Note 3.

In light of the current ongoing impact of the Covid-19 pandemic, valuations of certain assets and liabilities are necessarily more subjective. In particular further areas of estimation uncertainty impacting the Group's position as at 26 March 2021 have been identified including the valuation of certain pension assets, in particular unquoted equities and property investments Note 28.

Brexit

The Board believes that the potential impact of Brexit on the Group will be relatively limited given that it operates primarily within the United Kingdom. Principal risks include foreign exchange movements, imposition of tariffs and potential constraint of labour supplies. The Board will continue to closely monitor developments in the UK Government's Brexit plans and any potential impacts on the Group. Similarly, management will continue to monitor potential cost impacts on services and seek to discuss those with customers as appropriate, on a case by case basis.

Notes to the Consolidated Financial Statements continued

1. Accounting Policies continued

Legal and tax cases

The Group has provisions in place for ongoing litigation. Management exercises judgement in determining the amount of provision required. This provision is calculated using information provided by external professionals where applicable or management's best estimate. As per note 33, the group is engaged in a dispute with HMRC concerning historical landfill tax. A liability of £47.6 million has been recognised in borrowings, an accrual of £13 million has been recognised in non-current liabilities. Of the liability of £47.6 million, £6.3 million has been included within Reported Net Debt as it will be payable irrespective of the outcome of the dispute.

The Group is also engaged in a dispute with HMRC in relation to the landfill tax treatment of sub-soils with low levels of contamination from asbestos. The Group has received a protective assessment of £8.5m, which has been paid. As the Group is currently disputing this assessment, and management believe it likely that they will win the dispute, the £8.5m payment is included in prepayments in the current year.

Acquisition of Company Shop Group (CSG)

The acquisition of CSG occurred on 24 February 2021. Given the proximity to the Group's financial year end and as permitted by IFRS 3 "Business Combinations", the fair value of identified assets and liabilities acquired have been presented on a provisional basis. The fair value of these assets and liabilities will be finalised within twelve months of the acquisition date.

The Group expects future performance of the acquisitions to exceed the goodwill consideration. On CSG, net profit margins would have to decrease by 3.5% for there to be no headroom on the goodwill compared to its value in use. For each additional 1% decrease in net profit margins a further £11m impairment would occur.

Estimates

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

Environmental and aftercare commitments of £71.0m (see note 20)	The Group operates a number of landfill sites in the UK. A significant cost of owning and operating a landfill site in the UK arises after the land filling operation ceases due to the constructive and legal obligation to restore sites and then to care for them until it can be demonstrated that they present no ongoing risk to the environment. A provision is made for the costs associated with restoring and maintaining its landfill sites and controlling leachate and methane emissions from the sites. A number of estimate uncertainties affect the calculation, including the impact of regulation, climate change, accuracy of site surveys, transportation costs and changes in the real discount rate. The provisions incorporate our best estimates of the financial effects of these uncertainties, but future changes in any of these estimates could materially impact the calculation of the provision. The associated outflows are estimated to arise over a period of up to 60 years depending on the date of each site closure. In determining the provision, the estimates for future expenditure required to settle the obligation are inflated using longer term inflation rates, and discounted using the nominal discount rate. The rates utilised reflect the period of the obligation on a site by site basis which varies between 10 and 60 years. At FY20 year end the 5 year discount rate was 2.1% and the 60 year discount rate was 2.2%. Since then, discount rates have dropped to 1.0% and 2.0% respectively. This has had a material impact on the landfill aftercare provisions. An increase of 1% in the real discount rate (at current cost) would result in a decrease of environmental provisions of approximately £15.7m (2020: £10.3m). A 10% increase in cash outflows would result in an increased environmental provision of £7.7m (2020: £5.9m). Long-term aftercare provisions included in landfill restoration and aftercare provisions have been inflated at a rate of 2.8% (2020: 2.3%). An increase of 1% in the rate of inflation would result in an increase of environmental provisions of approximately £22.8m (2020: £14.3m).
Retirement Benefit Accounting relating to surplus of £112.1m (see note 28)	The Group operates several defined benefit pension schemes which are accounted for under IAS 19 ("Employment Benefits"). Pension accounting is a specialist area requiring the exercise of significant management judgement and the use of technical expertise to determine the surplus or deficit of the scheme in accordance with generally accepted actuarial practices. The assumptions used in valuing the defined benefit pension liabilities including the discount rate, yield curves, mortality assumption, inflation level, pension increase and measures of longevity are complex and changes to the assumptions can have a material impact on the value of pension liabilities. As at the end of the financial year the Group recognised a retirement benefit surplus of £112.1m. If the discount rate is 0.5% lower the defined benefit asset would decrease by £56.8m (2020: £50.5m). If the inflation assumption increases by 0.5% the defined benefit asset would decrease by £52.0m (2020: £42.6m). If the life expectancy increases by one year for both men and women, the defined benefit asset would decrease by £18.2m (2020: £19.4m). All pension valuations are performed as at the year end reporting date.

Onerous Contract Provision of £20.5m (see note 20)	Certain contracts held by the Group are considered onerous and long-term in nature. These contracts can be complex and contain key performance indicator clauses where penalties may be incurred in the event of non-compliance. The Group is therefore required to make operational and financial assumptions to estimate future losses over periods that can extend beyond seven years. Variability of contract penalties, underlying delivery costs, commodity prices applied and customer claims or disputes can put additional pressure on margins and on future contract profitability, giving rise to onerous contract provisions. The prediction of future events over extended periods contains inherent risk and the outcome of customer and subcontractor claims is uncertain and involves a high degree of management estimation. The Group held 3 onerous contract provisions during the year relating to contracts on North Somerset, Mid-Kent Partnership and Leicester. During the year the Group exited the contract with North Somerset and utilised the full provision of £6.6m, leaving the onerous contract provision of Mid-Kent Partnership and Leicester at year end. The future cash inflow from the remaining onerous contracts are highly predictable as they are fixed based on the terms of the contract. However, the costs associated with delivering the contract can vary and assumptions on future cash outflows is considered a significant estimate when modelling the future net cash outflows on onerous contract provisions. On the Mid-Kent provision a 5% increase in future cash outflows would increase the provision by £1.5m and on the Leicester provision a 5% increase in future cash outflows would increase the provision by £5.4m.
Asset Impairment Review on the Group's tangible and intangible assets of £744.7m (see note 3)	The Group carries different classes of intangible assets including, gas reserves, brand name and customer contracts. The Group also has classes of tangible assets in property, landfill gas and plant, vehicles and machinery. The carrying value of these is dependent on future cash flows and if these cash flows do not meet the Group's expectations there is risk that the assets will be impaired. The impairment reviews performed by the Group contain a number of significant estimates: ■ forecast energy prices including the impact of climate change to these prices ■ the ROCs recycle benefit rights ■ forecast gate fees, tonnage prices and gas yield projections; and ■ discount rates Management relies on a number of third party experts to value a number of these key estimates. Changes in these assumptions can have a significant impact on the headroom available in the impairment calculations. During the financial year, the Group recognised asset impairments of £13.7m relating to the Group's IT system replacement programme; Project Fusion within intangible assets (note 12). The Group also recognised impairment of £8.2m relating to the anaerobic digestion plant at Poplars within plant, property and equipment. The discounted future cashflows give a headroom of £1.2m at the end of the financial year. Given the current uncertainty on future energy prices and the relatively small headroom, management have not reversed the impairment previously recognised in Poplars AD assets earlier in the year. Based on third party reports, the Group has assumed the market price for food waste at the end of FY27 to be £20/te. If the Poplars AD energy price remained flat at £48/MWh this would reduce value in use by £3.0m resulting in an impairment of £1.8m. The ROC recycle benefit has been modelled at £6.07, if this was £5 per ROC, it would reduce the value in use by £1m. If the discount rate increased by 100 basis points this would reduce the value in use by £1.0m. The adverse movements described above are management's view of a reasonable worse case scenario when assessing the value in use of the Poplars AD assets. In aggregate these scenarios would lead to an impairment of £3.8m.

In order to illustrate the impact that changes in assumptions could have on the Group's results and financial position, further sensitivity analysis has been included within the Notes.

Notes to the Consolidated Financial Statements continued

2. Segmental Information

Change in accounting estimate for useful economic life of Landfill Gas division

The Group holds intangible assets relating to the Landfill Gas (LFG) business. The LFG business generates some of its income via the production of Renewable Obligation Certificates (ROCs). These are "green energy certificates" which are issued to operators of accredited renewable generating stations for the eligible renewable electricity that they generate. ROCs are then sold on to energy providers for which the Group recognises revenue on sales. ROCs income currently represents around 11% of the Resources & Energy division's total revenue.

The ROCs scheme lasts for 20 years and the majority of landfill gas sites will see their ROCs scheme terminate in financial year 2027. At this point, the revenue and profit profile of the LFG division will change significantly. Previously, the net book values of LFG sites were amortised over the "end of generation forecast" which represented the estimated life of the gas generation for the site; the average estimated life on LFG sites is 19 years. When reviewing the LFG assets for annual impairment assessment, it was revealed that in the latter years (once ROCs) ends the carrying value of the asset would have been higher than the cashflows generated. As such, management have decided to change the accounting estimate of the useful life of the LFG business to match the ROCs scheme termination dates and therefore amend the amortisation profile to better match the costs of the asset against the principal periods from which the Group will receive future economic benefits. The Group recognised amortisation of £21.5m on LFG sites during the financial year. If the Group had not changed the amortisation profile, the equivalent charge in the year would have been £11.5m.

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

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

These operating 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 divisions, has been identified as the Group Executive Team. The activities of the divisions are detailed on pages 36 – 41.

The Group's segmental results are as follows:

	2021 £m	2020 £m
Revenue		
Collections	770.0	870.8
Resources & Energy	272.0	292.3
Statutory Revenue	1,042.0	1,163.1
	2021 £m	2020 £m
Revenue reconciliation		
Statutory Revenue	1,042.0	1,163.1
Landfill Tax	(53.9)	(60.3)
Net Revenue	988.1	1,102.8
	£m	Growth factor
FY20 Net Revenue	1,102.8	
Acquisition revenue growth	13.3	1.2%
Organic revenue growth	(128.0)	(11.6%)
FY21 Net Revenue	988.1	
	2021 £m	2020 £m
Net Revenue split by division		
Collections	770.0	870.8
Resources & Energy	218.1	232.0
Net Revenue	988.1	1,102.8

Revenue within divisions is eliminated on consolidation. Sales between operating divisions are carried out at arm's length. There have been no other material amounts of revenue recognised in the year that relate to performance obligations satisfied or partially satisfied in previous years. Revenue received where the performance obligation will be fulfilled in the future is classified as deferred income or contract liabilities and disclosed in note 16.

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

	2021 £m	2020 £m
EBITDA excluding adjusting items		
Collections	109.8	126.4
Resources & Energy	40.7	63.4
Group costs	(12.3)	(15.8)
EBITDA excluding adjusting items	138.2	174.0
Depreciation	(87.2)	(83.5)
Other impairments	(6.8)	–
Operating Profit excluding adjusting items	44.2	90.5
Adjusting items (Note 3)	(33.8)	(4.4)
Amortisation of acquisition intangibles	(27.4)	(16.9)
Impact of real discount rate changes to provisions	(20.6)	4.9
Operating Profit/(Loss)	(37.6)	74.1
Finance income	3.2	3.4
Finance charges	(17.6)	(21.0)
Share of result in joint venture	(0.8)	(0.1)
Profit/(Loss) before taxation	(52.8)	56.4

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

On 24 February 2021, the Group acquired 100% of the share capital of Company Shop Limited (CSG). Since acquisition to the year end, CSG has generated revenues of £5.8m and a profit before tax of £0.2m. Management estimates that the Group's revenue for FY21 would have been £64.0m higher and the Group's loss would have been £2.2m lower if the acquisition had taken place on the first day of the financial year. For the financial year ending 26 March 2021 the CSG business has been recognised as part of the Collections division. Given the proximity to the Group's financial year end and as permitted by IFRS 3 "Business Combinations", the fair value of identified assets and liabilities acquired have been presented on a provisional basis. The fair value of these assets and liabilities will be finalised within twelve months of the acquisition date.

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

The adjusting items costs of £81.8m (2020: £16.4m) are disclosed in Note 3.

	2021 £m	2020 £m
Operating profit/(loss) excluding adjusting items		
Collections	49.1	72.2
Resources & Energy	11.8	37.7
Group costs	(16.7)	(19.4)
	44.2	90.5

	2021 £m	2020 £m
Statutory operating profit/(loss)		
Collections	36.0	66.1
Resources & Energy	(43.9)	32.5
Group costs	(29.7)	(24.5)
	(37.6)	74.1

	2021 £m	2020 £m
Tangible asset net book value		
Collections	308.1	320.3
Resources & Energy	194.8	186.7
Shared services and corporate	59.3	20.8
Total	562.2	527.8

Notes to the Consolidated Financial Statements continued

2. Segmental Information continued

	2021 £m	2020 £m
Intangible asset net book value		
Collections	14.8	5.3
Resources & Energy	101.3	122.9
Shared services and corporate	66.4	68.8
Total	182.5	197.0

	2021 £m	2020 £m
Capital expenditure		
Collections	104.9	65.4
Resources & Energy	64.1	48.1
Shared services and corporate	9.6	6.4
	178.6	119.9

Capital expenditure comprises additions to intangible assets and property, plant and equipment including leased assets. The Collections division expenditure includes £71.4m (2020: £3.2m) of acquired assets as detailed in Note 12 and 13.

	2021 £m	2020 £m
Depreciation		
Collections	53.9	54.1
Resources & Energy	28.9	25.7
Shared services and corporate	4.4	3.7
	87.2	83.5
Amortisation		
Collections	4.6	5.4
Resources & Energy	22.8	11.5
Shared services and corporate	–	–
	27.4	16.9
Total Amortisation and Depreciation	114.6	100.4

3. Adjusting Items

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 divisional Business Operating Profit excluding adjusting items.

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

Consequently, APMs are consistent with how the business performance is planned and reported internally to the Board and Operating Committees to aid their decision making. Additionally, some of these measures are used for the purpose of setting remuneration targets.

The Group's policy is to exclude items that are considered significant in nature and/or value, not in the normal course of business or are consistent with items that were separately disclosed in prior periods. Treatment as an adjusting item provides users of the accounts with additional useful information to assess the year-on-year trading performance of the Group. 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 adjusting items include items such as significant corporate restructuring costs, acquisition-related costs, write downs or impairments of non-current assets, movements on onerous contract provisions and strategy-related and restructuring costs.

	2021 £m	2020 £m
Adjusting items:		
Acquisition related costs	2.0	1.1
Onerous contracts	10.3	(1.5)
Asset Impairments	21.9	3.8
Strategy related and restructuring costs/(gain)	(0.4)	1.0
	33.8	4.4
Other adjusting items:		
Amortisation of acquisition intangibles	27.4	16.9
Impact of real discount rate changes to provisions	20.6	(4.9)
Total adjusting items	81.8	16.4
Finance charges	–	(1.1)
Taxation impact of adjusting items	(18.7)	(3.5)
	2021 £m	2020 £m
Divisional adjusting items:		
Collections	13.1	6.1
Resources & Energy	55.7	5.2
Group costs	13.0	5.2
	81.8	16.4

Acquisition-related costs

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

Specified onerous contracts

Onerous contract costs reflect the additional profit and loss movements on three specific legacy contracts that became onerous in prior years due to exceptional circumstances. The Municipal business has a portfolio of contracts which trade profitably and we would not expect any other contracts to be separately reported in the absence of any future external regulatory change. Any utilisation of the provision or cash settlement on those contracts is also treated as adjusting items accordingly. At the point at which a contract is no longer considered to be onerous whether by completion or settlement it is no longer considered to be an adjusting item, and treated as part of business performance before adjusting items. During the period the Group made additional onerous contract provisions for 3 customer contracts on which there were existing onerous contract provisions:

North Somerset – £3.2m

The 7-year contract with North Somerset District Council has been running at a loss since the contract began on 1 March 2017. Previous expectations were that after the initial mobilisation and transformation phases were completed in the first 24 months the contract would generate a profit. This expectation was subsequently revised with the contract expected to remain in a loss-making position throughout its term. As a consequence Biffa and North Somerset District Council have mutually ended the contract.

Mid-Kent Partnership – £3.0m

The contracts with the Mid-Kent Partnership (being Swale, Maidstone & Ashford) have been running at a loss since we delivery began in 2013 and are expected to do so for the remainder of the term. Since reporting FY20 results, the financial performance of the contract has degraded materially, due in the main to the termination of a third party contract for fleet repairs and maintenance, forcing the Group to internalise these costs. The provision for Mid-Kent has therefore been revised to include these additional costs. In arriving at the onerous contract provision for the Mid-Kent Partnership contract, the Group has discounted the future cash flows using a risk free rate of 1.0%. If this rate increased by 500 basis points the provision charge would decrease by £0.4m.

Leicester – £4.1m

The 25-year contract with Leicester City Council is expected to be loss-making for the remainder of the contract term (May 2028). Since March 2020 additional capital costs relating to repairs to the site's infeed plates and digesters have been identified. These have arisen due to unforeseen issues with the machinery in the period and are considered necessary in order to fulfil our obligations under the contract. These additional costs are primarily related to both processing plants that we operate under the contract. In arriving at the onerous contract provision for the Leicester contract, the Group has discounted the future cash flows using a risk free rate of 1.6%. If this rate increased by 500 basis points the provision charge would decrease by £2.1m.

Notes to the Consolidated Financial Statements continued

3. Adjusting items continued

Asset Impairments

Plant, property and equipment impairment

There is an £8.2m one-off cost related to the impairment of the Poplars Anaerobic Digestion plant in the Resources and Energy division. Covid-19 had a significant impact on the hospitality and accommodation sector as well. The lower activity levels and fall in future energy price curves, coupled with a delay in the Government's implementation of the Resource and Waste Management strategy has changed management's assumptions on future gate fees, haulage and productions levels. This has led to impairment of the assets as future value in use is deemed significantly lower than previously expected. In assessing for impairment, the Group has used future energy price curves that take into account the impact of climate change (provided by third party analysts; Baringa and Aurora).

Intangible asset impairment

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

Strategy-related and restructuring costs

Strategy-related costs of £2.4m arise from Group-wide initiatives to reduce the ongoing cost base and improve efficiency in the business. These costs are substantial in scope and impact, and do not form part of activities that the Directors would consider part of our operational performance. Adjusting for these charges provides a measure of operating profitability that is comparable over time. Within the strategy-related costs is £1.6m relating to Project Fusion which do not qualify for capitalisation.

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

Amortisation of acquisition intangibles

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

Impact of real discount rate changes to long term provisions

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

Other performance measures

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

	2021 £m	2020 £m
Return on Operating Assets		
Operating Profit excluding adjusting items ¹	44.2	90.5
Average of property, plant and equipment ²	545.0	514.0
Average net working capital ³	(58.8)	(46.7)
Total average of property, plant and equipment plus net working capital	486.2	467.3
Return on Operating Assets⁴	9.1%	19.4%

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

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

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

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

	2021 £m	2020 £m
Return on Capital Employed		
Operating profit/(loss)	(37.6)	74.1
Adjusting items excluding amortisation of acquisition intangibles (Note 3)	54.4	(0.5)
Adjusted operating profit	16.8	73.6
Average of shareholders' equity ¹	434.4	385.6
Average net debt ²	482.5	477.3
Average retirement benefits ³	(118.4)	(101.8)
Average environmental provisions ⁴	63.8	62.0
	862.3	823.1
Average Return on Capital Employed⁵	1.9%	8.9%

1 Average of opening and closing shareholders' equity.

2 Net debt comprises the average net debt in 2021 and 2020 (Note 26).

3 Retirement benefits comprises the average retirement benefits in 2021 and 2020 (note 28)

4 Environmental provisions comprises the average in environmental provisions in 2021 and 2020 (note 20)

5 Return on Capital Employed is determined by Operating Profit excluding adjusting items less amortisation of acquisition intangibles divided by the average of opening and closing shareholders' equity, Net Debt (including lease liabilities), pensions and environmental provisions

4. Finance Income and Charges

	2021 £m	2020 £m
Finance charges		
Interest on bank overdrafts, bonds and loans	(6.7)	(11.0)
Interest on obligations under lease liabilities	(8.5)	(8.4)
Interest unwind on discounted provisions	(1.8)	(1.6)
Interest on forward contracts	(0.6)	–
Total finance charges	(17.6)	(21.0)
Interest income	0.1	1.4
Interest on net retirement benefit (pension)	3.1	2.0
Finance income	3.2	3.4
Net finance charges	(14.4)	(17.6)

	2021 £m	2020 £m
Finance charges recognised in adjusting items (Note 3):		
Fair value discount unwind on EVP preference instrument	–	1.1

5. Profit/(Loss) Before Taxation

	2021 £m	2020 £m
The following items have been included in arriving at the pre-tax profit/(loss):		
Employee costs (Note 6)	294.5	292.4
Cost of inventories recognised in expense	54.1	55.3
Defined benefit obligation expense/(income)	3.3	(1.2)
Depreciation of property, plant and equipment		
▪ Owned assets	37.6	36.3
▪ Assets held under lease liabilities	49.6	46.3
Amortisation of intangible assets		
▪ Acquisition intangibles (Note 2)	27.4	16.9
▪ Other intangibles	1.2	1.0
Expense/(income) relating to short-term leases and leases of low-value assets:		
▪ Plant and machinery	16.5	17.1
▪ Other	2.0	0.7
Income from sub-leasing right-of-use assets	(3.3)	(2.2)
Loss on disposal of property, plant equipment and intangible assets	0.3	1.0
Expected credit (gain)/loss recognised	(0.3)	2.2

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

	2021 £m	2020 £m
Operating costs		
Distribution costs	18.8	20.1
Administrative expenses	38.6	39.8
	57.4	59.9

6. Employees and Directors

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

	2021 Number	2020 Number
By division		
Collections	6,973	6,989
Resources & Energy	867	788
Shared services and corporate	398	368
	8,238	8,145

Notes to the Consolidated Financial Statements continued

6. Employees and Directors continued

	2021 £m	2020 £m
Their aggregate remuneration comprised:		
Wages and salaries	257.7	254.7
Social security costs	24.5	24.2
Other pension costs	10.4	12.3
Redundancy and termination payments	1.9	1.2
	294.5	292.4

In the period, the Group also received £12.0m in furlough payments from HMRC as part of the Coronavirus Job Retention scheme. These payments have been netted off against respective salary and wage costs.

The remuneration of the Directors is set out on pages 105 – 123 within the Directors' Report on Remuneration described as being audited and forms part of these Financial Statements.

Key management compensation

	2021 £m	2020 £m
Their aggregate remuneration comprised:		
Wages and salaries	1.9	2.2
Social security costs	0.7	1.1
Other pension costs	0.3	0.3
Long-term incentives	0.7	2.5
Short-term incentives	–	1.4
	3.6	7.5

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

7. Auditor's Remuneration

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

	2021 £m	2020 £m
Fees payable to the Company's auditor for the audit of the Company's Consolidated annual Financial Statements	0.7	0.6
Fees payable to the Company's auditor for the audit of the Company's subsidiaries	0.4	0.3
Total audit fees	1.1	0.9
Audit-related assurance services	0.1	0.1
Total audit and non-audit fees	1.2	1.0

The other assurance services provided by the auditor related to agreed upon procedures and other assurance services outside of statutory requirements.

8. Income Tax Recognised in Profit or Loss

	2021 £m	2020 £m
Current tax		
Adjustment in respect of prior years	(0.2)	0.1
	(0.2)	0.1
Deferred tax		
Origination and reversal of temporary differences	(8.7)	11.4
Adjustment in respect of prior years	(3.4)	(0.8)
Adjustment attributable to changes in tax rates and laws	–	0.1
	(12.1)	10.7
Total tax (credit)/charge	(12.3)	10.8

Corporation tax is calculated at 19% (2020: 19%) of the estimated assessable profit for the period. The charge for the period can be reconciled to the profit per the consolidated income statement as follows:

	2021		
	Business performance excluding adjusting items £m	Adjusting items £m	Total £m
Profit/(Loss) before tax	29.0	(81.8)	(52.8)
Profit/(Loss) on ordinary activities multiplied by the standard rate of corporation tax in UK of 19% (2020: 19%)	5.5	(15.5)	(10.0)
Effects of:			
Over provision in respect of prior years	–	(3.6)	(3.6)
Expenses not deductible for tax purposes	1.0	0.4	1.4
Non-taxable income	(0.1)	–	(0.1)
Total taxation	6.4	(18.7)	(12.3)

	2020		
	Business performance excluding adjusting items £m	Adjusting items £m	Total £m
Profit before tax	71.7	(15.3)	56.4
Profit/(Loss) on ordinary activities multiplied by the standard rate of corporation tax in UK of 19% (2019: 19%)	13.6	(2.9)	10.7
Effects of:			
Expenses not deductible for tax purposes	0.8	–	0.8
Non-taxable income	(0.1)	–	(0.1)
Effect of change in tax rate	–	(0.6)	(0.6)
Total taxation	14.3	(3.5)	10.8

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

	2021 £m	2020 £m
Deferred tax (charge) arising on actuarial (gains)/losses	(4.1)	(8.3)
Deferred tax (charge) arising on share-based payments	(1.5)	(0.2)
Total deferred tax charged directly to equity	(5.6)	(8.5)

In the March 2021 Budget the UK Government announced that legislation will be introduced in Finance Bill 2021 to increase the main rate of UK corporation tax from 19% to 25%, effective 1 April 2023. As the changes had not been substantively enacted at the balance sheet date, the deferred tax balances as at 31 March 2021 continue to be measured at a rate of 19%. If the 25% tax rate had been used at the balance sheet date, the deferred tax liability would have been £3.2m higher. The UK have introduced various stimulus/relieves for businesses to cope with the impact of Covid-19 pandemic. We will monitor as the details become available for any that may materially impact our future tax charges.

9. Earnings per Share

Basic Earnings per Ordinary Share are based on the Group profit for the year and a weighted average of 294,645,659 (2020: 248,667,118) Ordinary Shares in issue during the year.

Earnings excluding adjusting items per Ordinary Share figure has been presented to eliminate the effects of adjusting 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 trading activities of the Group excluding adjusting items. The reconciliation between these figures for the Group is as follows:

	2021		2020	
	£m	Earnings per Share pence	£m	Earnings per Share pence
Profit/(Loss) attributable to owners of parent Company for basic Earnings per Share calculation	(40.5)	(13.7)	45.6	18.3
Adjusting items (Note 3)	63.1	21.4	11.8	4.8
Business Earnings excluding adjusting items	22.6	7.7	57.4	23.1

Notes to the Consolidated Financial Statements continued

9. Earnings per Share continued

	2021 £m	2020 £m
Total number of weighted Ordinary Shares	297.8	250.0
Shares held in employee benefit trust in respect of share options	(3.2)	(1.9)
Weighted average number of Ordinary Shares for the purposes of basic Earnings per Share	294.6	248.1
Effect of dilutive potential Ordinary Shares:		
Impact of share options	7.2	6.5
Weighted average number of Ordinary Shares for the purposes of diluted Earnings per Share	301.8	254.6

10. Acquisitions

52 weeks ended 26 March 2021

On 1 September 2020, the Group acquired the trade and assets, including vehicles, wheelie bin and rear end load (REL) commercial services, from Donald Ward Limited. The acquisition is in line with the Group's growth strategy and complements the current operations of the Collections division.

On 8 October 2020, the Group acquired 100% of the share capital of Camo Ltd (which trades under the name of Simply Waste) and this included dormant subsidiaries Simply Waste Limited and Simply Cups Limited. The Simply Waste brand is a prominent, well-regarded operator in the south of England. Its operational locations in west London, Oxfordshire and Bristol align well with Biffa's existing portfolio, and once merged into the Collections network will result in an enhanced customer proposition and a lower-carbon, more efficient collection network. Since acquisition to the end of the financial year, Camo Ltd has generated revenues of £11.8m and a profit before tax of £0.9m. Management estimates that the Group's revenue for FY21 would have been £12.0m higher and the Group's loss would have been £1.0m lower if the acquisition had taken place on the first day of the financial year.

On 24 February 2021, the Group acquired 100% of the share capital of Company Shop Limited (CSG). CSG is the UK's leading and largest re-distributor of surplus food and household products. It prevents waste by identifying surplus produce and then collecting, processing and redistributing it for sale through its unique network of membership-based outlets. Surplus produce includes production overruns, trial products, or produce that has been incorrectly labelled or packaged, which without intervention would be destined to become waste. Since acquisition to the end of the financial year, CSG has generated revenues of £5.8m and a profit before tax of £0.2m. Management estimates that the Group's revenue for FY21 would have been £64.0m higher and the Group's loss would have been £2.2m lower if the acquisition had taken place on the first day of the financial year.

All acquisitions in the year are part of the Collections division. At the end of the financial year the Group did not anticipate any of the trade and other receivables within Camo Ltd or Company Shop Limited to be irrecoverable.

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

	Company Shop Group £m	Camo Ltd £m	Donald Ward Limited £m	Total £m
Property, plant and equipment	31.8	14.7	0.7	47.2
Intangible assets	8.2	15.1	0.9	24.2
Trade and other receivables	2.9	4.6	–	7.5
Inventory	3.8	–	–	3.8
Cash and cash equivalents	9.1	6.9	–	16.0
Deferred tax (liability)/asset	(6.3)	(4.9)	(0.3)	(11.5)
Trade and other payables	(14.2)	(6.0)	–	(20.2)
Borrowings	(14.1)	(16.0)	(0.5)	(30.6)
Total net assets	21.2	14.4	0.8	36.4
Goodwill	72.0	18.3	1.8	92.1
Total consideration	93.2	32.7	2.6	128.5
Satisfied by:				
Cash	86.0	31.0	2.1	119.1
Deferred consideration	2.2	1.7	–	3.9
Contingent consideration*	5.0	–	0.5	5.5
Total consideration transferred	93.2	32.7	2.6	128.5
Net cash outflow arising on acquisition:				
Cash consideration	86.0	31.0	2.1	119.1
Less: cash and cash equivalent balances acquired	(9.1)	(6.9)	–	(16.0)
	76.9	24.1	2.1	103.1

* Management expects that there will be a further deferred/contingent consideration due based on performance of the acquired businesses:

	Company Shop Group £m	Camo Ltd £m	Donald Ward Limited £m	Total £m
Maximum contingent cash payable	5.0	9.2	2.0	18.4
Management estimate of contingent cash consideration	5.0	–	0.5	5.5
Performance criteria	profit of stores	revenue targets	revenue targets	
Determination period	Oct 2021	June 2021	May 2021	

The contingent consideration is deemed to be at fair value and will be settled in cash within the next twelve months.

The acquisition of CSG occurred on 24 February 2021. Given the proximity to the Group's financial year end and as permitted by IFRS 3 "Business Combinations", the fair value of identified assets and liabilities acquired have been presented on a provisional basis. The fair value of these assets and liabilities will be finalised within twelve months of the acquisition date.

The Group expects future performance of the acquisitions to exceed the goodwill consideration. On CSG, net profit margins would have to decrease by 350 basis points for there to be no headroom on the goodwill compared to its value in use. For each additional 100 basis points decrease in net profit margins a further £11m impairment would occur.

Acquisition-related costs included in adjusting items amount to £2.0m.

11. Goodwill

	Total £m
Cost:	
As at 30 March 2019	128.7
Purchase price adjustment	1.3
Additions	2.7
As at 27 March 2020	132.7
Additions	92.1
As at 26 March 2021	224.8
Amortisation:	
As at 30 March 2019	(0.5)
As at 27 March 2020	(0.5)
As at 26 March 2021	(0.5)
Net book amount:	
As at 27 March 2020	132.2
As at 26 March 2021	224.3
	2021 £m
By division	
Collections	180.7
Resources & Energy	43.6
	224.3
	2020 £m
	92.9
	39.3
	132.2

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 division 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 the operating division.

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 and a consistent growth rate thereafter, based on the underlying assets of each division.

The valuation of goodwill allocated to the Resources & Energy division has headroom of £92.8m at the end of the financial year.

The valuation of goodwill allocated to the Collections division has headroom of £323.6m at the end of the financial year.

The annual growth rate assumption for both of the Group's divisions beyond the five-year plan period, based on market trends, after adjustment for assumed inflation, is 2.0% (2020: 2.0%). These assumptions are considered appropriate based on the long-term nature of the business. These forecasts are adjusted to the extent that events since they were developed (the impact of Covid-19) indicate that they may no longer be relevant. A pre-tax discount rate of 8.25% (2020: 9.01%) was applied across all cash-generating units as the inherent risks have been included in the divisional cash flow forecasts. No reasonably foreseeable change in the assumptions used in the value in use calculations would cause an impairment to any of the Collections or Resources & Energy cash-generating units.

Notes to the Consolidated Financial Statements continued

12. Other Intangible Assets

	Landfill gas rights £m	IT development £m	Brand £m	Customer contracts £m	Total £m
Cost:					
As at 30 March 2019	190.2	19.4	36.7	64.2	310.5
Acquired through business combination	–	–	0.3	2.2	2.5
Additions	–	3.8	–	–	3.8
Compensation	–	(4.4)	–	–	(4.4)
Disposals	–	(0.4)	–	–	(0.4)
As at 27 March 2020	190.2	18.4	37.0	66.4	312.0
Acquired through business combination	–	–	8.2	16.0	24.2
Additions	–	4.0	–	–	4.0
Impairments	–	(13.7)	–	–	(13.7)
Disposals	–	(0.4)	–	–	(0.4)
As at 26 March 2021	190.2	8.3	45.2	82.4	326.1
Accumulated amortisation:					
As at 30 March 2019	(58.1)	(2.0)	(1.2)	(36.2)	(97.5)
Charge for the period	(10.2)	(0.9)	–	(6.8)	(17.9)
Disposals	–	0.4	–	–	0.4
As at 27 March 2020	(68.3)	(2.5)	(1.2)	(43.0)	(115.0)
Charge for the period	(21.5)	(1.2)	–	(5.9)	(28.6)
Disposals	–	–	–	–	–
As at 26 March 2021	(89.8)	(3.7)	(1.2)	(48.9)	(143.6)
Net book amount:					
As at 26 March 2021	100.4	4.6	44.0	33.5	182.5
As at 27 March 2020	121.9	15.9	35.8	23.4	197.0

All amortisation charges are recognised in profit or loss. Included within IT development costs are internally generated assets with a net book value of £1.7m (2020: £14.1m). The amortisation charge in relation to these assets was £0.9m (2020: £0.9m).

Given the significant investment in technology and IT development, the Group undertakes a review of the remaining useful lives of assets each year and impairs where necessary those that are superseded by new technology. The key estimates underpinning the value in use for IT projects is the forecast costs. During the year, £13.7m of IT development costs relating to Project Fusion was impaired (see note 3 for further details).

Within the Resources & Energy division is the landfill gas sub-division has been forecast to the end of FY27 which reflects the end of the ROCs. ROCs accounts for 51% of the Landfill gas sub-division's revenue and therefore management foresee that beyond FY27 there will be uncertainty around continuation of the Landfill gas sub-division. On landfill gas rights, there is headroom of £2.0m between the value in use and the net book value. The key assumptions in determining the value in use of the landfill gas rights involve forecast energy prices (including the impact of climate change to these prices), discount rates and useful economic life of the underlying assets in the business. During the year, the Group revised the useful economic life of the landfill gas sub-division; see page 152 for further details.

The export energy prices at the end of FY21 was £51.27 and assumed to be £58.62 by the end of FY27. The reasonable worst case scenario of a fall of 5% in future energy prices beyond FY27 would lead to a decrease in the shortfall in the headroom of £0.6m.

An increase of 100 basis points in the discount rate would lead to a shortfall in the headroom of £2.0m.

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 recognition of brand and landfill gas rights as intangible assets initially arose during the fair value exercise undertaken following the acquisition of the Biffa Group by Wasteholdco 1 in 2008. The values were subsequently remeasured following the restructuring of the Group in 2013.

13. Property, Plant and Equipment

	Land and buildings £m	Landfill Sites £m	Plant, vehicles and equipment £m	Assets under construction ² £m	Total £m
Cost:					
As at 30 March 2019	75.7	83.9	331.7	3.9	495.2
Adoption of IFRS 16	129.6	–	5.3	–	134.9
Additions	11.6	4.7	76.9	19.6	112.8
Acquired through business combination	–	–	0.7	–	0.7
Disposals	(2.1)	–	(42.3)	–	(44.4)
Reclassifications ¹	–	(0.2)	–	–	(0.2)
As at 27 March 2020	214.8	88.4	372.3	23.5	699.0
Additions	30.1	2.1	38.7	18.0	88.9
Acquired through business combination	25.8	–	35.7	–	61.5
Disposals	(1.6)	–	(43.8)	–	(45.4)
Lease modifications	(1.3)	–	–	–	(1.3)
Reclassifications ¹	(0.1)	2.9	15.4	(15.3)	2.9
As at 26 March 2021	267.7	93.4	418.3	26.2	805.6
Accumulated depreciation:					
As at 30 March 2019	(19.2)	(47.1)	(63.5)	–	(129.8)
Purchase price adjustment	–	–	(1.5)	–	(1.5)
Charge for the period	(16.5)	(4.9)	(61.2)	–	(82.6)
Disposals	1.0	–	41.6	–	42.6
As at 27 March 2020	(34.7)	(52.0)	(84.6)	–	(171.3)
Acquired through business combination	(0.7)	–	(13.6)	–	(14.3)
Charge for the period	(17.6)	(4.3)	(65.3)	–	(87.2)
Impairments	(2.1)	–	(11.6)	(1.0)	(14.7)
Lease modifications	0.2	–	–	–	0.2
Disposals	1.6	–	42.3	–	43.9
As at 26 March 2021	(53.3)	(56.3)	(132.8)	(1.0)	(243.4)
Net book amount:					
As at 26 March 2021	214.4	37.1	285.5	25.2	562.2
As at 27 March 2020	180.1	36.4	287.7	23.5	527.7

1 Reclassifications relate to Landfill sites includes £8.8m (2020: £6.7m) in relation to future economic benefit to be derived as a result of actively fulfilling aftercare obligations that results in gas generation. Landfill site additions include £2.9m (2020: credit of £0.2m) in relation to the future economic benefit to be derived as a result of actively fulfilling aftercare obligations that results in gas generation. When the obligation recognised as a provision gives access to future economic benefits, an asset in property, plant and equipment is recognised. Changes in the provision arising from revised estimates that relate to the asset are recorded as adjustments to the carrying value of the asset. When the carrying value of the asset is negative, these are classified to provisions.

2 Assets under construction has been split out in the FY21 disclosure note to aid better understanding of the plant, property and equipment balance. Previously these amounts were part of the plant, vehicles and equipment category.

The Poplars anaerobic digestion plant (Poplars AD) operates within the Organics sub-division or Resource and Energy. As a result of Covid-19, the hospitality and accommodation sector experienced materially lower activity. Coupled with inevitable delays in the Government's implementation of the Resource and Waste Management strategy (including the progressing of segregated food waste collection), the Poplars business experienced reduced gate fees, production levels and higher haulage costs. Management deemed these as potential impairment indicators of the business and performed an impairment test on the assets held by the Poplars AD. As a result, the assets of Poplars AD were impaired by £8.2m.

As at the 26 March 2021 the Poplars AD had a value in use of £10.8m versus gross segmental assets of £9.5m. The discounted future cashflows therefore give a headroom of £1.2m at the end of the financial year. Given the current uncertainty on future energy prices and the relatively small headroom, management have not reversed the impairment previously recognised in Poplars AD assets earlier in the year. Based on third party reports, the Group has assumed the market price for food waste at the end of FY27 to be £20/te. If the Poplars AD energy price remained flat at £48/MWh this would reduce value in use by £3.0m resulting in an impairment of £1.8m. The ROC recycle benefit has been modelled at £6.07, if this was £5 per ROC, it would reduce the value in use by £1m. If the discount rate increased by 100 basis points this would reduce the value in use by £1.0m. The adverse movements described above are management's view of a reasonable worse case scenario when assessing the value in use of the Poplars AD assets in aggregate these scenarios would lead to an impairment of £3.8m.

The two integrated waste management contracts as detailed in note 34 have also only been forecast to the end of the contract life with zero terminal value on the basis that the asset ownership reverts to the respective County Councils.

Notes to the Consolidated Financial Statements continued

13. Property, Plant and Equipment continued

The valuation of certain assets within the landfill gas and organics sub-divisions within the Resource and Energy division are sensitive to a number of assumptions: the value in use is considered to be most sensitive to changes on future ROC Recycle price, market prices for food waste, export energy prices, climate change impacts, the growth rate and discount rates. The assumptions have been calculated based on external market reports within the 5 year plan period. Beyond the 5 year plan period the assumptions have been inflated using the Group's assumed growth rate of 2% with the exception of landfill gas which uses 3%.

The above sensitivity analyses considers each assumption and related reasonable worst case scenario in isolation. The commercial reality is that typically there will be mitigating operating factors that would offset the above impact in instances where the reasonable worst case scenario is realised.

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

	2021		2020	
	Land and buildings £m	Landfill sites £m	Land and buildings £m	Landfill sites £m
Freehold	39.1	14.7	36.0	15.0
Long leasehold	52.8	14.3	40.3	13.4
Short leasehold	122.5	8.1	103.8	8.0
	214.4	37.1	180.1	36.4

As at 26 March 2021 the Group had entered into contractual commitments for the acquisition of plant, property and equipment amounting to £6.6m (2020: £7.9m).

Right of Use Assets

The Group records its right of use assets within property, plant and equipment. The Group leases assets including buildings and plant and equipment. The average lease term is 13.4 years (2020: 4.5 years). The Group has options to purchase certain plant and equipment for a nominal amount at the end of the lease term. The Group's obligations are secured by the lessors' title to the leased assets for such leases.

The carrying amount of the Group's total right-of-use assets included within Property, Plant and Equipment are analysed as follows:

	Land and buildings £m	Plant, vehicles and Equipment £m	Total £m
Carrying Value			
As at 30 March 2019	2.1	132.2	134.3
Adoption of IFRS 16	129.6	5.3	134.9
Additions	9.0	41.8	50.8
Depreciation charge for the period	(12.5)	(33.8)	(46.3)
Disposals	(1.1)	(0.1)	(1.2)
As at 27 March 2020	127.1	145.4	272.5
Acquired through business combination	19.1	4.5	23.6
Additions	41.6	18.3	59.9
Depreciation charge for the period	(14.0)	(35.6)	(49.6)
Disposals	–	(1.3)	(1.3)
Lease modifications	(1.2)	–	(1.2)
Impairment of assets	–	(1.3)	(1.3)
Transfer to owned assets after lease expiry	–	(6.6)	(6.6)
As at 26 March 2021	172.6	123.4	296.0
Net book amount:			
As at 26 March 2021	172.6	123.4	296.0
As at 27 March 2020	127.1	145.4	272.5

14. Inventories

	2021 £m	2020 £m
Raw materials and consumables	1.3	1.8
Finished goods	21.0	14.3
	22.3	16.1

Inventories are stated at the lower of cost and net realisable value.

Inventories consumed in the period ended 26 March 2021 were £54.1m (2020: £55.3m). Inventory written down in the period totalled £nil (2020: £nil). Reversals of inventory previously written down in the period were £nil (2020: £nil).

At the end of the financial year £3.8m of inventory held by the Group related to Company Shop Group.

15. Trade and Other Receivables

	2021 £m	2020 £m
Amounts falling due within one year		
Trade receivables	115.8	139.4
Less expected credit loss allowance	(4.6)	(4.3)
Trade receivables – net	111.2	135.1
Other debtors	1.5	3.2
Prepayments	28.4	24.1
Prepaid landfill provision expenditure	0.2	2.9
	141.3	165.3

All amounts included within other debtors and prepayments are due within one year. The movement in prepayments relate to the timing of payments to suppliers. Trade receivables are non-interest bearing. Due to their short maturities, the fair value of trade and other receivables approximates to their book value. The average credit period taken on invoices was 33 days (2020: 38 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 £9.6m (2020: £21.1m) which are past due at the reporting date.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. None of the trade receivable that have been written off is subject to enforcement activities.

The following table details the risk profile of trade receivables. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not distinguished between the Group's type of customer.

	Expected credit loss rate %	Lifetime expected credit loss
As at 26 March 2021		
Trade receivables – days past due		
1 to 30 days	1%	0.3
31 to 60 days	1%	0.1
61 to 90 days	1%	0.1
91 to 120 days	50%	–
Over 120 days	50%	0.1
	Expected credit loss rate %	Lifetime expected credit loss
As at 27 March 2020		
Trade receivables – days past due		
1 to 30 days	1%	0.3
31 to 60 days	1%	–
61 to 90 days	1%	–
91 to 120 days	50%	0.5
Over 120 days	50%	1.5

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

The following table shows the movement in ECL that has been recognised in trade and other receivables in accordance with the simplified approach set out in IFRS 9.

	2021 £m	2020 £m
Movement in expected credit losses		
Balance at the beginning of the period	4.3	2.1
Impairment losses recognised	0.6	0.2
Amounts recovered during the period	0.6	1.4
Amounts written off as uncollectable	(1.4)	(1.4)
Expected credit losses in relation to increase in credit risk	0.5	2.0
	4.6	4.3

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

Notes to the Consolidated Financial Statements continued

15. Trade and Other Receivables continued

Long-term receivables

	2021 £m	2020 £m
Amounts falling due after more than one year		
Funds on long-term deposit	2.2	2.2
Prepayment in respect of EVP Dispute (Note 33)	63.6	63.6
	65.8	65.8

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 33.

In determining the expected credit losses for these long-term receivables, the Directors have taken into account the historical default experience and financial position of the counterparties. No expected credit loss has been recognised on the basis that the counterparties are HMRC and A-rated financial institutions.

16. Assets and liabilities related to contracts with customers

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

	2021 £m	2020 £m
Current contract assets	50.6	56.2
Current contract liabilities	(19.6)	(17.8)

The timing of payments received from customers, relative to the recording of revenue, can have a significant impact on the contract-related assets and liabilities recorded on the Group's Statement of Financial Position. Contract liability is what was previously referred to as deferred income under IAS 18. Included within contract liability is £0.6m (2020: £0.1m) in relation to Government grants which will be recognised in less than one year.

Revenue is measured based on the considerations specified in the contract with a customer and is recognised when the performance obligations of the contract have been fulfilled. Revenue is recognised at a point in time, for example when transferring control either of a product or service to a customer, or over time. Revenue is recognised over time when the customer simultaneously receives and consumes the goods or services or when there is an enforceable right to payment for performance completed to date. For each obligation satisfied over time, the Group applies a revenue recognition method that accurately reflects performance in transferring control of the services to the customer.

As detailed in note 1, the Group has various streams of revenue and the method of revenue recognition will vary dependent on the nature of the service. For Municipal and Collection services, revenue is recognised over time when the customer simultaneously receives and consumes the goods or services or when there is an enforceable right to payment for performance completed to date. For each obligation satisfied over time, the Group applies a revenue recognition method that accurately reflects performance in transferring control of the services to the customer. For all other services, revenue is measured based on the considerations specified in the contract with a customer and is recognised when the performance obligations of the contract have been fulfilled. Revenue is recognised at a point in time, for example when transferring control either of a product or service to a customer, or over time.

The contract assets primarily relate to the Group's right to consideration for work completed but not invoiced at the Statement of Financial Position date. The contract assets are transferred to trade receivables when the amounts are agreed by the customer. On most contracts, certificates and agreement is by the customer on a monthly basis. All contract assets held at 26 March 2021 are expected to be invoiced and transferred to trade receivables within the next 12 months.

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

The contract liabilities primarily relate to the advance consideration received from customers in respect of performance obligations which have not yet been fully satisfied and for which revenue has not been recognised. All contract liabilities held at 26 March 2021 are expected to satisfy performance obligations in the next 12 months.

17. Cash and Cash Equivalents

	2021 £m	2020 £m
Cash at bank and in hand	27.0	53.6
Short-term deposits	3.8	34.2
Balance at the end of the period	30.8	87.8

Deposits comprise £nil (2020: £25.0m) of funds on overnight deposit via a Group cash pooling facility and an insurance deposit of £3.8m (2020: £9.2m) which represents cash held as security for self-insurance obligations. Included within the total cash balance is £4.1m (2020: £12.0m) which cannot be accessed by the Group as it is held as collateral against insurance liabilities by Bray Insurance Company Limited, which is the Group's captive insurance company.

18. Financial Instruments

	2021 £m	2020 £m
Assets held at amortised cost		
Liquidity fund ¹	8.7	3.3
	8.7	3.3

1 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 qualify for hedge designation as cash flow hedges under IFRS 9. All cash flow hedges were deemed to be fully effective and therefore movements in fair value were all recognised within the hedge reserve.

The Group has entered into forward foreign exchange rate contracts which all mature within one year; these forwards will be used by the Group to hedge Euro currency payments for the export of Refuse Derived Fuel (RDF). The forward foreign exchange contracts have resulted in the recognition of a derivative liability of £0.3m (2020: asset of £0.4m).

During the year the Group has also entered into interest rate swaps which mature in line with the Group's revolving credit facility (RCF). The fair value of forward foreign exchange contracts and interest rate swaps are calculated by discounting the contracted forward values and translating at the balance sheet rates. The overall position of the interest rate swaps was a net liability of £2.7m at the end of the financial year.

The Group also has commodity swaps to hedge against future movements in fuel prices. At the end of the financial year these hedges were in a liability position of £0.6m.

The fair value measurements of derivatives 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:

	2021		2020	
	Fair value £m	Notional £m	Fair value £m	Notional £m
Forward foreign exchange contracts	(0.3)	6.2	0.4	10.9
Interest rate swaps	(2.7)	150.0	(1.6)	200.0
Commodity hedges	(0.6)	22.4	–	–
	(3.6)	178.6	(1.2)	210.9

Borrowings

	2021		2020	
	Book value £m	Average interest rate %	Book value £m	Average interest rate %
Current				
Lease liabilities	54.7	3.0%	43.6	4.4%
Non-current				
Lease liabilities	229.0	3.0%	214.4	4.4%
Bank loans	197.6	2.8%	249.0	2.6%
EVP preference instrument	47.6	–	47.6	5.5%
	474.2		511.0	
	528.9		554.6	

	2021 £m	2020 £m
Bank borrowings including leases	481.3	507.0
EVP preference instrument	47.6	47.6
	528.9	554.6

At 26 March 2021 the Group has an undrawn revolving credit facility (RCF) of £150m, (2020: £98m). Due to the nature of the RCF and continued repayments and drawdowns, the cash flows were presented on a net basis in the Statement of Cash Flows.

In the year ended 24 March 2017 certain pre-IPO lenders were issued with preference share capital in Wasteholdco 1 Limited in exchange for settlement of amounts due to them. In the event that the Group is successful in its EVP case (see Note 33) 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 33.

Notes to the Consolidated Financial Statements continued

18. Financial Instruments continued

Borrowings are measured at amortised cost with the exception of the EVP preference instrument which is measured at fair value. 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

	2021		2020	
	Principal £m	Average interest rate %	Principal £m	Average interest rate %
Term facility	197.6	2.9%	249.0	2.6%

Unamortised transaction costs of £2.4m (2020: £3.0m) 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.

Fair value of financial assets and liabilities

	2021		2020	
	Book value £m	Fair value £m	Book value £m	Fair value £m
Financial assets				
Trade and other receivables ² (Note 15)	111.2	111.2	135.1	135.1
Financial asset arising on liquidity fund	8.7	8.7	3.3	3.3
Financial asset arising from IFRIC 12 (Note 34)	4.1	4.1	3.4	3.4
Funds on long-term deposit	2.3	2.3	2.2	2.2
Prepayment in respect of EVP Dispute	63.6	63.6	63.6	63.6
Other long-term debtors	6.0	6.0	2.5	2.5
Derivative financial instrument	0.3	0.3	0.4	0.4
Cash and cash equivalents (Note 17)	30.8	30.8	87.8	87.8
	227.0	227.0	298.3	298.3
Financial liabilities				
Bank loans	(197.6)	(197.6)	(249.0)	(249.0)
Lease liabilities	(283.7)	(283.7)	(258.0)	(258.0)
EVP preference instrument	(47.6)	(47.6)	(47.6)	(47.6)
Trade and other payables ¹ (Note 19)	(206.5)	(206.5)	(233.2)	(233.2)
Deferred and contingent consideration	(9.4)	(9.4)	–	–
Derivative financial instrument	(3.9)	(3.9)	(1.6)	(1.6)
	(748.7)	(748.7)	(789.4)	(789.4)
Net financial assets and liabilities	(521.7)	(521.7)	(491.1)	(491.1)

1 Trade and other payables excludes contingent liabilities, deferred income, taxation and social security and other non-financial liabilities.

2 Trade and other receivables excludes prepayments, other debtors and accrued income.

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 values 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, currency 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 was as follows:

	2021 £m	2020 £m
Financial liabilities		
Floating rate financial liabilities (excluding derivatives)	197.6	249.0
Fixed rate financial liabilities	283.7	258.0
Non-interest bearing financial liabilities	215.9	233.2
Non-interest bearing EVP preference instrument	47.6	47.6
Total financial liabilities (excluding derivatives)	744.8	787.8

Fixed rate financial liabilities relate to lease liabilities. Non-interest bearing financial liabilities comprise trade payables.

	2021 £m	2020 £m
Financial assets		
Floating rate financial assets (excluding derivatives)	65.9	65.8
Floating rate financial assets (cash and cash equivalents)	30.8	87.8
	96.7	153.6
Non-interest bearing assets		
Liquidity fund	8.7	3.4
Non-interest bearing financial assets	121.3	140.9
	130.0	144.3
Total financial assets (excluding derivatives)	226.7	297.9

The interest on fixed rate financial instruments is fixed until the 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.

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.

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. Both divisions are exposed to commodity price risks to a greater or lesser degree on their outputs. The commodities that the Group is exposed to commodity price risks on are 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 15.

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.

Notes to the Consolidated Financial Statements continued

18. Financial Instruments continued

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 assets and liabilities (including derivatives), by remaining contractual maturity, at the balance sheet date is shown below:

	2021				Total £m
	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	
Non-derivative financial liabilities					
Borrowings, excluding lease liabilities	–	–	(197.6)	–	(197.6)
Lease liabilities	(54.7)	(43.8)	(80.7)	(104.5)	(283.7)
Trade and other payables	(206.5)	–	–	–	(206.5)
Deferred and contingent consideration	(9.4)	–	–	–	(9.4)
EVP liability	(47.6)	–	–	–	(47.6)
Non-derivative financial assets					
Cash and cash equivalents	30.8	–	–	–	30.8
Liquidity fund	8.7	–	–	–	8.7
Trade and other receivables	111.2	–	–	–	111.2
	(167.5)	(43.8)	(278.3)	(104.5)	(594.1)

	2020				Total £m
	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	
Non-derivative financial liabilities					
Borrowings, excluding lease liabilities	–	–	(252.0)	–	(252.0)
Lease liabilities	(43.6)	(39.7)	(86.7)	(88.0)	(258.0)
Trade and other payables	(233.2)	–	–	–	(233.2)
Non-derivative financial assets					
Cash and cash equivalents	87.8	–	–	–	87.8
Liquidity fund	3.4	–	–	–	3.4
Trade and other receivables	135.1	68.2	–	–	203.3
	(50.5)	28.5	(338.7)	(88.0)	(448.7)

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.

During the year ended 26 March 2021, the Group entered into a £150m Interest Rate Swap to fix its variable exposure to LIBOR. 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 26 March 2021 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.

	2021		2020	
	2% increase interest rates £m	1% decrease interest rates £m	2% increase interest rates £m	1% decrease interest rates £m
Gain/(loss) – variable rate financial instruments	(0.4)	0.2	(1.0)	0.4

19. Trade and Other Payables

	2021 £m	2020 £m
Current		
Trade payables	155.7	176.7
Taxation and social security	51.0	40.9
Interest payable	0.7	0.8
Accruals	49.5	55.2
Other payables	0.6	0.6
	257.5	274.2
Non-current		
Trade and other payables	14.6	13.6

£13.0m has been recognised in relation to the EVP Dispute as disclosed in Note 33.

20. Provisions

	Landfill restoration & aftercare £m	Insurance £m	Onerous Contracts £m	Other £m	Total £m
As at 30 March 2019	67.4	11.5	17.1	10.3	106.3
Utilised	(8.0)	(0.4)	–	(2.4)	(10.8)
Charged/(credited) to profit and loss account	(0.9)	(0.1)	(1.7)	4.4	1.7
Impact of real discount rate changes to profit and loss account	(4.9)	–	–	–	(4.9)
Unwinding of discount	1.7	–	–	–	1.7
Transfers from fixed/other assets	1.3	–	–	–	1.3
As at 27 March 2020	56.6	11.0	15.4	12.3	95.3
Utilised	(8.5)	(1.6)	(6.6)	(1.5)	(18.2)
Charged/(credited) to profit and loss account	3.6	1.0	10.2	4.8	19.6
Impact of real discount rate changes to profit and loss account	17.4	–	3.2	–	20.6
Unwinding of discount	1.8	–	–	–	1.8
Transfers from fixed/other assets	0.1	–	(1.7)	(0.1)	(1.7)
As at 26 March 2021	71.0	10.4	20.5	15.5	117.4

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

	2021 £m	2020 £m
Current	16.1	10.2
Non-current	101.3	85.1
	117.4	95.3

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

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

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

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

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

Insurance

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

Onerous contracts

The Group recognises an onerous contract provision for any unavoidable net loss arising from contracts. As detailed in note 1 the movement recognised in the Consolidated Income Statement on these provisions are disclosed within adjusting items. The Group reviews its onerous contract provisions at each reporting date and whenever there is a material change in management's expectations of the contract. At the end of the financial year the Group had 2 onerous contract provisions for Mid Kent and Leicester. During the year, the full onerous contract provision held against the North Somerset contract of £6.6m was utilised when the Group terminated the contract early with the Local Authority (see note 3 for further details).

The future cash inflow from the remaining onerous contracts are highly predictable as they are fixed based on the terms of the contract. However, the costs associated with delivering the contract can vary and assumptions on future cash outflows is considered a significant estimate when modelling the future net cash outflows on onerous contract provisions. On the Mid-Kent provision a 5% increase in future cash outflows would increase the provision by £1.5m and on the Leicester provision a 5% increase in future cash outflows would increase the provision by £5.4m.

The onerous contract provisions will be utilised within 8 years of the balance sheet date.

Other

Other provisions include a provision for dilapidations of £8.8m (2020: £7.8m) and £6.7m (2020: £2.5m) relating to other property costs and legal fees. The associated outflows are estimated to arise over a period of up to 20 years from the balance sheet date.

Notes to the Consolidated Financial Statements continued

20. Provisions continued

Discounting of provisions

Long-term provisions included in landfill restoration and aftercare have been inflated and discounted using the below nominal rates. Long-term provisions included in onerous contracts have been discounted using the below nominal rates. In previous years, the Group discounted onerous contract provisions using WACC rates based on the equity and debt leverage of the Group adjusted for industry risk rates. In FY21, the Group changed the rate used to discount its onerous contract provisions to a risk free rate.

Period of obligation	Inflation rate		Discount rate	
	2021	2020	2021	2020
5 years	2.1%	2.1%	1.0%	2.1%
10 years	2.4%	2.3%	1.6%	2.1%
20 years	2.8%	2.3%	2.1%	2.5%
30 years	2.7%	2.1%	2.2%	2.4%
60 years	2.7%	1.6%	2.0%	2.2%

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

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

In arriving at the onerous contract provision for the Mid-Kent Partnership contract, the Group has discounted the future cash flows using a risk free rate of 1.0%. If this rate increased by 500 basis points the provision charge would decrease by £0.4m.

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

21. Deferred Taxation

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

	Temporary difference arising on property plant and equipment £m	Share-based payments £m	Provisions £m	Retirement benefit obligation £m	Goodwill £m	Intangible assets £m	Recognised, tax losses carried forward £m	Total £m
As at 30 March 2019	29.5	1.4	0.9	(13.4)	7.7	(33.2)	9.2	2.1
Acquired	0.3	–	–	–	–	(0.5)	–	(0.2)
Credit/(charge) to income statement	(7.9)	(0.4)	–	(1.9)	–	(0.7)	0.2	(10.7)
Credit/(charge) to SOCI	–	(0.2)	–	(8.3)	–	–	–	(8.5)
As at 27 March 2020	21.9	0.8	0.9	(23.6)	7.7	(34.4)	9.4	(17.3)
Acquired	(6.9)	–	–	–	–	(4.6)	–	(11.5)
Credit/(charge) to income statement	10.6	–	(0.1)	(1.8)	(0.9)	5.3	(1.0)	12.1
Credit/(charge) to SOCI	–	1.5	–	4.1	–	–	–	5.6
As at 26 March 2021	25.6	2.3	0.8	(21.3)	6.8	(33.7)	8.4	(11.1)

A deferred tax liability of £11.1m (2020: £17.3m liability) has been recognised in the current year using the tax rate of 19% (2020: 19%). Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities.

As at 26 March 2021 the Group had unused tax losses of £61.9m (2020: £66.9m) available for offset against future profits. A deferred tax asset has been recognised in respect of £43.9m (2020: £49.6m) of these losses. No deferred tax asset has been recognised in respect of the remaining £17.2m (2020: £17.2m) 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

Date of grant	2021 Number	2020 Number
3 July 2017	–	1,575,164
1 September 2017	–	26,230
2 July 2018	842,980	870,176
1 October 2018	218,359	218,359
11 December 2018	18,819	18,819
1 July 2019	1,671,056	1,773,988
1 July 2020	2,205,172	–

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

	2021 £m	2020 £m
Share option plans	3.8	3.0

During the year the Group had two conditional share-based payment arrangements granted to Directors and employees. 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 (pence)	Number of employees at grant	Expected volatility	Expected life (years)	Risk free rate	Fair value per option (pence)
20 October 2016	2,628,466	2.65	179.5	13	27%	2.65	0.25%	105.2
24 January 2017	84,189	2.4	186.8	4	27%	2.4	0.23%	109.3
3 July 2017	2,195,805	3.0	221.8	78	26%	3.0	0.36%	154.6
1 September 2017	26,230	2.8	228.8	1	26%	2.83	0.22%	161.8
2 July 2018	1,014,880	2.9	251.0	36	24%	2.93	0.71%	173.2
1 October 2018	218,359	2.9	253.0	2	24%	2.93	0.89%	173.8
11 December 2018	18,819	2.9	192.2	1	24%	2.93	0.90%	114.1
1 July 2019	1,773,988	3.0	211.0	37	25%	3.0	0.54%	112.8
1 July 2020	2,354,948	3.0	201.0	77	27%	2.93	(0.07%)	107.7

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	Number of options originally granted	Vested	Lapsed/forfeited	26 March 2021
20 October 2016	2,628,466	(2,287,840)	(340,626)	–
24 January 2017	84,189	(59,324)	(24,865)	–
3 July 2017	2,195,805	(1,561,255)	(634,550)	–
1 September 2017	26,230	(26,230)	–	–
2 July 2018	1,014,880	–	(171,900)	842,980
1 October 2018	218,359	–	–	218,359
11 December 2018	18,819	–	–	18,819
1 July 2019	1,773,988	–	(102,932)	1,671,056
1 July 2020	2,354,948	–	(149,776)	2,205,172

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 2020/21 financial year dependent upon the extent to which the performance conditions of achievement of adjusted EPS targets for the fiscal year ended March 2020 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.

Sharesave Plan

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

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

During the period 2,510,141 options were granted at a fair value of 60.7 pence; the share price at reward was £2.36. At 26 March 2021, 3,182,333 options were outstanding under the Sharesave Plans,

Notes to the Consolidated Financial Statements continued

23. Reserves

Share capital

	Number of shares	Called up share capital £
As at 27 March 2020	250,000,000	2,500,000
Share issues	55,599,408	555,994
As at 26 March 2021	305,599,408	3,055,994

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.

	£m
As at 27 March 2020	235.3
Equity Raise*	1.3
Share issues**	10.4
As at 26 March 2021	247.0

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

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

** During the period, the Group settled its FY20 bonus payments using share options. A share allotment of 3m shares was issued to partially cover this payment. This issue did not have a cash impact as the issue was funded from the retained earnings of the Group. The share premium on this issue was £6.3m.

Merger reserve

The opening merger reserve of £74.4m 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.

	£m
As at 27 March 2020	74.4
Equity Raise*	95.9
As at 26 March 2021	170.3

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

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

24. Retained Earnings/(Deficit)

	2021 £m	2020 £m
Retained earnings/(deficit) at the start of the period	101.6	48.4
Profit/(Loss) for the period	(40.5)	45.6
Other comprehensive income for the period	(17.5)	32.6
Value of employee service in respect of share option schemes (excluding NICs)	3.2	2.6
Purchase of shares in EBT	(4.4)	(9.1)
Deferred tax on movement in share option schemes	1.5	(0.2)
Dividends paid	–	(18.3)
Retained surplus at the end of the period	43.9	101.6

25. Cash Flows from Operations

	2021 £m	2020 £m
Profit/(loss) for the period	(40.5)	45.6
Adjustments for:		
Finance income	(3.2)	(3.4)
Finance charges	17.6	21.0
Share of result in joint venture	0.8	0.1
Taxation	(12.3)	10.8
Operating profit	(37.6)	74.1
Share based payments	3.8	3.0
Adjusting items (Note 3)	33.8	4.4
Amortisation of intangibles	28.6	17.9
Depreciation of property, plant and equipment (Note 6)	87.2	82.6
Impairment of assets	6.8	–
Profit/(Loss) on disposal of fixed assets	0.3	(1.0)
Pension deficit payments	(4.0)	(0.9)
(Increase) in inventories	(2.4)	(1.7)
Decrease/(Increase) in receivables	36.7	(14.7)
(Decrease)/Increase in payables	(43.2)	33.2
Increase in contingent and deferred consideration	9.4	–
(Increase)/Decrease in financial asset	(5.5)	9.2
Increase/(Decrease) in provisions	20.6	(12.3)
Total cash generated from operations	134.5	193.8

26. Reconciliation of Net Cash Flow to Movement in Debt

	2021 £m	2020 £m
Net (decrease)/increase in cash and cash equivalents	(57.0)	21.6
Net decrease in bank loans	51.4	0.1
Net increase in lease liabilities	(25.7)	(135.5)
Movement in Net Debt in the period	(31.3)	(113.8)
Net Debt at beginning of period	(466.8)	(353.0)
Net Debt at end of period	(498.1)	(466.8)

Analysis of Net Debt

	2021 £m	2020 £m
Cash and cash equivalents	30.8	87.8
Lease liabilities	(283.7)	(258.0)
Bank loans	(197.6)	(249.0)
EVP preference liability	(6.3)	(6.3)
Reported Net Debt	(456.8)	(425.5)
EVP preference liability	(41.3)	(41.3)
	(498.1)	(466.8)

Of the EVP preference liability, £6.3m has been included within Reported Net Debt as it will be payable to EVP preference shareholders irrespective of the outcome of the EVP Dispute. The remaining £41.3m has been excluded on the basis that it will only become payable subject to the outcome of the EVP Dispute and will be funded by recovery of funds from HMRC.

The Groups leverage is calculated on reported Net Debt as follows:

	2021 £m	2020 £m
Cash and cash equivalents	30.8	87.8
Lease liabilities	(283.7)	(258.0)
Bank loans	(197.6)	(249.0)
EVP preference liability	(6.3)	(6.3)
Reported Net Debt	(456.8)	(425.5)
Reported Net Debt: EBITDA	3.3x	2.4x

Notes to the Consolidated Financial Statements continued

26. Reconciliation of Net Cash Flow to Movement in Debt

Changes in liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

Non-cash changes	As at 28 March 2020	Financing cash flows	Acquired loans	Acquisition of subsidiary	New leases	Other changes	As at 26 March 2021
Lease liabilities	(258.0)	43.4	–	(23.3)	(45.6)	(0.2)	(283.7)
Bank loans	(249.0)	59.2	(6.7)	–	–	(1.1)	(197.6)
EVP preference liability	(47.6)	–	–	–	–	–	(47.6)
	(554.6)	102.6	(6.7)	(23.3)	(45.6)	(1.3)	(528.9)

	As at 30 March 2019	Adoption of IFRS 16	Financing cash flows	Fair value movements	Acquisition of subsidiary	New leases	Other changes	As at 27 March 2020
Lease liabilities	(122.6)	(134.9)	50.2	–	(0.5)	(50.8)	0.6	(258.0)
Bank loans	(248.0)	–	(1.0)	–	–	–	–	(249.0)
EVP preference liability	(48.6)	–	–	1.0	–	–	–	(47.6)
	(419.2)	(134.9)	49.2	1.0	(0.5)	(50.8)	0.6	(554.6)

27. Lease Liabilities

Finance lease obligations are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	2021 £m	2020 £m
Current liabilities	54.7	43.6
Non-current liabilities	229.0	214.4
	283.7	258.0

Undiscounted lease liabilities maturity analysis:

	Undiscounted Lease liabilities		Present value of lease liabilities	
	2021 £m	2020 £m	2021 £m	2020 £m
Within one year	62.8	51.8	54.7	43.5
More than one year but less than 2 years	50.4	46.5	43.8	39.8
More than 2 years but less than five years	94.5	99.2	80.7	87.2
After five years	222.2	144.3	104.5	87.5
	429.9	341.8	283.7	258.0
Less: future finance charges	(146.2)	(83.8)	–	–
	283.7	258.0	283.7	258.0

The average lease term is 13.4 years (2020: 14.2 years). For the period ended 27 March 2020, the effective borrowing rate was 3.0% (2020: 3.4%).

Amounts recognised in profit and loss relating to leases and right of use assets:

	2021 £m	2020 £m
Depreciation expense on right-of-use assets	49.6	46.3
Interest expense on lease liabilities	8.5	8.4
Income from sub-leasing right-of-use assets	3.3	2.2
Expense relating to short-term and low value assets	18.5	17.8

Cash repayments of £43.4m (2020: £50.2m) on leases have been made in the year

28. Pension and Post-retirement Benefits

Defined contribution schemes

	2021 £m	2020 £m
Defined contribution expense	10.4	10.2

The Group operates a number of defined benefit schemes: Biffa Pension Scheme (BPS), the Cornwall Pension Fund (the Cornwall Fund), an Unfunded Unapproved Retirement Benefits Scheme (UURBS), the Federated Pension Plan (FPP), Prudential Platinum (Platinum), the Kent County Council Pension Fund (the Kent Fund), the Staffordshire Pension Fund (the Staffordshire Fund) and the Greater Manchester Pension Fund (GMPF) (collectively, the Schemes). The Schemes offer both pensions in retirement and death benefits to members. All the Schemes are closed to new members. The BPS, Platinum, the Cornwall Fund, the Kent Fund and the Staffordshire Fund are open to accrual although the BPS is closed for the majority of members and only a few employees with statutory protections remain in active service. The BPS makes up around 95% of the total liability across the Schemes.

The Schemes expose the Group to actuarial risks such as market (investment) risk, interest rate risk, inflation risk currency risk and longevity risk. Contributions to the Schemes for the year ended 25 March 2022 are expected to be £5.9m.

The Schemes are administered by Trustees and the assets are held separately to the legal entity that is the Group. The Trustee board of the Schemes 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 Schemes.

The Group considers two measures of the Schemes surplus or deficit. The accounting position is shown on the Group balance sheet. The funding position, calculated at the triennial actuarial assessment, is used to agree contributions to the Schemes. The two measures will vary because they are for different purposes, and are calculated at different rates and in different ways. The key calculation difference is that the funding position considers the expected returns of Scheme assets when calculating the Schemes liability, whereas the accounting position under IAS 19 discounts liabilities based on corporate bond yields.

The Schemes have an accounting 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. Where a surplus of a defined benefit scheme arises or there is potential for a surplus to arise from committed future contributions the rights of the Trustees to prevent the Group obtaining a refund of that surplus is considered in determining whether it is necessary to restrict the amount of the surplus that is recognised.

A full actuarial valuation of the Schemes was carried out as at 31 March 2015 which revealed a funding shortfall of £66.7m. The Group committed to deficit payments of £3.85m each year to 31 March 2017 and escalating with RPI inflation each year from 31 March 2018 to 31 March 2024.

The Group is also admitted in the Cornwall Pension Fund (the Cornwall Fund) and Norfolk Pension Fund (the Norfolk Fund). The contractual terms of the commercial agreements that admit the Group to these schemes limit the actuarial risk that the Group is exposed to; consequently the schemes have been accounted for as a defined contribution scheme.

In the prior year the Cornwall Fund was accounted for as a defined benefit scheme. During the year the contractual terms of the commercial agreement with Cornwall Council were revised. The Group must now pay a fixed contribution into the fund and has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. When the scheme was reclassified from defined benefit to defined contribution, a £3.0m gain was recognised. This has been recognised in the Consolidated Income Statement.

The Cornwall Fund, Norfolk Fund, Kent Fund, Staffordshire Fund and GMPF are all Local Government Pension Schemes. When determining the appropriate accounting treatment for these schemes, the Group considers the extent to which it is exposed to actuarial risk throughout the term of the commercial contract and also obligated to fund any deficit on exit of the contract.

Investment risk

The present values of the Schemes' liabilities are 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 Schemes' assets were below this rate, it would create a deficit in the Schemes.

In addition to the natural interest rate hedging provided by its investment in bonds the Trustee also purchases derivatives to ensure that the funding position of the Schemes are, overall, hedged against 60% of movements in long-term risk free interest rates and 60% of movements in inflation expectations. No annuities or specific mortality hedging products have been purchased by the schemes.

Interest risk

A decrease in the corporate bond yield will increase the Schemes' liabilities; however, this will be partially offset by an increase in the value of the Schemes' corporate bond assets.

Longevity risk

The present values of the Schemes' liabilities are calculated by reference to the best estimate of the mortality of the Schemes' members both during and after their employment. An increase in the life expectancy of the Schemes' members will increase the Schemes' liabilities.

Inflation risk

The present values of the Schemes' liabilities are 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 Schemes' liabilities.

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

Notes to the Consolidated Financial Statements continued

28. Pension and Post-retirement Benefits continued

A full actuarial valuation of the Schemes was carried out as at 31 March 2015 and has been updated to 26 March 2021 by a qualified independent actuary. The major assumptions used by the actuary were (in nominal terms) as follows:

	2021 £m	2020 £m
Discount rate	2.0%	2.5%
Rate of salary increase	3.1%	2.5%
Rate of inflation – RPI	3.1%	2.8%
Rate of inflation – CPI	2.6%	2.0%
Rate of pension increases ¹ – RPI with floor of 0% cap of 2.5% p.a.	2.1%	2.1%
Rate of pension increases ¹ – RPI with floor of 0% cap of 5.0% p.a.	2.9%	2.8%
Rate of pension increases ¹ – RPI with floor of 0% cap of 6.0% p.a.	3.0%	2.8%
Rate of pension increases ¹ – CPI with floor of 0% cap of 3.0% p.a.	2.2%	1.9%
Longevity (years)		
Expected future lifetime of a male pensioner currently aged 65	21.2	20.9
Expected future lifetime of a female pensioner currently aged 65	23.2	22.9
Expected future lifetime from age 65 of a male member currently aged 45	22.5	21.9
Expected future lifetime from age 65 of a female member currently aged 45	25.2	24.5

1 In excess of any Guaranteed Minimum Pension (GMP).

The assets in the Schemes were:

Asset category	2021		2020	
	£m	%	£m	%
Equities	149.8	24.1%	102.8	17.1%
Bonds	245.8	39.5%	327.8	54.7%
Properties and infrastructure	22.9	3.7%	80.9	13.5%
Hedge funds	98.3	15.8%	39.5	6.6%
Other	104.9	16.9%	48.3	8.1%
	621.7		599.3	
Actual return on plan assets	57.5		26.3	

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 Schemes to use hedge funds and liability driven investments to hedge some of their exposure to interest rate and inflation risks. This policy has been implemented during the current and prior years.

The key source of estimation uncertainty relates to the valuation of the property portfolio, where a valuation is obtained annually from professionally qualified external valuers. The evidence to support these property valuations is based primarily on recent, comparable market transactions on an arm's length basis. However the assumptions applied are inherently subjective and so are subject to a degree of uncertainty, especially as a result of Covid-19 and volatile assumptions as at the balance sheet date.

An increase in the property valuation of 10% would increase pension assets by £2.3m. An increase in the valuation of traded assets of 10% would increase pension assets by £49.4m.

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

	2021 £m	2020 £m
Benefit obligation at beginning of period	485.9	523.8
Service cost	2.5	2.8
Gain on settlement*	(3.0)	–
Interest cost	11.6	12.9
Contributions by Scheme participants	0.4	0.4
Net remeasurement (gains)/losses – financial	68.9	(29.3)
Net remeasurement (gains) – demographic	3.8	(0.4)
Net remeasurement (gains) – experience	(4.0)	(4.5)
Benefits paid	(40.4)	(19.8)
Past service costs	0.1	–
Benefit obligation at end of period	525.8	485.9

* On the transfer of the Cornwall pension scheme from a defined benefit to defined contribution scheme a gain of £3m was recognised in the Consolidated Income Statement.

Reconciliation of opening and closing balances of the fair value of Schemes' assets

	2021 £m	2020 £m
Fair value of Schemes' assets at beginning of period	599.3	587.6
Interest income on Schemes' assets	14.3	14.5
Return on assets, excluding interest income	43.1	11.8
Contributions by employers	5.9	5.9
Contributions by Schemes' participants	0.4	0.4
Benefits paid	(40.4)	(19.8)
Scheme administrative cost	(1.0)	(1.1)
Fair value of plan assets at end of period	621.6	599.3

Amounts recognised in comprehensive income in respect of defined benefit Schemes

	2021 £m	2020 £m
Current service cost	2.4	2.8
Past service cost	0.1	–
Gain on settlement	(3.0)	–
Administrative cost	1.0	1.1
Service cost adjustment in respect of Greater Manchester Pension Fund	(0.7)	(0.7)
Net interest on the net defined benefit liability	(3.1)	(2.0)
Components of defined benefit cost recognised in profit or loss	(3.3)	1.2
Remeasurement on the net defined benefit liability		
Return on Schemes' assets (excluding amounts in net interest expense)	(43.1)	11.8
Actuarial gains and losses from changes in financial assumptions	68.9	29.4
Actuarial gain from changes in demographic assumptions	3.8	0.4
Actuarial gain from changes in experience assumptions	(4.0)	4.5
Movement in asset ceiling	(0.6)	(1.4)
GMPF Admission agreement	(3.4)	(3.8)
Components of defined benefit cost recognised in other comprehensive income	21.6	40.9

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 Schemes is as follows:

	2021 £m	2020 £m
Present value of funded defined benefit obligation	(525.8)	(485.9)
Fair value of funded Schemes' assets	621.6	599.3
Adjustment for the restriction in asset benefit	(1.1)	(1.7)
Adjustment in respect of GMPF agreement	17.4	13.0
Net asset arising from defined benefit obligation	112.1	124.7

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 £56.8m (2020: £50.5m).

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

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

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 Schemes' participating employers are Biffa Waste Services Limited, Biffa Municipal Limited, Biffa Environmental Municipal 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.

Notes to the Consolidated Financial Statements continued

28. Pension and Post-retirement Benefits continued

Protected members pay a range of fixed contributions of pensionable salary depending on what section of the Schemes 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 Schemes following each triennial valuation of the Schemes.

In accordance with the Pensions Act 2004, the Schemes' liabilities are measured using a prudent discount rate at the triennial valuation, but some asset out-performance 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 Schemes' deficit.

The average duration of the benefit obligation at 26 March 2021 is approximately 21 years (2020: 21 years).

The Group expects to make a contribution of £5.9m to the Schemes during the financial year to 26 March 2021.

29. Related Party Transactions

There have been no material related party transactions in the 52 weeks ended 26 March 2021 (2020: nil) except for key management compensation as set out in the Directors' Remuneration Report.

Details of the Directors' remuneration are set out in the Directors' Remuneration Report on pages 105 – 123. There have been no related party transactions with any directors in the year or in the subsequent period.

During the year to 26 March 2021, the Group invested £8.4m in Protos ERF Ltd and Newhurst ERF Limited. On financial close the Group received from the joint venture reimbursement for development costs incurred. The Group also issued loan notes of £5.8m to Newhurst ERF Holding Limited and Protos Holding Limited. Both parties can redeem the notes at any time. Annual rate of interest on the notes is eight per cent. This whole balance remained outstanding at year end. None of the amount is deemed to be uncollectable and no expenses have been recognised during the period in respect of bad or doubtful debts in this regard.

No Directors held any material interest in any contract with the Company or the Group in the year or subsequent period to 26 March 2021. The Group has made £5.9m (2020: £10.2m) contributions to the pension schemes.

30. Subsidiary Undertakings

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 Municipal Limited ¹	England and Wales	Waste management	100%
UK Waste Management Limited ¹	England and Wales	Waste management	100%
Biffa Waste Management Limited ¹	England and Wales	Waste management	100%
Biffa West Sussex Limited ¹	England and Wales	Waste management	100%
Bray Insurance Company Limited ²	Gibraltar	Insurance services	100%
Poplars Resource Management Company Limited ¹	England and Wales	Waste management	100%
Biffa Waste Services Limited ¹	England and Wales	Waste management	100%
Biffa Leicester Limited ¹	England and Wales	Waste management	100%
Biffa Environmental Municipal Services Limited ¹	England and Wales	Waste management	100%
Camo Limited ¹	England and Wales	Waste management	100%
Company Shop Limited ³	England and Wales	Other retail non-specialist	100%
Specialist Waste Recycling Limited ⁴	England and Wales	Waste management	100%

¹ Registered at Coronation Road, Cressex, High Wycombe, Buckinghamshire HP12 3TZ.

² Registered at Fiduciary Management Limited, Suite 23 Portland House, Glacis Road, Gibraltar, GX11 1AA

³ Registered at Wentworth Way, Tankersley, Barnsley, South Yorkshire, S75 3DH

⁴ Registered at Annan Suite, 10 York Place, Edinburgh, Scotland EH1 3EP

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 £82.9m outstanding at 26 March 2021 (2020: £85.7m) in respect of the Group's permitted waste activities where the Group has obligations under the Environment Agency's fit and proper person test to make adequate financial provision in order to undertake those activities. Additionally the Group has bonds to a value of £14.6m (2020: £18.0m) in connection with security for performance of local authority and other contracts. No liability is expected to arise in respect of these bonds. The Group also has four letters of credit in relation to the deferred equity contributions on Newhurst EfW and Protos EfW amounting to £57.4m.

The Group is engaged in a dispute with HMRC in relation to the landfill tax treatment of certain materials used in the engineering of landfill sites from September 2009 to May 2012, which is fully explained in Note 33.

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

32. Joint Ventures

Details of each of the Group's joint ventures at the end of the reporting period are as follows:

Name of joint venture	Principal activity	Place of incorporation and principal place of business	Proportion of ownership interest and voting rights held by the Group
Protos Holding Ltd	Energy from waste	England and Wales	25%
Protos ERF Ltd	Energy from waste	England and Wales	25%
Newhurst ERF Holding Ltd	Energy from waste	England and Wales	50%
Newhurst ERF Limited	Energy from waste	England and Wales	50%

All of the above joint ventures and associates are accounted for using the equity method in these consolidated financial statements as set out in the Group's accounting policies in note 1.

Summarised financial information in respect of each of the Group's material joint ventures is set out below. The summarised financial information below represents amounts in the financial statements of joint ventures prepared in accordance with IFRS Standards.

	2021		2020
	Newhurst £m	Protos £m	Newhurst £m
Current assets	3.1	24.4	8.8
Non-current assets	125.7	89.7	56.0
Current liabilities	(7.0)	(16.5)	(14.0)
Non-current liabilities	(98.8)	(105.1)	(44.8)
	23.0	(7.5)	6.0
The above amounts of assets and liabilities include the following:			
Cash and cash equivalents	(0.1)	22.6	3.8
Current financial liabilities (excluding trade and other payables and provisions)	(6.9)	(6.6)	(10.4)
Non-current financial liabilities (excluding trade and other payables and provisions)	(98.8)	(105.1)	(44.8)
Revenue	–	–	–
Loss for the year	(1.0)	(1.2)	(0.2)
Other comprehensive income/(Loss) attributable to the owners of the company	5.2	(14.5)	(3.6)
Total comprehensive income/(Loss)	4.2	(15.7)	(3.8)

Notes to the Consolidated Financial Statements continued

32. Joint Ventures continued

Reconciliation of the above summarised financial information to the carrying amount of the Group's interest in the joint venture recognised in the Consolidated financial statements:

	2021	2020
	Newhurst £m	Protos £m
Net assets of joint venture	23.0	(7.7)
Group's percentage ownership interest in the joint venture	50%	25%
Carrying amount of the Group's interest in the joint venture	11.5	(1.9)

	2021	2020
	Newhurst £m	Protos £m
Interest in joint venture at carried forward	3.0	–
Additions	6.4	2.0
Share of post-tax results	(0.5)	(0.3)
Share of net loss on cash flow hedge in joint venture	2.6	(3.6)
Interest in the joint venture at the end of the period	11.5	(1.9)

The Protos joint venture is currently in a net liability position of £7.5m at the end of March 2021 as a result of the unrealised fair value of the cash flow hedges (Biffa's 25% interest: liability of £1.9m). The fair value loss is £14.5m at balance sheet date (Biffa's 25% interest: loss of £3.6m). The net liability has been recognised in the financial statements due to the commitment made by Biffa to fund the joint venture and the associated letters of credit.

The Group entered into the Protos joint venture in the financial year and initially had 50% rights to participate in the project. During the year, the Group sold their share of 25% of these rights to participate to Covanta UK for £3.0m, net of £0.2m transactions costs. Covanta UK's equity interest is shared with Green Investment Group Limited and their joint 75% equity interest is held through Covanta Green Protos Holding Limited. The rights sold had a £nil net book value and therefore no disposal value has been disclosed.

33. EVP-related Items

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

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

The matter was heard by the First tier Tax Tribunal which found in HMRC's favour. Biffa won the Upper Tax Tribunal for the EVP case. However, HMRC requested a further hearing from the Court of Appeal which took place in March 2021. Biffa was unsuccessful in the hearing with the Court of Appeal and the Directors have taken independent advice and is now seeking leave to appeal the decision to the Supreme Court.

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

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

As part of the IPO of the Group, arrangements were put in place to make certain payments to the shareholders and certain members of employee incentive schemes of the Group immediately prior to its Listing, subject to and in respect of the outcome of the dispute. A liability of £47.6 million has been recognised in borrowings, an accrual of £13 million has been recognised in non-current liabilities. Of the liability of £47.6 million, £6.3 million has been included within Reported Net Debt as it will be payable irrespective of the outcome of the dispute.

The remaining balance of £41.3 million has been excluded from Reported Net Debt.

34. Service Concession Arrangements

The Group has two integrated waste management contracts with Leicester City Council (25 years – awarded in 2003) and West Sussex County Council (25 years – awarded in October 2010). 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. There have not been any significant changes to these arrangements in the period. The construction of the infrastructure for West Sussex County Council was funded by the Council and therefore falls outside of the scope of IFRIC 12 and no financial asset or intangible has been recognised. A financial asset of £4.1m has been recognised in relation to the Leicester City Council contract (Note 18).

These contracts generated revenue of £43.4m in the 52 weeks ended 26 March 2021 (2020: £45.7m). The contract with Leicester City Council is loss making and a return to profitability is not expected and as such an onerous contract provision has been recognised.

35. Non-principal Subsidiary Undertakings

Biffa plc is the ultimate parent company in the Biffa Group. The following entities complete the full list of the Company's subsidiary undertakings. All subsidiaries are 100% owned and consolidated unless otherwise stated.

Name	Country of incorporation	Activity	Shareholding
Wasteholdco 1 Limited*****2	Jersey	Holding company	100%
Wasteholdco 2 Limited*2	Jersey	Holding company	100%
Biffa Group Holdings Limited*2	Jersey	Holding company	100%
Biffa Group Limited*1	England and Wales	Holding company	100%
GS Equity Co ⁵	Cayman Islands	Holding company	100%
GS Acquisitions Limited*1	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%
Biffa GS (LPP) Limited*1	England and Wales	Waste management	100%
Biffa GS Environmental Limited*1	England and Wales	Waste management	100%
Biffa GS (RUR) Limited*1	England and Wales	Dormant	100%
Biffa GS Environmental Recycling Limited*1	England and Wales	Waste management	100%
Biffa GS (M&B) Limited*1	England and Wales	Waste management	100%
Biffa GS (FC) Limited*1	England and Wales	Waste management	100%
Biffa (WES) Limited*1	England and Wales	Waste management	100%
Biffa Group Holdings (UK) Limited*1	England and Wales	Holding company	100%
Biffa Corporate Services Limited*1	England and Wales	Dormant	100%
Biffa Corporate Holdings Limited*1	England and Wales	Holding company	100%
Biffa Netherlands B.V.*4	Netherlands	Holding company	100%
Biffa Waste Limited*1	England and Wales	Dormant	100%
Biffa Holdings (Jersey) Limited*2	Jersey	Dormant	100%
Biffa UK Group Limited*1	England and Wales	Dormant	100%
Biffa UK Limited*1	England and Wales	Dormant	100%
Biffa (UK) Holdings Limited*1	England and Wales	Dormant	100%
UK Waste Management Holdings Limited*1	England and Wales	Dormant	100%
Biffa (Land) Limited*6	Guernsey	Waste management	100%
Pilmuir Waste Disposal Limited*1	England and Wales	Dormant	100%
Biffa (Roxby) Limited*1	England and Wales	Dormant	100%
Norwaste Limited*1	England and Wales	Dormant	100%
Loristan Services Ltd	England and Wales	Dormant	100%
Biffa West Sussex Holdco Limited*1	England and Wales	Dormant	100%
Bray 2008 (Malta) Limited*7	Malta	Holding company	100%
Reclamation & Disposal Limited*1	England and Wales	Dormant	100%
Biffa Holdings Limited*1	England and Wales	Holding company	100%
Biffa (Jersey) Limited*2	Jersey	Holding company	100%
Richard Biffa (Reclamation) Limited*1	England and Wales	Dormant	100%
M Joseph & Son (Birmingham) Limited*1	England and Wales	Dormant	100%
Biffa Pension Scheme Trustees Limited*1	England and Wales	Dormant	100%
Cressex Insurance Services Limited*1	England and Wales	Dormant	100%
White Cross Limited*1	England and Wales	Dormant	100%
Wastedrive Limited*1	England and Wales	Dormant	100%
Wastedrive (Manchester) Limited ¹	England and Wales	Waste management	100%
Amber Engineering Limited*1	England and Wales	Waste management	100%
O'Brien Waste Recycling Solutions Holdings Limited*1	England and Wales	Dormant	100%
O'Brien Waste Recycling Solutions Limited*1	England and Wales	Dormant	100%
New Star Environmental Limited***1	England and Wales	Waste management	100%

Notes to the Consolidated Financial Statements continued

35. Non-principal Subsidiary Undertakings continued

Name	Country of incorporation	Activity	Shareholding
SWR Smash & Grab Limited*** ¹	England and Wales	Waste management	100%
RUR3 Environmental Limited*** ¹	England and Wales	Waste management	100%
SWRNewstar Limited* ¹	England and Wales	Dormant	100%
Company Shop Holdco Limited* ¹	England and Wales	Waste management	100%
Simply Waste Solutions Limited**** ¹	England and Wales	Dormant	100%
Community Shop C.I.C**** ⁹	England and Wales	Other retail non-specialist	100%
Weir Waste Services Limited* ¹	England and Wales	Dormant	100%
Weir Recycling Services Limited* ¹	England and Wales	Dormant	100%
Island Waste Services Limited* ¹	England and Wales	Waste management	100%
Barge Waste Management Limited* ¹	England and Wales	Waste management	100%
Protos Investco Limited	England and Wales	Waste management	100%
Protos Holding Limited** ⁸	England and Wales	Energy recovery from waste	25%
Protos ERF Limited** ⁸	England and Wales	Energy recovery from waste	25%
Newhurst ERF Holding Limited** ⁸	England and Wales	Energy recovery from waste	50%
Newhurst ERF Limited** ⁸	England and Wales	Energy recovery from waste	50%

* Financial year ended 26 March 2021

** Financial year ended 31 December 2021

*** Financial year ended 31 March 2021

**** Financial year ended 31 March 2022

***** Financial year ended 31 August 2020

***** Directly held by Biffa plc.

1 Registered at Coronation Road, Cressex, High Wycombe, Buckinghamshire HP12 3TZ.

2 Registered at 44 Esplanade, St Helier, Jersey, JE4 9WG.

4 Registered at Jupiter Building, 2nd Floor, Herikerbergweg 88, 1101 CM Amsterdam, The Netherlands

5 Registered at Intertrust Corporate Services (Cayman) Limited, 190 Elgin Avenue, George Town, Grand Cayman KY19005

6 Registered at PO Box 119, Martello Court, Admiral Park, St Peter Port, Guernsey, GY1 3H.

7 Registered at 171 Old Bakery Street Valletta, VLT 1455 Malta

8 Registered at Suite 1, 3rd Floor 11-12 St. James's Square, London, England, SW1Y 4LB

9 Registered at Wentworth Way, Tankersley, Barnsley, South Yorkshire, S75 3DH

36. Dividends

The Board recommends there will be no final dividend for the year ended 26 March 2021.

37. Post Balance Sheets

On 20 May 2021 Biffa reached agreement to acquire a post-consumer plastics recycling facility ('PRF') from Green Circle Polymers Ltd ('GCP') in Grangemouth, Scotland for £9.6m. The acquisition of GCP will strengthen Biffa's Polymers business with increased capacity to recycle more plastic within the UK. The timing of the GCP acquisition is favourable with Scotland's Deposit Return Scheme being introduced in July 2022. GCP is Scotland's only PRF and will be extremely well placed to process these materials.

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

Parent Company Statement of Financial Position

The parent company statements are prepared under FRS 101 and relate to the Company and not to the Group. The financial statements are prepared under the historical cost convention. The accounting policies which have been applied to these accounts can be found on page 142 and a separate independent auditor's report on pages 124 – 134.

	Notes	2021 £m	2020 (restated) £m
Assets			
Non-current assets			
Investments	2	256.4	255.8
Trade and other receivables	3	105.7	15.6
		362.1	271.4
Current assets			
Derivatives financial instruments		–	0.4
Cash and cash equivalents	4	0.2	0.1
Current liabilities			
Derivatives financial instruments	5	(3.0)	(1.3)
Trade and other payables	6	(0.2)	(33.6)
Net current liabilities		(3.0)	(34.4)
Net assets		359.1	237.0
Equity			
Called up share capital	7	3.1	2.5
Share premium		247.0	235.3
Merger reserve		95.8	–
Retained earnings**		16.1	0.2
Hedge reserve*		(2.9)	(1.0)
Total surplus attributable to shareholders		359.1	237.0

- * Previously the hedge reserve also held shares purchased by the employee benefits trust (EBT). To aid better disclosure, the hedge reserve has been restated to show only movements relating to hedging related activity. Share purchases by the employee benefits trust are now disclosed as part of retained earnings reserve movements in line with the Group. The FY19 opening retained earnings balance and hedge reserve balance has been restated to transfer £5.1m relating to the EBT from the hedge reserve to retained earnings. In FY20, movements relating to the EBT that were previously included within the hedge reserve have been restated as movements within retained earnings; this includes £2.4m relating to value of employee service in respect of share option schemes (net of NICS) and £8.8m relating to shares purchased by the employee benefit trust. Included in retained earnings are 3,204,318 shares (2020: 2,216,549) held by EBT of £5.9m (2020: £4.7m); shares purchased by the EBT in the year was £4.4m (2020: £8.8m).
- ** The retained earnings balance for FY20 has been restated to reflect a timing difference relating to the receipt of dividend income. In the prior year financial statements £18.3m of cash received was recorded as dividend income from a group subsidiary undertaking. However, this payment had not been approved by the Directors of the subsidiary in line with local regulations at the date of signing and therefore should not have been classified as dividend income. The FY20 Statement of Financial Position has been restated to reclassify the dividend income that was incorrectly recognised previously as a reduction to amounts due from subsidiary undertakings. This was rectified in FY21 and has now been recorded as dividend income in FY21.

Retained profit for the year was £17.1m (2020 restated: £0.4m).

The Financial Statements on pages 185 – 190 were approved by the Board and authorised for issue on 10 June 2021 and signed on its behalf by:



Richard Pike
Director Biffa plc

Registered no: 10336040

Parent Company Statement of Changes in Equity

	Called up share capital £m	Share premium £m	Merger reserve £m	Hedge reserve (restated)* £m	Retained earnings (restated)** £m	Total equity £m
As at 29 March 2019 (as previously reported)	2.5	235.3	–	4.7	20.2	262.7
Adjustment in respect of change in accounting policy	–	–	–	(5.1)	5.1	–
As at 29 March 2019 (restated)	2.5	235.3	–	(0.4)	25.3	262.7
Loss for the period (restated)	–	–	–	–	(0.4)	(0.4)
Other comprehensive income for the period	–	–	–	(0.6)	–	(0.6)
Total comprehensive loss	–	–	–	(0.6)	(0.4)	(1.0)
Shares purchased by employee benefits trust	–	–	–	–	(8.8)	(8.8)
Value of employee service in respect of share option schemes (excluding NICs)	–	–	–	–	2.4	2.4
Dividends paid	–	–	–	–	(18.3)	(18.3)
As at 27 March 2020	2.5	235.3	–	(1.0)	0.2	237.0
Profit for the period	–	–	–	–	17.1	17.1
Other comprehensive income for the period	–	–	–	(1.9)	–	(1.9)
Total comprehensive income/(loss)	–	–	–	(1.9)	17.1	15.2
Shares purchased by employee benefits trust	–	–	–	–	(4.4)	(4.4)
Value of employee service in respect of share option schemes (excluding NICs)	–	–	–	–	3.2	3.2
Equity Raise	0.5	1.3	95.8	–	–	97.6
Shares issued	0.1	10.4	–	–	–	10.5
As at 26 March 2021	3.1	247.0	95.8	(2.9)	16.1	359.1

* Previously the hedge reserve also held shares purchased by the employee benefits trust (EBT). To aid better disclosure, the hedge reserve has been restated to show only movements relating to hedging related activity. Share purchases by the employee benefits trust are now disclosed as part of retained earnings reserve movements in line with the Group. The FY19 opening retained earnings balance and hedge reserve balance has been restated to transfer £5.1m relating to the EBT from the hedge reserve to retained earnings. In FY20, movements relating to the EBT that were previously included within the hedge reserve have been restated as movements within retained earnings; this includes £2.4m relating to value of employee service in respect of share option schemes (net of NICs) and £8.8m relating to shares purchased by the employee benefit trust. Included in retained earnings are 3,204,318 shares (2020: 2,216,549) held by EBT of £5.9m (2020: £4.7m); shares purchased by the EBT in the year was £4.4m (2020: £8.8m).

** The retained earnings balance for FY20 has been restated to reflect a timing difference relating to the receipt of dividend income. In the prior year financial statements £18.3m of cash received was recorded as dividend income from a group subsidiary undertaking. However, this payment had not been approved by the Directors of the subsidiary in line with local regulations at the date of signing and therefore should not have been classified as dividend income. The FY20 Statement of Financial Position has been restated to reclassify the dividend income that was incorrectly recognised previously as a reduction to amounts due from subsidiary undertakings. This was rectified in FY21 and has now been recorded as dividend income in FY21.

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 £17.1m (2020 restated: £0.4m).

In May 2020, the Company incorporated a Jersey registered “cash box” company. This was used to facilitate the equity raise of 49,339,233 ordinary shares of 1p each at a placing price of £2.00 each. The transactions satisfied all required conditions under section 612 of the UK Company Act 2006 to obtain merger relief and therefore the excess of the net proceeds over the nominal value of the shares has been credited to a merger reserve rather than share premium. The net proceeds of the “cash box” equity raise was £95.8m, recognised in the merger reserve. At the same time, 660,766 shares were directly issued to the Board and executive management team as part of the equity raise. The net proceeds of the direct issue was £1.3m which has been recognised share premium. The equity raise generated total proceeds of £100m and Biffa plc received cash proceeds of £97.6m net of expenses. The amount within the merger reserve relating to this equity raise is now a distributable reserve.

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' (FRS 101) 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 cash flows 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 Cash Flows'.
- 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 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.

Areas of judgement and key sources of estimation uncertainty

Judgement

Due to the uncertainty following Covid-19 the company considers Expected Credit Loss (ECL) on inter-company balances to be a key judgement.

Estimation

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 cash flows 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 expected credit loss. They are subsequently held at amortised cost less any provision for expected credit loss.

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 income statement 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 payable 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.

Notes to the Parent Company Financial Statements

1. Employees and Directors

Details of the remuneration received by Directors of Biffa plc are included in the Directors' Remuneration Report on pages 108 – 120. Biffa plc has two employees (2020: two).

2. Investments

	£m
As at 29 March 2019	255.7
Movements relating to share options granted/(issued) on behalf of subsidiary employees	0.1
As at 27 March 2020	255.8
Movements relating to share options granted/(issued) on behalf of subsidiary employees	0.6
As at 26 March 2021	256.4

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 joint venture and subsidiaries is given in Notes 32 and 35 of the Group Financial Statements.

3. Trade and Other Receivables

	2021 £m	2020 (restated) £m
Amounts falling due after more than one year		
Amounts due from subsidiary undertaking	105.7	15.3
Other receivables	–	0.3
Total	105.7	15.6

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

4. Cash and Cash Equivalents

	2021 £m	2020 £m
Cash at bank and in hand	0.2	0.1

5. Fair Value of Financial Assets and Liabilities

	2021		2020 (restated)	
	Book value £m	Fair value £m	Book value £m	Fair value £m
Financial assets and liabilities				
Trade and other receivables	105.7	105.7	15.6	15.6
Cash and cash equivalents	0.2	0.2	0.1	0.1
Derivative liabilities	(3.0)	(3.0)	(1.3)	(1.3)
Trade and other payables	(0.2)	(0.2)	(33.6)	(33.6)
Total financial assets and liabilities	102.7	102.7	(19.2)	(19.2)

Derivative financial instruments

Full details of the derivative financial instruments are disclosed in Note 18 of the Group Consolidated Statements. The fair value and the notional amounts are as follow:

	2021		2020	
	Fair value £m	Notional £m	Fair value £m	Notional £m
Forward foreign exchange contracts	(0.3)	6.2	0.4	10.9
Interest rate swaps	(2.7)	150.0	(1.7)	200.0

6. Trade and Other Payables

	2021 £m	2020 £m
Non-current		
Amounts payable to subsidiary undertakings	(0.2)	(33.6)
Total trade and other payables	(0.2)	(33.6)

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. Reserves

Share capital

	Number of shares	Called up share capital £
As at 27 March 2020	250,000,000	2,500,000
Equity Raise	50,000,000	500,000
Share issue	5,599,408	55,994
As at 26 March 2021	305,599,408	3,055,994

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.

	£m
As at 27 March 2020	235.3
Equity Raise*	1.3
Share issue	10.4
As at 26 March 2021	247.0

* In May 2020, the Company incorporated a Jersey registered "cash box" company. This was used to facilitate the equity raise of 49,339,233 ordinary shares of 1p each at a placing price of £2.00 each. The transactions satisfied all required conditions under section 612 of the UK Company Act 2006 to obtain merger relief and therefore the excess of the net proceeds over the nominal value of the shares has been credited to a merger reserve rather than share premium. The net proceeds of the "cash box" equity raise was £95.8m, recognised in the merger reserve. At the same time, 660,766 shares were directly issued to the Board and executive management team as part of the equity raise. The net proceeds of the direct issue was £1.3m which has been recognised share premium. The equity raise generated total proceeds of £100m and Biffa plc received cash proceeds of £97.6m net of expenses. The amount within the merger reserve relating to this equity raise is now a distributable reserve.

Merger reserve

	£m
As at 27 March 2020	–
Equity Raise*	95.8
As at 26 March 2021	95.8

* In May 2020, the Company incorporated a Jersey registered "cash box" company. This was used to facilitate the equity raise of 49,339,233 ordinary shares of 1p each at a placing price of £2.00 each. The transactions satisfied all required conditions under section 612 of the UK Company Act 2006 to obtain merger relief and therefore the excess of the net proceeds over the nominal value of the shares has been credited to a merger reserve rather than share premium. The net proceeds of the "cash box" equity raise was £95.8m, recognised in the merger reserve. At the same time, 660,766 shares were directly issued to the Board and executive management team as part of the equity raise. The net proceeds of the direct issue was £1.3m which has been recognised share premium. The equity raise generated total proceeds of £100m and Biffa plc received cash proceeds of £97.6m net of expenses. The amount within the merger reserve relating to this equity raise is now a distributable reserve.

8. Related Party Transactions

There have been no material related party transactions in the 52 weeks ended 26 March 2021 (2020: nil) except for key management compensation as set out in the report of the remuneration committee.

Notes to the Parent Company Financial Statements continued

9. UK Registered Subsidiaries Exempt from Audit

Biffa plc is the ultimate parent company in the Biffa Group. The following UK subsidiaries will take advantage of the audit exemption set out within section 479A of the Companies Act 2006 for the period ended 26 March 2021. Unless otherwise stated, the undertakings listed below are 100% owned, either directly or indirectly, by Biffa plc.

Name	Proportion of shares held by subsidiary (%)	Company number
GS Acquisitions Limited	100%	07255980
Biffa GS Holdings Limited	100%	04602885
Biffa GS UK Holdings Limited	100%	04631832
Biffa GS (LPP) Limited	100%	02276396
Biffa GS Environmental Limited	100%	03446693
Biffa GS Environmental Recycling Limited	100%	04786413
Biffa GS (M&B) Limited	100%	01173504
Biffa GS (FC) Limited	100%	04800628
Biffa Group Holdings (UK) Limited	100%	04081901
UK Waste Management Limited	100%	01362615
Biffa Waste Management Limited	100%	01138022
Wastedrive (Manchester) Limited	100%	01517244
Biffa Holdings Limited	100%	01032104
Barge Waste Management Limited	100%	02849409
Island Waste Services Limited	100%	01552791
Poplars Resource Management Company Limited	100%	02630491
Amber Engineering Limited	100%	01067283
Specialist Waste Recycling Limited	100%	SC324466
New Star Environmental Limited	100%	07306131
SWR Smash & Grab Limited	100%	05667032
RUR3 Environmental Limited	100%	06304761
CAMO Limited	100%	06524298

In accordance with section 479C of the Companies Act 2006, the Company will guarantee the debts and liabilities of the above UK subsidiary undertakings. As at 26 March 2021 the total sum of these debts and liabilities is £51.0m (2020: £33.7 m).

Glossary

A		F	
Acquisition Net Revenue Growth	Acquisition Net Revenue Growth in any period represents the Net Revenue Growth in the relevant period from (i) acquisitions completed in the relevant period and (ii) acquisitions completed in the 12 months ended to the start of the relevant period up to the 12 month anniversary of the relevant acquisition date (to the extent such Net Revenue falls in the current period). Acquisition Revenue Growth is calculated on the same basis, using revenue in place of Net Revenue	FTSE	Financial Times Stock Exchange
Adjusting Items	Items of income and expense that are considered by management for designation as adjusting items include items such as significant corporate restructuring costs, acquisition-related costs, write downs or impairments of non-current assets, movements on onerous contract provisions and strategy-related and restructuring costs	FY	Financial Year
Admission	The Company's admission of its shares to the UK Listing Authority's Official List and listing on the Main Market of the London Stock Exchange on 20 October 2016	G	
Anaerobic Digestion	Anaerobic digestion, a process that generates renewable electricity using biogas created from biodegradable waste material (primarily food waste) in the absence of oxygen	GDPR	General Data Protection Regulation
APM	Alternative Performance Measures	GHG	Greenhouse gas
C		GRI	Global Reporting Initiative
Circular economy	"A circular economy offers opportunities for better growth, through an economic model that is resilient, distributed, diverse, and inclusive. It tackles the root causes of global challenges such as climate change, biodiversity loss, and pollution, creating an economy in which nothing becomes waste, and which is regenerative by design" ¹	H	
CO₂e	Carbon dioxide equivalent is a standard unit in carbon accounting to quantify greenhouse gas emissions, emissions reductions and carbon credits	HDPE	High-density polyethylene
E		I	
Earnings per Share excluding adjusting items	Earnings per Share excluding adjusting items is expressed as profit after tax excluding adjusting items divided by the weighted average number of shares in the year	I&C	Industrial and commercial business
EBITDA excluding adjusting items	Profit before depreciation and amortisation, adjusting items, finance costs and taxation. Divisional EBITDA excluding adjusting items is stated after allocation of shared services costs	IPO	Initial Public Offering
EFW	Energy from waste, typically from the incineration of RDF	K	
ERF	Energy recovery facility	KPIs	Key Performance Indicators
ESG	Environmental, Social and Governance	ktns or kt	Thousand tonnes
ESOS	Energy Savings Opportunity Scheme – a mandatory energy assessment scheme for organisations in the UK that meet the qualification criteria	L	
EV	Electric Vehicle	Leverage Ratio	Ratio of Reported Net Debt to EBITDA excluding adjusting items
EVP	Engineered into the void permanently, related to the use of certain material at a landfill site, placed at specified depths immediately below the geomembrane layer at the top of a landfill cell, for use in capping the site	LTI	Lost Time Injury Frequency rate, a safety benchmarking measure calculated as the number of lost time injuries occurring in a workplace per 100,000 hours worked
		M	
		M&A	Mergers & acquisitions
		Materiality Assessment	An assessment which determines an organisations material sources of Environmental, Social and Governance risk and opportunity to inform sustainability reporting processes
		MRF	Materials recycling facility
		MW	Megawatt
		MWh	Megawatt hour
		N	
		Net Capex	Cash capex less proceeds from disposal of tangible assets
		Net Revenue	Statutory Revenue excluding landfill tax, unless stated otherwise, 'revenue' refers to Statutory Revenue
		Net Zero	Net zero refers to achieving a balance between the amount of greenhouse gas emissions produced and the amount removed from the atmosphere.

1 Ellen MacArthur Foundation, Universal Circular Economy Goals 2021, Executive Summary page 6: <https://emf.thirdlight.com/link/kt00azuibf96-ot2800/@/preview/1?o>

Glossary continued

O

Operating Profit excluding adjusting items	Profit before adjusting items, finance costs and taxation. Divisional operating profit excluding adjusting items is stated after allocation of shared service costs
Operating Profit Margin excluding adjusting items	Operating Profit margin excluding adjusting items is expressed as Operating Profit excluding adjusting items as a percentage of Statutory Revenue
Organic Net Revenue Growth	The increase/(decrease) in net revenue in the period excluding net revenue from acquisitions completed in the period and net revenue from acquisitions completed in the prior period up to the anniversary of the relevant acquisition date, to the extent such net revenue falls in the current period. Organic net revenue growth can be expressed both as an absolute financial value and as a percentage of prior period revenue

P

PET	Polyethylene terephthalate
PP	Polypropylene
Profit after Tax excluding adjusting items	Profit after tax excluding adjusting items is the profit or loss for the period before adjusting items
PSP	Performance Share Plan

R

RCF	Revolving credit facility
RDF	Refuse-derived fuel, produced by processing solid waste to segregate largely combustible components for incineration
Recyclate	Raw material sent to, and processed in, a waste recycling plant or materials recycling facility
Reported Net Debt	Net Debt excluding the EVP preference instrument
Return on Capital Employed (ROCE)	Operating Profit excluding adjusting items less amortisation of acquisition intangibles divided by the average of opening and closing shareholders' equity, Net Debt (including lease liabilities), pensions and environmental provisions
Return on Operating Assets (ROOA)	Operating Profit excluding adjusting items divided by the average of opening and closing Tangible Fixed Assets plus net working capital
RIDDOR	Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013
ROC	Renewable Obligations Certificate

S

SASB	Sustainability Accounting Standards Board
SDGs	Sustainable Development Goals – a collection of 17 global goals (set by the UN) designed to be a “blueprint to achieve a better and more sustainable future for all”
Section 172 or s172	Section 172 of the Companies Act 2006
SHEQ	Safety, health, environment and quality
SIP	Share Incentive Plan
Stakeholder	A stakeholder is a party that has an interest in a company and can either affect or be affected by the business
Surplus	The amount of an asset or resource that exceeds the portion that's actively utilised
SWR	Specialist Waste Services

T

TCFD	Task Force on Climate-related Financial Disclosures
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U

UN	United Nations
Underlying Free Cash Flow	The net increase/(decrease) in cash and cash equivalents excluding dividends, adjusting items, acquisitions, movement in financial assets and movements in borrowings or share capital (but including ease principal payments)

V

vlogs	Video blogs
Void	Measure of potential capacity of a landfill site in cubic metres

W

Working Capital Movement	Working Capital Movement represents the movement from the previous period in relation to inventories, trade and other receivables, trade and other payables and provisions adjusted for the impact of acquisitions on these balances
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Corporate Information

Registered Office

Biffa plc
Coronation Road
Cressex
High Wycombe
Buckinghamshire
HP12 3TZ

Registrar

Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA

Auditor

Deloitte LLP
2 New Street Square
London
EC4A 3BZ

Corporate Brokers

HSBC Bank plc
8 Canada Square
London
E14 5HQ

Numis Securities Limited
10 Paternoster Square
London
EC4M 7LT

Solicitors

Linklaters LLP
1 Silk Street
London
EC2A 8HQ

Financial PR Advisers

Houston
The Leather Market
London
SE1 3ER

Forward-looking statements

Certain statements made in this Annual Report are forward-looking and are based on current expectations. The statements are subject to assumptions, inherent risks and uncertainties, many of which are beyond the Company's control and which could cause actual results to differ significantly from those expected. Unless required by law, regulations or accounting standards, the Company does not undertake to update or revise any forward-looking statement, whether as a result of new information or future developments. Any forward-looking statements made by or on behalf of the Group speak only as of the date that they are made and are based on knowledge and information available to the Directors on the date of this Annual Report. Nothing in this Annual Report should be regarded as a profit forecast or constitute an offer to sell or an invitation to buy any shares in Biffa plc.

Website

The Company's website www.biffa.co.uk/investors gives additional information on the business. Notwithstanding the references made in the Annual Report to the website, none of the information made on the website constitutes part of this Annual Report or is deemed to be incorporated by reference herein.

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Consultancy, design and production
www.luminous.co.uk

Biffa plc

Coronation Road, Cressex,
High Wycombe
Buckinghamshire, HP12 3TZ

01494 521 221

ir@biffa.co.uk

www.biffa.co.uk/investors

Registration No: 10336040

