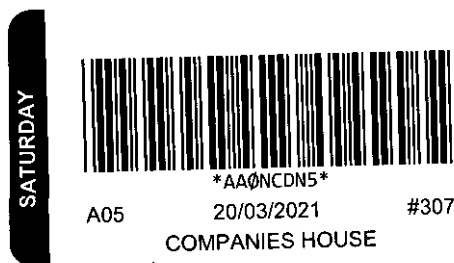


Biffa PLC
10336040

Parent for
1582791.



**Providing critical, sustainable
infrastructure and services**

Over the last 100 years, we have been at the forefront of the UK's waste industry, collecting 15,000 tonnes of rubbish every day from 76,000 businesses and around 2.2 million households. But our skills and capabilities stretch well beyond the bins.

Today our operations span the entire breadth of the waste management process including collection, recycling, treatment, disposal and energy generation.

We believe our 8,000+ team can lead the way in achieving a sustainable future for the UK, helping to change the way people think about waste.

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Read more about our new PET facility in our Strategic Review 13

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Continued growth

Financial Highlights

Statutory Revenue (£m)	Net Revenue (£m)	Underlying Operating Profit (£m)
£1,163.1m	£1,102.8m	£90.5m

Non-Financial Highlights

Lost Time Injury Rate (%)	CO ₂ e Emissions (scope 1&2) (ktns)
0.23%	572ktns

Underlying Free Cash Flow (£m)	Leverage Ratio (x)	Statutory Profit after Tax (£m)	Employee Engagement (%)	Total Renewable Energy Generated (MW)
£53.6m	2.4x	£45.6m	58%	423MW

Dividend per Share (pence)	Statutory Earnings per Share (pence)	Underlying Earnings per Share (pence)
2.47p	18.3p	23.1p

1. For technical terms and abbreviations please refer to the glossary on pages 161 to 162.
2. The impact of IFRS 16 on FY20 results has been to increase Underlying EBITDA by £18.9m, Underlying Operating Profit by £2.8m, reduce Profit after Tax by £1.1m and Underlying EPS by 0.5p. Net Debt has increased by £141m. The impact on leverage is 0.6x.
3. Lost time injury rate refers to the number of lost time injuries relative to the number of employees calculated over a specified time period.
4. Our total energy generated reduced as we diverted less waste to landfill resulting in less landfill gas (which we use to generate energy).

Creating value for our stakeholders

Biffa has an efficient and sustainable business model. Our ability to capture value from the waste we collect and through recycling, energy recovery or safe disposal, is both profitable and environmentally sustainable.

A business model with sustainability at its core

Our business is formed of two divisions: 'Collections' and 'Resources and Energy' (R&E). *Collections encompasses our Industrial and Commercial (I&C), Specialist Services and Municipal businesses and provides collection, disposal and other services for businesses and households. R&E which includes Recycling, Organics, Inerts and Landfill Gas, focuses on sorting, treating, processing and recycling waste streams. See pages 21 to 24.*

We have a strong track record of reinvesting in our business, people, infrastructure and systems and processes, whilst providing positive returns to our shareholders over the long-term.

We believe our strong heritage, brand and reputation give us a competitive edge and makes it challenging for new and existing players to compete with us. As with most businesses across both the UK and the globe, COVID-19 is undoubtedly testing the resilience of our business model. However, we believe we have responded well to the challenges (as detailed on pages 6 to 7) and continue to be well placed. This is undoubtedly due to our swift response and the hard work our people put in every day.

We have a deep and unrivalled understanding of the UK waste market, which comes with over a century of experience. Our expertise is often sought not only from our customers, but from the UK Government which values Biffa's opinion at a local and national level. This, along with our scalable infrastructure, distinguishes us from our competitors and is why we believe we have an exciting growth journey ahead.

Collect

We collect general waste and recycle materials

Revenue sources

- Service fees for collection and disposal of commercial waste
- Outsourced provision of household collection services

Costs

- Gate fees payable to third-party operators (if waste cannot be processed at a Biffa facility)
- Vehicle, personnel and associated support services

100+

years of heritage

Leader

in industry health & safety performance

No.1

for I&C collections

2,800

vehicles

8,000+

employees

95%

UK postcode coverage

70 I&C depots

2 Polymers plastic recycling facilities

15 Soil treatment and composting facilities

38 I&C waste transfer stations

11 Hazardous waste facilities

9 Operating landfill sites

4 Materials recycling facilities

33 Landfill gas sites generating electricity

3 Anaerobic digestion plants

35 Municipal collections contracts

Process

We process and treat waste and recycling at our facilities

Where we cannot recycle material at our sites, we send to Energy from Waste facilities or, as a last resort, dispose of to landfill

Produce

We generate renewable energy and recycled materials

Revenue sources

- Gate fees for processing and treating waste

Costs

- Processing and treatment costs (including equipment and personnel costs)
- Landfill tax
- Gate fee disposal costs for certain products

Revenue sources

- Sale of commodity products
- Sale of renewable energy

Engaging our stakeholders

Positive relationships with our stakeholders, who have an interest in our business and may be impacted by the decisions we make, are key to our long-term success.

We therefore engage with them to understand what matters to them and take this into account when setting strategy and also in our day-to-day business operations. Our key stakeholder groups are identified below. We have set out on these pages how the business engages with these stakeholders, the key interests raised and the outcomes of that engagement.

Employees

How we engage

We regularly engage with our employees face-to-face and through a number of channels including our employee app, employee roadshows, all employee calls, newsletters and our intranet. We conduct an annual employee engagement survey and hold focus groups to share results and gain feedback.

Key interests raised

- Pay and benefits
- Communication
- Development opportunities
- Employee fundraising
- Business performance and customer information
- Health and Safety (H&S) progress

Outcomes of engagement

- Introduced our employee app 'Biffa Beat'
- Launched 'Safer Together' H&S campaign to build a stronger safety culture
- Smarter Ways of Working programme to support flexible working and work life balance
- Improved benefits and employee discounts
- Introduced new comprehensive online suite of training and development materials
- Partnered with the charity WasteAid

Where to find more information

See our People section on pages 29 to 31

Customers

How we engage

Ensuring that we work collaboratively with our customers is of vital importance. We communicate regularly via customer meetings, newsletters, blogs and social media updates.

Key interests raised

- Service delivery
- Strategy and growth opportunities
- Support with sustainability ambitions
- H&S
- Ability to self-serve online and more digital products
- Electric vehicles and alternative fuels

Outcomes of engagement

- Customer events held to update customers on business strategy and opportunities
- Launched Sustainability Strategy "Resourceful, Responsible"
- Developing an online training product to support our customers in how to segregate their waste
- Trialling SMS text alert service with national customers, letting them know when their collection is due
- Introduced new e-commerce enabled waste collection service called Skoup

Where to find more information

See our Operating Review on pages 21 to 24

Shareholders

How we engage

The Executive Directors and Investor Relations team meet (in person or via conference call) with existing and potential investors. We also provide webcasts, email blasts and events throughout the year.

Key interests raised

- Financial results
- Business model/strategic direction
- Capital allocation
- Merger & Acquisition potential
- Competition in the industry
- Sustainability Strategy

Outcomes of engagement

- High number of meetings held throughout the year
- Held Capital Markets Day for key stakeholders (including online webcast) to outline growth strategy and introduce members of Biffa's Executive team
- Launch of Sustainability Strategy "Resourceful, Responsible"
- Developed investor section of the website to include alert service

Where to find more information

See our Shareholder Engagement on page 52

Section 172 statement

During the year, the Directors have acted to promote the success of the Company for the benefit of shareholders, whilst having regard to the following matters:

- Likely long-term consequences
- Interests of the Company's employees
- Business relationships with suppliers and customers
- Impact on the community and environment
- Reputation for high standards of business conduct
- Acting fairly between shareholders

Where to find out more (page)

- 6 to 7, 10 to 11, 39
- 4 to 5, 7, 29 to 31, 48
- 4 to 5, 7, 21 to 24, 48
- 4 to 5, 7, 25 to 31, 48
- 6 to 7, 13, 49
- 7, 48, 52

Government and Regulators

How we engage

We have regular contact with Government and regulatory stakeholders and participate in various expert working groups, Government consultations, waste sector liaison groups and councillor training.

Key interests raised

- Environmental policy and compliance
- Waste and resources policy and regulation
- Sustainability issues, including climate change, circular economy and bioplastics
- Landfill tax issues
- Tackling modern day slavery and H&S

Outcomes of engagement

- Input to, and member of, industry working groups
- Responses to statutory consultations and calls for evidence
- Liaison over new national policy and regulation issues
- Publication of Biffa "Reality Check" report series on website
- Launch of Sustainability Strategy "Resourceful, Responsible"

Where to find more information

See our website for further information: www.biffa.co.uk/publications

Suppliers

How we engage

We look to secure excellent value for money, whilst minimising risk in our supply chain. Our Procurement team hosts events and ensures a positive two way communication process with our suppliers.

Key interests raised

- Business model/strategic direction
- Sustainability strategy, including use of electric vehicles
- Stamping out modern slavery in the supply chain
- Support of Biffa's charity partner WasteAid

Outcomes of engagement

- Suppliers provided electric and hybrid vehicles on trial and Biffa provided feedback to product development teams
- Launch of Sustainability Strategy "Resourceful, Responsible"
- WasteAid/Slave Free Alliance joint supplier day. Commitment from suppliers to join the alliance and help support our charitable efforts

Where to find more information

See how the Board engages with Stakeholders on pages 48 to 49

Communities

How we engage

We are proud to give something back to the communities in which we serve. We attend parish council and local liaison meetings, invite community members to visit our sites, provide regular community newsletters and participate in volunteering and fundraising initiatives.

Key interests raised

- Local site specific environmental and operational issues and complaints
- Funding of local projects through Biffa Award Landfill Communities Fund
- Sustainability issues including waste plastic management and circular economy
- Support of Biffa's charity partner WasteAid

Outcomes of engagement

- Working relationships with local communities
- Direct contributions through community volunteering, sponsorship and fundraising
- Local project funding through Biffa Award scheme
- Biffa "Reality Check" series of reports
- Launch of Sustainability Strategy "Resourceful, Responsible"

Where to find more information

See our People section on pages 29 to 31

Decisive action in challenging circumstances

The COVID-19 outbreak is one of the biggest challenges Biffa has faced in its long history.

Since the crisis began, we have taken decisive action, focusing on the following three immediate priorities:

- Protecting the health, safety and wellbeing of our employees and the communities we serve.
- Ensuring our business operations are able to continue with minimal disruption and that customers continue to receive the essential services that we provide.
- Protecting the financial strength of the Group.

The response of the entire Biffa team in ensuring we have been able to successfully balance these three challenging priorities has been exceptional.

Volumes are beginning to recover and COVID-19-related absence is reducing. See 'Ensuring Continuity of Business Operations' for further information.

Protecting Health, Safety and Wellbeing

Biffa contributed to and supported the development of national Health & Safety guidance. The UK Government and public health authorities provided H&S-based instructions and guidance and the Executive and Waste Industry Safety and Health (WISH) body, of which Biffa is a leading member, have also established sector-specific H&S guidance.

We provided a comprehensive suite of Biffa H&S protocols and supporting guidance, such as social distancing, cleaning standards and good hygiene to our management, office and front line teams. We were, like most businesses, faced with the challenge of obtaining supplies of cleaning products and hand sanitiser in the early days of the crisis. We worked with our supply chain partners to ensure we had reasonable timeframes for deliveries and prioritised depots that were in short supply. We also educated our workforce on what alternative options they could utilise, such as soap and bottled water for handwashing when hand sanitisers were not available.

We put measures in place to safeguard our employees who met the vulnerable and extremely vulnerable category criteria and implemented pay enhancements for these people to enable them to keep safe. We also developed an individual employee case tracker to help monitor and advise individuals within these groups.

The business made a huge effort to enable and support home working, by issuing over 230 new laptops and supporting an increase in remote connections to the Biffa network from (on average) 100 to 1,300 a day. Technical guidance was developed to help people during the transition along with tips and advice on looking after their wellbeing during these challenging times.

Ensuring Continuity of Business Operations

In our Collections division, the Industrial & Commercial business has continued to serve customers, providing essential services such as food manufacture and retail, distribution, health and utilities. It is however, the most severely impacted part of Biffa's business, with almost all revenues from customers

COVID-19 Response timeline

March

4 March 2020 Pre-close Trading Update and regular Leadership Team calls begin

6 March Additional Safety, Health and Quality cleaning and hygiene protocols introduced

6 March Internal response team set up to coordinate business response

16 March Trade unions briefed on Biffa's action plan

20 March Michael Topham, CEO begins weekly coronavirus video updates for employees

25 March Additional Trading Update

26 March Letter to every Biffa employee outlining priorities and the financial support available

31 March Business Continuity Statement published on website

April

1 April 'Hi-Vis Heroes' campaign launched to provide appreciation for our employees

affected by the lockdown ceasing for the time being, across sectors including hospitality, leisure, transport and non-food retail. Overall, revenues were initially down around 50% from their position prior to COVID-19, however volumes are now beginning to recover with revenues now c. 40% down.

The Municipal business has remained resilient, with revenues remaining stable. The business has worked with clients to ensure continuity of almost all services and the team is performing admirably despite the inevitable increased employee absence due to COVID-19. Increased absence levels with COVID-19 related absence peaked at c.17%, now they are c.6%.

The impact across Resources & Energy is varied, with the most notable impact being on Biffa's landfill operations, which rely on the construction industry for a large proportion of their business and saw revenues reduce by around 50% from their position prior to COVID-19. Volumes are now beginning to recover with revenues now c. 40% down. The other areas of the business, whilst impacted, are holding up well.

For further information see our Operating Review on pages 21 to 24.

Protecting Financial Strength

We took swift and decisive action to mitigate the impact of the crisis on trading performance and to protect the Group's finances, including:

- rightsizing I&C operations by re-routing trucks, taking c40% of the front line fleet off the road;
- all M&A activity was suspended;
- all non-essential and uncommitted capital expenditure was deferred;
- 1,500 staff, predominantly in or supporting our I&C business, were furloughed under the Government's Coronavirus Job Retention Scheme;
- the Board, Executive and Leadership Teams have taken pay cuts, whilst we continue with the Government's Coronavirus Job Retention Scheme;
- all uncommitted pay increases were cancelled;
- FY20 bonuses, for the most senior participants, are to be settled in shares and FY21 bonus schemes have been suspended;
- all areas of operating costs were reviewed and non-essential costs curtailed;
- the Group agreed deferrals in payments of indirect taxes with HMRC; and
- no final dividend has been recommended for FY20.

In addition, the Group's banks have been very supportive. Covenant amendments and an additional £60m (in principal) liquidity headroom has been agreed.

Stakeholder Management

All of our stakeholders were affected in some way by the COVID-19 crisis. Our swift action and clear engagement with all stakeholders has enabled Biffa to endure these challenging circumstances in the best way possible, whilst ensuring we have continued to support these stakeholders and act fairly at all times:

Employees – our internal effort to protect our people was our top priority. From adapting staff benefits where relevant, utilising the Coronavirus Government Retention Scheme, creating an internal response team, utilising our employee app to proactively engage with our teams, offering wellbeing support and other engagement methods including letters, appreciation videos and much more.

Customers – we actively worked with customers to minimise service disruption and support them where possible. We have also enjoyed good levels of new business wins.

Shareholders – we sought to engage proactively with shareholders, participating in numerous calls with them as well as briefing broker sales teams, and releasing three RNS announcements in relation to the crisis. Our share price reaction has been consistent with our sector and the FTSE 250 overall.

Suppliers – we are extremely grateful to the many long-standing suppliers who have supported our operations through the crisis. We worked proactively with key suppliers to agree rebates, payment deferrals and discounts where appropriate.

Government and Regulators – we proactively engaged with the Government and Regulators and other industry operators to pull together as an industry, helping to develop industry guidelines and best practice in response to the crisis.

Communities – our key workers are providing an essential service to businesses and households. We were overwhelmed by the support we received from our customers and members of the public (in the form of hand-written notes, pictures and social media posts) who have expressed their gratitude for our front line workers.

You can read more on:

[Principal risks on pages 34 to 38](#)

[Viability statement and going concern on page 39](#)

[How the Board Engages with Stakeholders on page 47](#)

2 April Biffa provides waste collection services for the first temporary COVID-19 hospital, NHS Nightingale in London (the first of three NHS hospitals we are supporting)

6 April Remuneration measures Trading Update

6 April Regular rhythm of all-employee calls begin

6 April Furlough process introduced

15 April Biffa receives letter from MP Rebecca Pow, the Parliamentary Under Secretary of State for Defra, thanking the industry for the vital services we are delivering

22 April Issued wellbeing guidance to managers and podcasts to employees to offer additional support

May

4 May Bank covenant amendments agreed

6 May COVID-19 Financing and Reporting Trading Update

June

5 June Full year results announced

Maintaining a strong business foundation

Ken Lever
Chairman

Last year, my Chairman's Statement had the strapline "Well positioned for the future" and 2019/20 was another good year for Biffa, building on the progress made since our IPO in 2016 and establishing a clear path for future growth against our vision, to 'lead the way in UK sustainable waste management'.

It was not until the final couple of weeks of the year that the impacts of COVID-19 became truly apparent. Biffa's management reacted swiftly to the changing economic circumstances and the significant reduction in demand that the business has experienced since the year end, especially in the Industrial and Commercial (I&C) Collections and landfill operations businesses.

Of paramount importance to the Board and the management is protecting the health, safety and wellbeing of our employees and the communities we service. I am proud to say that I, and the rest of the Board, are confident that we have taken the right steps to do this whilst ensuring the continuity of the critical services that we provide.

At the end of the financial year, we had over £150m of available liquidity. This strong liquidity position, combined with the decisive action taken to control costs, leaves Biffa well placed to weather these unprecedented trading conditions.

Business and Markets

We understand the increasing scrutiny placed on businesses and households to manage their waste responsibly. That is why we are committed to providing our customers with efficient, reliable and sustainable waste management. Central to our business is the collection of industrial, commercial, and domestic waste which we process, prioritising its recycling and energy recovery, with *safe disposal to landfill as a last resort*.

The markets in which we operate provide us with a number of opportunities for organic and inorganic growth. Our business spans each area of the waste hierarchy, which means we are well placed to take advantage of these opportunities when they arise.

At the beginning of the last financial year we re-organised the Group into two divisions – Collections and Resources & Energy. This has created a more efficient, focused structure and positioned us for growth in the areas where we have advantaged positions. We have made good progress in both divisions, delivering our plan for the year and performing in line with expectations, despite the initial impact of COVID-19 in the last month of the year. You can read more in our Operating Review on pages 21 to 24.

Strategy and Capital Allocation

Biffa has a clear strategy for growth based on three strategic pillars; grow our market share; develop services and infrastructure; and optimise systems and processes. These are underpinned by a focus on three specific opportunities – growing our collections business; expanding our plastics recycling business Biffa Polymers; and investing in energy from waste (EfW). The strategy fully supports Biffa's purpose to 'change the way people think about waste' and our vision to 'lead the way in UK sustainable waste management' and is underpinned by our Sustainability Strategy, 'Resourceful, Responsible', which we were delighted to launch in March 2020.

One of the highlights of the year for me was attending the official opening of the first phase of Biffa's new 57kt PET recycling facility in Seaham, County Durham, in January 2020. This is progressing well, despite the COVID-19 outbreak and we still see significant opportunity for further investment in our Polymers plastics business over the next few years.

We have also continued to commit capital to bolt-on acquisitions in the Collections business, which are central to Biffa's combined organic and inorganic growth strategy.

You can read more about our overall strategic focus on pages 12 to 13.

Shareholder Returns

We had planned to see an increase in the dividend for the year ended 27 March 2020, but due to cash conservation measures in response to COVID-19, the final dividend of 2019/20 has been cancelled. The Board believes this to be prudent in the circumstances and aspires to return to dividend payments as soon as more normal trading conditions allow.

Health & Safety

The waste management industry carries inherent Health & Safety (H&S) risks and we are committed to keeping our people, our customers and the general public safe and well. Protecting the health, safety and wellbeing of our people has been our top priority throughout the COVID-19 pandemic. Biffa has always been an industry leader, setting extremely high safety standards. The Board was delighted to see the achievement of the planned year-on-year reduction in the Lost Time Injury rate as well as the introduction of a new H&S culture change programme, 'Safer Together'.

Corporate Governance

We set out in some detail later in the Corporate Governance Report (see pages 40 to 85), our approach to corporate governance and compliance with the UK Corporate Governance Code. The increasing cost associated with meeting such requirements must be recognised. We seek to ensure an appropriate balance between pragmatic compliance and the associated cost, whilst upholding the highest governance standards in those areas that truly add value to the business.

The Board

Last year we made a number of changes to the Board. This year we have seen these changes successfully embedded and Board members working and interacting well together and building strong relationships. Inevitably the COVID-19 crisis has challenged the Board and the Group Executive Team, but it is at times of crisis that the high quality of our team and leadership is apparent.

Employees

Our people are the core of our organisation. It is the hard work they put in every day which makes the difference. Identified by the Government as 'key workers' our people have continued to work throughout the COVID-19 crisis, highlighting their commitment, dedication and loyalty. The Board thanks all our employees for this and for the sacrifices they have made to ensure we have been able to continue to operate and support our customers and communities during this time.

It has been regrettable that as a result of the downturn in business, some of our employees have been put into the Government Furlough Scheme. Biffa has provided enhanced benefits, designed to ensure that no employee suffers undue hardship whilst unable to work due to COVID-19. Our executive and senior leadership teams have also taken adjustments to their remuneration and I would like to recognise the contribution they have made at this difficult time.

Employee engagement continues to be of key importance to the organisation. I was delighted that David Martin, our Board member who has responsibility for workforce engagement, attended two employee roadshows, conducted a focus group with a cross section of employees and attended the annual employee awards event, along with several other activities enabling him access to a large number of employees.

[You can read more about this on pages 29 to 31.](#)

Looking to the Future

We are mindful that the immediate future of Biffa is very much affected by the current uncertainty in markets attributed to COVID-19.

However, Biffa is a strong company, built on solid foundations, with a dedicated and committed management team and a clear strategy for growth. The immediate focus of the Board is very much to protect and preserve the fundamental value of the business so that we can return to business as usual and deliver further progress against our strategic growth plans, once we are through these difficult times.

Ken Lever

Chairman

4 June 2020

Supporting customers and communities through the crisis

Michael Topham
Chief Executive Officer

How would you summarise the year for Biffa?

Events since March have, for obvious reasons, completely overshadowed what was otherwise a very successful year for Biffa. We delivered a strong set of financial results, continued to execute our exciting growth strategy, and committed to an ambitious 10-year Sustainability Strategy, 'Resourceful, Responsible' which will see the Group unlock £1.25bn of investment in green economy infrastructure by 2030.

We continued to make good progress in our I&C business, through a combination of organic growth, a number of acquisitions and a standout performance in our Specialist Services business. The Municipal business stabilised with some excellent new business wins and contract extensions. In Resources & Energy, a strong performance in our Biffa Polymers business offset some weakness in the recycling facilities that arose from ongoing softness in commodity prices. You can read more about this on pages 21 to 24.

We combined strong business performance and strategic delivery, with committed leadership in helping to tackle broader issues affecting our industry including rough sleeping, modern day slavery, managing waste in the developing world, and diversity and inclusion in the workplace. We also delivered our best ever safety performance.

We were admitted to the FTSE 250 Index in March 2020 and I'm proud of what we have achieved in the year, and even more so by our response to the COVID-19 crisis.

What are Biffa's strategic priorities and what progress has been made in their delivery in the year?

In September 2019 we held a Capital Markets Day event, our first since the IPO in 2016. The materials presented on the day are available in the Investors section of our website. At the event, along with members of the Group Executive Team, we explored the key themes of our strategy, including the growth of our leading I&C Collections platform, investing to grow our award-winning plastics recycling business Biffa Polymers, and investing in EfW infrastructure.

During the year we made good progress in all three areas:

- Our I&C business operates in a fragmented market where scale delivers significant benefits. Our focus on growing, both organically and through synergistic acquisitions, remains central to Biffa's strategy. In the year we delivered strong acquisition growth of 8.3% of revenue, integrating the acquisitions completed in the prior year and completing five further bolt-on acquisitions. We also made good progress in evolving our offering to enable us to drive further organic growth by developing enhanced digital capabilities and launching new products to market.
- Our Polymers business operates in an exciting sector, with demand for the closed-loop, food-grade recycled plastic that we manufacture growing rapidly. In the year we successfully built and commissioned the first phase of our PET plastic bottle recycling plant at Seaham in County Durham. The plant can process the equivalent of 1.3bn plastic bottles each year, turning them into food-grade recycled raw materials for reuse here in the UK. We also announced a £7m investment in nearby Washington, in a plant to process plastic pots, tubs and trays. The Polymers business has again combined the delivery of a strong operational performance with the development and execution of an exciting growth strategy.
- In EfW, the UK continues to have under-capacity to treat non-recyclable waste for energy recovery. Biffa, as one of the UK's largest controllers of waste feedstock through its Collections business, is well placed to unlock the development of this much-needed infrastructure. I was delighted that we reached financial close on our Newhurst project in Leicestershire (£45m for 50% equity commitment). Plant construction is now under way and scheduled to be completed in 2023. We continue to progress our second opportunity, Protos in Cheshire, and are at an advanced stage of this evaluation.

I am pleased with our strategic progress and remain confident about the future growth opportunities ahead.

Biffa recently launched its Sustainability Strategy. What are the key parts of the strategy and how does it align with Biffa's growth strategy?

Sustainability isn't new to us – it has been core to our business and investment plans ever since the business and the wider industry began to move away from landfill disposal and into recycling and renewable energy.

We launched 'Resourceful, Responsible', our 10-year Sustainability Strategy, in March 2020. The strategy, which is aligned to the UN's Sustainable Development Goals, is centred around three key pillars: building a circular economy; tackling climate change; and caring for our people and supporting our communities. It includes a commitment to unlock £1.25bn of investment in green economy infrastructure, whilst reducing our CO₂ emissions by a further 50% in the coming decade. When combined with what we've achieved in the last 15 years, that will amount to a reduction in our CO₂ emissions by over 80%.

'Resourceful, Responsible' is inextricably linked to our strategic framework and the investment in green economy infrastructure includes the plans already outlined in our growth strategy, including: plastics recycling – which reduces the carbon intensity of packaging; Collections acquisitions – which reduce the carbon intensity of business collections as well as improving local air quality and reducing traffic congestion; and EfW – which helps

reduce the UK's dependence on fossil fuels. In addition to those existing plans we have outlined our ambition to invest in solar energy across our legacy landfill land bank, and our commitment to phase out the purchase of diesel refuse vehicles by 2030.

It's a bold and ambitious plan, but it is grounded in known technologies and solid investment opportunities that we are well positioned to deliver.

Biffa has refreshed its vision and purpose. What does this mean for the organisation?

I am fortunate to lead such a committed team of individuals, who share a clear vision and purpose for our business.

Our vision is simple – *to lead the way in UK sustainable waste management*. We wish to lead in business performance and returns, innovation, reputation and in how we tackle broader societal issues relevant to our industry. In the year we have proved we are worthy of the mantle, through the delivery of a strong business performance, the ongoing execution of our ambitious strategic growth plans, the articulation of our 10-year Sustainability Strategy, and the exceptional commitment and resilience the team has exhibited through the COVID-19 crisis.

Our purpose is – *to change the way people think about waste*. This embodies what drives us as an organisation. We understand that waste matters to people in a way that it didn't use to. We see the opportunities that exist in our sector and believe that our role is to help people understand them so that together we can make them happen.

I believe that together our vision and purpose are a great embodiment of what life at Biffa is all about and they help to drive our teams to do the best that they can do.

You've mentioned the COVID-19 epidemic. What impact has it had on the business and what are you doing to mitigate this?

The COVID-19 crisis is of course unprecedented, and it has had a significant impact on our business. Since the emergence of the crisis we have focused on three priorities: protecting the health, safety and wellbeing of our people and the communities we serve; ensuring our business operations are able to continue with minimal disruption and that customers continue to receive the essential services that we provide; and protecting the financial strength of the Group.

We took swift action to protect our people, including a rapid shift to home working where possible and the introduction of new protocols to ensure that social distancing was observed where practical in our frontline operations. At all times we have been closely involved in the development of, and of course have strictly observed, industry and Government advice and guidelines. In addition to ensuring we kept our people as safe as possible, we offered enhanced financial benefits for those unable to work due to COVID-19-related sickness or absence.

The impact has varied across the range of services we provide. Our most severely impacted business is I&C, where we experienced a significant reduction in demand for our services and a 50% revenue decline during the lockdown period, versus pre-COVID levels. Demand for our Municipal services was relatively unaffected however, ensuring services could continue in the face of significant workforce absence has been challenging. Our Resources & Energy business has been most notably affected in our Inerts business, with landfill revenues down c50%, versus pre-COVID levels, due to reduced volumes particularly from the construction sector. Other parts of the division have been less impacted.

Overall, Group revenues for the period of lockdown were down 30% versus pre-COVID levels. However, the Group saw an early stabilisation of these trends and in recent weeks we have seen increases in revenues, with revenue levels in both I&C and landfill operations now down about 40% from pre-COVID levels.

To support short-term cash preservation we have taken a number of proactive measures, deferring all discretionary capital and operating expenditure and other strategic investments such as acquisitions, settling the majority of earned bonuses from the 2019/20 year in

equity, pay reductions for the Board, Executive Team and other leaders, the suspension of bonus schemes for the 2020/21 year and cancelling our year-end dividend. We have benefited from Government support through the deferral of indirect tax payments and furloughed approximately 1,500 people. As outlined in our Chief Financial Officer's Review, we negotiated waivers of lending covenants and secured agreement to £60m of additional headroom financing lines from our existing lending banks, should they be required. When combined, these measures have ensured that the Group is positioned to withstand the impact of the crisis and will help to ensure that we emerge strongly when the crisis passes.

I would like to offer my thanks and appreciation to all of Biffa's stakeholders, in particular our employees, for their exceptional response to the COVID-19 crisis.

As a result of all the actions taken to control costs and enhance liquidity, the Group remains EBITDA positive and is seeing only modest monthly cash burn. As a result of mitigating actions, the Group has taken, we are confident that we can manage through FY21 without seeing a marked increase in debt. Consequently, the Group is in a position to weather the unprecedented operating backdrop and trade through all modelled scenarios.

However, it is clear that COVID-19 is having a very significant impact on some of the Group's markets and the duration of the pandemic's impact and the ongoing effect it may have on the Group's financial performance remains uncertain.

As a result, our balance sheet and liquidity planning is based upon a cautious base case scenario, which assumes lockdown restrictions continue to be imposed for the duration of Q1 FY21 and are followed by a subdued and incomplete recovery over the remainder of the year. Under this scenario:

- The I&C division is expected to recover slowly as customers begin to renew activity, exiting the FY21 year with run rate revenues of ~80-90% of FY20, and remaining at these levels as we enter FY22.
- The Resources & Energy division is expected to experience a continued and more marked decline in Landfill Gas revenues during FY22, based on known volume reductions and current electricity prices. The Group expects its recycling business to continue to grow across FY21 and FY22, with the new Seaham PET plant coming on-line and Material Recycling Facility contract improvements.

The impact of reduced EBITDA would see leverage increase at the end of FY21 to c.3x on the base case and 4x on worst case scenario (both on a pre-IFRS 16 basis).

As a consequence of the covenant amendments agreed with lenders, we have agreed a number of restrictions, relating to levels of capex, M&A and shareholder distributions, which we expect to remain in place for c.12-18 months. The Company is therefore continuing to consider its funding options on an ongoing basis, including raising equity capital, to allow it to continue with all the previously outlined growth investment opportunities across I&C, closed loop plastic recycling and Energy from Waste, without delay.

What are your core priorities over the next year?

Our immediate priorities remain those associated with navigating the COVID-19 crisis. I am however hopeful and confident that as the year continues, and given the extensive measures we have taken, we will be able to refocus on delivering our strategic growth plans, make further progress against our Sustainability Strategy and ensure Biffa emerges as a stronger and better business.

COVID-19 will eventually pass and we will be able to restore underlying profitability over time, but the climate emergency is a continuing global challenge that will still be with us, and we at Biffa understand the vital role we have to play in helping the UK to address it.

Michael Topham
Chief Executive Officer

4 June 2020

Driving progress through strategy

Our purpose

To change the way people think about waste

[Read more on page 11](#)

Our vision

To lead the way in UK sustainable waste management

[Read more on page 11](#)

Our strategy for the future is built on three key pillars:

Grow our market share

Biffa seeks to drive organic growth across all of its businesses by gaining new customers and by upselling services to existing customers. In its I&C business, Biffa has a clear focus to grow by acquisition, as a natural consolidator within a fragmented market.

[Read more on page 13](#)

Develop services and infrastructure

Biffa looks to leverage the control of waste feedstock from its collections operations to invest in sustainable waste processing infrastructure. The expanded capacity and service offerings that this brings will help deliver the sustainability ambitions of both Biffa and its customers whilst providing the Group with long term sources of earnings.

[Read more on page 13](#)

Optimise systems and processes

Biffa aims to maximise margins by operating its business as efficiently as possible. Optimising Biffa's systems and processes includes activities such as integrating acquisitions on to Biffa systems, delivering strong levels of customer service to minimise customer churn, leveraging e-commerce opportunities and ensuring that projects meet investment criteria and help deliver our Sustainability Strategy.

[Read more on page 13](#)

Focused on three specific investment areas:

Collections growth

- Scale and capabilities position us well for organic growth
- Proven track record of M&A
- Platform gives unique synergy opportunities

Leading in UK plastic recycling

- Operational and development track record
- Control of materials
- Trusted offtake partnerships

Developing energy from waste infrastructure

- Proven market need
- Control of waste and consented sites
- Underpins I&C business

Underpinned by an extremely powerful sustainability story:

[We are unlocking c.£1.25bn of investment in the green economy, supported by fundable and deliverable investment plans. See pages 25 to 26.](#)

Building a circular economy

- Quadrupling our plastic recycling capability
- Investing in energy from waste

Tackling climate change

- Efficient low carbon collections
- Transitioning to EV/alternative fuels
- Solar development

Caring for our people, supporting our communities

- Reduce Lost Time Injuries
- Top quartile business for employee engagement
- Manage 30% of estate for biodiversity

Our strategy for growth sets us on a clear path to lead the way in UK sustainable waste management.

Grow our market share

What we achieved

Biffa has continued its strong track record of delivering both organic and inorganic growth, delivering good levels of new contract wins in all areas of the business and by acquiring and successfully integrating acquisitions in our I&C business.

During the year, we achieved some flagship Collections division customer wins including Transport for London and Center Parcs in our I&C business, Winchester and Cornwall Council in our Municipal business, and North London Waste Authority and Müller in our Resources & Energy division.

We acquired the trade and assets of five small businesses for a combined consideration of £5.1m, which takes our total number of successfully integrated businesses up to 22 since 2016, with £102m invested and £132.6m in revenue acquired.

We made good progress in integrating acquired businesses from the prior year with all integrations on track. In particular, the integration of Weir Waste has seen strong operational synergies by reducing the size of the combined trade waste fleet by 24% and in SWR, where we have benefited significantly from additional revenues into our collection network.

FY20 Acquisitions

June 2019 Thamesdown Recycling
July 2019 IWMS Waste Collection.com
September 2019 Ribbex
November 2019 Kier Somerset trade waste
Jan 2020 Winchester City Council Trade Waste Business

Priorities

We have a strong track record in delivering on our M&A programme. The market remains fragmented and once we emerge from the COVID-19 crisis we will be well placed to continue with our strategy.

As at March 2020, we had several potential acquisitions that were significantly progressed, but those processes were put on hold due to the impact of COVID-19. We are confident that as the year progresses, we will be able to further progress our strategic growth plans in this area.

Risks

[See pages 32 to 38](#)

Develop services and infrastructure

What we achieved

A particular area of focus for the Group is in plastics recycling, where we have the operational track record, control of feedstock materials and the deep trusted partnerships with our customers that position us for success in this critical and growing sector. Similarly our focus is in EfW, where our control of feedstock and consented sites give us the potential to unlock the development of this much needed infrastructure.

In January 2020, we opened and commissioned the first phase of our new £27.5m PET plastics recycling facility in Seaham, County Durham. In the next year, Biffa intends to progress the second phase of this facility in addition to building a £7m facility in Washington, which will expand our recycling capabilities for plastic pots, tubs and trays. These combined investments will increase Biffa's total recycled plastic processing capability to 140,000 tonnes per annum.

We also made good headway in growing our EfW assets, reaching financial close for our facility in Newhurst, Leicestershire in February 2020, a commitment by Biffa of £45m. The plant is now in construction and is expected to be operational in 2023. Our second project, the Protos EfW in Cheshire, is at an advanced stage of evaluation.

In response to the COVID-19 crisis, we deferred all non-essential and uncommitted capital expenditure. We anticipate that this will have only a modest impact on the timing of our plastics expansion plans and EfW programme.

Priorities

Our strategic priorities continue to remain as outlined in our Capital Markets Day in September 2019, the presentation for which is included on our website. We intend to proceed at pace with these plans once the COVID-19 crisis passes.

Risks

[See pages 32 to 38](#)

Optimise systems and processes

What we achieved

At the beginning of the financial year we restructured our business into two operating divisions – Collections and Resources & Energy. The restructure has delivered real benefits and synergies in particular with closer working between the I&C and Municipal businesses and between our Landfill and Landfill Gas operations.

Increasing efficiency was a key focus throughout the year which we accomplished in many areas, including our finance back office by deploying a Robotic Process Automation (RPA) using UI Path. The tool automates repetitive tasks and increases the speed of completing certain finance processes.

From a customer perspective, we experienced low levels of churn, in our I&C business, with key renewals including John Lewis Partnership, Baxter Healthcare, Greene King and Mitchells & Butlers. We also deployed customer facing Power BI reporting across 64 corporate customers which enables them to report on their overall spend, volumes, carbon consumption and other detailed activity. It is proving to be a real differentiator for new business versus competitors, adding to Biffa's unique and quality service offering.

We successfully integrated prior year acquisitions, together with five additional businesses bought in year, overseen by our experienced management team. Our excellent M&A track record and integration capabilities have been key success factors in ensuring we can quickly benefit from the synergies that these acquisitions deliver.

We have also been progressing 'Project Fusion', the Group's system replacement programme. More on this can be found on page 20.

Priorities

Our investment focus remains on improving efficiency of Collections, processing and back office function operations. We also seek to reduce the level of manual intervention in operational day-to-day tasks so that our resource can provide more added value elsewhere. We will implement RPA in other areas of the business in the coming year to drive increased efficiency and will explore potential efficiency opportunities using our internal BrightSparks innovation process which generates new ideas.

Risks

[See pages 32 to 38](#)

Measuring our progress

Financial						
Underlying Organic Net Revenue Growth (%)		Acquisition Net Revenue Growth (%)		Underlying Operating Profit Margin (%)		
2020	2.5	2020	4.5	2020	7.8	
2019	1.5	2019	2.9	2019	7.5	
2018	2.1	2018	4.4	2018	7.5	
Definition	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. Where comparative periods differ in duration, the KPI is adjusted on a pro-rata basis.		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) any acquisitions completed in the 12 months prior to 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.		Profit before exceptional items, amortisation of acquisition intangibles, impact of real discount rate changes to landfill provisions, finance costs and taxation expressed as a percentage of sales.	
Performance	The Group had a strong year of organic growth with some flagship customer wins. In our Collections division these included Transport for London and Center Parcs in the I&C business and Winchester and Cornwall Council in our Municipal business. In our Resources & Energy division, we had some important contract renewals that will underpin ongoing organic growth including Müller, Arla and North London Waste Authority.		We acquired the trade and assets of five small businesses for a combined consideration of £5.1m. We also made good progress in integrating acquired businesses from the prior year with all integrations on track. As at March 2020, we had several potential acquisitions that were significantly progressed, but those processes were put on hold due to the impact of COVID-19.		The Underlying Profit Margin remained stable, despite commodity price headwinds and disposal cost pressure. On a pre-IFRS 16 basis the margin for the current year was 7.5%.	
Target	CPI +1%		> 2.5%		Continuous improvement.	
Remuneration Linkage	Associated with annual bonus financial or personal metrics.		Associated with annual bonus financial or personal metrics.		Associated with annual bonus financial or personal metrics.	
Link to Strategy						

Return on Operating Assets [%]		Return on Capital Employed [%]		Underlying Earnings per Share (pence)		Leverage Ratio [x]	
2020	19.4	2020	8.9	2020	23.1	2020	2.4
2019	25.5	2019	9.4	2019	20.6	2019	2.1
2018	27.2	2018	9.8	2018	19.2	2018	1.9
Underlying Operating Profit divided by the average of opening and closing tangible fixed assets plus net working capital.		Operating Profit excluding exceptional items and the impact of real discount rate changes to landfill provisions divided by the average of opening and closing shareholders' equity plus Net Debt (including lease liabilities), pensions and environmental provisions.		Underlying Profit After Tax divided by the number of shares in issue.		Net Debt: Underlying EBITDA.	
Return on Operating Assets decreased due to the inclusion of £134.9m of IFRS 16 Right of Use assets. On a pre-IFRS 16 basis ROOA improved to 26.4%. See page 122.		Whilst operating profits have increased year-on-year, due to IFRS 16, Capital Employed has increased by £141m. On a pre-IFRS 16 basis ROCE improved to 10.3%. See page 122.		Underlying Earnings per Share rose by 12.1% to 23.1 pence. This is driven by higher underlying profits and lower underlying financing costs. See page 102.		Leverage has increased in the year due to the inclusion of £141m of IFRS 16 finance leases. On a pre-IFRS 16 basis leverage reduced from 2.1x to 1.8x as a result of strong underlying cash flow generation and lower M&A expenditure. See note 27 on page 143.	
Grow to over 20% and maintain above this level.		Grow to over 10% and maintain above this level.		Consistent growth.		<2.5x and to return to ≤2x over medium term (pre-IFRS 16).	
Associated with annual <i>bonus financial or</i> personal metrics.		Associated with annual <i>bonus financial or</i> personal metrics.		LTIP – Earnings Per Share 50%.		Associated with annual <i>bonus financial or</i> personal metrics.	

Key Performance Indicators continued

	Financial		Non-Financial	
	Underlying Free Cash Flow (£m)	Dividend per Share (pence)	Tonnes of waste processed (ktns)	
	2020 53.6	2020 2.47	2020	4,055
	2019 47.7	2019 7.20	2019	4,031
	2018 44.4	2018 6.70	2018	3,693
Definition	Net cash and cash equivalents plus dividends, acquisition spend, restructuring, EVP and exceptional spend movement in financial assets less net borrowings.	Dividend declared divided by the total number of shares in issue.	Tonnes received in the period subjected to processing activities, such as sorting, bailing, plastics recycling etc. at Biffa operated sites.	
Performance	Underlying Free Cash Flow increased by £5.9m in the year, due to lower finance costs and working capital improvements.	Due to the impact of COVID-19, the Board is not recommending a final dividend for the FY20 year. As a result, the only dividend for the period was the interim dividend of 2.47 pence per share.	Tonnage processed increased by 1% this year. A decrease in transfer station volumes was offset by increased soil treatment volumes.	
Target	Maximising conversion of underlying PAT to cash (currently 93%).	Growth over time.	Growth.	
Remuneration Linkage	Annual bonus.	Associated with annual bonus financial metrics.	Associated with annual bonus financial or personal metrics.	
Link to Strategy				

Tonnes of waste collected (ktns)		Lost Time Injury Rate (%)		CO ₂ e emissions reduction (ktns)		Employee engagement (%)	
2020	4,052	2020	0.23	2020	183	2020	58
2019	4,007	2019	0.39	2019	27	2019	58
2018	4,124	2018	0.27	2018	109	2018	53
Total waste tonnages collected from customers by Biffa operations. Excludes sub-contracted services and haulage/internal movements.		LTIs are defined as workplace injuries which resulted in the injured person taking time off work to recover from their injuries.		Greenhouse gas (GHG) emissions data is captured which is then converted to CO ₂ equivalents using Government emission conversion factors for GHG reporting published by the Department for Business, Energy & Industrial Strategy.		The levels of employee engagement as measured through the Kincentric Employee Engagement Index.	
Tonnes of waste collected has increased by 1%, I&C volumes remain static with an increase in Municipal tonnage.		During the year we had our best ever H&S performance, significantly reducing the number of LTIs across the organisation by 42%. This achievement was the result of great efforts by all our employees, supported by our 'Watch your Step' campaign, which resulted in a 50% reduction in the number of slips, trips and falls from the previous year.		We reduced carbon emissions by 23% in the year. We achieved this through a combination of landfill gas reduction (with a 31% decrease in methane emissions) and an improvement in how we capture gas for renewable energy generation purposes.		The 2020 result from a survey carried out in February 2020 was an employee engagement score of 58%.	
Growth.		5% reduction in LTI rate.		Year-on-year reduction in overall carbon emissions.		A 2% increase to an employee engagement score of 60%.	
Associated with annual bonus financial or personal metrics.		Annual bonus personal metric (6%).		Associated with annual bonus financial or personal metrics.		Annual bonus personal metric (6%).	
		See page 28 for more information		See page 26 for more information		See page 30 for more information	

Positioned well ahead of the downturn

A reconciliation from Underlying Profit After Tax to Statutory Profit After Tax is set out below:

	FY20 £m	IFRS 16 Adj £m	Pre IFRS 16 £m	FY19 £m
Underlying Profit After Tax	57.4	1.1	58.5	51.5
Acquisition-related costs	(1.1)	-	(1.1)	(2.8)
Amortisation of acquisition intangibles	(16.9)	-	(16.9)	(16.5)
Impact of changes in real discount rate on landfill provisions	4.9	-	4.9	(1.6)
Strategy and restructuring cost	(4.8)	-	(4.8)	(2.1)
Onerous contracts	1.5	-	1.5	(10.2)
Pensions GMP equalisation	-	-	-	(3.1)
Finance charges	1.1	-	1.1	(6.2)
Taxation impact on other items	3.5	-	3.5	9.0
Statutory Profit After Tax	45.6	1.1	46.7	18.0

Richard Pike
Chief Financial Officer

Group Performance

I am pleased to be able to present another strong set of financial results. Compared with the prior year, Statutory Revenue was up 7%, Statutory Operating Profit increased 63% and Statutory Profit before Tax was up 163%, resulting in Earnings per Share (EPS) increasing 154%. Looking at underlying performance measures, Underlying Operating Profit (pre-IFRS 16) was up 7.3% and Underlying EPS increased 14.6%.

Other Items

To enable a better understanding of business performance, certain items are excluded when calculating the Group's underlying measures of performance. These items are explained further in Note 3 to the consolidated Financial Statements and include:

- (i) exceptional items; and
- (ii) Other non-underlying items that recur most years but that the Group feels will aid the user by excluding from underlying performance- amortisation of acquisition intangibles and movement on landfill provisions as a result of discount rate changes.

These Alternative Performance Measures (APMs) are also used to enhance the comparability of information between reporting periods and the Group's divisions, by adjusting for non-recurring or uncontrollable factors which affect IFRS measures, to aid the user in understanding the underlying performance.

Finance Charges

Underlying financing costs fell significantly compared with the prior year, as a result of renegotiated loan borrowing and bonding facilities and the natural decline of the number of older, more expensive lease liabilities. A breakdown in net finance charges is below:

	FY20 £m	IFRS 16 Adj's £m	Pre IFRS 16 £m	FY19 £m
Interest on net borrowings	9.0	-	9.0	9.9
Interest on lease liabilities	4.2	-	4.2	5.0
IFRS 16 leases	4.2	(4.2)	-	n/a
Bond premiums	1.6	-	1.6	1.8
Provision discount unwind/other	(0.3)	-	(0.3)	1.0
Net underlying finance charges	18.7	(4.2)	14.5	17.7
Discount unwind on EVP instrument and IPO costs	(1.1)	-	(1.1)	2.4
Unamortised arrangement fees on old facility	-	-	-	3.8
Net finance charges	17.6	(4.2)	13.4	23.9

Taxation

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

The statutory effective tax rate was 19.2%, slightly higher than the prevailing rate due to certain charges being disallowed for UK corporation tax. Payments in respect of corporation tax in the year were (£0.2m) (prior year £0.2m). The Group's deferred tax balance of (£17.3m) includes balances totalling (£39.9m) in respect of Accelerated Capital Allowances, previously written off goodwill and losses which will continue to moderate tax payments in future years.

Earnings per Share

Underlying Earnings per Share rose by 12.1% to 23.1 pence from 20.6 pence in the prior year. In addition, Total Earnings per Share increased to 18.3 pence, over 154% higher than the prior year 7.2 pence, as a result of improved trading performance and lower exceptional, non-underlying items.

Retirement Benefits

The Group operates defined pension schemes for certain employees. These are closed to new members and to future accrual (except for a small number of members who have protected entitlements under local Government contracts). At 27 March 2020, the net retirement surplus was £124.7m (prior year £79.0m). The Biffa Pension Scheme had an actuarial deficit of £29.2m at the time of the last valuation in March 2018 (compared with £66.7m in March 2015), and an inflation-linked annual payment of £4.3m has been agreed with the Trustee of the scheme.

Capital Allocation

The Group seeks to balance the allocation of its discretionary capital between shareholder returns, acquisitions and organic growth opportunities.

Due to the impacts of COVID-19, and the prudent prioritisation of cash conservation, the Board is not recommending a final dividend for the FY20 year. As a result, the only dividend for the period was the interim dividend of 2.47 pence per share.

Prior to putting all M&A activity into abeyance, due to the impending impacts of COVID-19, the Group had continued to deliver against its growth strategy by completing five small acquisitions for £5.1m during the year. As the SWR business was acquired on 12 March 2019, the integration of this business, and the other six acquisitions last year, has been a significant focus for the Group.

Cash Flow

Another year of focus on strong cash flow delivery in the year enabled the Group to exit the year with a further strengthened balance sheet and reduced leverage.

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

	FY20 £m	IFRS 16 Adj's £m	Pre IFRS 16 £m	FY19 £m
Underlying EBITDA	174.0	(18.9)	155.1	150.7
Working capital movement	12.8	-	12.8	(3.2)
Net capital expenditure	(55.8)	-	(55.8)	(45.2)
Net interest paid	(16.9)	4.2	(12.7)	(16.0)
Lease principal payments	(50.2)	14.7	(35.5)	(33.0)
Pension deficit payments	(4.1)	-	(4.1)	(4.0)
Advance for purchase of own shares for share awards	(6.0)	-	(6.0)	(1.4)
Tax paid re acquisitions	(0.2)	-	(0.2)	(0.2)
Underlying Free Cash Flow	53.6	-	53.6	47.7
Restructuring and exceptional items	(14.2)	-	(14.2)	(4.5)
Acquisitions	(5.1)	-	(5.1)	(41.5)
Investment in associates	(5.0)	-	(5.0)	-
Changes in borrowings	0.5	-	0.5	45.1
Movement in financial assets	10.1	-	10.1	(4.4)
Dividends	(18.3)	-	(18.3)	(17.0)
Net increase/(decrease) in cash and cash equivalents	21.6	-	21.6	25.4

Financial review continued

Underlying Free Cash Flow increased by £5.9m in the year, driven by working capital inflow and reduced interest costs, which offset increased capital expenditure and purchase of own shares for share awards. Net cashflow (excluding movement in borrowings) is stronger than last year as a result of lower M&A spend, offset by the Hazardous waste landfill tax payment to HMRC (detailed further below) and the initial equity investment in the Newhurst EfW facility.

Systems Replacement Programme

We have made some substantial changes to 'Project Fusion', the Group's systems replacement programme, during the year. We were not satisfied with the progress to date and as a result, we paused the programme in May 2019 in order to reassess the constituent elements, ordering and project milestones. The increased costs associated with this pause are included in Other Items: Strategy and restructuring costs. We replaced the Systems Integration delivery partner and recommenced the programme with a new partner in November 2019. The programme has been paused again in April 2020 as a result of COVID-19.

Net Debt and Financing Facilities

In March 2019, the Group refinanced its bank borrowings with a new unsecured revolving credit facility (RCF) of £350m. This facility had an initial five-year term and was extended by a further year to March 2025 during the period. The RCF provided the Group with a lower than average cost of debt compared with the prior year, an increased maturity profile and improved covenants. As previously reported, after the year end, an agreement was reached with the Group's banks to revise covenants and increase liquidity headroom for FY21 to provide appropriate flexibility to cope with the impacts of COVID-19 in order to cater for all modelled scenarios:

- An amended pre-IFRS 16 Net debt: EBITDA covenant for FY21 H1 of 5.5x (compared to the previous covenant of 3.5x) and an interest cover covenant unchanged at 4x;
- An agreement that in relation to FY21 H2, the Group will be afforded a 30% covenant headroom over and above Biffa's forecast profit run rate as calculated in September 2020, to cater for the current lack of visibility around the post lockdown run rate of profitability; and
- In addition, whilst the Group has sufficient liquidity to cover the various modelled scenarios, its banks have agreed in principle, to an additional £60m committed liquidity headroom facility, should it be required.

Reported Net Debt at year-end breaks down as:

Reported Net Debt (£m)	FY20 £m	IFRS 16 adj's £m	Pre IFRS 16 £m	FY19 £m
Cash	87.8	-	87.8	66.2
Loans	(249.0)	-	(249.0)	(248.0)
Lease liabilities	(258.0)	141.0	(117.0)	(122.6)
EVP preference instrument	(6.3)	-	(6.3)	(6.3)
Total	(425.5)	141.0	(284.5)	(310.7)

Reported Net Debt excludes £41.3m (prior year £42.3m) of EVP preference instrument liability in respect of the EVP Dispute (see Note 33). £6.3m of these costs is included in Reported Net Debt as it will be payable irrespective of the outcome of the dispute and is therefore considered core debt.

Landfill Tax Matters

The Group is currently engaged in the following disputes with HMRC:

EVP: The Group is engaged in a dispute with HMRC concerning historical landfill tax. Biffa was successful in its appeal at the Upper Tax Tribunal hearing held in November 2019. HMRC has appealed this decision to the Court of Appeal. This is covered in more detail in note 34 of the accounts.

Hazardous Waste: As previously disclosed, HMRC assessed Biffa for £8.5m of landfill tax relating to the period 2012 to 2016. Biffa paid these monies to HMRC in December 2019 and is appealing the assessment. The cash payment is within exceptional cash flows and is held on the balance sheet within prepayments as we expect to successfully defend this case.

Financial Reporting Council (FRC) Information Request

In February 2019, the Group received a request for information on the reporting treatment of certain areas from the FRC, following a review of the Group's 2018 Annual Report and Accounts. The request focused on four main areas- APMs, landfill restoration and aftercare provisions, pension schemes, and service concession arrangements. The Group responded fully and on a timely basis to the FRC, enabling it to close its enquiry in early May 2019. As a result of the enquiry, the Group made a number of small disclosure changes in the prior year Financial Statements, which have also been incorporated this year.

IFRS 16

The Group has adopted IFRS 16 with effect from the start of this year. It has not restated the prior year Financial Statements. Adoption of IFRS 16 has no effect on how the business is run, nor on the cash flows for the Group.

The Balance Sheet impact of IFRS 16 is:

(£m)	FY20 £m	IFRS 16 adj's £m	Pre IFRS 16 £m	FY19 £m
Property, plant and equipment	527.7	(139.4)	388.3	365.4
Lease Liability	(258.0)	141.0	(117.0)	(122.6)
Other	141.3	(0.5)	140.8	117.3
Net Assets	411.0	1.1	412.1	360.1

The impact to the trading statement of IFRS 16 is:

(£m)	FY20 £m	IFRS 16 adj's £m	Pre IFRS 16 £m	FY19 £m
Underlying EBITDA	174.0	(18.9)	155.1	150.7
Depreciation	(83.5)	16.1	(67.4)	(69.0)
Underlying Operating Profit	90.5	(2.8)	87.7	81.7
Underlying Profit before tax	71.7	1.4	73.1	64.0
Underlying profit after tax	57.4	1.1	58.5	51.5

Richard Pike

Chief Financial Officer

4 June 2020

Collections Division

Jeff Anderson

Chief Operating Officer, Collections Division

The Collections division comprises the Industrial & Commercial (I&C), Municipal and Specialist Services businesses. Collection services are provided for local authority and commercial customers, together with commodity recycling and a wide range of additional services including hazardous waste collection.

Industrial & Commercial

The I&C business provides waste collection and materials handling services for commercial customers.

Performance Summary

The I&C business performed extremely well in the year, with revenue growing by 7.8% to £603.7m. Organic growth of 1% was supplemented by 8.3% from acquisitions.

In the year, we benefited significantly from SWR revenues (which we acquired in March 2019). We successfully integrated seven acquisitions from FY19 into our business and made a further five small acquisitions during the current year. Integration of these acquisitions is progressing well and we had a strong pipeline of future opportunities in March 2020, prior to putting all acquisitions on hold.

We were pleased to achieve a further year of excellent customer retention (overall churn of 5.2%), as well as a number of flagship customer wins including: Transport for London, Center Parcs, SSE, Malmaison, Barratt Homes and Skanska.

In our Small to Medium Enterprise (SME) market we had a record year. The growth was largely driven by strong performance from our telesales team and good progress in our lead generation capability.

Market Conditions

Overall Biffa remains a leader in a fragmented Collections market, benefiting from our scale, route densities and lower operating costs. We are seeing increasing requirements from customers to help manage their sustainability performance, specifically around landfill diversion and carbon emissions. Our smarter logistics mapping allows for constant reconfiguration of routes to help reduce carbon 'waste miles' and our integrated position means our customers have full visibility of the waste supply chain.

Volatility in the global commodity markets depressed the value received for recycled materials in the year. In addition, we also saw the introduction of import tariffs on refuse derived fuel in both the Netherlands and Sweden. Market pricing responded accordingly, and these costs were successfully mitigated, demonstrating the resilience of the business model.

As discussed at our Capital Markets Day, the I&C business intends to reduce volume into some European export refuse derived fuel (RDF) markets over time, and expects more UK incinerator volume, including EfW developments planned by Biffa, to increasingly become available.

Strategy and Outlook

The I&C business has been significantly impacted by the COVID-19 crisis as many customers, particularly those in hospitality, leisure and non-food retail, ceased or reduced trading, with revenues falling by approximately 50% in the weeks since the financial year end. By taking rapid action to reduce costs, we have been able to ensure that service levels continue to be maintained at their normal very high standards, with over 97% of services successfully provided first time. In addition, despite these challenges, new business wins have continued at high levels, as some smaller operators have struggled to ensure continuity of service.

We have a clear strategy to grow the Collections business through organic growth and the development of additional services, supported by complementary acquisitions.

We are developing a number of new routes to market, innovating and broadening our digital capabilities. We are strengthening our e-commerce capability, by adding additional customer features on our self-serve web portals and introducing more digital products to market. During the year, a new reactive waste collection service 'Skoup' was introduced which enables residential and commercial customers in the UK to order a skip, van collection or bag service online. You can find out more about Skoup here: www.skoup.co.uk

Collections Division continued

Specialist Services

The Specialist Services business provides specialist, tailored and niche services to customers who have more complex waste requirements. It was formed through the amalgamation of Integrated Resource Management (IRM) and our Hazardous Waste operation, together with Biffpack, our plastic packaging compliance service business.

Performance Summary

Specialist Services delivered a strong performance through operational synergies, customer retention and some encouraging new business wins. Revenue grew by 23.9% to £89.8m. In IRM we continued to secure more complex customers including manufacturers such as Britvic and food processors such as Avara Foods. We improved underlying performance in Hazardous Waste by leveraging Biffa's I&C customer base to provide additional collection and treatment services to customers and this was further supported by some encouraging new contract wins, including Royal Mint.

Through Biffpack we have a role to play in helping businesses to meet their legal compliance with packaging regulations. We offered free compliance workshops in the year on topics including WEEE and batteries, to help customers understand the regulatory requirements.

Market Conditions

The market for Specialist Services is growing and Biffa's unique position in having a fully integrated waste management platform means we can take advantage of cross-selling services from our I&C customer base.

Going forward we will continue to engage with the UK Government, to ensure our opinions on packaging compliance reforms are considered during the development of new waste policy and regulatory measures, including the Resources and Waste Strategy in England.

Strategy and Outlook

Specialist Services is holding up well in the current circumstances, with IRM continuing to provide an extremely valuable service to the food manufacturing sector in particular, with Hazardous Waste collections and end of life processing continuing, albeit around 20% down on pre-COVID-19 crisis levels.

Going forward, the business has a good opportunity for growth, particularly in the Hazardous Waste arena. This will be reflected in our acquisition pipeline, once we emerge from the COVID-19 crisis.

Municipal

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

Performance Summary

We have made significant progress in stabilising the business, winning new contract tenders, building our strong order book and achieving good operational delivery. Revenue grew by 7.7% to £177.3m.

We successfully mobilised our East Sussex and Waverley contracts, delivering good levels of customer service and ensuring strict Health & Safety protocols are in place. In addition, key contract wins in the year include the waste and cleansing contracts for Cornwall, Tandridge and Winchester Councils, which have added over £300m to the order book.

Market Conditions

Our Municipal business is number two in the UK domestic market, with 35 municipal contracts and is regarded by local authorities as a key partner, delivering a high-quality service. The market remains competitive; however, we are seeing a shift in approach and some parties are now exiting the market, resulting in increased stabilisation. This in turn is leading to more maturity in the sales and procurement processes and a more equitable risk balance between the public and the private sector.

The business is well placed to benefit from the Government's Resources and Waste Strategy (RWS) in the next few years as demand for recycling services from local authorities increases. We are also seeing more willingness from local authorities to increase their budgets for waste contracts as they appreciate that a sustainable quality service is more beneficial over the long term. Labour supply, including driver availability continues to be a key risk, but we are confident that we have the best team in place to manage our business needs.

Strategy and Outlook

The Municipal business has remained resilient in the current market conditions, with revenues remaining stable. The business has worked with clients to ensure continuity of almost all services and the team is performing admirably despite the inevitable increased employee absence due to COVID-19.

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

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

We have enhanced our technology capabilities by investing in the remote monitoring of vehicles to improve safety performance and customer service.

In line with our sustainability ambitions, we are supporting Manchester City Council with the implementation of electric refuse collection vehicles. We are committed to being at the forefront of this innovation and embracing this technology forms a key part of Biffa's Sustainability Strategy and our target to reduce carbon emissions by 50% by 2030. You can read more on this here: www.biffa.co.uk/sustainability

Resources & Energy Division

Mick Davis
Chief Operating Officer, Resources & Energy Division

The R&E business, which includes Recycling, Organics, Inerts and Landfill Gas, focuses on the treatment, recycling, energy recovery and ultimate disposal of waste. Net revenue in the year was £232.1m.

Performance Summary

Recycling

Our recycling facilities comprise our Polymers plastics business and our materials recycling facilities (MRFs).

In our Polymers business we have seen increasing demand for recycled plastics result in revenues increasing by 0.4% to £79.5m and (as described on page 24) we have invested £15m in the first phase of a new 57kt PET facility in Seaham during the year to satisfy the growing demand in this space.

We faced variable commodity prices in the year, which reinforced the need for us to change our business model to improve gate fees and lower commodity exposure. We have repurposed some of these facilities from dry mixed recyclables to focus purely on plastics so we can increase capacity and produce feedstock for our Polymers business.

Organics

Revenue decreased by 7.8% to £56.9m due to a mixture of service contract changes in West Sussex, where material is now sent to EfW rather than landfill and the impact of planned maintenance downtime in Poplars, reducing energy generation. Our Leicester site has had a solid year with improving underlying performance.

Inerts

Landfill has had a strong year, improving tonnage from 2.8 to 2.9MT, offsetting a modest reduction in average gate fees due to changes in geographic and waste type mix. These volumes have been underpinned by our rail hub operations in Leeds and Manchester. Soil and aggregate treatment operations have also had a solid year. As a result, net revenue in the business grew by 11.2% to £52.4m.

Landfill gas

Ongoing landfill gas yield declines were lower than recent years due to strong operational performance. Higher average forward-selling prices achieved (£49.23 per MWh in FY20 versus £46.00 in FY19) have been offset by a lower ROC upside.

Resources & Energy Division continued

Market Conditions

We continue to experience strong demand for plastics recycling material as a result of ongoing consumer and brand preference coupled with emerging Government policy.

In the budget it was announced that a plastics tax of £200/t would be introduced from 2022. The additional measures announced in the Government's RWS are subject to ongoing consultation, but are generally expected to have a positive market impact on recycling levels, which will provide the right conditions for companies, such as Biffa, to invest in waste infrastructure.

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

Whilst the market prices for energy have weakened, Biffa has forward sold c90% of its FY21 output.

The growth of separate food waste collections has been limited during the last year and there continues to be an excess of anaerobic digestion processing capacity, placing pressure on gate fees. However, through our scale, operational expertise and collection network, we remain well positioned to benefit from a rebalancing in this market as the RWS measures around food segregation are introduced over time.

Strategy and Outlook

The impact of COVID-19 across R&E is varied, with the most notable impact being on Biffa's landfill operations, which rely on the construction industry for a large proportion of their business and have seen revenues reduce by around 50% from their position prior to COVID-19. The other areas of the business, whilst impacted, are holding up well.

Going forward we will continue to focus on expanding our capacity for closed-loop recycling, which is the highest-grade (food grade material) and therefore has the highest value.

In January 2020, we opened the first phase of our £275m rPET plastics recycling site in Seaham, County Durham. The plant, which can recycle the equivalent of 1.3bn plastic bottles per annum, was built on budget and on schedule and was fully operational at the start of the new financial year. We also announced a new £7m facility in Washington, Tyne & Wear, which will expand our recycling capabilities for plastic pots, tubs and trays. These combined investments will increase Biffa's total recycled plastic processing capability to 140,000 tonnes per annum.

EfW forms a key part of our strategy. The Newhurst EfW development reached financial close on 11 February 2020 and will commence operations during 2023. As previously disclosed, Biffa's financial commitment to this development will be c£45m over the next three years. We continue to progress our second opportunity, Protos in Cheshire, and are at an advanced stage of this evaluation.

We announced in our Sustainability Strategy that we will look to invest in solar energy generation on closed or restored landfill sites. Our low cost access to the grid and large land holdings make this an interesting future investment opportunity.

We will continue to expand our rail hub network to support our landfill operations, together with optimising gas, electrical and material yields whilst maintaining operational efficiency across all our sites.

Our ambitious approach to sustainability

In March 2020 we launched our Sustainability Strategy: Resourceful, Responsible.

The strategy builds on our long track record of making a positive contribution to the environment and communities we operate in, outlining Biffa's ambition to drive the sustainability agenda within the UK waste management industry for the next 10 years. It is underpinned by an ambitious but deliverable plan, which is aligned to our strategic framework and fully supported by our previously outlined investment plans.

In the strategy, we pledged to continue building on the significant progress that we have made in recent years to decarbonise our services, which has already seen CO₂ emissions reduce by 65% since 2002. In the year we reduced our emissions by over 23%; however we have big ambitions and are targeting a further 50% reduction in emissions by 2030. This will be achieved through increased recycling, diversion from landfill and by improving collection route densities.

Our Sustainability Strategy has been informed by recognised best practice, new and emerging UK and EU waste and circular economy policies, and the United Nations Sustainable Development Goals.

Sustainable Development Goals (SDGs)

Under each strategy pillar we have mapped the SDGs to demonstrate how we are making a contribution.

You can read more about this in the Sustainability Strategy, which is available at: www.biffa.co.uk/sustainability

Strategic Pillars	Strategic Ambitions	Targets to 2030	Alignment to the SDGs
Building a circular economy	Unlock £1.25bn of investment in green economy infrastructure by 2030	<ul style="list-style-type: none"> ■ Expanding our low-carbon collection business ■ Quadrupling our plastic recycling ■ Investing in low carbon, Energy from Waste 	
Tackling climate change	Having reduced emissions by 65% since 2002, we will deliver a further 50% reduction by 2030	<ul style="list-style-type: none"> ■ 50% reduction in carbon emissions ■ Cease buying fossil-fuelled collection vehicles ■ Increase collection route efficiency by 20% 	
Caring for our people, supporting our communities	To be recognised as a top ranked employer and to continue to be a good corporate citizen, supporting good causes to make a real difference	<ul style="list-style-type: none"> ■ To continuously be a top quartile business for Employee Engagement ■ 50% reduction in our Lost Time Injury rate ■ Manage 30% of our estate for biodiversity 	

Sustainability continued

Environmental Performance

Biffa has a team of environmental regulation and policy specialists, who engage with the UK Government, regulators and policy makers to help shape the national regulatory and policy framework in relation to environmental matters.

We also provide our expertise in our Reality Check papers, published on our website, which cover important topics such as recycling, plastics and waste treatment.

🔗 To read these papers visit:
www.biffa.co.uk/media-centre/publications

Below is our streamlined energy and carbon reporting data for year ended 27 March 2020. Further environmental data can be found at: www.biffa.co.uk/sustainability/environmental-performance

Global GHG Emissions and Energy Use Data for period 1 April 2019 to 27 March 2020

	Current reporting year 2019/20	Comparison reporting year 2018/19
Emissions from activities for which the company own or control including combustion of fuel & operation of facilities (Scope 1) /tCO ₂ e (ktns)	543	716*
Emissions from purchase of electricity, heat, steam and cooling purchased for own use (Scope 2) /tCO ₂ e (ktns)	29	31
Total gross scope 1 & 2 emissions/tCO ₂ e (ktns)	572	747
Intensity ratio: tCO ₂ e (gross scope 1 & 2 emissions per employee)	71	95

* Scope 1 emissions for 2018/19 have been restated as improved diesel data has now become available.

Energy consumption used to calculate the above emissions

Climate change/GHG emissions table (Total kWh):	Current reporting year 2019/20	Comparison reporting year 2018/19
Methane emissions (utilised)	434,148	447,463
Diesel fuel used	449,367,933	474,364,639
Red diesel used	80,800,198	89,689,097
Unleaded petrol used	846,055	1,251,655
Kerosene used	106,848	96,240
LPG	8,164	15,782
Natural gas	7,700,877	6,952,145
Purchased electricity	76,585,813	73,334,935
Self-supplied electricity	37,460,319	36,692,163
Total kWh	653,310,355	682,844,119

To calculate the above consumption figures, we used methodology based on Energy Savings Opportunity Scheme (ESOS) and CRC Energy Efficiency Scheme compliance.

Following our ESOS audit, completed in November 2019, a number of Biffa's sites undertook energy saving projects. These included installing LED lighting at 45 of our sites and PIR motion sensors at 11 of our sites, both aimed at reducing electricity consumption.

Overall, we reduced carbon emissions by 23% in the year. We achieved this through a combination of landfill gas reduction and an improvement in how we capture gas for renewable energy generation purposes.

Energy Generation

	2020	2019
Generation (GWh)	423	441
Carbon benefit (kt CO ₂ e)	108	125

Non-Financial Information Statement

Our Annual Report and Accounts details our approach to environmental, social and employee related matters. The table below outlines where in the report you can find this information and where additional information can be found on our website.

	Main policies and standards which govern our approach	Where to find further information
Anti-fraud, bribery and corruption	<ul style="list-style-type: none"> ■ Anti-fraud, bribery and corruption policy and procedures ■ Whistleblowing policy and procedures 	Our People (pages 29 to 31) Audit Committee Report (page 57)
Business model, principal risks and non-financial KPIs	<ul style="list-style-type: none"> ■ Business model ■ Principal risks ■ Non-financial KPIs 	Group at a glance (pages 2 to 3) Principal risks (pages 34 to 38) Key performance indicators (pages 14 to 17)
Employees	<ul style="list-style-type: none"> ■ Employee handbook ■ Corporate responsibility statement ■ Sustainability strategy ■ Diversity policy ■ Health, safety and wellbeing policy ■ Whistleblowing policy and procedures 	Our People (pages 29 and 31) www.biffa.co.uk/sustainability/corporate-social-responsibility www.biffa.co.uk/sustainability
Environmental matters	<ul style="list-style-type: none"> ■ Corporate responsibility statement ■ Sustainability strategy 	See page 26 www.biffa.co.uk/sustainability/corporate-social-responsibility
Human rights	<ul style="list-style-type: none"> ■ Employee handbook ■ Corporate responsibility statement ■ Modern slavery and human trafficking policy ■ Supplier Code of Conduct 	Our People (pages 29 to 31) www.biffa.co.uk/sustainability/corporate-social-responsibility www.biffa.co.uk/about-us/suppliers
Social matters	<ul style="list-style-type: none"> ■ Corporate responsibility statement ■ Sustainability strategy 	Our People (pages 29 to 31) www.biffa.co.uk/sustainability/corporate-social-responsibility www.biffa.co.uk/sustainability

Keeping our people safe and well

Keeping our people safe and well is our absolute priority. This extends to the safety of our contractors, customers and members of the public. The Board has overall responsibility for Health & Safety, including setting policy and reviewing performance.

Health and Safety Policy

Our H&S policy outlines our approach to health, safety and wellbeing across the Group. In order to support the implementation of the policy, we have a set of management standards which apply to all of Biffa's operations. In the year, we undertook a project to consolidate these into 20 Group standards which cover key areas of H&S, such as waste handling processing and traffic management. Training is provided to employees, including contractors, to ensure compliance.

Performance

During the year we had our best ever H&S performance, significantly reducing the number of LTIs across the organisation by 42% (39 in 2019/20 compared with 67 in 2018/19). This achievement was the result of great efforts by all our employees, supported by our 'Watch your Step' campaign, which resulted in a 50% reduction in the number of slips, trips and falls from the previous year.

Lost Time Injury and RIDDOR Rate

Despite our recent positive performance, there is still much to do. Our long-term commitment is to create a zero harm environment, with no injuries or work related ill health across our team. We are aiming for a further 50% reduction in our LTI rate by 2030.

To support us on this journey, we implemented or continued the following initiatives in the year:

Safer Together

'Safer Together', which launched in February 2020, is our new H&S programme centred on collective responsibility by working together to ensure the safety of our people and those we work with, including contractors, customers and members of the public.

The foundation of the programme is the Safer Together Pact:

All our senior leaders attended a two hour Safer Together leadership training experience so they can continue to lead by example. This will be supported by training for managers, supervisors, drivers and front line operatives throughout the year ahead.

People in Bins

Biffa is working collaboratively with the waste industry, homelessness charities and members of the public to address the growing issue of people sleeping in bins, which poses significant H&S risk. By raising awareness of what preventative measures need to be taken, by both drivers and members of the public, we hope to prevent these incidents from occurring. This includes, training our own drivers on the importance of checking bins before they are collected and reporting such encounters to Street Link, a national rough sleeping reporting service. You can read more about our research and action plan on our website here: www.biffa.co.uk/media-centre/publications

Driving Recklessly on Pavements (DRoPs)

Our employees continue to face the threat of reckless and aggressive drivers who do not have the courtesy or patience to allow them to perform their duties. Biffa is committed to raising awareness of the social unacceptability of DRoPs to help protect the safety of our crews and the public.

Engaging our people

Our services are delivered by a team of over 8,000 colleagues across Biffa. We work hard to create a culture and an environment that allows everyone to work effectively and safely and to contribute to the growth of the organisation. Our People Strategy guides our priorities with a focus on; Attraction, Leadership, Engagement, Development and Performance.

Our policies ensure that our positions on key topics are clearly defined and communicated to our employees and that we all take consistent and appropriate action.

Our Values

Our values (Be safe, Be innovative, Be customer focused, Be a team player and Be accountable) help guide our people in their daily activities and support our behavioural framework. They describe the behaviours we encourage all employees to adopt to best serve the interests of our customers, employees and the business overall. We have been finalising a new set of values over recent months to reflect our evolving position as key workers and to better capture the sentiment of how we act. Once approved, they will be embedded internally over the coming months.

Health and Wellbeing

We care about the health and wellbeing of our employees. Our “& Me” programme focuses on aspects of health and wellbeing that are particularly relevant to Biffa. The programme delivers regular campaigns, training and offers a dedicated website with advice and guidance on how to improve wellbeing. We also have our Smarter Ways of Working programme which supports flexible working and work-life balance and provides a confidential Employee Assistance Programme with a 24-hour helpline.

Board Engagement Activities

David Martin, our Senior Independent Director, has Board responsibility for workforce engagement. David has attended, and been privy to, a number of employee-related activities over the course of the year, which have provided opportunities to interact directly with representative groups of employees in a variety of forums.

This included attending events such as employee roadshows, manager conferences, employee focus groups and the annual *Diamond Award ceremony*.

In addition, David attended, with the Group Executive Team, a presentation on the results of the annual employee engagement survey and employee action plan reviews with the CEO, Group HR Director and the lead employee engagement champions, where he had the opportunity to consider and raise questions about the annual employee engagement survey and subsequent action planning activities.

David has provided feedback to the Board on engagement activities and provided a full report at the April 2020 meeting when the engagement plan for 2020/21 was also agreed. Site visits for future Board meetings will be structured to accommodate general discussion with employee groups.

“Having completed a full year undertaking the responsibilities of the Non-Executive Director for Workforce Engagement, I am content that the Terms of Reference and Engagement Framework is proving fit for purpose, and providing me with ample opportunity to sample reactions and viewpoints of the workforce at large.”

“At all the meetings I attended I noted high levels of motivation, engagement and pride at being part of a successful business and significant buy-in to ‘changing the way people think about waste’ a purpose which has landed strongly across a range of employees and managers.”

“I was very impressed at the constructive input from all participants, which gave me confidence to advise the Board that so far I have seen practical evidence of our values being openly expressed and validated by a good cross-section of employees.”

David Martin

Non-Executive Director for Workforce Engagement

Details of how the Board has considered employee interests during the year in its decision making are set out on pages 48 to 49

Our People continued

Engaging our Employees

Creating high levels of employee engagement is one of our top priorities and is central to our People Strategy; we strive to make Biffa a consistently great place to work. Since 2011, the percentage of engaged employees at Biffa has doubled and in the past year our overall level of engagement has remained stable at 58%, following a 5% point increase last year. Although levels have remained stable this year, we are still ahead of our strategic target and ahead of the UK average. We engage with our employees throughout the year through multiple communication channels including: face-to-face roadshows, conference calls, recorded vlogs and our employee app, Biffa Beat.

In addition, we recognise our employees and teams who have gone the 'extra mile' through our annual Diamond Award ceremony.

Learning and Development

We continue to invest in the personal development of our colleagues. Our Learning and Development Team provides a broad selection of programmes ranging from compliance and technical training to management and leadership development. We have also invested in a comprehensive portfolio of e-learning modules, allowing all our employees access to relevant and timely learning content.

One key area of focus for 2020 is our Advanced Leadership Programme. This new senior leader development programme will accelerate the development of some of our brightest talent across the organisation.

We continue to offer a portfolio of apprenticeship programmes which range from engineering apprenticeships through to master's in business administration.

Anti-fraud, Bribery and Corruption

Our anti-fraud, bribery and corruption policy and procedure sets out the standards that are expected of employees and the systems and procedures which Biffa employs to minimise the opportunity for fraudulent or corrupt behaviour taking place and how it will deal with any instances of such behaviour. It applies to all our employees and appropriate parts of the policy are also applied to representatives, joint venture partners and outsourcing partners. It includes guidance to employees on the giving, receiving and recording of business gifts and hospitality. There is an e-learning module on this topic for all Biffa leaders and managers to ensure they understand and adhere to this. Any breaches of policy are investigated by the Head of Risk and Internal Audit and are reported to the Audit Committee (see details on whistleblowing).

Promoting Diversity and Inclusion (D&I)

We are committed to promoting D&I across all areas, including gender and ethnicity. The industry in which we operate has traditionally employed more men than women. Across the Group, the workforce comprises 12% female and 88% male employees. There is therefore lots more to do in this area and it remains a key focus.

The Company entered the FTSE 250 in March 2020 and we will submit the gender data on our Group Executive Team and their direct reports to the Hampton-Alexander Review in November 2020. The table below shows our employment by gender in each of the relevant categories.

We believe that diversity enhances our effectiveness and we will continue to address our gender imbalance when making future Board and senior leader appointments and will strive to develop a diverse pipeline of executive talent.

Although women account for only 12% of the overall workforce, they are better represented within professional and managerial roles which means on average they receive high levels of pay in our business. This results in a negative gender pay gap. More information can be found in our Gender Pay Gap report: www.biffa.co.uk/sustainability/corporate-social-responsibility

We are working to create a consistently inclusive environment where differences are valued and all colleagues can thrive. We delivered D&I training to our senior leaders during 2019, introduced an e-learning module on diversity for all managers and plan to deliver D&I training to front line employees during 2020.

Our diversity policy also covers specific arrangements for people with disabilities including:

- giving full and fair consideration to applications from disabled persons, having regards for their skills and abilities;
- continuing the employment of and arranging appropriate training for those who have become disabled while at Biffa; and
- career development and promotion of disabled employees.

More information (including targets for the next 10 years) can be found in our Sustainability Strategy: www.biffa.co.uk/sustainability

Our Gender Statistics:

Category	Male		Female		Non-Disclosed		Total	
	No's	%	No's	%	No's	%	No's	%
Board	6	85.7%	1	14.3%	0	0.0%	7	100.0%
Group Executive Team	6	85.7%	1	14.3%	0	0.0%	7	100.0%
Direct Reports to Group Executive Team	28	73.7%	10	26.3%	0	0.0%	38	100.0%
All Employees	7,160	87.4%	1,028	12.6%	0	0.0%	8,188	100.0%

Board = Chairman, Non-Executive Director's and Executive Director's
 Group Executive Team = Executive Directors' and E Grades
 Direct Reports to Group Executive Team = Direct Reports to E Grades (except PA's)
 All Employees = All Employees

Ethics and Human Rights

We conduct our business with honesty, integrity, fairness and respect and encourage all our employees to embrace these principles. Our employee handbook sets out our expectations and we also have specific policies including whistleblowing, anti-fraud, bribery and corruption, disciplinary and grievance matters, diversity and inclusion and preventing modern slavery.

Preventing Modern Slavery

Modern slavery is a growing world-wide issue exacerbated by the rapid rise in global migration. We operate at over 200 sites across the UK and employ more than 8,000 people, as well as many agency staff. We also have relationships with many external suppliers to source labour and materials for our business. It is therefore imperative to maintain a robust and effective approach towards slavery and human trafficking in order to protect our people and supply chain. We procure goods and services under the Code of Ethics of the Chartered Institute of Procurement & Supply and complete due diligence checks on new and existing suppliers. There is an e-learning module on modern slavery for all leaders and managers to build their knowledge and understand their responsibilities.

More information can be found in our Modern Slavery Statement: www.biffa.co.uk/media-centre/publications

Whistleblowing

The Group has a long established whistleblowing policy and procedure by which all employees may, in confidence, report any concerns where the interests of the Company or others are at risk. Employees are encouraged in the first instance to talk to their manager, a higher level of management or a member of the HR team. However, in circumstances where this is not possible, or is inappropriate, the Group has provided an independent, external whistleblowing hotline, via Safecall, for the reporting of such matters on a named or anonymous basis.

All reports are entered in the Group Whistleblowing Register and are treated in the strictest confidence. The output of an investigation is typically reviewed by a review body, which confirms the outcome and any action to be taken, comprising the Group HR Director, General Counsel & Company Secretary and other senior leaders as appropriate, dependent on the nature of the complaint. The policy is reviewed annually to ensure it is fit for purpose and continues to reflect best practice. There were 39 whistleblowing reports in the year ended 27 March 2020, nearly 60% of them being in the categories of inappropriate behaviour or dishonesty.

In five of these cases process/system changes were recommended to be enacted. In the other 19 cases the investigation completed, but did not result in sufficient evidence to warrant disciplinary action or a change to existing processes or systems.

Giving Back to our Communities

We encourage all colleagues to 'give something back' and are proud to partner the charity WasteAid, as well as supporting local communities through employee volunteering, local fundraising activities and biodiversity initiatives.

We support our employees in their volunteering activities within their local communities. We believe that, in addition to giving something back to society, volunteering results in better teamwork, motivation, engagement and personal fulfilment for employees. During the year, more than 56 employees took part in volunteering activities.

We also have the Biffa Award which diverts a proportion of landfill tax to help support community projects near landfill sites. During the year, 44 projects received funding of more than £3m to support the improvement of land for biodiversity, the improvement of community buildings, such as village halls and the installation of recreational facilities such as play equipment. We are committed to providing an additional £25m to local communities by 2030.

You can read more about our people and communities in our Sustainability Strategy here: www.biffa.co.uk/sustainability/downloads

Managing risks through unprecedented circumstances

The Board has overall responsibility for risk management at Biffa. In support of this, risk management is firmly embedded within our everyday business activities and our culture.

Clearly the evolving COVID-19 crisis has had a significant impact on the Group. Whilst Biffa has continued its operations throughout the *unprecedented circumstances*, there has been increased risk to the I&C and landfill businesses in particular. Further detail on risk management throughout the COVID-19 crisis is provided in Principal Risks and Uncertainties on pages 34-38.

Risk Governance

The Board recognises its responsibility to ensure that the Group's internal control systems and risk management framework are effective. The Audit Committee has specific delegated authority to review the effectiveness of the risk management and internal control processes during the year.

Day-to-day risk management and control is the responsibility of the Group Executive Team, with Board oversight, and is designed to ensure that management provides leadership and direction to employees so that our overall risk-taking activity is kept within our risk appetite.

Biffa operates the 'Three Lines of Defence' model to manage the ongoing effectiveness of risk and control, to define the relationship between the various management and oversight functions, and to demonstrate how responsibilities are allocated. The Internal Audit team assesses our risks and controls independently and objectively.

Risk Appetite

The Board sets our overarching risk appetite and ensures that we manage risk appropriately across the Group. H&S, regulatory and environmental risks are our top priority. Biffa dedicates significant resources and focus to managing and monitoring these risks on a daily basis, with other key risks considered and reviewed alongside this. In each case, controls and mitigating actions aligned to the risk appetite are put in place.

Risk Assessment

A risk assessment matrix is used to ensure that risks are assessed consistently. This matrix considers the likelihood of the risk materialising and its potential impact. We assess both the inherent risk, before any mitigating actions, and the residual risk, after considering mitigating actions and controls. We also identify any additional activities that could be undertaken to further mitigate the risk.

Emerging Risks

In addition to known risks, we identify and analyse emerging risks and the need for mitigation as part of our existing risk management processes. These risks are reviewed by both the Group Executive Team and the Audit Committee, and include risks relating to climate change, such as flood risk arising from high rainfall, and pandemic and infectious diseases.

Risk Management Processes

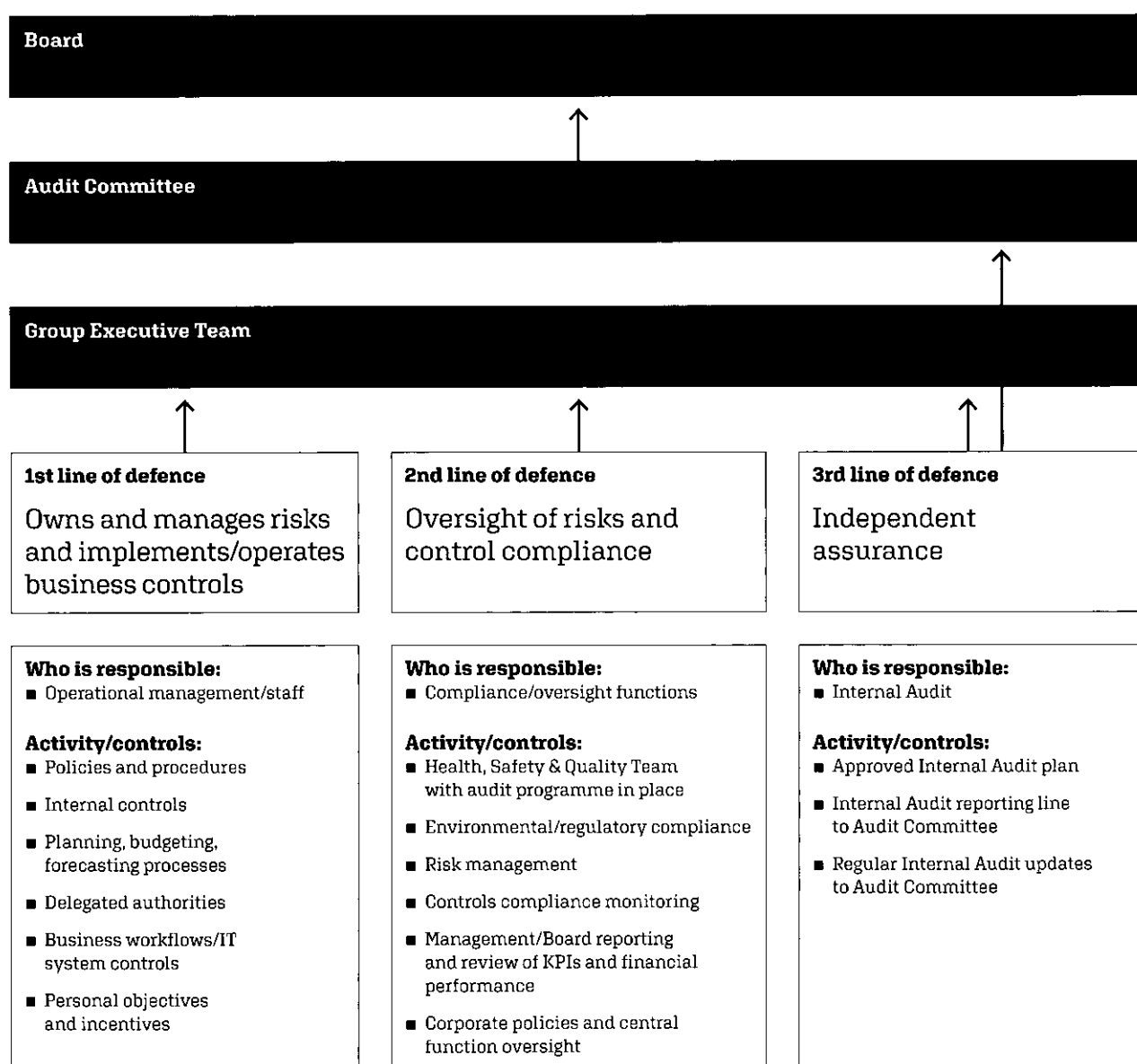
The Group's risk management processes are centrally coordinated with an established network of 'Risk Champions' in place to facilitate updates to risks during the year. The Risk Champions are members of the senior management team and take a lead role in engaging local management to identify, agree and update risk information on a regular basis.

The Group Executive Team receives regular reports on the principal and emerging risks and ownership of each of these risks is assigned to individual members of the Team.

The Audit Committee undertakes regular reviews of the principal and emerging risks, as identified and assessed by management through the above process. The Audit Committee also reviews summaries of the work undertaken by the Internal Audit team, which operates a risk-based annual plan of assurance reviews.



Our risk management systems are intended to mitigate and reduce risk to the lowest extent possible, however we cannot eliminate all risks to the Group. The risk management processes can only provide reasonable and not absolute assurance against material misstatement or loss.

Risk Management Framework








Principal Risks and Uncertainties

Risk title/description	Risk movement and Impact	Mitigating actions	Changes in year	Strategic objective
Changes in Government policy and legal and regulatory compliance The Group operates in a highly regulated industry and any changes to Government policy, standards or regulatory compliance requirements could have an adverse impact on the Group's operations and results.	 <ul style="list-style-type: none"> Operational Financial Reputational Regulatory 	<p>Experienced and qualified environmental support experts working across all operating divisions.</p> <p>Representation on the Environmental Services Association and other external bodies; liaison with policy makers and Regulators at national and local levels; responses to Government/regulatory consultations and sustainability reporting.</p> <p>Environmental compliance strategy in place including annually reviewed targets and actions at local, divisional and Group levels.</p> <p>Established compliance processes in place to manage other regulatory compliance risks, such as anti-bribery and corruption, GDPR, modern slavery, competition and vehicle operating licences.</p> <p>Founding member of the Slave Free Alliance and has implemented several initiatives, including a manager's guide to modern slavery, to raise awareness across the business.</p> <p>Training for senior leaders on modern slavery, anti-bribery and corruption, GDPR and competition.</p>	<p>Published reports (Reality Check series) on Recycling Collections Guide and on Managing Waste Plastics.</p> <p>10-year Sustainability Strategy 'Resourceful, Responsible' developed and launched in March 2020, which helps link the commercial strategy with sustainability/ESG strategy and targets. These are in line with UK Government environmental policy and objectives, as well as the United Nations Sustainable Development Goals.</p>	Optimise
Health & Safety (H&S) Biffa's operations present inherent H&S risks to our employees, our customers and the wider public. Violations of H&S laws/regulations could have a material adverse effect on Biffa's business and reputation.	 <ul style="list-style-type: none"> Reputational Regulatory Financial 	<p>Group H&S function reports to the CEO.</p> <p>Active and regular engagement by senior management including weekly reporting and calls with the Group Executive Team.</p> <p>Inclusion of H&S targets and objectives within Group Balanced Business Plans (BBP) with one of the five pillars being 'Safe and Sustainable'.</p> <p>Embedded policies, standards and procedures in place across Biffa for the systematic control of significant H&S risks.</p> <p>Primary Authority relationship with Hampshire Fire and Rescue Service enables access to advice and counsel on fire risk issues.</p> <p>Management system transitioned to ISO 14001 and ISO 9001:2015.</p>	<p>New H&S Programme – Safer Together launched.</p> <p>Existing H&S standards updated and incorporated into a new Group Integrated Management System.</p> <p>New driver training programme – Streetwise developed which focuses on defensive driving behaviours.</p> <p>Wellbeing programme delivered supporting key topics such as mental health.</p>	Optimise
Mergers & Acquisitions (M&A) strategy and delivery Biffa faces risks arising from its acquisition strategy, such as increased competition for acquisition targets or a lack of suitable targets. Additionally, acquisition integration risks and issues could arise, impacting the delivery of expected benefits, either within expected timeframes or to the extent anticipated.	 <ul style="list-style-type: none"> Financial 	<p>Group delegated authorities for the review/approval of all transactions by senior management, Investment Committee and the Board.</p> <p>Dedicated corporate finance expertise in place together with experienced Biffa subject matter experts as senior stakeholders for the acquisition process.</p> <p>Board and executive level review and update included in monthly Board report summarising pipeline of identified potential targets.</p> <p>Due diligence undertaken for all M&A transactions, including use of external advisers depending on target value and complexity. A standardised approach using an established valuation model is in place with all transactions reviewed/approved by the Investment Committee and (where appropriate) the Board.</p> <p>Project team kept in place until integration phase completed. Post-acquisition reviews to track benefit delivery with financial benefits embedded within financial planning processes (e.g. forecasts and budgets).</p>	<p>During the year we have continued our M&A strategy to support growth and completed five small acquisitions.</p> <p>We have also worked to integrate the previous year's acquisitions including the internalisation of SWR customer collections previously outsourced. This activity will complete next year.</p> <p>Post COVID-19 we anticipate returning to a strong pipeline of opportunities.</p>	Grow Develop



Risk title/description	Risk movement and Impact	Mitigating actions	Changes in year	Strategic objective
<p>Long-term contracts and tendering</p> <p>The Group is exposed to risks inherent in long-term fixed-price contracts, in particular in its Municipal division and related operations. Risks include inaccurate long-term cost estimates due to changes in the external operating environment and market dynamics that lead to material deviations from initial underlying assumptions.</p>	 <ul style="list-style-type: none"> Financial Reputational 	<p>Group delegated authorities for the review/ approval of bids by senior management, the Investment Committee and the Board (depending on bid size).</p> <p>Material bids are compiled by dedicated development teams with significant expertise and experience. They are supported by subject matter experts as appropriate.</p> <p>Protection from change of law or force majeure for unforeseen circumstances is designed into contracts.</p> <p>A contract risk framework is in place to identify key commercial/legal risks and confirm through the governance process that these have been considered and mitigated.</p>	<p>Continued focus on the sales governance process including:</p> <ul style="list-style-type: none"> The development of the contract risk framework to formalise the governance approach to key commercial/legal risks, which has been approved by the Board. Improved capacity and capability across our project management and mobilisation team facilitating a culture of continuous improvement. Restructure of the commercial/sales function, integrating leadership under the new Municipal Commercial Director, but also adding additional support in both the commercial and business development teams. 	Grow
<p>COVID-19</p> <p>A signification reduction in demand for I&C Collection services, as many customers are forced to cease or drastically reduce trading, may have an adverse impact on Biffa's operating performance, revenues and results of operations.</p> <p>In addition, the Group expects reductions in volumes into some processing facilities in the R&E division and impacts to all business operations from workforce illness or enforced absence.</p>	 <ul style="list-style-type: none"> Financial Operational Reputational 	<p>The Group has introduced measures to reduce costs, including furloughing over 1,500 employees; pay reductions being taking by the Board, the Group Leadership Team and the broader leadership group; and suspension of bonuses and pay increases.</p> <p>All M&A has been suspended and non-essential capital expenditure that has not already been committed for FY21 has been put on hold. In addition, payment deferrals have been negotiated where appropriate and meaningful in areas such as indirect taxes, pensions, lease liabilities and material supplies.</p> <p>Covenant amendments and additional liquidity headroom have been agreed with the Group's banks.</p> <p>An internal response team has been set up to ensure we support the health and wellbeing of our colleagues, manage business continuity, provide clear and timely communications and minimise service disruption.</p> <p>All staff who are able to have been advised to work from home and social distancing applied across our workplaces.</p> <p>Internal communications and engagement have been key with CEO vlogs, internal appreciation campaigns and our employee App, Biffa Beat all contributing.</p>	<p>See pages 6 to 7 for more information.</p>	<p>Grow</p> <p>Optimise</p>

Principal risks and uncertainties continued

Risk title/description	Risk movement and Impact	Mitigating actions	Changes in year	Strategic objective
Business continuity, cyber security and IT resilience A significant disruption to Biffa's infrastructure, including IT systems, could potentially have an impact on the activity of the Group's customers, such as increased billing times, interruptions to collection operations and processing logistics, and additional costs. Additionally, the theft, loss, destruction, misappropriation or release of sensitive and/or confidential information could result in business disruption, negative publicity or brand damage.	 <ul style="list-style-type: none"> Financial Reputational Operational 	Crisis management and emergency response plans in place for key sites and operations. Server infrastructure supporting key IT services hosted in Microsoft Azure Cloud providing resilience, failover and backup services. ISO 27001 certification (Information Security) in place. Externally hosted business continuity recovery sites in place for key administrative and support functions with a tri-annual testing programme in place. Intrusion detection in place and a cloud-based 'always on' security service provided by Microsoft protecting against key cyber threats. Cyber security education initiatives taken place.	Continued testing and improvement of Biffa Business Continuity arrangements throughout the year. Business continuity capability demonstrated during COVID-19 crisis whereby the majority of contact centre and head office functions enabled to work from.	Optimise
Economic environment/ Brexit Economic conditions in the UK may have an adverse impact on Biffa's operating performance, revenues and results of operations. The Group is exposed to political, social and macroeconomic risks relating to the UK's exit from the EU. Any economic weakness that leads to reduced volumes of waste and recycle will adversely impact the Group's business. Furthermore, a deterioration in macroeconomic conditions may also result in increased competitive pricing pressure and increased customer turnover.	 <ul style="list-style-type: none"> Financial 	Biffa has revenues and costs that are either directly or indirectly impacted by the value of Sterling relative to key currencies such as the US Dollar or the Euro. This provides some degree of offset and natural hedge. We enter into forward contracts for the sale of electricity and to mitigate short-term currency exposures, improving earnings visibility in the short term. Biffa provides services across the breadth of the UK economy and to customers in the public and private sectors. The breadth of customers offers a degree of protection against economic pressures that may affect specific areas of the economy. The Group has assessed the potential impact of certain Brexit scenarios on its activities and the Board is satisfied that there is unlikely to be a net material impact on the Group.	Whilst we continue to monitor this risk, we are confident that our existing mitigations will enable the Group to minimise the impact of any weakening in economic conditions.	Grow Optimise
People – attraction, succession, retention The loss of the services of a number of Executive Directors, senior management or key employees, or if the Group encountered labour shortages or was unable to attract people for core business roles, could have a material adverse effect on Biffa's business results, operations, financial condition and prospects.	 <ul style="list-style-type: none"> Operational Financial 	Reward framework for employees and managers competitively aligned to the market, including Performance Share Plan for senior personnel and Sharesave scheme available to all employees. Talent and management development programmes deployed at senior levels and progressively to other levels going forward. Ongoing review of the recruitment and retention of drivers. Established apprenticeship programme.	COVID-19 response team set up to ensure we support the health and wellbeing of our colleagues, manage business continuity, provide clear and timely communications and minimise service disruption. Introduced an Advanced Leadership Programme.	Grow Develop Optimise

Risk title/description	Risk movement and Impact	Mitigating actions	Changes in year	Strategic objective
Strategic project implementation Failure to deliver strategic projects, such as Energy from Waste (EfW) and Project Fusion. EfW increases Biffa's residual waste treatment capabilities providing a secure and cost-effective disposal solution for the I&C business. Fusion is focused on our products and services, how they are sold and delivered, the technology used and the online services offered to customers. As with any such projects, there are risks that the project fails to deliver the anticipated improvements and/or benefits for the budgeted investment, adversely impacting reputation and operating results.	 <ul style="list-style-type: none"> Operational Financial 	Board and Group Executive Team engagement and leadership. Selected software is a proven 'off the shelf' product. Independent programme assurance. Change network in place to ensure line management ownership of Fusion. Proven EfW technology, substantial UK and worldwide reference plants with > 30 operational in the UK treating in excess of 10m tonnes per annum. EfW joint venture providing complementary skill sets and experience to minimise risk. Limited recourse project structure.	Fusion transformation project has made sound progress throughout the year but has been slowed down during COVID-19 crisis. The project will resume following the resolution of the crisis. Newhurst EfW has achieved financial close, securing a fixed programme and fixed price contract.	Develop Optimise
Finance availability/investment If the Group were to fail to comply with any of the financial or non-financial covenants in its credit facilities (due, for example, to deterioration in financial performance), it could result in an event of default and the acceleration of the Group's obligations to repay those borrowings, increased borrowing costs or cancellation of certain credit facilities.	 <ul style="list-style-type: none"> Financial 	Significant and flexible bank funding facility with substantial headroom to enable the Group to progress strategic priorities and accommodate any downside performance risk. £350m unsecured revolving credit facility, expiring in March 2025 but with an option to extend for a further year. As at the end of the year, £98m of the facility was undrawn. In addition to the bank funding facility, the Group has over £150m of lease liabilities, with undrawn funding of over £70m at the end of the year. Ongoing monitoring of financial and non-financial covenants with summary updates to the Board.	Covenant amendments and additional liquidity headroom have been agreed with the Group's banks in response to the COVID-19 crisis.	Grow Develop Optimise

Principal risks and uncertainties continued

Risk title/description	Risk movement and Impact	Mitigating actions	Changes in year	Strategic objective
<p>Commodities market and pricing volatility</p> <p>Biffa produces significant volumes of recycled commodities for re-sale. Commodities produced include various paper grades, card, plastics, and ferrous and non-ferrous metals.</p> <p>In addition, Biffa generates power from renewable sources and changes to electricity export prices impact revenues and profits achieved.</p> <p><i>Markets for these recycle products have individual supply and demand dynamics impacting both price and availability of off-take.</i></p> <p>Following China's decision to ban mixed paper imports in 2018, other Far East markets have tightened quality standards, and in some instances also banned imports. This has put further downward pressure on prices with an oversupply of material in the market and made it more challenging to place lower quality material.</p>	 <ul style="list-style-type: none"> Financial Operational 	<p>Ongoing monitoring and improvements to product quality within recycling processes.</p> <p>Off-taker strategy review to limit dependency, where able, on the Chinese market.</p> <p>Commodity price risk sharing within long-term commercial contracts.</p> <p>Working with key customers (e.g. Local Government) to agree gate fees to reflect any increased costs and also dual collection methods.</p> <p>Power price hedging policy in place, which is regularly reviewed.</p> <p>Route to market Power Purchase Agreement with top tier off-taker gives off-take certainty and credit worthiness.</p>	<p>Investment in sorting technology and process improvements to ensure we can continue to supply overseas markets. Supply agreements now in place with domestic processors to enable a proportion of the material to remain in the UK.</p> <p>Biffa's investment in plastic recycling has significantly reduced reliance on exports, with the majority of recovered plastics being processed to end destination internally.</p> <p>Continued focus on minimising exposure to recycle commodity price fluctuations by risk sharing with our local authority customers. In FY 2019/20, we mitigated 58% of commodity price risk through this approach.</p>	<p>Develop</p> <p>Optimise</p>
<p>Strategic/competitive threat to business model</p> <p>Market disruption from the application of new technology and the advent of new business models could change the waste supply chain and adversely impact Biffa's established operating asset base of a traditional collection network and processing facilities.</p>	 <ul style="list-style-type: none"> Financial Operational 	<p>Internal business innovation group focuses on market developments and to act as an incubator for ideas and new business models.</p> <p>Continual competitor analysis to consider threats and changes to the landscape.</p> <p>Annual strategy review to ensure that Biffa business model remains current and competitive.</p> <p>Customer surveys to ensure that the Biffa offer remains relevant and compelling.</p> <p>Ongoing investment in and improvement of the customer experience through digitisation, improved processes and management information.</p>	<p>Several innovative concepts have been developed as potential projects and evaluated by the executive team.</p>	<p>Grow</p> <p>Develop</p> <p>Optimise</p>

The Strategic Report was approved by the Board on 4 June 2020 and signed on its behalf by



Michael Topham
Chief Executive Officer

Viability Statement and Going Concern

The COVID-19 pandemic is unprecedented and has led to a sudden and significant decline in waste volumes, due to lockdown measures. When these measures are lifted, a marked but gradual recovery in volumes is anticipated, albeit with depressed run rate levels, as a result of an expectation that a proportion of small customers will not survive the pandemic.

Whilst the Group is subject to a number of principal risks, as disclosed in the Strategic Report, these are considered to be well managed by the Board and the Group is fairly defensive in nature. However, the economic downturn impacts of COVID-19 have proved to be an entirely different proposition and the impacts of this are the main factors taken into consideration for the viability assessment.

In accordance with provision 31 of the UK Corporate Governance Code 2018, the Board has assessed the viability of the Group over a longer period than twelve months and has adopted a period of three years for the assessment. In determining the appropriate period over which to assess viability, the Board has considered budgeting, forecasting and strategic planning cycles, the timeframe within which the Group assess risks and the maturation of the Group's credit facilities.

Three years is considered an appropriate time period given the short-term impact of the COVID-19 lockdown measures to the waste industry and is a reasonable period for a shareholder to expect a waste business to be assessed over. Beyond the three year period, the Group has considered and is satisfied the longer term pre-COVID-19 strategy is still relevant and appropriate, this includes further recycling capacity, acquisition growth and investment in EfW plants.

Ongoing weekly and, more recently as things have started to stabilise, bi-weekly re-forecasting under different scenarios, have been undertaken since the COVID-19 pandemic started to impact the business at the end of March. Within these forecasts the Directors carried out a robust assessment of the Principal Risks facing the Group, including the impact of the COVID-19 pandemic on the various sectors the business operates in and the waste streams arising in all the Group's operating areas. To assess viability, multiple, material risks are selected by the Board and are assumed to crystallise in parallel during the assessment period, putting financial and operational performance of the business under plausible, but unlikely, stresses outlined below.

These forecasts assume a 13 week lockdown period from the balance sheet date and a subsequent phased recovery. The financial impact has been modelled on a sub-divisional level and includes the impact on revenue and operating costs. In modelling the scenarios, recovery assumptions have been applied on the various sectors the Group services. Impact to expected credit losses has been considered and reflected in the modelling. The assumptions have been stress tested with variant recovery time periods to determine whether current headroom would suffice and whether revised bank covenants would be breached.

The Group has also implemented various mitigating actions to combat the near-term reduction in demand for the Group's services. These include the reduction of expenditure on M&A, non-committed development and non-essential maintenance capital expenditure, remuneration, other operating costs and not declaring a final dividend for the year.

The Group's profitability, liquidity and financial headroom have all been assessed and incorporated within the above mentioned scenario analysis.

Based on the results of this analysis and after careful consideration of the uncertainty and dynamic nature of COVID-19, including reviewing the fast changing external factors and their cumulative impact in the short, medium and long term, and other considerations including the Group's business model and ability to model a range of severe, but plausible, reasonable worst-case scenarios, the Directors confirm that they have a reasonable expectation that the Group will be able to withstand the impact of each of these scenarios, in isolation and in a number of plausible combinations, should they occur in the course of the three-year assessment period. In each event the Group would continue in operation and meet its liabilities as they fall due. Therefore, the Board concluded that it remains appropriate to consider a three year time frame over which we should assess the long-term viability of the Group over the period to 31 March 2023.

Corporate Governance Report

Summary of the Corporate Governance Report

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Our Corporate Governance Report, on pages 40-85 explains how the Company has applied the principles and complied with the provisions of the UK Corporate Governance Code 2018 (the Code), other than as referred to below.

Compliance Statement

The Board has applied the principles and complied with the provisions of the Code throughout FY20, with the exception of provision 21, which requires an external evaluation of the Board every three years and provision 38, concerning pension contribution rates for Executive Directors. Further information regarding the Board evaluation can be found on page 55 and regarding pension contribution rates can be found in the Directors' Remuneration Report on page 66.

The Code is available on the website of the Financial Reporting Council at www.frc.org.uk

Leading with Purpose

Ken Lever
Chairman

Dear Shareholder,

On behalf of the Board, I am pleased to introduce the Group's Corporate Governance Report for this year. As previously stated, the Company has had another successful year, delivering on its strategy, with good financial results and the publication of its first Sustainability Strategy.

In the final weeks of the year, the Board's focus moved to the Company's response to the impact of COVID-19, providing oversight and approving a number of updates to the market and various measures for near-term cash preservation. The Board held weekly calls at which it received updates on the status of the response planning and the impact to our employees, other stakeholders and the business. Further details on Biffa's response are set out on pages 6-7.

Changes to the Board During the Year

There have been no changes to the Board during the year, following last years movements. I am pleased to report that the changes have been successfully embedded, with Board members working and interacting well together, this was confirmed by the results of our 2020 Board evaluation (see page 53 for more details).

Governance

This year we are reporting under the 2018 UK Corporate Governance Code for the first time. The updated principles in the Code emphasise the value of good corporate governance to long-term sustainable success. The Board took the opportunity to undertake a comprehensive review and refresh of its policies and processes, following the publication of the Code, with these being embedded during the year. The Corporate Governance Report on pages 40-85 sets out how we comply with, and have applied, the Code during the year.

Section 172 and Stakeholder Engagement

Set out on page 5 is the Board's first section 172 statement. In order to comply with section 172, the Board is required to consider a number of matters in its decision making including the interests of its stakeholders. Further details on this are set out on pages 48-49. The Board fulfilling its s172 duties has been clearly demonstrated in its response to the COVID-19 crisis, in particular, how it has engaged with a number of different stakeholder groups during this time. All of our stakeholders have been affected in some way and the Board has supported the business to act fairly at all times, ensuring the continuation of our essential services, whilst approving measures to protect and preserve the fundamental value of the business to ensure its long-term health. Further information on how the Board has considered our stakeholders during this time can be found on pages 6-7.

Shareholder Consultations

During the year, the Remuneration Committee consulted with our major shareholders in relation to the new Directors' Remuneration Policy which will go before shareholders for approval at the AGM in July this year. A number of changes were made to the Policy following feedback from shareholders and the proxy agencies (see page 68 for details). David Martin, our Senior Independent Director, also consulted with investors following the votes against the resolution for my re-appointment at the last AGM (see page 53 for details).

Purpose, Values and Culture

In last year's Annual Report we introduced our new purpose – to change the way people think about waste – for the first time. During the year, the Board has monitored how the purpose, values, and strategy align to the Company's culture (see page 47 for details).

Environmental, Social and Governance (ESG)

In recent years we have seen an increased focus from shareholders on ESG. In response to this, we published our first long-term Sustainability Strategy 'Resourceful, Responsible' in March 2020. The strategy, which builds on the Group's long track record of making a positive contribution to the environment and communities it operates in, outlines the Company's ambition to drive the sustainability agenda within the UK waste management space for the next 10 years. It is underpinned by an ambitious but deliverable plan, which is aligned to the Company's strategic framework and fully supported by the Group's previously outlined investment plans. Our Sustainability Strategy can be found on our website www.biffa.co.uk/sustainability.

Looking Forward

During the coming year, the Board will continue to focus on the Group's recovery from the COVID-19 crisis and the strategic opportunities that will present.

Ken Lever
Chairman
4 June 2020

Board of Directors

The right balance of knowledge and skills

Ken Lever Non-Executive Chairman
Date of Appointment 28 September 2016
Committee Memberships N
Nationality British

Relevant Skills and Experience

Ken is a Fellow of the Institute of Chartered Accountants and a former partner at Arthur Andersen. He has a wealth of corporate finance experience, having previously held board executive director positions with Numonyx BV, Tomkins plc, Albright and Wilson plc and Alfred McAlpine plc. Ken joined Xchanging plc as its chief financial officer, and was subsequently appointed and served as its chief executive officer from 2011 to 2015. He was previously a non-executive director of Catesby Property Group plc, iSoft plc and Vega Systems plc, and served for six years on the UK Accounting Standards Board between 2006 and 2012.

External Appointments

Ken is chairman of RPS Group plc and a non-executive director of Vertu Motors plc, Blue Prism plc and Gresham House Strategic plc.

David Martin Senior Independent Director
Date of Appointment 28 September 2016
Committee Memberships A N R
Nationality British

Relevant Skills and Experience

David is a chartered management accountant and has significant experience of both domestic and global transport businesses. He was involved in the acquisition of National Express and the successive management buy-out, leading to the creation of British Bus Group Limited. David was subsequently appointed chief executive of Arriva plc, a position he held from 2006 to December 2015. He was previously a non-executive director of Ladbrokes plc and Arriva plc.

External Appointments

David is chairman of FirstGroup plc.

Michael Topham Chief Executive Officer
Date of Appointment 29 September 2018
Committee Memberships None
Nationality British

Relevant Skills and Experience

Michael was appointed Chief Executive Officer on 29 September 2018, having previously held the role of Chief Financial Officer from 2013. Michael trained as a Chartered Accountant with PwC in London, and held positions in both the audit and transaction services practices. Prior to joining Biffa, he was finance director at Greenstar UK Holdings Limited from 2005 to 2010.

External Appointments

Michael is a director of the Environmental Services Association Limited.

Richard Pike Chief Financial Officer
Date of Appointment 29 September 2018
Committee Memberships None
Nationality British

Relevant Skills and Experience

Richard was appointed Chief Financial Officer on 29 September 2018. Having trained as a Chartered Accountant with Price Waterhouse, he went on to hold a variety of financial and management positions at Pilkington plc, Scapa Group plc and Manchester Airports Group. Latterly, Richard was the chief financial officer of AB Sugar, managing director of British Sugar and group chief financial officer of Boparan Holdings Limited.

Board and Committee Attendance Table 2019/20

Director	Board meetings attended/held	Nomination Committee meetings attended/held	Audit Committee meetings attended/held	Remuneration Committee meetings attended/held
Michael Averill	8/8	3/3	4/4	7/7
Gab Barbaro	8/8	3/3	4/4*	6/7*
Carol Chesney	8/8	3/3	4/4	7/7
Ken Lever	8/8	3/3	4/4*	5/7*
David Martin	8/8	3/3	4/4	7/7
Richard Pike	8/8	3/3*	4/4*	6/7*
Michael Topham	8/8	3/3*	4/4*	6/7*

* Attended the meeting as an invitee

Committee Membership☒ Audit Committee☒ Nomination Committee☒ Remuneration Committee☐ Committee Chairman**Michael Averill**

Non-Executive Director

Date of Appointment

28 September 2016

Committee Memberships☒ ☒ ☒**Nationality**

British

Relevant Skills and Experience

Michael has extensive knowledge of the waste management industry. He is a Fellow of the Chartered Institute of Waste Management and a former chairman of the Environmental Services Association. Michael held a number of senior management roles in the industry before being appointed group chief executive of Shanks Group plc from 1994 to 2007 where he oversaw the growth of the group. Michael joined the former Board of Biffa Group in February 2013. He was previously a non-executive director of TDG plc, Care UK plc and Van Gansewinkel Group in the Netherlands.

External Appointments

Michael is a non-executive director of the Saudi Investment Recycling Company in Riyadh, Saudi Arabia.

Carol Chesney

Non-Executive Director

Date of Appointment

12 July 2018

Committee Memberships☒ ☒ ☒**Nationality**

American/British

Relevant Skills and Experience

Carol is a Fellow of the Institute of Chartered Accountants in England and Wales, and qualified with Arthur Andersen in the UK.

Carol was the company secretary of Halma plc, the FTSE 100 health, safety and environmental technology group, where she oversaw governance, pensions, group insurance and ethics compliance from 2008 until September 2018. Prior to this role, Carol was Halma's group financial controller with oversight of all day-to-day financial planning and reporting matters.

External Appointments

Carol is a non-executive director of Renishaw plc, Hunting plc and IQE plc.

Gab Barbaro

Non-Executive Director

Date of Appointment

1 January 2019

Committee Memberships☒**Nationality**

Italian/Australian

Relevant Skills and Experience

Gab is currently the managing director of UK business at Centrica plc (a division trading as British Gas Business), a position he has held since 2015 following his promotion from his role as managing director of British Gas Business Services.

Prior to this, Gab held a series of senior management roles in strategy including head of group strategy at Centrica plc and chief risk officer at Snowy Hydro in Australia, as well as strategy consulting roles in consultancy firms Boston Consulting Group and Accenture.

Sarah Parsons

General Counsel and Company Secretary

Date of Appointment

June 2019

Sarah joined Biffa in June 2019 as General Counsel and was appointed Company Secretary on 11 July 2019. She is responsible for managing legal risk and in supporting the Chairman and the Board in maintaining high standards of corporate governance. She joined Biffa from Rotork plc, where she was Senior Legal Counsel and Company Secretary. Prior to that, Sarah spent a number of years in Australia as a senior in-house counsel at ANZ Bank. She began her career in London at Bryan Cave Leighton Paisner where she spent more than a decade as a corporate M&A lawyer. Sarah is qualified as a solicitor in England and Australia.

Group Executive Team

Michael Topham
Chief Executive Officer

Michael's full biography appears on page 42.

Richard Pike
Chief Financial Officer

Richard's full biography appears on page 42.

Jane Pateman
Group HR Director

Date of Appointment:
December 2010

Jane joined Biffa in December 2010. Prior to this, she held a number of senior HR director positions in FTSE listed businesses, with significant experience in managing change. Jane is accountable for the people strategy and her responsibilities include employee relations, internal communications, learning and development, payroll, engagement and reward and benefits. Jane is also a non-executive director of Knights plc.

Mick Davis
Chief Operating Officer,
Resources & Energy

Date of Appointment:
September 2010

Mick was appointed Chief Operating Officer, Resources & Energy with effect from April 2019, having previously held the role of Managing Director of the RR&T Division from September 2010. He is responsible for the day-to-day management of the Resources & Energy Division and the development of new facilities, including the EFW plants. In addition, he has oversight of the Group's Environmental strategy as well as being a trustee of the charity Biffa Award.

David Gooding
Chief Information Officer

Date of Appointment:
July 2011

David was appointed Chief Information Officer in April 2020, having previously held the role of Group IT Director from July 2011. David has worked in the waste industry for 15 years. In his role David is responsible for IT services, IT strategy, the development of management information, project governance, and leading Project Fusion, the current initiative to improve the Group's systems and processes, and Group innovation.

Jeff Anderson
Chief Operating Officer,
Collections

Date of Appointment:
September 2011

Jeff was appointed Chief Operating Officer, Collections with effect from October 2018, having previously held the role of Managing Director, I&C Division from September 2011. He is responsible for the overall leadership of our Collections operations, including our hazardous waste business. His previous career was spent within B2B supply chain and logistics companies, and he has held executive board director positions at Wincanton plc and Securicor plc. Jeff has significant experience in managing change, turnaround management and operational excellence in large-scale operational businesses.

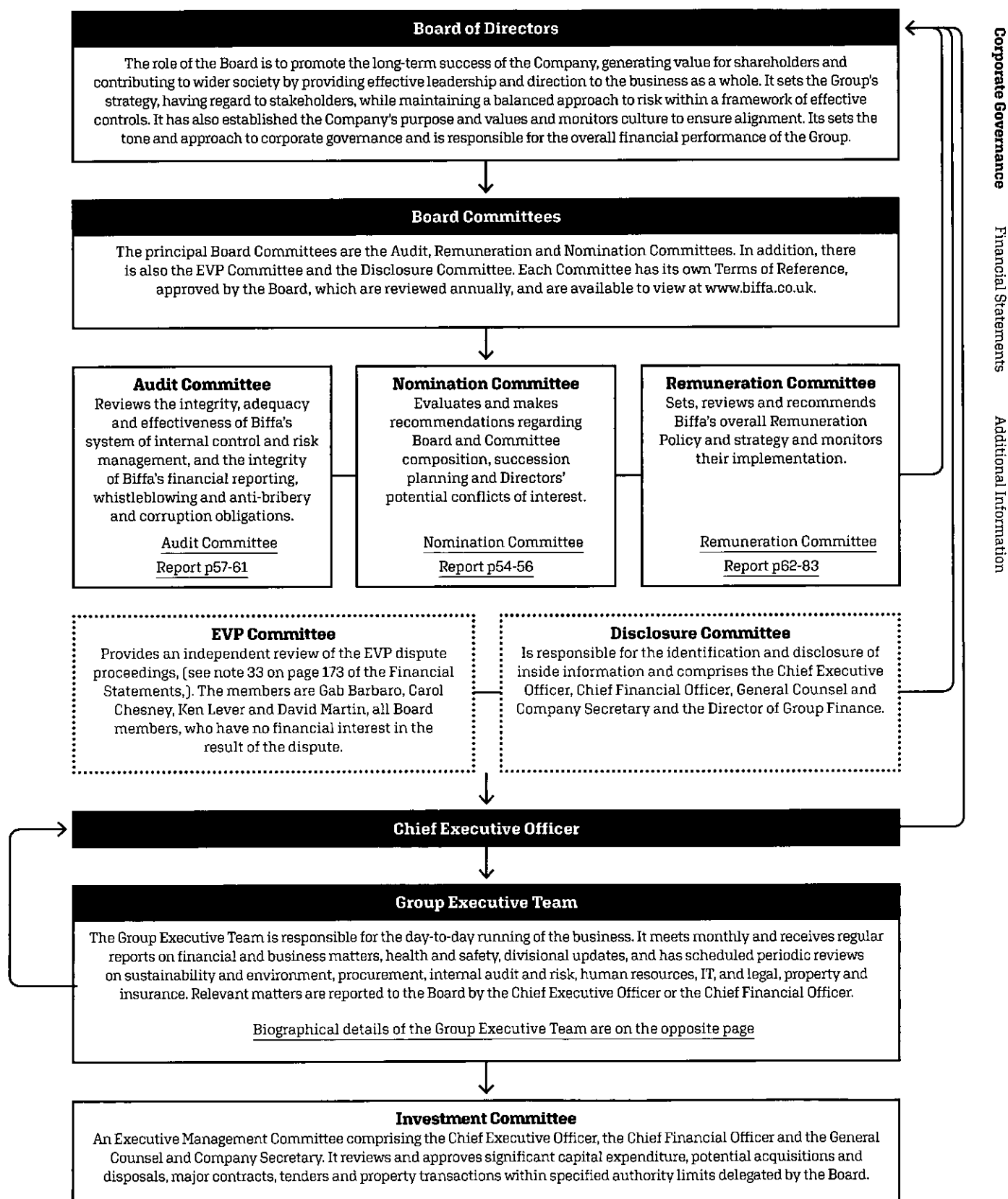
Roger Edwards
Managing Director, Municipal
Division

Date of Appointment:
October 2010

Roger joined Biffa in June 2010 following the acquisition of Greenstar UK Holdings Limited. Prior to this, he had previously been managing director at Verdant Municipal Limited and held board positions in other waste businesses. Roger is responsible for the Municipal business providing waste collection and street cleansing services to over 2m households and leading a team of 3,400 employees.

Our Governance Framework

The Board has a clear corporate governance framework comprising Board reserved matters, various Committees with their Terms of Reference and the Group delegated authorities matrix ensuring decision making at appropriate levels within the Group.



Division of Responsibilities continued

Roles and Responsibilities

The Board members have separate clearly defined roles and responsibilities, as set out in the table below.

As set out in their biographies on pages 42-43, each member of the Board has a range of skills and experience that is relevant to the successful operation of the Group.

Independence of the Non-Executive Directors

The Nomination Committee reviews the independence of the Non-Executive Directors annually and has confirmed to the Board that it considers each of the Non-Executive Directors, being Ken Lever, Michael Averill, Gab Barbaro, Carol Chesney and David Martin, to be independent in accordance with the Code.

Time Commitment

All Non-Executive Directors are required to devote sufficient time to meet their Board responsibilities and demonstrate commitment to their role. During the year, the Nomination Committee considered the time commitment of all the Directors and agreed that the required time commitment from them is still appropriate.

Additional Appointments

All Directors are required to consult with the Chairman and obtain Board approval before taking on any additional appointments. Executive Directors are not permitted to take on more than one significant appointment as a director of a FTSE 100 company or any other substantial appointment. As part of the selection process for any new Board candidates, any significant external time commitments are considered before an appointment is agreed.

Access to Advice

Should any Director judge it necessary to seek independent legal advice about the performance of their duties with the Company, they are entitled to do so at the Company's expense. All Directors have access to the advice and services of the Company Secretary.

Roles and Responsibilities Table

Role	Name	Responsibility
Chairman	Ken Lever	The Chairman leads the Board and is responsible for its overall effectiveness in directing the Company. He promotes a culture of openness and debate facilitating constructive Board relations and the effective contribution of all Non-Executive Directors, and ensures that the Board receive accurate, timely and clear information.
Chief Executive Officer	Michael Topham	The Chief Executive Officer is responsible for the day-to-day running of the Group's businesses and the development and implementation of strategy, decisions made by the Board and operational management of the Group, supported by the Group Executive Team.
Chief Financial Officer	Richard Pike	The Chief Financial Officer supports the Chief Executive Officer in developing and implementing strategy, oversees the day-to-day financial activities of the Group and ensures that policies and practices set by the Board are adopted at all levels of the Group.
Senior Independent Director	David Martin	The Senior Independent Director (SID) is an independent Non-Executive Director, who provides a sounding board for the Chairman and serves as an intermediary for the other Directors and shareholders where necessary. The SID also leads the annual appraisal and review of the Chairman's performance.
Non-Executive Director	Michael Averill Gab Barbaro Carol Chesney	The Non-Executive Directors are responsible for bringing an external perspective, sound judgement and objectivity to the Board's deliberations and decision making, and to support and constructively challenge the Executive Directors using their broad range of experience and expertise.
Company Secretary	Sarah Parsons	The Company Secretary acts as Secretary to the Board and all the Board's Committees and is responsible for supporting the Chairman and Chief Executive Officer in the delivery of the corporate governance agenda.

Effective Board

How Governance Supports Strategy

The Board is responsible for delivering value for shareholders by setting the Group's strategy and overseeing its implementation by the Group Executive Team and management. Information on our strategy is set out on pages 12-13.

During the year, the Board held strategy days in April 2019 and January 2020 where it received presentations from the Group Executive Team and the Divisional Finance Directors on the strategies for the business and functional areas. The Executive Directors also presented on the overall Group Strategy. The Board approved the strategy at those meetings and provided further approvals during the year for material projects. The Board also receives regular updates on strategy progress at Board meetings in the Executive reports. See Board activities on page 51 for further details.

Culture, Values and Purpose

The Board is responsible for setting the Company's purpose and values and ensuring these are aligned with the Group's culture. Our new purpose, 'changing the way people think about waste' was approved by the Board in 2019 and launched in last year's Annual

Report alongside our vision, 'to be the leader in UK sustainable waste management'. This was a focus of the Biffa leadership and management conferences in June 2020 and following that there were activities to initiate awareness and understanding.

Our culture is the way that we work together and is fundamental to how we operate. We pride ourselves on our common-sense approach to sustainable waste management, our collaborative working and our ability to get things done. Our culture is underpinned by our values, see further details on page 29.

Workforce Policies and Practices

The Board and Group Executive Team review and approve all key workforce policies and practices. Our policies are published on the intranet and referenced in our employee handbook. The Company induction process covers the core HR policies for new employees and we communicate any changes that take place. To ensure policies are embedded in our business practices we undertake a number of activities including mandatory e-learning modules for line managers.

Measuring Our Culture

A number of our non-financial KPIs, such as Health & Safety and employee engagement, allow trends and changes in the culture of the Group to be monitored.

Key Performance Indicators
on page 17

Leading By Example

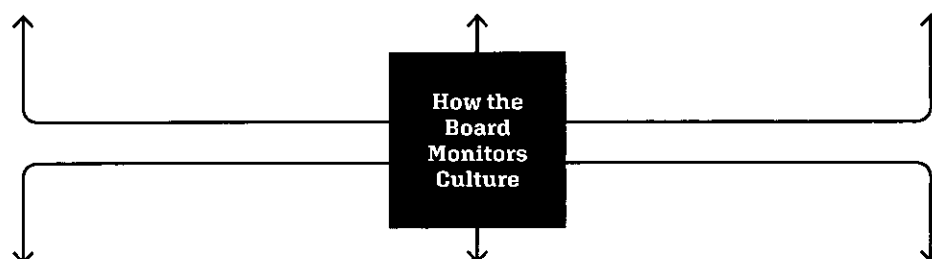
Our Directors and senior management, act with integrity and lead by example, promoting our culture to our employees. They do this through engagement with our employees.

Our People on pages 29-31

Risk Management

Biffa's risk appetite is approved by the Board and reviewed annually. The Group dedicates significant resources and focus to manage and monitor risks via our Internal Audit team. The Audit Committee monitors risk management processes and controls on behalf of the Board.

Audit Committee Report on page 60



Aligning Remuneration and Culture

Our annual bonus schemes are directly linked to the annual Group BBP targets. These include the results of the annual employee engagement survey, the Health & Safety improvement targets, as well as behaviours underpinned by our values.

Director's Remuneration Report
on pages 62-83

Listening To Our Employees

Employee engagement is measured through the annual survey, which provides valuable insight in respect of engagement and culture. Key findings are presented to the Board, improvement areas are identified and action plans developed. With the appointment of our designated Director for workforce engagement the Board will have the benefit of further employee engagement feedback.

Our People on page 29

Ethics, Whistleblowing, Fraud and Anti-Bribery

Mechanisms are in place to facilitate employees reporting incidents of wrongdoing on a named or anonymous basis. The Audit Committee, with delegated authority from the Board, regularly monitors and reviews the Company policies, incidents and trends arising from any such incidents and provides the Board with updates.

Audit Committee Report on page 57

How the Board Engages with Stakeholders

Our Stakeholders:

The Board considers our stakeholders when making decisions. The icons below, denote our stakeholders, which have been identified by the Board.

Employees	Customers	Shareholders
Government & Regulators	Suppliers	Communities

Much of the day-to-day decision making and stakeholder engagement at Biffa is carried out at a business level. Further details are set out on pages 21-24. The Board receives details on this engagement through the Executive Directors and the reports it receives from senior management in the Board and Committee papers. More material matters require the Board's consideration, with the Board engaging directly with, primarily, our employees and shareholders. The relevance of Board decision making for each stakeholder group depends on the subject matter.

We explain below how, during the year, the Board has engaged with our stakeholders, the key decisions made during the year and the relevance to our stakeholders are set out in the Board activities on page 53. There is also a case study, opposite, explaining how the Board considered the matters in s172 when approving the Newhurst EfW project which was a major strategic milestone for the Group this year.

Employees

The Board approved the People Strategy during the year and received an update later in the year on the progress on the strategy from the Group HR Director and senior HR team. This included a presentation on the results of the 2019 employee engagement survey. See further details on page 30.

The Board approved the appointment of David Martin, our Senior Independent Director, as Non-Executive Workforce Engagement Director in 2019 and David has reported back to the Board during the year on the activities he has attended and feedback received from the employees he has met. David's report is set out on page 29.

During the year, the Board engaged directly with employees during site visits and when they were presenting at Board meetings. A number of employees also attended a Board dinner in September.

[Engaging our Stakeholders pages 4-5](#)

[Our People pages 29-31](#)

Customers

During the year, the Board received reports and presentations from management on the business which included feedback on engagement with our customers, including what matters to them such as innovation and sustainability. In addition, the Board was requested to consider and approve a number of material tenders and contracts with major customers.

A number of Board members attended the opening of the PET plant in Seaham and the Capital Markets Day when they had the opportunity to meet a number of our customers.

[Operating Review pages 21-24](#)

Shareholders

The Board approved the annual investor relations strategy during the year which sets out a comprehensive programme for engaging with shareholders (existing and potential). See page 54 for further details.

The Board also conducted two consultations with shareholders in relation to the new Directors' Remuneration Policy and the votes against the resolution re-appointing the Chairman. See pages 68 and 55.

All Board decisions are made with the long-term success of the Company in mind, which ultimately benefits our investors.

[Engaging our Stakeholders pages 4-5](#)

[Communicating with our Shareholders page 52](#)

[Nomination Committee Report pages 54-56](#)

[Directors' Remuneration Report pages 62-83](#)

Government & Regulators

The UK Government published its Resources and Waste Strategy for England in December 2018, outlining plans for minimising waste, promoting resource efficiency and moving towards a circular economy. There are similar policy ambitions in Scotland, Wales and Northern Ireland.

Our strategy supports the Government's agenda in this area and our Sustainability Strategy is aligned to the direction of the UK Government's strategy which will come into effect over the next few years.

[Sustainability pages 25-26](#)

Suppliers

The Board receives information about our suppliers and our payment practices through the Board reports. Material supply contracts also require Board approval and a number of these were approved during the year.

During the year, the Board received a presentation on our approach to the risks of modern slavery and considered and approved our Modern Slavery Statement.

[Operating Review pages 21-24](#)

Communities

The Company provides an essential service to over 95% of UK postcodes and, as such, plays an important role in the communities in which it operates. The Board is cognisant of the impact that certain decisions it makes can have on the community and receives relevant information in management reports.

A key ambition in our Sustainability Strategy, which the Board approved during the year, is to continue to be a good corporate citizen, supporting good causes to make a difference by investing in communities and supporting biodiversity.

[Sustainability pages 25-28](#)

[Our People pages 29-31](#)

Board in Action

Investing in Energy from Waste (EfW) infrastructure is a strategic priority for the Group and a major milestone was reached in February 2020 with the announcement of financial close for a new EfW facility in Newhurst, Leicestershire, which is a joint venture with Covanta Holding Corporation and Macquarie's Green Investment Group. This major project required Board approval and in making its decision, the Board considered the matters set out in s172 as outlined below.

s172 Matter	Considerations	Conclusions
Employees	Our employees want us to engage with them and to be kept informed of any changes in the business that may affect them and their teams.	Our strategy has been openly communicated with our employees, including regular updates on the progress of the project and associated benefits to the wider Group. Supporting our I&C business, the secure, long term disposal solution ensures service continuity and job security for the I&C division. The project will create over 300 jobs during the construction period with approximately 40 permanent employees once operational, providing future job opportunities.
Customers	Our customers want a reliable, cost-effective and sustainable service.	The Newhurst EfW will provide a long-term, secure, cost-effective disposal solution for our customers' waste ensuring the diversion of non-recyclable materials from landfill and the generation of renewable power, significantly increasing the sustainability of their supply chain.
Shareholders	Our shareholders want to see us progressing our strategy, maximising the returns to them in a sustainable way.	The Newhurst EfW progresses our strategy to develop services and infrastructure. It will generate good returns for the Group: Biffa's financial commitment to the project will amount to c£45m, with a mid-high teens projected return on investment.
Government & Regulators	The UK Government published its Resources and Waste Strategy in December 2018, outlining its plans for minimising waste, promoting resource efficiency and moving towards a circular economy.	The new facility supports the Government's strategy to both reduce reliance on landfill and the UK's ability to treat more non-recyclable waste without relying on export to European facilities or disposal to landfill. Newhurst provides additional UK capacity for the treatment of non-recyclable waste protecting existing landfill capacity for waste that cannot be recycled or sent to EfW facilities.
Suppliers	Our suppliers are key to our business model, and delivering our strategy, and are looking for opportunities for growth.	The project will create many opportunities for the local supply chain with a commitment from the project to purchase goods and services from nearby companies wherever possible.
Communities	The communities in which we operate expect us to be a good neighbour, operating our facilities responsibly with engagement on any potential concerns or issues.	Local residents, Council Officers and other representatives all participate in a local liaison group, a forum to provide regular updates on progress and an opportunity to ask question and be reassured about any concerns.
Environment	We are committed to building a circular economy and tackling climate change as stated in our Sustainability Strategy – Resourceful, Responsible.	The Newhurst EfW is a key step in our strategic ambition to unlock £1.25bn of investment in green economy infrastructure by 2030. The facility will provide a low-carbon energy source, generating up to 42MW of electricity (enough to power around 80,000 homes) and will divert waste from landfill.
Long-term	The Board's decision making is focused on ensuring the Company is sustainable in the long term.	The Newhurst EfW has secured a long-term domestic disposal route for residual waste for our I&C business, supporting continued growth and is also an attractive investment opportunity.
Reputation	We are committed to maintaining a reputation for high standards of business conduct.	Our reputation is very important to us and the Board will be updated on the delivery of Newhurst EfW as it progresses to ensure high standards of business conduct are maintained.

Board Leadership and Company Purpose continued

How the Board Operates

The Board had seven scheduled meetings during the year. Additional Board calls were also held as and when circumstances required it to meet at short notice and also following the COVID-19 outbreak when regular update calls were held. Directors' attendance at scheduled Board and Committee meetings held during the year is set out on page 42. An outline of the Board's activities covered at those meetings is set out opposite.

Directors are provided with papers at least five days in advance of each Board or Committee meeting and meeting packs are accessed from a board portal. For each scheduled Board meeting, the papers include updates on trading, financial performance and investor relations and in addition, papers for the special business of the meeting.

Non-Executive Directors are encouraged to communicate directly with senior management between Board meetings. Members of the Group Executive Team are invited to attend at least one Board meeting each year to present an update on their areas of responsibility. They also all attended the annual strategy Board meeting which was held in April 2019 and January this year.

Meetings between the Non-Executive Directors, without the presence of the Executive Directors, are scheduled in the Board's annual programme. During the year, Non-Executive Directors met on two occasions without the presence of the Executive Directors. These meetings provide the Non-Executive Directors with a forum in which to share experiences and discuss wider business topics, fostering debate in Board and Committee meetings and strengthen working relationships.

Matters Reserved for the Board

In order to retain control of key decisions and ensure that there is a clear division of responsibilities between the Board and the running of the Company business, the Board has a formal schedule of matters reserved for its decision that is reviewed annually to ensure it remains fit for purpose. This is available at www.biffa.co.uk.

Board Allocation of Agenda Time

Agendas for each Board meeting are prepared in advanced and are aligned with the approved Board programme, which is reviewed annually, and updated when appropriate. All matters are given due consideration and are reviewed at the appropriate point in the regulatory and financial cycles.

Board Site Visits

The September Board meeting was held at West Sussex MBT. The Board received a presentation from the site manager on the business and was also given a tour of the MBT. The visit gave the Board the opportunity to meet the local team and see how operations are run.

In addition, some of our Board members attended the opening ceremony, pictured here, of our £27.5m plastic recycling plant in Seaham, County Durham in January 2020. They got the opportunity to see how this state-of-the-art recycling facility is run and got to meet a number of our stakeholders.

Activities of the Board

During the year, the Board undertook the following key activities:

Strategy, Business Performance and Capital Investment

- Approved the Company's corporate strategy
- Approved the Company's sustainability strategy
- Considered and approved the Newhurst EfW facility
- Considered and approved the investment in a Polymers wash plant
- Approved the Investor Relations strategy
- Approved a number of material tenders and contracts
- Received an update on Project Fusion and IT
- Approved the Group's Health & Safety strategy
- Considered Brexit impact, mitigations and preparations
- Considered the impact of COVID-19 on the business
- Received business performance updates

Finance

- Approved the 2019/20 budget and Five Year Plan
- Reviewed the 2020/21 budget
- Reviewed and approved the interim and final dividend recommendations for financial year ended 2019
- Reviewed and approved the preliminary and interim results announcements
- Reviewed and approved the Pre-close Trading Statements
- Recommended to the shareholders the re-appointment of the Auditor
- Reviewed the preliminary results roadshow presentation
- Approved the Treasury Policy
- Approved the appointment of a new corporate broker

People and Culture

- Approved the Company's vision and purpose
- Approved the Company's People strategy
- Approved the appointment of David Martin as the Non-Executive Director for workforce engagement and approved the workforce engagement framework and plan
- Approved the Company's Modern Slavery Statement
- Approved the Company's Gender Pay Gap Statement

Governance, Compliance and Risk

- Reviewed and approved the 2019 Annual Report and Accounts and Notice of AGM
- Reviewed and approved the schedule of matters reserved for the Board and the Terms of Reference to the Board Committees
- Approved the 2020/21 Board and Board Committee programmes and calendar
- Approved the revised Investment Committee Terms of Reference
- Received an EVP dispute update
- Approved the Group's Whistleblowing Policy and Procedures
- Considered the Board and Board Committees evaluation questionnaire
- Reviewed and approved the revised Delegated Authorities
- Approved the Group's risk appetite
- Approved the Directors' Conflicts of Interest register

At each Board meeting there are standing items, which include:

- review and approval of the previous minutes;
- status update on any matters outstanding from previous meetings;
- Board Committee updates to the Board;
- report from the Chief Executive Officer;
- report from the Chief Financial Officer; and
- Investor Relations report.

Communicating with Our Shareholders

Shareholder Engagement

The Board is committed to maintaining open channels of communication with all shareholders, whether institutional or private. It is important that shareholders understand the Company strategy and objectives, and for the Company to receive shareholders' feedback and consider the issues and questions raised. To facilitate this, the Company has a comprehensive investor relations strategy, which is approved by the Board each year. For our private shareholders there is an opportunity to meet the Directors at our Annual General Meeting and further information on the Company can be found on our website. Information on how the Company communicates with its shareholders, investors and analysts can be found in *Engaging our Stakeholders* pages 4-5.

Both the Executive and Non-Executive Directors meet shareholders and prospective shareholders, both institutional and private, on a regular basis. Non-Executive Directors are available to meet shareholders if they wish to raise issues without the Executive Directors present.

During the year the Executive Directors, assisted by the Investor Relations team, have held meetings in the UK, USA, Switzerland and Luxembourg with both existing and potential institutional shareholders, from countries including UK, USA, Canada, Denmark, Australia, France, Switzerland, Luxembourg and Germany, providing insight into the development of the business and its progress. In addition, our Chairman and Senior Independent Director met a selection of our largest shareholders during the year.

The Board receives regular updates on the views of our shareholders and analysts through briefings and in market reports at each Board meeting, which include:

- share price performance monitoring;
- review of shareholder performance and sector analysis;
- composition of the shareholder register;
- peer group comparison; and
- professional and external adviser feedback.

Capital Markets Day

On 17 September 2019, the Company held a successful Capital Markets Day in London welcoming over 100 investors, analysts, banks and other stakeholders to meet Biffa's management team. Presentations focused on the core areas of the Group's growth strategy including: the I&C growth opportunity and investments in plastics recycling and EfW. The presentation from the day can be found on our website www.biffa.co.uk/investors/news/capital-markets-day

Website

The Company's website www.biffa.co.uk acts as a good medium through which results and other news releases such as acquisitions, contract wins and new strategic initiatives are published including key financial calendar information, details of live webcasting services for key presentations and the source of past key presentations and announcements.

Key Shareholder Activities During the Year

2019	
June	Full-year results presentation and roadshows in London and Edinburgh
July	AGM Investor roadshows in Zurich, Luxembourg and London
September	H1 Pre-close Trading Statement and Capital Markets Day
October	Analyst visit to Seaham
November	Half-year results presentation and roadshows in London, Edinburgh and USA
2020	
January	Opening event at our plastics recycling plant in Seaham
March	H2 Pre-close Trading Statement and investor calls Sustainability Strategy launch JPM Conference and investor meetings

Shareholders by number of shares

As at 27 March 2020

1 to 100	53.5%
101 to 500	11.7%
501 to 5,000	12.7%
5,001 to 100,000	11.7%
100,001 to 500,000	5.4%
500,001 to Highest	5.0%

Shareholder by type

As at 27 March 2020

Public Limited Company	0.4%
Nominee	65.8%
Limited Company	26.9%
Other	6.6%
Bank	0.2%

Statement on 2019 Annual General Meeting Resolution Votes Against

At the Company's Annual General Meeting (AGM) held on 10 July 2019, 20.48% of votes were cast against the resolution to re-elect our Chairman, Ken Lever. The resolution was still passed with the required majority.

There has been an expanded focus on overboarding of directors following the publication of the Code and a number of institutional investors and proxy advisers have developed specific guidelines with regard to this. The Board understands that some shareholders may have concerns about the number of directorships held by the Chairman and that this may undermine his ability to serve effectively on the Board, particularly at times when urgent issues arise.

Following the AGM, I wrote to those shareholders who had voted against the resolution to understand their concerns, outline in more detail the time commitments of the Chairman and explain why the Board believed that the Chairman was the right person to lead the Company forward. No responses were received from this engagement.

Board Evaluation

As required by the Code, the Board undertakes an annual evaluation of its performance and that of its Committees. Under the Code, it is recommended that FTSE250 companies have an externally facilitated Board evaluation every three years.

With the substantial changes to Board composition during the previous year, it was again concluded that it would be more effective to defer having an externally facilitated evaluation. The Board and Committee evaluations were therefore facilitated by the Chairman and Company Secretary by way of an online self-evaluation questionnaire. As the Company moved into the FTSE250 in March 2020, and it has not had an externally facilitated evaluation since its IPO in 2016, this is contrary to provision 21 of the Code.

FY20 Board Evaluation

All Directors, regular attendees and the Company Secretary responded to the Board questionnaire in March 2020, covering all aspects of Board performance including: Board/Committee composition; conduct of meetings; corporate strategy, purpose, values and culture; transactions and approvals; risk management and internal controls; measuring and monitoring performance; and stakeholders. The participants were asked to score 25 statements on a scale of 1 to 5 and provide written comments, including areas for improvement.

Initial feedback from the evaluation was presented to the Board for discussion in April 2020. The overall assessment is that the Board continues to operate effectively and it has performed well during the year with the overall rating up from the previous year. It was agreed that the key actions would be defined by the Chairman and those actions would form part of the Board's agenda for the coming year.

The Board has recently considered the time commitment of all the Directors and specifically whether the Chairman should be required to address the concerns relating to his other appointments. It has re-confirmed that it is confident that the Chairman discharges his role effectively notwithstanding his other Board commitments. This has particularly been demonstrated during the recent coronavirus crisis where there has been an increased time commitment requirement for all the Directors.

The Board believes that the Chairman plays a pivotal role in helping drive the strategy of the Group and remains fully supportive of the role and guidance he provides to the Company.

David Martin

Senior Independent Director

The Chairman and the Senior Independent Director also reviewed the performance of each member of the Board and provided feedback and the Senior Independent Director led the Non-Executive Directors in a review of the performance of the Chairman. It was agreed that each Director continued to contribute effectively.

Update on FY19 Board Evaluation Outcomes

As reported last year, the FY19 Board performance evaluation was internally facilitated by the Chairman and Company Secretary. The review identified some opportunities for the Board.

Format and length of Board papers

A Board paper template has been developed by the Company Secretariat team which has helped improve the format and length of Board papers. The removal of the repetition of papers in Board and Committee packs has also helped improve the overall length of the packs. The recent Board evaluation highlighted the improvement in this area.

Communication of material matters between Board meetings

The Board agreed that it is not necessary to have scheduled Board call updates between meetings. The Chairman and CEO have a weekly catch up and consider whether there is anything that is required to be notified to the Non-Executive Directors. This is done by email or ad-hoc call. During the COVID-19 crisis, the Board have had weekly update calls.

Develop the Non-Executive Directors' understanding of shareholders views

The CFO provides an Investor Relations update paper at each Board meeting. He also provides copies of analysts' reports when published. The Non-Executive Directors agreed that this is very comprehensive and therefore nothing further is required in relation to this.

Composition, Succession and Evaluation

Nomination Committee Report

Members

Ken Lever (Chairman)

Michael Averill
Gab Barbaro
Carol Chesney
David Martin

Areas of Focus in 2020/21

The Committee's priorities for 2020/21 will be to:

- review Board and senior management succession planning; and
 - take an active role in setting diversity objectives for the Company.
-

Dear Shareholder,

I am pleased to present the Nomination Committee (Committee) Report on behalf of the Board.

There has been no changes to the composition of the Board during the year and therefore the Committee has not been required to lead the process for any new Board appointments.

In FY20, the Committee has embraced its expanded role under the Code and focused on succession planning for the Board and the Group Executive Team and the leadership talent pipeline. It has also continued to consider diversity and inclusion.

As previously reported, the Company entered the FTSE250 in March 2020 and we will therefore be submitting our gender data for the Group Executive Team and their direct reports to the Hampton-Alexander review later in the year (see page 30 for more detail).

Ken Lever

Chair, Nomination Committee

4 June 2020

Membership of the Committee and Attendance

The current members of the Committee are the Chairman as Committee Chair and four Non-Executive Directors. The Committee met three times during the year and the attendance at those meetings is shown on page 42.

The Company Secretary attends all the Committee meetings as Secretary to the Committee and by invitation, they are also attended by the Chief Executive Officer, the Chief Financial Officer and the Group HR Director.

Role and Responsibilities of the Committee

The role of the Committee is to lead the process for Board appointments, ensure plans are in place for orderly succession to both the Board and senior management positions and oversee the development of a diverse pipeline for succession to ensure that the Group has the best talent to perform effectively now and in the future.

The Committee's responsibilities are set out in its Terms of Reference and include:

- reviewing the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and making recommendations to the Board with regard to any changes;
- succession planning for the Board and senior management;
- leading the process for Board appointments and making recommendations to the Board;
- assessing whether Directors can commit sufficient time to fulfil their responsibilities; and
- taking an active role in setting diversity objectives and strategies for the Company as a whole and monitoring the impact of diversity initiatives.

Activities During the Year

During the year, the Committee's key activities were:

- Annual review of the structure, diversity, size and composition of the Board including Board succession planning.
- Reviewing the succession and development plans of the Executive Directors.
- Reviewing the succession plans for the Group Executive Team.
- Reviewing talent development within the senior leadership team.
- Undertaking the annual review of Director independence, time commitment and conflicts of interest.
- Reviewing and making a recommendation to the Board to approve, the revised Committee Terms of Reference.

Board Composition and Skills

The Committee considers that the current Board membership provides the right mix of skills and attributes for the Board to ensure effective governance and oversight of the strategic and significant operational decisions of the business and performance monitoring. Information on each of the Directors' skills and attributes is set out in the table opposite.

Diversity Overview

Diversity

The Board's policy is for new appointments and succession plans to be based on merit and against objective criteria but within this context believes that inclusion and diversity, in its broadest sense including gender and ethnicity, should be promoted as they are an important factor in Board effectiveness.

The Committee supports the recommendations of the Hampton-Alexander Review and the Parker Review and has an ongoing commitment to increase female and ethnic representation at Board and senior management level. An overview of the diversity of the Board is set out below.

As previously outlined, now that we have entered the FTSE250, we will be submitting our gender data to the Hampton Alexander review later in the year.

The Board also supports the Company's policy on inclusion and diversity and has received updates during the year on progress against objectives in relation to this. For further details see page 30.

Board Skills and Attributes

	Michael Averill	Gab Barbaro	Carol Chesney	Ken Lever	David Martin	Richard Pike	Michael Topham
Independence	■	■	■	■	■		
Functional background: Operations	■	■				■	■
Functional background: Finance			■	■	■	■	■
CEO & Leadership experience	■	■		■	■	■	■
Waste sector	■						■
Logistics/networks		■			■	■	
M&A/ restructuring	■	■	■	■	■	■	■
Governance & regulatory	■	■	■	■	■	■	■
International	■	■	■	■	■	■	
Stakeholder/IR/PR	■	■	■	■	■	■	■
Technology/e-commerce		■		■		■	
Business evolution/strategy development	■	■	■	■	■	■	■
People	■	■	■	■	■	■	■

Composition of the Board

Chairman	1
Executive directors	2
Non-Executive Directors	4

Length of Tenure

0-2 years	3
2-4 years	4

7

Board members

3 years

Average tenure of the Board

Age

40-49	2
50-59	2
60-69	3

Gender

Female	1
Male	6

58 years

Average age

14%

Female

Composition, Succession and Evaluation continued

Conflicts of Interest

Under the Company's Articles of Association, the Board may authorise any actual or potential conflicts of interest that may arise and impose limits or conditions as appropriate. The Company has a detailed process for the management of conflicts of interest which is monitored by the Committee. On appointment, a Director is required to disclose any conflicts of interest to the Company Secretary and on an annual basis, as part of our year end reporting, each Director reviews the Conflicts of Interest register and confirms any conflicts.

Succession Planning

During the year, the Committee has reviewed the succession plans for the Board, Group Executive Team and the senior management talent pipeline. The Committee takes an active interest in the quality and development of talent and capabilities within Biffa, ensuring that appropriate opportunities are in place to develop high-performing individuals such as invitations to Board dinners and the Group Talent Programme.

Board Appointments Process

The Board has a formal and transparent procedure for the appointment of new Directors to the Board. This procedure includes the evaluation of the balance of skills, knowledge, experience and diversity of the Board by the Committee to ensure that any new appointments complement or address any shortfalls in any of these areas.

The Committee ensures that the selection process is rigorous and transparent and, if appropriate, it will appoint a professional external search firm. Candidates from a wide range of backgrounds that meet the role specification will be considered and all appointments will be made entirely on merit, with due regard to the benefits of diversity on the Board, which includes, but is not limited purely to, gender.

Directors' Induction, Training and Development

On appointment, all Directors receive an induction on their duties and responsibilities as Directors of a publicly quoted company. The induction process also comprises a comprehensive programme which includes meetings with all Directors, members of the Group Executive Team, the Company Secretary and heads of functions.

To update the Directors' skills, knowledge and familiarity with the Company key site visits are incorporated into the programme and undertaken to meet management and develop greater commercial awareness of the business. During these visits the Directors receive briefing sessions from local management, allowing them to ask questions, learn about the business and spend time with different teams and individuals to observe and experience first hand how the culture and values are embedded across the Company.

Committee Evaluation

The Committee's performance during the year was assessed at the same time as the Board evaluation in March 2020. Further details on the wider Board evaluation process can be found on page 53.

FY20 Committee Evaluation

All Directors and the Company Secretary responded to an online self-evaluation questionnaire, covering all aspects of Committee performance including: the role of the Committee and its Terms of Reference; meetings and papers; succession planning and the development of a diverse pipeline. The participants were asked to score 13 statements on a scale of 1 to 5 and provide written comments, including areas for improvement.

Initial feedback from the evaluation was presented to the Committee and discussed at the Board meeting in May 2020. The overall assessment is that the Committee is clear on its role and responsibilities and these were fulfilled during the year. It was agreed that the key actions would be defined by the Chairman (as Chair of the Committee) and those actions would form part of the Committee's agenda for the coming year.

Update on FY19 Committee Evaluation Outcomes

As reported last year, the FY19 Committee performance evaluation was internally facilitated by the Chairman and Company Secretary. The review identified succession planning and addressing leadership skills for future Executive directors as some potential opportunities for the Committee.

The Committee is satisfied that the work undertaken during the year. It has seen an improvement in executive succession planning, in particular the Group Talent Programme. This will remain an area of focus for the Committee with the Board having further exposure to senior managers and high potential employees.

Audit Committee Report

Members
Carol Chesney (Chair) Michael Averill David Martin
Areas of Focus in 2020/21
The Committee's priorities for 2020/21 will be to: <ul style="list-style-type: none">■ consider the financial impacts of COVID-19 on the Company; and■ monitor the implementation of the business strategy and its impact on the Group's internal control and risk management processes.

Dear Shareholder,

I am pleased to present this year's Audit Committee (Committee) Report which aims to provide an understanding of the work of the Committee over the past year and highlight our areas of focus in 2020.

During the year, the Committee has continued to monitor the implementation of the business strategy and its impact on the Group's internal controls and risk management framework. Further information on our key activities during the year are on page 60.

In addition, the Committee has considered the impact of COVID-19 on our financial statements. It has reviewed the Group's profitability, liquidity and financial headroom as part of a number of forecast scenarios. As part of this work, the Committee has also reviewed the viability statement and going concern, following which it was agreed that the going concern basis of accounting continues to be an appropriate basis of preparation for the financial statements.

Carol Chesney

Chair, Audit Committee

4 June 2020

Membership of the Committee and Attendance

The current members of the Committee are the Chair and two Non-Executive Directors all of whom are independent. The Chair and David Martin are both qualified accountants and the Board considers their financial experience to be recent and relevant for the purposes of the Code. The Committee met four times during the year and the attendance at those meetings is shown on page 42.

The Company Secretary attends all the Committee meetings as Secretary to the Committee and, by invitation, they are also attended by the Chairman, Chief Financial Officer, the Chief Executive Officer, Gab Barbaro (Non-Executive Director), the External Audit Partner, the Head of Risk and Internal Audit and the Director of Group Finance.

Role and Responsibilities of the Committee

The role of the Committee is to assist the Board in fulfilling its oversight responsibilities by monitoring and reviewing the integrity of the Group's financial reporting and the effectiveness of the Internal and External Audit functions and risk management framework.

The Committee reports to the Board on its activities and makes recommendations, all of which have been accepted during the period under review.

The Committee's responsibilities are set out in its Terms of Reference on the Company's website at www.biffa.co.uk.

Whistleblowing

The Board has overall responsibility for monitoring the Group's whistleblowing arrangements under the Code. It has delegated this to the Committee which updates the Board on a regular basis on all significant whistleblowing matters.

The Committee receives a report on whistleblowing cases at each meeting. Improvements were made during the year to the reports that the Committee receives.

The Whistleblowing Policy and Procedures were reviewed by the Committee during the year. The Committee is satisfied that they are effective, facilitate the proportionate and independent investigation of reported matters and allow appropriate follow-up action to be taken. It recommended to the Board that some minor changes were made to the Whistleblowing Policy and Procedures which were approved by the Board. Further details on the Group's Whistleblowing Policy and Procedures can be found on page 31.

Audit, Risk and Internal Control continued

Key Activities During the Year

Key areas	Activities during the year
Financial Reporting	<ul style="list-style-type: none"> ■ Reviewed the Annual Report and Accounts, including whether they are fair, balanced and understandable, the material judgements and estimates, Going Concern Statement and Viability Statement. ■ Reviewed the half-year accounts, including the material judgements and estimates. ■ Reviewed the External Auditor's report on the full-year and half-year audits. ■ Reviewed the half-year and full-year results announcements and the September and April Pre-Close Trading Statements.
External Audit	<ul style="list-style-type: none"> ■ Reviewed the External Auditor's independence, objectivity and effectiveness. ■ Considered the succession plans for the lead Audit partner. ■ Considered the re-appointment of the External Auditor. ■ Considered External Auditor fees and terms of engagement. ■ Reviewed and approved changes to the Non-Audit Services Policy. ■ Reviewed the External Auditor non-audit services and fees.
Risk and Internal Controls	<ul style="list-style-type: none"> ■ Monitored the Company's risk register, including the completeness of the process to identify the Group's principal and emerging risks and movement in such exposures. ■ Considered the status of key risk indicators including any breaches of thresholds. ■ Reviewed the effectiveness of the Group's risk management and internal control systems. ■ Considered responses, and their timeliness, to audit findings and recommendations for control improvements, including reviewing the External Audit management letter. ■ Reviewed the risk management and internal controls disclosures in the half-year accounts and Annual Report and Accounts. ■ Received regular updates on the implementation of the new key controls framework. ■ Reviewed, and recommended to the Board approval of a revised, Whistleblowing Policy and Procedures. ■ Received updates on material litigation and whistleblowing matters. ■ Received an update on the GDPR project and its effectiveness.
Internal Audit	<ul style="list-style-type: none"> ■ Approved the annual Internal Audit plan, including its alignment to the principal risks, emerging areas of risk, coverage across the Group and continuing review of the Group's processes and controls. ■ Monitored and reviewed the Internal Audit effectiveness and independence of the Internal Audit function including consideration of key Internal Audit reports; stakeholder feedback on the quality of Internal Audit activity; and the implementation of Internal Audit recommendations. ■ Reviewed Internal Audit reports, including those related to commodity trading, Municipal tender mobilisation, credit management, privileged access, M&A integration and GDPR.
Other Areas	<ul style="list-style-type: none"> ■ Reviewed and recommended to the Board approval of the revised Committee Terms of Reference. ■ Reviewed the results of the evaluation of the effectiveness of the Committee. ■ Received an update on Project Fusion including the implementation plan and reviewed the key challenges and risk of the project. ■ Received an update on tax matters for the Group and reviewed and recommended to the Board approval of the Group's annual tax strategy. ■ Reviewed and recommended to the Board approval of a new Treasury Policy and received a treasury update. ■ Reviewed and approved changes to the Related Party Transactions Policy and reviewed the Related Party List.

Financial Reporting

One of the Committee's principal responsibilities is to review and report to the Board on the quality and appropriateness of the Group's Financial Statements, including the half-year accounts and Annual Report and Accounts, with a particular focus on:

- the suitability of accounting policies;
- the appropriateness of underlying assumptions, judgements and estimates made by management;
- key audit matters identified by the External Auditor;
- compliance with relevant accounting standards and other regulatory financial reporting requirements including the UK Corporate Governance Code; and
- advising the Board, where requested, on whether the Annual Report and Accounts are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

In making its assessment, the Committee reviews reports from members of the Finance team and the External Auditor who are invited to attend all Committee meetings. Through discussions and detailed written reports, the Committee is able to understand and assess the significant judgements and estimates and how they are being recorded and disclosed in the Financial Statements.

The significant financial judgements considered in relation to the Annual Report and Accounts are detailed in the table opposite.

Significant Financial Judgements Considered in Relation to the Annual Report and Accounts

Significant issues considered by the Committee in relation to the Financial Statements		How these issues were addressed by the Committee
Landfill Accounting	<p>The Committee reviewed the valuation of the landfill provisions and assets, the level of such landfill provision and the extent of the depreciation of such assets, it being noted that the responsibility for a landfill site extends <i>beyond the cessation of land filling operations</i> until the Group has fulfilled its aftercare and restoration obligations which is estimated to be up to 60 years post closure of the site.</p> <p>(See Note 21 on page 140 for further details on landfill provision).</p>	<p>The Committee considered the Group Landfill Capital and Provisioning Policy, which includes the basis for cost, void space, waste compaction ratio and gas generation estimates, and associated <i>accounting methodology</i>.</p> <p>The Committee determined that with the combination of external third-party reports and guidance, External Auditor testing and the Group's experience to provide for these estimated costs the current landfill accounting treatment and value, and level of provisions were appropriate.</p>
Retirement Benefit Obligations	<p>The Group operates a defined benefit pension scheme known as the Biffa Pension Scheme (BPS) which is closed to new joiners and to future accrual as at 31 October 2013. There are currently active members of the BPS who have protected defined benefit accrual either by virtue of contract location or legislation. The BPS was in a pension surplus of £116.7m as at 27 March 2020. Due to the COVID-19 impact on fund valuations, it was necessary to get valuations for all funds as at 27 March 2020.</p> <p>(See Note 29 on page 145 for further details on pension and post-retirement benefits).</p>	<p>The Committee considered reports from management and the External Auditor in relation to the valuation of the BPS and reviewed the key actuarial assumptions used in calculating the defined benefit pension liabilities, especially in relation to discount rates, inflation rates, salary growth, rate of pension increase and mortality/life expectancy, and concluded that the assumptions used were appropriate and were supported by independent actuarial experts. Details of the key assumptions used are set out on page 145 in Note 29 to the Financial Statements.</p>
Asset Impairment Review	<p>The Group carries different classes of intangible assets on its balance sheet, which include goodwill, landfill gas rights, the Biffa brand, customer contracts and Project Fusion development costs. The Group's assessment of the carrying value of goodwill and the other intangible assets is dependent on the disaggregation of cash-generating units (CGUs) and assumptions of future cash flows, including both short and long-term growth rates. The Group performed its last asset impairment review at the end of the financial year with the assistance of an external third party. The WACC rate increased due to the COVID-19 impact and the P&L impact for COVID-19 has been built into the impairment models.</p>	<p>The Committee reviewed and discussed management's report on the impairment review and considered the External Auditor's testing thereof.</p> <p>After due consideration, the Committee concluded that it was satisfied with management's assumptions and judgements applied in relation to such testing. Details of the key assumptions and judgements used are set out in Note 14 to the Financial Statements.</p>
Onerous Contract Provision	<p>The Group operates a broad portfolio of complex contracts, especially in the Municipal and Resources & Energy businesses. The accounting for certain contracts may be underpinned by assumptions or judgements made by management in respect of the outcome of future events.</p> <p>(See Note 3 on page 121 for further details on onerous contracts).</p>	<p>The Committee reviewed management's judgements and assumptions used to determine onerous contracts and any required provision for future losses. In addition, External Auditor testing was taken into consideration.</p> <p>The Committee concluded that it was satisfied by management's assessment and the approach adopted, including the presentation of these as non-underlying due to the creation of non-recurring provisions.</p>

The last review by the FRC Corporate Reporting Review team of the Biffa plc Annual Report & Accounts was for the year ended 30 March 2018. Following the review and responses from the Company, the FRC advised in February 2019 it had closed its enquiry. For more information see page 20.

Audit, Risk and Internal Control continued

Risk Management

The Board has overall responsibility for setting the Group's risk appetite and ensuring that there is an effective risk management framework. The Board delegates responsibility for review of the risk management and the effectiveness of internal controls to the Committee.

The Chief Executive Officer has overall accountability for the control and management of the risks that Biffa faces and working with the Group Executive Team has established processes, as part of the normal good management of the business, to monitor:

- strategic plan achievement, through a regular review of progress towards strategic objectives;
- financial performance, within a comprehensive financial planning and accounting framework, including budgeting and forecasting, financial reporting, analysing variances against plan and taking appropriate management action;
- capital investment and asset management;
- performance, with detailed appraisal, authorisation and post-investment reviews;
- that the principal and emerging risks facing the Group are being identified, evaluated and appropriately managed; and
- the maintenance of insurance cover to insure all risk areas of the Group.

The Committee has reviewed the work done by management on the assessment of the Company's principal and emerging risks, noting that a comprehensive review of the principal risks was completed in September 2019 for our interim reporting and this exercise, which additionally included an assessment of emerging risks, was undertaken again at the year end in March 2020.

The Board also undertook, during the year, a robust assessment of the principal and emerging risks faced by the Group.

Further details of the Group's risk management systems and controls, principal and emerging risks and statement following the viability assessment are included in the Strategic Report on pages 34–38.

Internal Control

The Company's system of internal control, along with its design and operating effectiveness, is subject to review by the Committee, through reports received from the Company, along with those from both the Internal and External Auditors. Any control deficiencies identified will be followed up with action plans tracked by the Committee.

Policies and procedures, including clearly defined levels of delegated authority, have been communicated across the Group. We continue to implement a key controls framework across the Group, in respect of operational and financial processes, that requires a quarterly self-certification by management, confirming that key internal controls within their area of responsibility have been operating effectively, and will be subject to independent review by Internal Audit.

It is recognised that the current restrictions imposed on the Group by the COVID-19 crisis may lead to some changes in risk management processes and internal controls in the short term in order to maintain operations. To ensure that we continue to maintain an effective control environment, we are monitoring any changes carefully and introducing alternative mitigating controls where necessary and practicable to support the ongoing operation of an effective control environment.

The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and it must be recognised that it can only provide reasonable and not absolute assurance against material misstatement or loss.

The Committee intends to keep the risk management and internal control systems under review and to support the Board in carrying out an annual review of their effectiveness.

As part of the year-end compliance certification process and senior management review on the effectiveness of internal controls and risk management, the Committee has not identified, nor been advised of, any failings or weaknesses in the internal control systems or risk management processes that are determined to be significant.

Risk Appetite

The Company's approach to risk appetite has been developed in line with the Code. By clarifying the type and level of risk it is willing to take in order to achieve its strategic objectives, the Company aims to support consistent, risk-informed decision making across the Group.

The Company's risk appetite has been incorporated into the risk management framework and the Committee monitors whether the Group is operating within that appetite through a review of a series of agreed metrics and a review of the principal and emerging risks.

Internal Audit

The Company has an Internal Audit function, led by the Head of Risk and Internal Audit, which focuses on performing a programme of reviews of processes and controls implemented across the Group. Internal Audit findings are presented to the relevant Head of a Group division or Group function, the Company Secretary and the Chief Financial Officer for review. The Committee is responsible for overseeing the work of the Internal Audit function.

The Committee reviews the effectiveness of the Internal Audit function, reviews and approves the scope of the Internal Audit annual plan and assesses the quality of Internal Audit reports, along with management's actions, and their timeliness, relating to findings and the closure of recommended actions. The Committee also considers any stakeholder feedback on the quality of Internal Audit's work. In order to safeguard the independence of the Internal Audit function, the Head of Risk and Internal Audit is given the opportunity to meet privately with the Committee without any Executive Directors or other members of management present.

External Auditor

Deloitte LLP was appointed as the External Auditor of the Company on 23 August 2016 and the current lead Audit Partner, Makhan Chahal, was appointed in August 2016. Mr Chahal is in his final year as lead Audit Partner and will rotate off the engagement next year.

The Group confirms it is in compliance with the requirements of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Responsibilities) Order 2014, which relates to the frequency and governance of external audit tenders and the setting of a policy on the provision of non-audit services.

The Company intends to conduct a tender process in line with the regulations and by no later than 2026.

The Committee reviewed the External Auditor's effectiveness during the year. In carrying out its assessment it considered:

- feedback from the Chief Financial Officer and his team who monitor the External Auditor's performance, behaviour and effectiveness during the exercise of its duties;

- all key External Auditor plans and reports;
- the regular engagement with the External Auditor during Committee meetings and ad hoc meetings, including meetings without any member of management being present;
- the Committee Chair having discussions with the Senior Statutory Auditor ahead of each Committee meeting;
- the External Audit effectiveness review conducted by the Head of Risk and Internal Audit which was presented to the Committee at the September Committee meeting. This contained the results of an External Audit process effectiveness review questionnaire that was completed by the Directors and key members of management and staff who were involved in the external audit process; and
- the independence and objectivity of the External Auditor.

Having completed this review, the Committee concluded that the audit process, independence and quality of the External Auditor was satisfactory.

The Committee has made a recommendation to the Board to re-appoint Deloitte LLP as the Company's auditor for the 2020/21 financial year. Accordingly, a resolution proposing their re-appointment will be tabled at the July 2020 AGM.

External Auditor's Independence and Non-Audit Services

To preserve objectivity and independence, the Committee has adopted a policy on the provision of non-audit services which restricts the work and fees available to the External Auditor. This policy was updated during the year to reflect the requirements of the FRC Revised Ethical Standard published in December 2019.

The policy specifies certain activities which the External Auditor may not undertake such as tax, consulting, valuation or corporate services (other than reporting accounting arrangements). Permitted services are set out in a whitelist and the fees are capped at 70% of the average audit fees paid in the last 3 years.

The policy requires prior Committee approval for any non-audit services work permitted under the policy whose value exceeds £50,000, or where it will cause the cumulative fees for the year to exceed 10% of the amount of the prior year's audit fee, or where the cumulative fees for the year already exceed 70% of the average of the external audit fees paid in the last three years. Prior approval of the Chief Financial Officer is required for any non-audit services work permitted under the policy whose value exceeds £10,000.

Non-audit fees are monitored by the Committee and the Committee is satisfied that all non-audit work undertaken this year was in line with the policy and did not detract from the objectivity and independence of the External Auditor. The External Auditor confirms its independence at least annually.

The fees paid to Deloitte LLP in respect of non-audit services during the year related to the review of interim Financial Statements and governance compliance certificates and totalled £91,600, representing 10% of the total audit fee (2019 £97,900 and 10%).

Committee Evaluation

The Committee's performance during the year was assessed at the same time as the Board evaluation in March 2020. Further details on the wider Board and Committee evaluation process can be found on page 53.

FY20 Committee Evaluation

All Directors, regular attendees and the Company Secretary responded to an online self-evaluation questionnaire, covering all aspects of Committee performance including: the role of the Committee and its Terms of Reference; meetings and papers; the internal audit plan and effectiveness of management's response to internal audit recommendations; and risk management and internal controls. The participants were asked to score 20 statements on a scale of 1 to 5 and provide written comments, including areas for improvement.

Initial feedback from the evaluation was presented to the Committee and discussed at its meeting in May 2020. The overall assessment is that it continues to operate effectively and has performed well overall during the year. It was agreed that the key actions would be defined by the Chair and those actions would form part of the Committee's agenda for the coming year.

Update on FY19 Committee Evaluation Outcomes

As reported last year, the FY19 Committee performance evaluation was internally facilitated by the Chairman and Company Secretary. The review identified some potential opportunities for the Committee including the on-going personal development needs of the members and to improve the implementation of the internal audit recommendations.

The Committee members discussed whether anything further was required in relation to their personal development needs. They noted that the External Auditor's reports cover all the relevant latest developments and other opportunities for development are provided by Deloitte Academy membership and through other external sources and were therefore in agreement that nothing further was required.

The Committee is satisfied that the work undertaken during the year has seen an improvement in the quality and effectiveness of the implementation of Internal Audit's recommendations.

Directors' Remuneration Report

Remuneration Committee Report

Members

Michael Averill (Chair)
David Martin
Carol Chesney

Areas of Focus in 2020/21

The Committee's priorities for 2020/21 will be to:

- continue to consider the impacts of COVID-19 on remuneration; and
- monitor developments in market best practice.

Dear Shareholder,

I am pleased to introduce the Directors' Remuneration Report for 2020.

The whole Board is grateful to our shareholders for the continued support received on remuneration matters at the Company's 2019 AGM where our Directors' Remuneration Report was approved by over 99% of our shareholders.

This year, in conjunction with our regular duties the Remuneration Committee (Committee) has been preparing and discussing a new Remuneration Policy and we have consulted with our major shareholders on our proposed Policy which will be presented for approval at the 2020 AGM. I would like to thank those shareholders who have participated in this process for their feedback and guidance, which resulted in changes to the original proposal.

As I write, the Committee is continuing to consider the impacts of COVID-19 on remuneration at Biffa. As announced on 6 April 2020, we have undertaken the following actions:

- the Board of Directors and the Group Executive Team members have volunteered to take a 20% reduction in salary with effect from 1 April 2020. This will last for the duration of the period during which the Group is participating in the Government's Coronavirus Job Retention Scheme (CJRS);
- Biffa's Leadership group, representing a further 85 people, have also taken a 10% reduction in salary for the same period;
- all pay increases have been suspended until further notice;
- bonus entitlements earned in respect of the year to 27 March 2020, which under normal circumstances would be paid in cash in July 2020, will be calculated in the normal manner but will, for the most senior participants, be satisfied in shares through the Group's employee share plans, subject to final Remuneration Committee approval; and

- the Group's annual bonus scheme in respect of 2020/21 has been suspended and will be reintroduced at the discretion of the Remuneration Committee when appropriate.

The Report comprises two sections:

- the Directors' Remuneration Policy, which will apply for a maximum of three years from the 2020 AGM and will replace the Directors' Remuneration Policy previously approved at the 2017 AGM; and
- the Directors' Annual Report on Remuneration, which sets out payments and awards made to the Directors for 2019/20 and how the Policy will operate for 2020/21.

The Directors' Remuneration Policy will be subject to a binding vote of shareholders at the forthcoming AGM, with the Directors' Annual Report on Remuneration being subject to an advisory vote.

Membership of the Committee and Attendance

The Committee is comprised of independent Non-Executive Directors and is chaired by Michael Averill, with David Martin and Carol Chesney also being members. The Remuneration Committee met seven times during the year and the attendance at those meetings is shown on page 42.

The Company Secretary attends all the Committee meetings as Secretary to the Committee and, by invitation, they are also attended by the Chairman, Chief Executive Officer, Chief Financial Officer, Gab Barbaro (Non-Executive Director), Group HR Director and external professional advisers for all or part of any meeting as and when appropriate and necessary.

Role and Responsibilities of the Committee

The role of the Committee is to establish a formal and transparent procedure for developing policy on remuneration in accordance with the Code. It sets the remuneration of the Chairman, the Executive Directors and senior management with due account taken of all relevant factors such as, individual and Group performance and remuneration payable by companies of a comparable size and complexity and, in relation to the Executive Directors, the remuneration of, and remuneration policies applying to, the Group's employees.

The Committee reports to the Board on its activities and makes recommendations, all of which have been accepted under the period of review.

The Committee's responsibilities are set out in its Terms of Reference on the Company's website at www.biffa.co.uk.

Advisers

FIT Remuneration Consultants LLP (FIT), signatories to the Remuneration Consultants Group's Code of Conduct, are the Committee's appointed adviser. FIT provides advice to the Committee on matters relating to executive remuneration and all-employee share awards. During the year, FIT provided no other services to the Company and, accordingly, the Committee was satisfied that the advice provided by FIT was objective and independent. FIT's fees in respect of the 2019/20 financial year were £101,089 plus VAT, charged on the basis of the firm's standard terms of business for advice provided.

Activities of the Committee During the Year

The main Committee activities during the year (further details of which are set out in the relevant sections of this report) included the following:

- Agreed the performance against the targets and the payments for the 2018/19 Executive Director annual bonus awards.
- Reviewed annual bonus payments for 2018/19 for the Group Executive Team, senior managers and employees.
- Set the annual bonus performance targets for 2019/20 for the Executive Directors.
- Approved the Directors' Remuneration Report and the Remuneration Policy for the 2019 Annual Report.
- Agreed the population, award levels and performance targets for the 2018/19 PSP awards.
- Oversaw the grant in 2019/20 under the all-employee Sharesave Plan.
- Received an update on Group employee pay and conditions and employee share plans.
- Reviewed and recommended the Gender Pay Gap report for 2019/20 to the Board for approval.
- Reviewed and agreed an increase to the Executive Director and Group Executive Team base salary levels from 1 April 2020 (although note subsequent decision in respect of COVID-19 detailed above).
- Reviewed and agreed an increase to the Chairman's fees (although note subsequent decision in relation to COVID-19 detailed above).
- Reviewed the impact of the 2018 UK Corporate Governance Code and various changes to the regulatory environment and market practice.
- Approved revised shareholding guidelines applying to the Executive Directors and Group Executive Team.
- Reviewed and recommended the updated Committee Terms of Reference to the Board for approval.
- Agreed the terms of remuneration on appointment of the General Counsel and Company Secretary.
- Received an update on the AGM season voting outcomes and market developments.
- Considered the Investment Association's letter to Remuneration Committee chairs and the Investment Association's Principles of Remuneration.
- Approved the changes to the malus and clawback provisions in the Deferred Bonus and PSP rules.
- Undertook a review of the Directors' Remuneration Policy and shareholder consultation.
- Considered remuneration related measures to mitigate the impact of the COVID-19 outbreak on the business as noted above.

The Committee is periodically updated on wider employee matters such as information on our wider workforce pay and conditions, our CEO to employee pay ratio, our gender pay statistics and our diversity initiatives. The Committee has reviewed these elements and is satisfied that the executive remuneration structure remains appropriate.

Whilst the Company does not currently directly engage with employees as part of the process of formulating the Directors Remuneration Policy or reviewing executive pay, the Company does use several initiatives to obtain insights from the broader employee population, including the annual engagement survey. Further detail on engagement with employees is given in the Our People section which starts on page 29.

The Committee has ensured that the Directors' Remuneration Policy and practices are consistent with the six factors set out in Provision 40 of the Code:

Clarity – Our Directors' Remuneration Policy is well understood by our senior management team and has been clearly articulated to our shareholders and representative bodies (both on an ongoing basis and during consultation when changes are being made).

Simplicity – The Committee is mindful of the need to avoid overly complex remuneration structures which can be misunderstood and deliver unintended outcomes. Therefore, a key objective of the Committee is to ensure that our Directors' Remuneration Policy and practices are straightforward to communicate and operate.

Risk – Our Directors' Remuneration Policy has been designed to ensure that inappropriate risk-taking is discouraged and will not be rewarded via (i) the balanced use of both annual incentives and long-term incentives which employ a blend of financial, non-financial and shareholder return targets, (ii) the significant role played by shares in our incentive plans including the deferral under the annual bonus share and the holding period under the PSP (together with in employment and post cessation shareholding guidelines) and (iii) malus/clawback provisions within all our incentive plans.

Predictability – Our incentive plans are subject to individual caps, with our share plans also subject to market standard dilution limits. Examples of the range of outcomes under the Policy are shown within the scenario charts. The use of shares within our incentive plans means that actual pay outcomes are highly aligned to the experience of our shareholders.

Proportionality – There is a clear link between individual awards, delivery of strategy and our long-term performance. In addition, the significant role played by incentive-based pay, together with the structure of the Executive Directors' service contracts, ensures that poor performance is not rewarded.

Alignment to culture – Our executive pay policies are fully aligned to the Company's culture through the use of metrics in both the annual bonus plan and PSP that measure how we perform against key targets and objectives within the Group Balanced Business Plan.

Directors' Remuneration Report continued

Pay and Performance

Biffa has had a strong year demonstrated by the promotion to the FTSE 250 towards the end of the year. We have delivered a strong set of financial results, which include increasing net revenues by 7% and maintaining Underlying Operating Profit Margin at 7.8%. The Group delivered good organic growth and made a series of earnings enhancing acquisitions. Strong cash management and tight capital controls resulted in year-end Net Debt of £425.5m, which was 2.4 times Underlying EBITDA.

As a result, in respect of the 2019/20 annual bonus for the Executive Directors, the actual Operating Profit was between the target and maximum and the Free Cash Flow result exceeded the maximum target. In addition, the majority of the strategic/personal objectives were either partially met or were met in full. As such, bonus awards of 98.64% of salary for Michael Topham and 83.46% of salary for Richard Pike were awarded. These awards would normally have been paid in cash where the 200% of salary share ownership guidelines were met, or a combination of shares and cash where they were not. However, as part of the COVID-19 measures mentioned above, all bonus entitlements earned by the Executive Directors will be satisfied in shares through the Group's employee share plans. Full details of the bonus targets and performance against the targets are set out in the Annual Report on Remuneration.

The July 2017 PSP award is subject to underlying EPS performance to 27 March 2020 and TSR performance. The estimated overall payout for the award is 100% of maximum.

The Committee considers that the Remuneration Policy operated as intended during 2019/20 and that remuneration outcomes are consistent with the Group performance. The Committee considered the Board's recommendation that no final dividend is to be paid for 2019/20 and the implemented measures outlined above regarding the remuneration for 2020/21 that address the effects of the COVID-19 pandemic and determined that no discretion needed to be applied for the above remuneration outcomes although as noted above the Committee has determined that bonus entitlements for 2019/20 should be satisfied in shares.

Also as noted above, the Group's annual bonus scheme in respect of 2020/21 has been suspended and the Committee will consider the performance delivered for our shareholders when determining the outcome for 2020/21 if the scheme is reintroduced.

Committee Evaluation

The Committee's performance during the year was assessed at the same time as the Board evaluation in March 2020. Further details on the wider Board and Committee evaluation process can be found on page 53.

FY20 Committee Evaluation

All Directors, regular attendees and the Company Secretary responded to an online self-evaluation questionnaire, covering all aspects of Committee performance including: the role of the Committee and its Terms of Reference; meetings and papers; communication with key contacts and dialogue with key institutional investors and representatives on remuneration issues. The participants were asked to score 20 statements on a scale of 1 to 5 and provide written comments, including areas for improvement.

Initial feedback from the evaluation was presented to the Committee and discussed at its meeting in April 2020. The overall assessment is that the Committee is working well, there is a good mix of skills and experience and all members contribute to the high quality of debate. It was agreed that the key actions would be defined by the Chair and those actions would form part of the Committee's agenda for the coming year.

Update on FY19 Committee Evaluation Outcomes

As reported last year, the FY19 Committee performance evaluation was internally facilitated by the Chairman and Company Secretary. The review identified potential opportunities for the Committee including, further improvement in relation to the content and delivery of Committee papers and personal development needs of Committee members.

The Committee receive regular updates from FIT during the year and agreed nothing further was required. The recent Committee evaluation noted the improvement in the content of papers and delivery of the meeting packs.

Remuneration for 2020/21

As explained above, at the 2020 AGM we will be submitting our Directors' Remuneration Policy for renewal by our shareholders. The policy is materially unchanged from our first policy as a newly listed company which was approved at our 2017 AGM, with the changes proposed being made to align the Policy with the new Code and regulatory reporting requirements.

Base salaries	No change with increases generally in line with those awarded to other salaried employees.
Pensions	Pension contributions for new Executive Director appointments will be aligned with the pension benefits available to the majority of the workforce. Pension provision for current Executive Directors (20% of salary for the CEO and 15% of salary for the CFO) will initially remain unchanged although will align with workforce rates by 2023 (see below).
Annual bonus	Maximum bonus unchanged at 130% of base salary. Annual bonus potential for the CEO and CFO will continue to be set at 130% and 110% of salary. Compulsory bonus deferral will be introduced for new Executive Director appointments, whereby one-third of any bonus will be deferred into shares for three years.
Long-term incentives	Maximum unchanged at 150% of base salary. The CEO and CFO will continue to receive a PSP award of up to 150% and 125% of salary respectively. A two-year holding period also now applies to all PSP awards (and was applied to awards granted to Executive Directors in 2019).
Shareholding guidelines	Post-employment shareholding guidelines will be introduced going forward, requiring Executive Directors to retain their relevant shareholding at the date of leaving for two years post cessation.

As part of its review of the Policy, the Committee spent significant time considering the most appropriate approach for pension provision, noting the Code requirement for pension provision to be aligned with that available to the workforce. Any new Executive Director appointments will have a pension level that is aligned with the pension benefits available to the wider workforce. The Committee determined that the current Executive Directors' provision will initially remain unchanged, but the Committee will be aligning the pension contribution for all Executive Directors to those available across the workforce by 1 January 2023.

The Committee has also been considering the most appropriate performance targets to be attached to the 2020 PSP awards. The current intention is to continue to use a mix of EPS and TSR measures. Due to the current high level of uncertainty surrounding setting suitably stretching EPS targets, the EPS targets are yet to be finalised and will be confirmed by the Committee in due course and in accordance with recent guidance from the Investment Association, no later than six months following grant. If it is determined that the Committee is unable to set suitably robust EPS targets within this timeframe the weighting on the TSR element will be increased to 100%. Full details of the targets will be set out in an RNS announcement issued immediately after the PSP award is granted or subsequently if they are determined later.

As confirmed in the new Policy, the Committee has the ability to adjust the formulaic outcomes from performance conditions where appropriate and the Committee will ensure that outcomes reflect Company and executive performance as well as the experience of shareholders and other stakeholders. The Committee will also use its discretion to reduce vesting outcomes where it determines that windfall gains have been received.

We trust that you find this Report to be informative and transparent, and we hope to receive your support for both the Directors' Remuneration Policy and the Directors' Annual Report on Remuneration at our forthcoming AGM.

Michael Averill
Chair, Remuneration Committee

4 June 2020

Directors' Remuneration Report continued

Directors' Remuneration Policy

This Directors' Remuneration Policy, which has been approved by the Board and is subject to approval of the shareholders at the 2020 AGM, contains the material required to be set out in the Directors' Remuneration Report for the purposes of Part 4 of The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2008 as amended in 2013 (the DRR regulations).

The Directors' Remuneration Policy will take effect for all payments made to Directors with effect from the conclusion of the forthcoming 2020 AGM.

In devising the new Directors' Remuneration Policy, the Committee undertook an extensive review of the existing policy and determined that it, as approved by 99.7% of shareholders at the 2017 AGM, remains aligned with the Group's remuneration principles.

The minor amendments to the policy are primarily driven by emerging requirements under the Code and regulatory remuneration reporting, which the Committee continues to monitor. Set out below is the Directors' Remuneration Policy table which includes a summary of the proposed changes from the previous policy.

Directors' Remuneration Policy Table

Executive Directors	
Element and purpose	Base salary The core element of pay, reflecting the individual's position within the Company and experience.
Policy and operation	Base salaries will be reviewed as appropriate, but typically not more than annually. In reviewing base salaries, the Committee will consider the performance of the Company and individual, any changes in responsibilities or scope of the role, as well as pay practices in relevant comparator companies of a broadly similar size and complexity.
Maximum	It is anticipated that any salary increases will generally be in line with those awarded to salaried employees. That said, in certain circumstances (including, but not limited to, changes in role and responsibilities, market levels, individual and Company performance) higher increases may be made. However, no incumbent Executive Director's salary will increase more than an average of 10% p.a. over the duration of this Policy.
Performance measures	n/a
Changes from previous policy	No material changes.
Element and purpose	Benefits in kind To provide market-competitive benefits valued by recipients.
Policy and operation	The Executive Directors may receive benefits in kind including car allowance, fuel allowance, private family medical insurance and such other market competitive benefits as the Committee considers appropriate.
Maximum	Benefits may be provided up to an aggregate value of £50,000 for each Executive Director (or such higher amount as the Remuneration Committee considers appropriate).
Performance measures	n/a
Changes from previous policy	No material changes.
Element and purpose	Pension To provide retirement benefits.
Policy and operation	The Executive Directors will receive a defined contribution provision (or cash supplement).
Maximum	The maximum employer's contribution (or cash supplement) is 20% of salary. Pension contributions for new Executive Director appointments will be aligned with the pension benefits available to the wider workforce. Current contributions are 20% of salary for the Chief Executive Officer and 15% of salary for the Chief Financial Officer. These levels will be aligned to the wider workforce from 1 January 2023.
Performance measures	n/a
Changes from previous policy	Newly appointed Executive Directors will be aligned to the wider workforce. Incumbent Executive Directors remain on current levels through to end of 2022 and then aligned to rate available to the wider workforce.

Element and purpose	Annual bonus To motivate Executive Directors and incentivise the delivery of business strategy over a one-year operating cycle.
Policy and operation	<p>Annual bonus plan levels and the appropriateness of measures are reviewed annually to ensure they continue to support our strategy.</p> <p>Once set, performance measures and targets will generally remain unchanged for the year, except to reflect events (e.g. corporate acquisitions, other major transactions) where the Committee considers it to be necessary in its opinion to make appropriate adjustments.</p> <p>The Committee retains the flexibility to pay annual bonus outcomes in cash and/or deferred shares (which may allow for dividend roll-up). For current Executive Directors, one-third of any bonus earned will be deferred into shares for three years to the extent that the Executive Director does not at the bonus payment date already hold sufficient shares to satisfy the share ownership guidelines as may apply from time to time. For new Executive Director appointments, one-third of any bonus will be deferred into shares for three years.</p> <p>Clawback and malus provision apply as explained in more detail in the notes to this Policy table.</p>
Maximum	<p>The maximum annual bonus opportunity is 130% of base salary.</p> <p>For 2020/21, the maximum opportunity will be 130% of salary for the CEO and 110% of salary for the CFO.</p>
Performance measures	<p>Bonuses will be payable subject to the achievement of performance conditions which will be set by the Committee.</p> <p>The targets may be financial and/or personal and strategic, with the majority based on financial targets. It is anticipated that the financial targets will have a significant profit-based element. Where a sliding scale of targets is used, attaining the threshold level of performance for any measure will not typically produce a pay-out of more than 20% of the maximum portion of overall annual bonus attributable to that measure, with a sliding scale to full pay-out for maximum performance. Bonus payments will also be subject to the Committee considering that the proposed bonus amounts, calculated by reference to performance against the targets, appropriately reflect the Company's overall performance and shareholders' experience. If the Committee does not believe this to be the case, it may adjust the bonus outturn accordingly.</p>
Changes from previous policy	<p>For newly appointed Executive Directors, one-third of any bonus will be deferred into shares for three years.</p> <p>The default good leaver treatment is amended so that rather than deferred bonus share awards vesting at cessation, they will continue to vest at the normal vesting date.</p>
Element and purpose	Performance Share Plan (PSP) To motivate Executive Directors and incentivise the delivery of sustained performance over the long term, and to promote alignment with shareholders' interests.
Policy and operation	<p>Awards under the PSP may be granted as nil/nominal cost options or conditional awards which vest to the extent performance conditions are satisfied over a period normally of at least three years.</p> <p>Awards will vest at the end of the specified vesting period at the discretion of the Committee and for awards granted after 10 July 2019, Executive Directors will be required to retain shares vesting under the PSP (net of tax) until the fifth anniversary of grant.</p> <p>The PSP rules allow that the number of shares subject to vested PSP awards may be increased to reflect the value of dividends that would have been paid in respect of any record dates falling between the grant of awards and the expiry of any vesting period/holding period.</p> <p>Clawback and malus provisions apply as explained in more detail in the notes to this Policy table.</p>
Maximum	The market value of shares to be awarded to Executive Directors in respect of any year will normally be up to 150% and 125% of base salary for the Chief Executive Officer and Chief Financial Officer respectively, with awards of a maximum of 250% allowable in exceptional circumstances.

Directors' Remuneration Report continued

Executive Directors Performance Share Plan (PSP) continued

Performance measures	<p>The Committee may impose such conditions as it considers appropriate for each grant which must be satisfied before any award will vest. This currently includes EPS and TSR that are normally applied with equal weighting.</p> <p>All awards made to Executive Directors will be subject to performance conditions which measure performance over a period normally no less than three years.</p> <p>No more than 25% of awards vest for attaining the threshold level of performance. The Committee also has a standard power to apply its judgement to adjust the formulaic outcome of all PSP performance measures to take account of any circumstances (including the performance of the Company, any individual or business) should it consider that to be appropriate.</p>
Changes from previous policy	<p>A two-year holding period was applied to PSP awards made to Executive Directors in 2019. This is now included in the formal Policy for completeness.</p> <p>Clarified the ability of the Committee to adjust the formulaic outcomes from performance conditions where appropriate.</p>

Element and purpose	<p>Share ownership guidelines</p> <p>To promote stewardship and to further align the interests of Executive Directors with those of shareholders.</p>
Policy and operation	<p>The share ownership guidelines encourage Executive Directors to build or maintain (as appropriate) a shareholding in the Company.</p> <p>If any Executive Director does not meet the guidelines, they will be expected to retain up to 50% of the net of tax number of shares vesting under any of the Company's discretionary share incentive arrangements (including any deferred bonus shares) until the guideline is met after which they are expected to retain these levels as a minimum. These restrictions do not apply to shares acquired through purchase.</p> <p>From the 2020 AGM, Executive Directors will be required to maintain a shareholding in the Company for a two-year period after stepping down from that position, being 200% of salary or the Executive Directors' actual relevant shareholding at leaving this position if lower.</p> <p>The Executive Directors' actual relevant shareholding will include shares vesting under any of the Company's discretionary share incentive arrangements (including any deferred bonus shares) from awards granted after the date the Policy was adopted but excludes shares acquired through purchase and the release of shares under share incentive plans where the grant occurred prior to the adoption of the Policy.</p>
Maximum	No less than 200% of base salary for any Executive Director.
Performance measures	n/a
Changes from previous policy	Extended the application of share ownership guidelines for a 2-year period post termination of employment.

Element and purpose	<p>All-employee share plans</p> <p>To facilitate and encourage share ownership by employees, thereby allowing them to share in the long-term success of the Company and align their interests with those of shareholders.</p>
Policy and operation	<p>The Executive Directors will be entitled to participate in all of the Company's employee share plans, including the Share Incentive Plan and Sharesave Plan, on the same terms as other employees.</p> <p>These all-employee share plans are established under HMRC tax-advantaged regimes and follow the usual form for such plans.</p>
Maximum	The maximum participation levels for all-employee share plans will be the limits for such plans set by HMRC from time to time.
Performance measures	Consistent with normal practice, such awards would not be subject to performance conditions.
Changes from previous policy	No material changes.

Chairman and Non-Executive Directors

Element and purpose	Chairman and Non-Executive Director fees To enable the Company to recruit and retain Company Chairs and Non-Executive Directors of the highest calibre, at the appropriate cost.
Policy and operation	<p>The fees paid to the Chairman and Non-Executive Directors aim to be competitive with other fully listed companies of equivalent size and complexity.</p> <p>The fees payable to the Non-Executive Directors are determined by the Board, with the Chairman's fees determined by the Committee. No Director participates in decisions regarding their own fees.</p> <p>The Chairman and Non-Executive Directors do not participate in any new cash or share incentive plans since Admission.</p> <p>The Chairman and Non-Executive Directors are entitled to benefits relating to travel and office support and such other benefits as may be considered appropriate.</p> <p>The Chairman is paid a single fee for the role, although he will be entitled to an additional fee if he is required to perform any specific and additional services.</p> <p>Non-Executive Directors receive a base fee for the role. Additional fees are paid for acting as Senior Independent Director, Chairs of the Audit, Remuneration or other Board Committee and to the designated Non-Executive Director for workforce engagement to reflect the additional time commitment. They will be entitled to an additional fee if they are required to perform any specific and additional services.</p>
Maximum	<p>Fees are paid monthly in cash.</p> <p>The aggregate fees and any benefits of the Chairman and Non-Executive Directors will not exceed the limit from time to time prescribed within the Company's Articles of Association for such fees (currently £5,000,000 p.a. in aggregate).</p> <p>Any increases in fee levels made will be appropriately disclosed.</p>
Performance measures	n/a
Changes from previous policy	No material changes.

Directors' Remuneration Report continued

Notes to the policy table

1. Stating maxima for each element of the Remuneration Policy

The DRR Regulations and related investor guidance encourages companies to disclose a cap within which each element of the Directors' Remuneration Policy will operate. Where maximum amounts for elements of remuneration have been set within the Policy, these will operate simply as caps and are not indicative of any aspiration.

2. Travel and hospitality

While the Committee does not consider it to form part of benefits in the normal usage of that term, it has been advised that corporate hospitality, whether paid for by the Company or another, and business travel for Directors (and in exceptional circumstances their families) and any related tax liabilities may technically come within the applicable rules, and so the Committee expressly reserves the right for the Committee to authorise such activities.

3. Past obligations

In addition to the above elements of remuneration, any commitment made prior to, but due to be fulfilled after, the approval and implementation of this Remuneration Policy or appointment as a Director will be honoured (such as any commitments made in relation to the EVP Return Letters).

4. Malus/clawback

The Committee may apply malus (being the ability to withhold or reduce a payment/vesting) to an award under the annual bonus plan or PSP where there are circumstances which would justify such action, such as: those relating to materially financially inaccurate or misleading results, risk management failure leads to financial loss, errors in calculating a payment/vesting, a participant's behaviour results in material reputational damage, or the Company becomes insolvent.

The Committee may apply clawback (the ability to reclaim some or all of a payment/vesting) to an award under the annual bonus plan or PSP where there are circumstances which would justify such action, such as: evidence of misconduct or material error, material misstatement in the audited accounts, errors in calculating a payment/vesting, a participant's behaviour results in material reputational damage, or the Company becomes insolvent.

5. Performance conditions

The performance-related elements of remuneration take into account the Group's risk policies and systems, and are designed to align the senior executives' interests with those of shareholders. The Committee reviews the metrics used and targets set for senior management (not just the Executive Directors and Group Executive Team) every year, in order to ensure that they are aligned with the Group's strategy and to ensure an appropriate level of consistency.

6. Committee discretions

The Committee will operate the annual bonus plan and PSP according to their respective rules and the Policy table. The Committee retains discretion, consistent with market practice, in a number of respects, in relation to the operation and administration of these plans. This discretion includes, but is not limited to, the following:

- the selection of participants;
- the timing of grant of awards;
- the size of an award/bonus opportunity subject to the maximum limits set out in the Policy table;
- the determination of performance against targets and resultant vesting/pay-outs;

- when dealing with a change of control or restructuring of the Company;
- determination of the treatment of leavers based on the rules of the relevant plan and the appropriate treatment chosen (subject to the policy on termination as set out below);
- adjustments required in certain circumstances (e.g. rights issue and special dividends); and
- the annual review of performance measures, weightings and targets from year to year.

In addition, while performance and targets used in the annual bonus plan and PSP will generally remain unaltered, if events occur which the Committee determines have resulted in the original conditions ceasing to operate as intended, an amended or different target can be set, provided that it is not materially more or less difficult to satisfy, having regard to the event in question.

Any use of the above discretion would, where relevant, be explained in the Annual Report on Directors Remuneration and may, where appropriate and practicable, be the subject of consultation with the Company's major shareholders.

The Committee may make minor amendments to the Remuneration Policy for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation, without obtaining shareholder approval for that amendment.

Remuneration Policy on Recruitment

The Company's recruitment remuneration policy aims to give the Committee sufficient flexibility to secure the appointment and promotion of high calibre executives to strengthen the management team and secure the skill sets to deliver our strategic aims.

In terms of the principles for setting a package for a new Executive Director, the starting point for the Committee will be to apply the Remuneration Policy and structure a package in accordance with that Policy (noting that pension contributions for a new Executive Director will be aligned with the pension benefits available to the majority of the workforce). Consistent with the DRR Regulations, any caps contained within the Policy for fixed pay do not apply to new recruits, although the Committee would not envisage exceeding these caps in practice unless absolutely necessary.

The annual bonus plan and PSP, including the maximum award levels, will operate as detailed in the Remuneration Policy in relation to any newly appointed Executive Director. For an internal appointment, any variable pay element awarded in respect of the prior role may either continue on its original terms or be adjusted to reflect the new appointment as appropriate.

For both external and internal appointments, the Committee may agree that the Company will meet certain relocation expenses as it considers appropriate. It is envisaged these would only be offered for a limited period.

For external candidates, it may be necessary to make additional awards in connection with the recruitment to buy out awards forfeited by the individual on leaving a previous employer. For the avoidance of doubt, buy-out awards are not subject to a formal cap. Any recruitment-related awards which are not buy-outs will be subject to the limits for the annual bonus plan and PSP as stated in the Remuneration Policy. Details of any recruitment-related awards will be appropriately disclosed.

For any buy-outs, the Company will not pay more than is necessary in the view of the Committee and will be limited in value to what the Committee considers to be a fair estimate of the value of the awards foregone. The Committee will in all cases seek, in the first instance, to deliver any such awards under the terms of the existing annual bonus plan and PSP. It may, however, be necessary in some cases to make buy-out awards on terms that are more bespoke than the existing annual bonus plan and PSP.

All buy-outs, whether under the annual bonus plan, PSP or otherwise, will take due account of the service obligations and performance requirements for any remuneration relinquished by the individual when leaving a previous employer. The Committee will seek, where it is practicable to do so, to make buy-outs subject to what are, in its opinion, comparable requirements in respect of service and performance. However, the Committee may choose to relax this requirement in certain cases, such as where the service and/or performance requirements are materially completed, or where such factors are, in the view of the Committee, reflected in some other way, such as a significant discount to the face value of the awards forfeited, and where the Committee considers it to be in the interests of shareholders.

Service Contracts Executive Directors

Michael Topham entered into a service agreement with the Company which was dated 26 September 2018. Richard Pike entered into a service agreement with the Company dated 25 July 2018. The policy is that each Executive Director's service agreement should be of indefinite duration, subject to termination by the Company or the individual on no more than 12 months' notice. However, the Committee reserves flexibility to alter these principles if necessary to secure the recruitment of an appropriate candidate and if appropriate introduce a longer initial notice period of up to two years (reducing over time to no more than 12 months).

The service agreements of all Executive Directors, which are available for inspection at the Company's registered office, comply with this policy as follows:

- Michael Topham's service agreement is terminable by the Company on not less than 12 months' written notice or by Michael on not less than 12 months' written notice. The contract provides for immediate termination upon payment in lieu of notice and contains a 12-month garden leave clause.
- Richard Pike's service agreement is terminable by the Company on not less than 6 months' written notice or by Richard on not less than 6 months' written notice. The contract provides for immediate termination upon payment in lieu of notice and contains a 6-month garden leave clause.

In each case, any payment in lieu of notice will be calculated by reference to base salary and contractual benefits only and will not include any entitlement to bonus or holiday pay that would have accrued during the notice period. The payments in lieu will be paid in monthly instalments. Each Executive Director is also obliged to seek alternative employment/income during this period and the instalment payments will be reduced by the amount of such income.

Chairman and Non-Executive Directors

The Chairman and Non-Executive Directors' appointments are subject to the terms of letters of appointment agreed between themselves and the Company. They are not entitled to receive any compensation on termination of their appointment (other than payment in respect of a notice period where notice is served) and are not entitled to participate in the Company's share, bonus or pension schemes, and are entitled to be reimbursed all reasonable out-of-pocket expenses incurred in the proper performance of their duties.

Their appointment may be terminated at any time upon three months' written notice. The appointment may also be terminated pursuant to the Articles or as otherwise required by law. They are subject to annual re-election by the Company in general meeting.

Non-Executive Director	Original date of Appointment	Letter of Engagement
Ken Lever	12 August 2016	12 March 2018
Michael Averill	25 February 2013	17 October 2016
David Martin	12 August 2016	17 October 2016
Carol Chesney	12 July 2018	12 June 2018
Gab Barbaro	1 January 2019	1 January 2019

Remuneration Policy on Termination

The Committee will consider treatments on a termination having regard to all of the relevant facts and circumstances available at that time. This policy applies both to any negotiations linked to notice periods on a termination and any treatments that the Committee may choose to apply under the discretions available to it under the terms of the annual bonus plan and PSP. The potential treatments on termination under these plans are as follows:

Annual Bonus Plan

If an Executive Director resigns or is dismissed for cause before the bonus payment date, the right to receive any bonus normally lapses (unless the Committee determines otherwise). If an Executive Director ceases employment before the bonus date because of death, ill health, injury or disability, retirement, redundancy or any other reason determined by the Committee, such bonus will be payable as the Committee in its absolute discretion determines taking into account the circumstances for leaving, time in employment and performance. Similar treatment will apply in the event of a change in control of the Company.

If an Executive Director ceases employment unvested deferred bonus awards will normally lapse. However, if employment ends because of death, ill health, injury or disability, retirement, redundancy, the sale or transfer of the employing company or business (other than on a change of control), or for any other reason determined by the Committee, the award will vest in full, unless the Committee decides that it should be subject to a pro-rata reduction in the number of shares vesting to take account of the proportion of the vesting period during which the participant will not be in employment. Release will not typically be accelerated, except in the case of death in service. The Committee has the ability to release a good leaver's awards early in suitable cases.

Directors' Remuneration Report continued

Performance Share Plan

If, during the performance or vesting period, a participant:

- *resigns or is dismissed for cause, awards will normally lapse in full;*
- *ceases to be employed due to ill health, injury or disability (established to the Company's satisfaction), retirement with the agreement of the participant's employer, redundancy, the sale or transfer of the employing company or business (other than on change of control), or for other reasons specifically approved by the Committee, the award will continue and, unless the Committee determines otherwise, will vest on the original vesting date subject to the satisfaction of the performance conditions over the performance period and a pro-rata reduction in the number of shares vesting to take account of the proportion of the vesting period during which the participant was not in employment. Alternatively, on the sale or transfer of the employing company or business, participants may be required to exchange their awards for equivalent awards in the acquiring company; and*
- *dies, unvested awards will vest at the date of death subject to performance testing and time pro-rating, unless the Remuneration Committee determines otherwise.*

If there is a takeover, scheme of arrangement, demerger or other corporate reorganisation of the Company, participants may be required, or may be allowed, to exchange their awards for equivalent awards in the acquiring company. If awards are not exchanged, they will normally vest immediately, the performance conditions will apply and the number of shares which vest will be time pro-rated to take account of the proportion of the vesting period which has elapsed prior to the relevant event unless the Committee, acting fairly and reasonably, decides that it is appropriate not to apply pro-rating (or apply it less strictly). An award granted in the form of an option will normally be exercisable for six months after the date of vesting and will lapse at the end of that period.

The number of shares subject to an award may be adjusted in such manner as the Committee considers reasonable if there is rights issue, corporate restructuring events, demerger, special dividends or other variation of capital.

The all-employee Share Incentive Plan and Sharesave Plan provide treatments for leavers in line with HMRC rules for such plans.

The Company has the power to enter into settlement agreements with Directors and to pay compensation to settle potential legal claims. In addition, and consistent with market practice, in the event of the termination of employment of an Executive Director, the Company may make a contribution towards that individual's legal fees and fees for outplacement services as part of a negotiated settlement. Any such fees will be disclosed as part of the detail of termination arrangements. For the avoidance of doubt, the policy does not include an explicit cap on the cost of termination payments.

External Appointments

The Company's policy is to permit an Executive Director to accept one non-executive appointment outside the Company when this does not conflict with the individual's duties to the Company. When an Executive Director takes such a role they may be entitled to retain any fees which they earn from that appointment.

Statement of Consideration of Employment Conditions elsewhere in the Company

Pay and employment conditions generally in the Company will be taken into account when setting Executive Directors' remuneration. The Committee will receive regular updates on overall pay and conditions in the Company, including (but not limited to) changes in base pay, any employee bonuses in operation, gender pay gap and pay ratios. There is also oversight of the all-employee share plans which Executive Directors and all other Company employees can participate in on the same terms and conditions. Reflecting standard practice, the Company does not currently consult with employees in drawing up the Directors' Remuneration Report or when determining the underlying Policy, although it will continue to monitor developments in this area.

Differences between the Directors' Remuneration Policy and the Policy on Remuneration for Other Employees

The Remuneration Policy for other employees is based on broadly consistent principles as described above. Annual salary reviews across the Company take into account Company performance, local pay and market conditions and salary levels for similar roles in comparable companies.

Other members of senior management participate in similar annual bonus arrangements to the Executive Directors, although award sizes vary by organisational level. PSP awards may also be granted to a broader population than the Executive Directors. The Company operates discretionary bonus schemes for eligible groups of employees under which a bonus is payable subject to the achievement of appropriate targets. All eligible employees may participate in the Company's Share Incentive Plan and Sharesave Plan on identical terms.

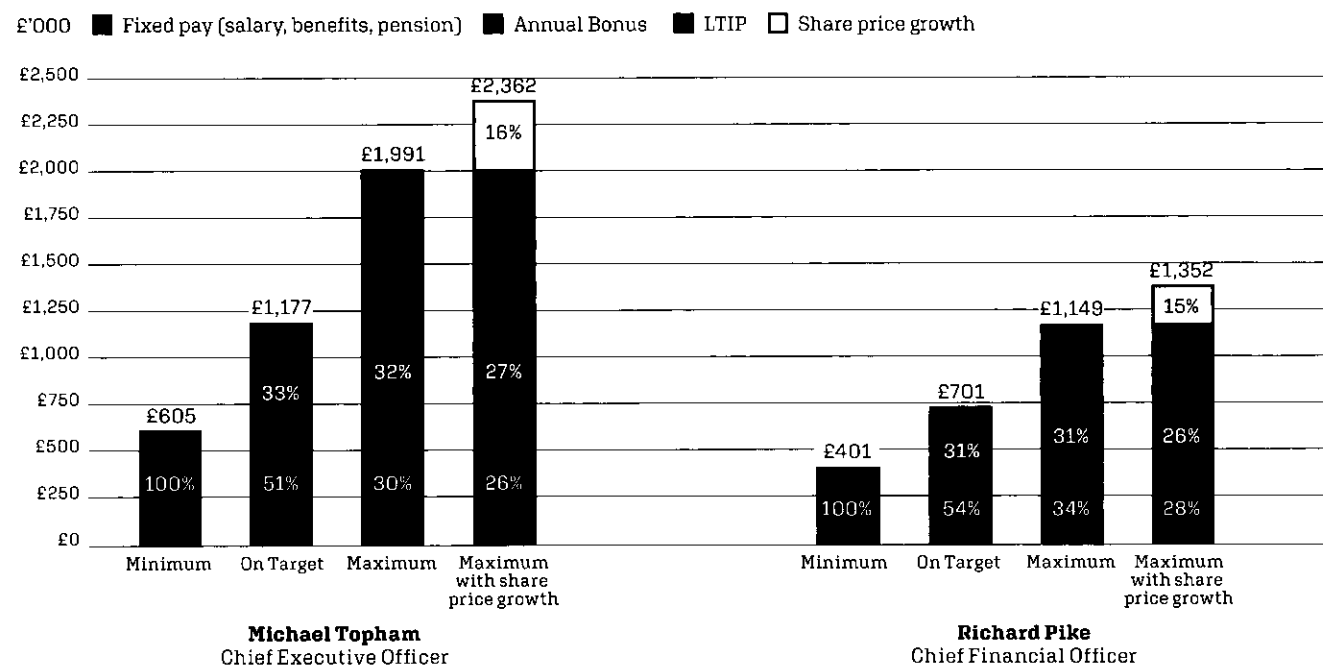
Statement of Consideration of Shareholders' Views

The Committee considers shareholder views received during the year and at each Annual General Meeting, as well as guidance from shareholder representative bodies more broadly, when determining the Directors' Remuneration Policy and its implementation. The Committee seeks to build an active and productive dialogue with investors on developments on the remuneration aspects of corporate governance generally and it will consult with major shareholders in advance of any material change to the structure and/or operation of the Policy and will seek formal shareholder approval for any such change if required.

Illustrations of the application of the Directors' Remuneration Policy

The charts below show how the Directors' Remuneration Policy will be applied for Executive Directors for the 2020/21 financial year using the following assumptions:

Minimum	<ul style="list-style-type: none">■ Consists of base salary, benefits and pension.■ Base salary is the salary to be paid in the 2020/21 financial year.■ Benefits are based on estimated values for the 2020/21 financial year.■ Pension is measured as the defined contribution or cash allowance in lieu of Company contributions of 20% of salary for the Chief Executive Officer and 15% for the Chief Financial Officer.															
	<table><tr><td></td><td>Base salary</td><td>Benefits</td><td>Pension</td><td>Total fixed</td></tr><tr><td>Michael Topham</td><td>£495,000</td><td>£11,000</td><td>£99,000</td><td>£605,000</td></tr><tr><td>Richard Pike</td><td>£325,000</td><td>£11,000</td><td>£49,000</td><td>£385,000</td></tr></table>		Base salary	Benefits	Pension	Total fixed	Michael Topham	£495,000	£11,000	£99,000	£605,000	Richard Pike	£325,000	£11,000	£49,000	£385,000
	Base salary	Benefits	Pension	Total fixed												
Michael Topham	£495,000	£11,000	£99,000	£605,000												
Richard Pike	£325,000	£11,000	£49,000	£385,000												
Target	<p>Based on what the Executive Director would receive if performance was on-target (excluding share price appreciation and dividends):</p> <ul style="list-style-type: none">■ Annual bonus: consists of the on-target bonus (60% of maximum opportunity used for illustrative purposes).■ Long term incentive plan (LTIP): consists of the threshold level of vesting (25% vesting) under the PSP.															
Maximum	<p>Based on the maximum remuneration receivable (excluding share price appreciation and dividends):</p> <ul style="list-style-type: none">■ Annual bonus: consists of maximum bonus of 130% of base salary for the Chief Executive Officer and 110% of base salary for the Chief Financial Officer.■ LTIP: consists of the face value of awards (150% of base salary for the Chief Executive Officer and 125% of base salary for the Chief Financial Officer) under the PSP.															
Maximum with 50% share price growth	<ul style="list-style-type: none">■ As the maximum scenario plus the value resulting from share price growth of 50% from the PSP award.															



Directors' Remuneration Report continued

Directors' Annual Report on Remuneration

2019/20 Remuneration

The following section provides details of how the Directors were paid during the financial year to 27 March 2020.

Single Total Figure Table (audited)

The remuneration for the Executive and Non-Executive Directors who performed qualifying services during the year is detailed below (with prior year comparatives).

Directors		Salary/Fees	Taxable benefits ¹	Bonus ²	Long-term incentives ^{3,4}	Pension	Total Remuneration
Executive Directors							
Michael Topham ⁵	2020	£495,000	£9,425	£488,264	£495,733	£99,000	£1,587,422
	2019	£410,000	£9,865	£412,507	£624,226	£82,000	£1,538,598
Richard Pike ⁶	2020	£325,000	£12,514	£271,258	-	£48,750	£657,522
	2019	£188,250	£6,288	£161,451	-	£27,187	£383,176
Non-Executive Directors							
Michael Averill	2020	£57,000	-	-	-	-	£57,000
	2019	£57,000	-	-	-	-	£57,000
Ken Lever ⁷	2020	£180,000	-	-	-	-	£180,000
	2019	£180,000	-	-	-	-	£180,000
David Martin	2020	£67,000	-	-	-	-	£67,000
	2019	£57,000	-	-	-	-	£57,000
Caroi Chesney	2020	£57,000	-	-	-	-	£57,000
	2019	£41,069	-	-	-	-	£41,069
Gab Barbaro ⁸	2020	£50,000	-	-	-	-	£50,000
	2019	£12,500	-	-	-	-	£12,500
Former Executive Director							
Ian Wakelin ⁹	2020	-	-	-	-	-	-
	2019	£255,000	£7,304	£273,219	£724,463	£51,000	£1,310,986

1 Taxable benefits received comprised car allowance, fuel card and private family medical insurance and the intrinsic value of Sharesave options granted during the year.

2 The bonus is to be in paid in shares.

3 The estimated outturn for the 2017 PSP which vests in 2020 is 100% and the vesting share price has been estimated at 270.9 pence, based on the three-month average share price ending 27 March 2020. For further information see page 64. £89,485 of the above figure for Michael Topham be attributed to a share price appreciation of 48.9 pence per share, based on an actual award price of 222 pence.

4 In June 2019, the Committee confirmed that the 2016 PSP awards would vest as to 73%. The long-term incentive figures in the 2019 comparatives have therefore been updated to reflect this and the actual share price on vesting (223 pence) rather than the three-month average used in the 2019 Annual Report (195.2 pence).

5 Michael Topham was appointed CEO on 29 September 2018; his 2019 recorded salary therefore includes only that as CEO for part of the year.

6 Richard Pike was appointed CFO on 29 September 2018; his 2019 recorded salary therefore relates to part year tenure.

7 Ken Lever's Fees restated for 2019 (£187,096) which previously included arrears for Fees relating to 2017/18

8 Gab Barbaro joined the Board with effect from 1 January 2019.

9 Ian Wakelin stepped down from the Board and left the Company on 28 September 2018.

The aggregate emoluments (being salary/fees, bonuses, benefits and pension allowances) of all Directors for year ended 27 March 2020 was £2,160,210 (2019: £2,238,736). Aggregate value of vested long-term incentives of all Directors for year ended 27 March 2020 was £495,733 (2019: £1,348,689).

2019/20 Annual Bonus (audited)

The Executive Directors' annual bonus targets were set at the beginning of the financial year. As a result of strong underlying financial performance, the Group exceeded the threshold underlying profit before tax and underlying free cash flow targets set by the Board for the purposes of awarding the 2019/20 annual bonuses of the Executive Directors.

More particularly, the profit before tax and free cash flow bonus targets were as follows:

	Threshold £m	Target £m	Maximum £m	Actual £m	Maximum Potential Pay- out	Actual Pay-out (out of maximum stated)
Underlying Profit Before Tax	~1	69.70	74.93	71.7	50.0%	35.0%
Underlying Free Cash Flow	36.18	40.20	44.22	53.6	20.0%	20.0%
Total				-	70.0%	55.0%

1 No payment was payable for below target performance.

In respect of the personal performance targets set for each Executive Director, these were set against a range of strategic targets at the start of the year. The targets set were aligned to Biffa's corporate objectives having due regard to the five-year strategy.

Details of the measures, to the extent they are not commercially sensitive are shown below.

Personal Performance Targets – CEO

Measure	Target	Performance	Maximum Potential	Actual Payout
Safety and Sustainability Demonstrate further progress and improvement in safety and environmental performance	Improve safety engagement score by 2%	■ Safety engagement score reduced. Target not met	5.0%	3.3%
	Reduce Group LTI by 40% (to 0.26%)	■ Group LTI rate reduced by more than 40% (to 0.23%)		
	Reduce no of RTA's	■ Reduction in many RTA categories but increase overall		
	3% improvement in permit compliance score vs number of permits ratio.	■ Target not achieved due to odour issues at a number of landfill sites		
	Launch Sustainability Report.	■ Completed and launched March 2020		
	Roll out safety leadership training to all senior leaders	■ Safer Together Senior Leader training completed		
Employee Engagement Deliver an improvement in the group Employee engagement score as demonstrated by the Annual Employee Engagement Survey	Survey improvement 2% points at Group level (to 60%)	■ Score 58% (no improvement)	5.0%	0.0%
Strategy Execution Make demonstrable progress in delivery of the strategy	Progress as per approved strategy/five year plan	■ Partial achievement on M&A ■ PET plant built ■ Newhurst financial close complete	5.0%	2.5%
Strategy development and financing Develop and gain approval for the Group's growth strategy and ensure appropriate funding arrangements are in place to underpin its delivery	Strategy approved and communicated to markets including deliverable plan for financing	■ Capital Markets day delivered strategy	5.0%	5.0%
Communications Develop and implement a proactive comprehensive communications strategy	Board assessment – to include policy thought leadership and public interest items (e.g. safety, sustainability) as well as IR-related activities	■ Updated investor slide deck and sustainability strategy launch	5.0%	5.0%
Talent management and succession Implement a formal talent management programme; further develop/improve the broader leadership team/identify appropriate successors for Group Executive Team positions where relevant	Board assessment	■ Annual talent review completed with an additional focus on manager hi-potentials. Newly developed Biffa Advanced Leadership Programme commenced.	5.0%	5.0%
			30.0%	20.8%

Directors' Remuneration Report continued

Personal Performance Targets – CFO

Measure	Target	Performance	Maximum	Actual Payout
Safety and Sustainability Demonstrate further progress and improvement in safety and environmental performance	Improve safety engagement score by 2%	■ Safety engagement score reduced. Target not met	5.0%	3.3%
	Reduce Group LTI by 40% (to 0.26%)	■ Group LTI rate reduced by more than 40% (to 0.23%)		
	Reduce no of RTA's	■ Reduction in many RTA categories but increase overall		
	3% improvement in permit compliance score vs number of permits ratio.	■ Target not achieved due to odour issues at a number of landfill sites		
	Launch Sustainability Report.	■ Completed and launched March 2020		
	Roll out safety leadership training to all senior leaders	■ Safer Together Senior Leader training completed		
Employee Engagement Deliver an improvement in the group Employee engagement score as demonstrated by the Annual Employee Engagement Survey	Survey improvement 2% points at Group level (to 60%)	■ Engagement score remained static. Target was not met	5.0%	0.0%
Strategy Execution Make demonstrable progress in delivery of the strategy	Progress as per approved strategy/ five year plan	■ Partial achievement on M&A ■ PET plant built ■ Newhurst financial close complete	5.0%	2.5%
Efficiency and Process Improvement Reset Project Fusion	Near term Fusion sub projects delivered to plan and longer term delivery plan approved and in place	■ All delivered/progressing to plan	5.0%	5.0%
Financing Deliver key initiatives to improve the availability and cost of the Group's financing	To include: financing for strategy (e.g. equity raise), out-performance of budgeted working capital position, improved terms of bonds, securing access to other pools of finance where appropriate	■ Outperformed budgeted working capital, improved terms of bonds, overdraft secured, commenced work for US private placement bond	5.0%	5.0%
Investor Relations Develop and deliver a more proactive investor relations programme	To include: improved direct communications with investors and prospects (including website), Capital Markets event, launch of ESG/sustainability strategy	■ CMD delivered, sustainability strategy launched	5.0%	5.0%
			30.0%	20.8%

On the basis of the above performance, the Committee determined that payment of 20.8% for the CEO and 20.8% for the CFO out of the maximum of 30% for this part of the bonus was proportionate and reasonable in the circumstances. This performance resulted in the following performance assessment for the year:

	Weightings	Outcomes	
	CEO/CFO	Michael Topham	Richard Pike
Financial performance (% of potential)	70%	55.0%	55.0%
Strategic performance (% of potential)	30%	20.8%	20.8%
Total performance outcome (% of potential)	100%	75.8%	75.8%
Total performance outcome (% of salary)		98.6%	83.5%

Vesting of Long-Term Incentive Awards (audited)

The PSP award granted on 3 July 2017 is partly subject to EPS performance to the year ended 27 March 2020 and partly based on TSR performance to the date of the preliminary announcement of results for the year. The performance conditions attached to this award and performance against these conditions is as follows:

(i) Underlying EPS targets as to 50% of the award, and (ii) relative TSR targets as to the remaining 50% of the award. The details of these targets are shown in the tables below:

Underlying EPS for 2019/20 financial year (50% of award)	Portion of award vesting
Below 19.5p	0%
19.5p	25%
19.5p to 22.5p	Pro-rata on straight-line basis between 25% and 100%
Above 22.5p	100%
Actual performance	23.6p
Vesting level	100%

Biffa's TSR ² ranking vs the FTSE 250 (excluding financial services companies and investment trusts) (50% of award)	Portion of award vesting
Below median	0%
Median	25%
Between median and upper quartile	Pro-rata on straight-line basis between 25% and 100%
Upper quartile	100%
Actual performance	To be confirmed at end of performance period
Vesting level (estimated)	100%

2 TSR (calculated based on Biffa plc share price movements, plus dividends reinvested into Biffa plc shares on the relevant ex-dividend dates, over the performance period) is measured over the period from the date of grant to the date of the preliminary announcement of results for the 2019/20 financial year.

Based on the estimated vesting percentage above, details of the shares under award and their estimated value (based on the three-month average share price at 27 March 2020 of 270.9 pence per share) are as follows:

Executive	Maximum Number of shares	Number of shares to vest	Number of shares to lapse	Estimated value at vesting £ ¹	Face value of awards vesting ²	Impact of share price on vesting ³
Michael Topham	182,995	182,995	0	£495,733	£406,249	£89,485

1 Based on the three-month average share price to 27 March 2020.

2 Based on the number of shares vesting multiplied by the share price at the date of grant (222 pence).

3 Based on the estimated value at vesting, less the face value of awards vesting.

The awards also receive the value of dividend equivalents.

Directors' Report on Remuneration continued

EVP Awards (audited)

As described in last year's Annual Directors' Report on Remuneration, prior to the Company's admission to the London Stock Exchange certain Directors were granted EVP Return Letters by WasteHoldco 1 Limited (then the parent Company of the Biffa Group of companies) in connection with a dispute with HMRC regarding the payment of landfill tax for certain of its operations in the UK (the EVP Dispute). These EVP Return Letters were granted in recompense for the diminution in value of their interests in the Group resulting from the EVP Dispute which was linked to incentive arrangements in existence prior to Admission, full details of which appear below in Note 34, on page 150 of the Financial Statements. As part of the proceedings, the Company was required to pay HMRC approximately £63m shortly following Admission (the EVP Paid Amount).

If the EVP Dispute is irrevocably settled in the Company's favour and the EVP Paid Amount is unconditionally returned to the Company (less any amounts which the Group is required to pay in respect of costs incurred by HMRC or penalties or other associated costs of the EVP Dispute together with the EVP Interest payable (see below)) (the EVP Return), the EVP Return Letters shall be settled and these Directors shall be entitled to a cash payment (less tax and national insurance contributions) under the EVP Return Letters as follows:

Director	% of net EVP Return to which they are entitled
Michael Topham	2.129
Michael Averill	0.194

In the event the EVP Dispute is irrevocably settled in favour of HMRC, then subject to the Group receiving a net reduction in the tax liability of the Group (after taking into account any increase in the tax liability arising in respect of any profit and loss account credits in WasteHoldco 1 Limited in respect of the EVP preference shares granted to certain shareholders prior to Admission (the Tax Deduction)) the EVP Return Letters shall be cancelled and the Directors shall be entitled to a cash payment equal to a percentage of the Tax Deduction subject to a maximum payment and a payment in respect of EVP Interest (see below) (less tax and social security contributions) as detailed below:

Director	% of Tax Deduction	Maximum Tax Deduction Cash Payment	EVP Interest Payable	Total Max Payment
Michael Topham	2.366	£236,559	£185,226	£421,785
Michael Averill	0.215	£21,505	£16,839	£38,344

The Company was advised by HMRC in November 2017 that the remaining penalty interest of £8.7m, payable on the EVP Paid Amount, was no longer due (EVP Interest). Once the EVP Dispute has been irrevocably settled, the EVP preference shareholders shall be entitled to receive a proportion of the EVP Interest in line with their shareholding and, the holders of the EVP Return Letters shall be entitled to receive EVP Interest (less tax and social security contributions), as detailed above.

Biffa was successful in its appeal at the Upper Tax Tribunal hearing held in November 2019. HMRC has appealed this decision to the Court of Appeal.

Statement of Directors' Shareholding and Share Interests (audited)

For each Director, the total number of Directors' interests in shares at 27 March 2020 was as follows:

	Michael Topham ¹	Richard Pike	Michael Averill	Ken Lever	David Martin	Carol Chesney	Gab Barbaro
Number of Ordinary shares held as at 27 March 2020	805,371	367,401	71,340	52,777	25,000	6,500	–
Number of Ordinary shares held as at 29 March 2019	661,004	358,046	71,340	52,777	25,000	6,500	–

1 Number of shares held includes 155 shares in respect of the Biffa Share Incentive Plans SIP Award for Michael Topham.

The shareholdings above include those held by Directors and their respective connected persons. There were no changes in the current Directors' interests in shares between 27 March 2020 and 4 June 2020 other than those noted above. Under the share ownership guidelines, the Executive Directors are required to build and maintain a shareholding equivalent to at least 200% of salary. At the 2020 year-end, Michael Topham complied with this requirement. Richard Pike's shareholding increased during 2019/20 and was equivalent to 198% of salary based on the year end share price [175.4 pence].

PSP Awards Granted in the Year (audited)

The following conditional share awards were granted under the PSP in 2019:

Director	Date of grant	Basis of award [% of salary]	Face value of awards at grant	Number of shares under award ¹	Date of vesting
Michael Topham	01 July 19	150%	£742,500	359,564	04 Jul 22
Richard Pike	01 July 19	125%	£406,250	196,731	04 Jul 22

1 Based on the three-day average share price of 206.5 pence to 30 June 2019.

These awards vest in 2022 subject to performance relating to (i) underlying EPS targets as to 50% of the award, and (ii) relative TSR targets as to the remaining 50% of the award. The details of these targets are shown in the tables below:

Underlying EPS for 2021/22 financial year (50% of award)	Portion of award vesting
Below 24p	0%
24p	25%
24p to 28p	Pro-rata on straight-line basis between 25% and 100%
Above 28p	100%

Biffa's TSR ³ ranking vs the FTSE 250 (excluding financial services companies and investment trusts) (50% of award)	Portion of award vesting
Below Median	0%
Median	25%
Between Median and Upper Quartile	Pro-rata on straight-line basis between 25% and 100%
Upper quartile	100%

3 TSR (calculated based on Biffa plc share price movements, plus dividends reinvested into Biffa plc shares on the relevant ex-dividend dates, over the performance period) is measured over the period from the date of grant to the date of the preliminary announcement of results for the 2021/22 financial year.

Awards Granted in the Year under the Sharesave Plan (audited)

During 2019, all employees, including the Executive Directors, were eligible to participate in the Sharesave Plan. This table details the number of options granted to Richard Pike under the Sharesave Plan:

Director	Date of grant	Share price at grant (£)	Exercise price (£) ¹	Number of shares	Date of vesting
Richard Pike	12 Jul 19	2.26	1.81	1,988	01 Sep 22

1 Based on a 20% discount to the share price at the invitation date.

Directors' Report on Remuneration continued

Outstanding Share Plan Awards (audited)

Details of all outstanding share awards made to Executive Directors are set out below:

Director	Award type	Exercise Price (£)	Grant date	Interest at 29/03/19	Awards granted in the year	Awards lapsed in the year	Awards vested in the year	Interest at 27/03/20	Date of vesting/Exercise period
Michael Topham	PSP ¹	0	20-Oct-16	361,111	-	84,905	276,206	-	-
	PSP ¹	0	03-Jul-17	182,995	-	-	-	182,995	01-Jul-20
	PSP ²	0	02-Jul-18	131,048	-	-	-	131,048	01-Jul-21
	PSP ²	0	01-Oct-18	97,029	-	-	-	97,029	01-Jul-21
	PSP ³	0	01-Jul-19	-	359,564	-	-	359,564	01-Jul-22
	SIP ⁴	0	21-Nov-16	150	5	-	-	155	See Note 4
Richard Pike	SAYE ⁵	1.58	21-Jul-17	2,278	-	-	-	2,278	01-Sep-20
	PSP ²	0	01-Oct-18	121,330	-	-	-	121,330	01-Jul-21
	PSP ³	0	01-Jul-19	-	196,731	-	-	196,731	01-Jul-22
	SAYE ⁵	1.81	12-Jul-19	1,988	-	-	-	1,988	01-Sep-22

1 Performance targets for the 2017 PSP awards are presented above.

2 Performance targets for the 2018 PSP awards are presented in last year's Directors Remuneration Report.

3 Performance targets for the 2019 PSP awards are detailed above.

4 Award of free shares under the Biffa plc SIP 2016. The awards were granted on 21 November 2016 and are subject to the normal terms of an HMRC SIP. Awards granted in the year relate to the award of related dividend shares under the SIP.

5 Awards granted under the Biffa plc 2017 Sharesave Scheme. Awards are based on a three-year savings contract.

The aggregate gains by all Directors during 2019/20 from share plan awards was £1,348,689 (2018/19: £ nil). The market price of the shares at the end of the financial year was 175.4 pence; the highest and lowest share price during the financial year were 307 pence and 175.4 pence respectively.

Payments to Past Directors (audited)

Other than the payments made to Ian Wakelin outlined in the Single Total Figure Table there were no payments to past Directors in the financial year 2019/20 (2018/19: nil).

Payments for Loss of Office (audited)

No payments were made to any Director in respect of loss of office in the financial year 2019/20 (2018/19: nil).

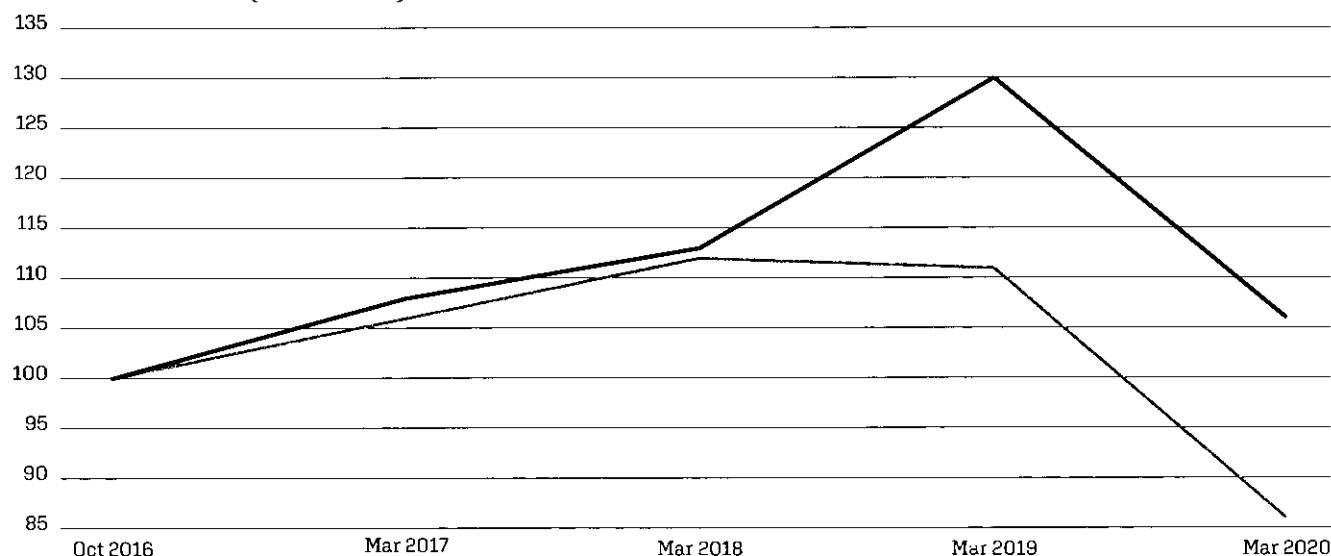
Review of Past Performance and CEO Remuneration Table (unaudited)

The graph below shows the TSR of the Company and the FTSE 250 Index [excluding Investment Trusts] over the period from Admission to 27 March 2020. This is considered an appropriate comparator for Biffa, and this aligns with the use of the FTSE 250 in the TSR performance measure for the PSP.

Biffa TSR vs FTSE 250 since Admission

■ Biffa ■ FTSE 250 Excl. Investment Trusts

Total shareholder return (rebased to 100)



[Source: Thomson Reuters]

The table below details certain elements of the CEO's remuneration since Admission.

	Single figure of total remuneration	Annual bonus pay-out as % of maximum	Long-term incentive vesting rates as % of maximum
2019/20	£1,587,422	75.9%	100%
2018/19	£1,819,483	82.4%	72.8%
2017/18	£1,220,437	90.1%	-
2016/17	£10,681,02 ¹	94.5%	-

¹ It should be noted that £9,507,310 of the above amount relates to the bonus paid under the Management Incentive Plan which was in place from 2013 until the Company's Admission and was therefore 'one-off' in nature.

Percentage Change in Remuneration of the CEO (unaudited)

The table below presents the year-on-year percentage change in remuneration received by the CEO, compared with the change in remuneration received by all Biffa employees:

	CEO ¹	All Biffa employees
Salary	-1.5%	4.6%
Short-term incentives	-9.3%	30.8%
All taxable benefits	-23.0%	10.9%

¹ This percentage change reflects the change in the incumbent over the period.

Directors' Report on Remuneration continued

CEO to Employee Pay Ratio

The table below shows how the CEO's single figure remuneration (as taken from the single figure remuneration table on page 81) compares to the equivalent single figure remuneration for full-time equivalent UK employees, ranked at the 25th, 50th and 75th percentile.

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2019/20	A	80:1	61:1	49:1

The relevant regulations provide three options which may be used to calculate the pay for the employees at the 25th percentile, median and 75th percentile. We have used Option A, following guidance that this is the preferred approach of some proxy advisors and institutional shareholders. Option A captures all relevant pay and benefits for all employees in line with the single figure for remuneration calculated for Executive Directors.

The ratios shown are representative of the FTE 25th percentile, median and 75th percentile pay for UK employees within the Group during 2019/20. Full-year pay data for the 2019/20 financial year has been used to calculate the ratios.

The pay for part-time employees has been grossed-up to one FTE.

The Committee has reviewed the employee data and believes the median pay ratio to be consistent with the pay, reward and progression policies for the company's UK employees over the period.

The Chief Executive Officer's pay is based on the single figure of remuneration set out on page 81 of this report. Because a large portion of the Chief Executive Officer's pay is variable, the pay ratio is heavily dependent on the outcomes of variable pay plans and, in the case of long-term share-based awards, share price movements.

The total pay and benefits and the salary component of total pay and benefits for the employee at each of the 25th percentile, the median and the 75th percentile are shown below:

Year	Salary			Total pay and benefits		
	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2019/20	26:1	20:1	18:1	80:1	61:1	49:1

Relative Importance of Spend on Pay (unaudited)

The table below details the change in total employee pay between financial years 2018/19 and 2019/20 as detailed in Note 7 to the Financial Statements, compared with distributions to shareholders by way of dividend, share buy-backs or any other significant distributions or payments. These figures have been calculated in line with those in the audited Financial Statements.

	% change	2019/20 £'000	2018/19 £'000
Total gross employee pay	3.3%	£254.7m	£246.5m
Distributions to shareholders	7.6%	£18.3m	£17.0m

Statement of Shareholder Voting (unaudited)

The table below shows the advisory vote on the 2018/19 Directors' Remuneration Report at the AGM held on 10 July 2019 and the binding vote on the Directors' Remuneration Policy at the AGM held on 19 July 2017:

AGM resolution	Votes for	%	Votes against	Votes withheld
Remuneration Policy	192,592,197	99.73	514,821	7,467,112
Remuneration Report	193,472,429	99.01	1,928,292	2,434

Implementation of Policy for 2019/20 (unaudited information)

Base salary

Base salaries will be as follows (unchanged from the prior year):

Director	1 April 2020	% Increase
Michael Topham	£495,000	0%
Richard Pike	£325,000	0%

Any increases to salaries have been suspended and the salaries above are therefore unchanged from the prior year. As disclosed in the Committee Chair's letter introducing this report, the Executive Directors along with other members of the management team, have agreed a 20% reduction in the salary they will be paid from 1 April 2020 as part of the Company's mitigation against the COVID-19 crisis for the duration of the period during which the Group is participating in the CJRS.

Benefits in Kind and Pension Provision

Benefits will be paid in line with the Directors' Remuneration Policy. Details of the benefits received by Executive Directors are set out in the single figure table on page 81. There is no intention to introduce changes to existing benefits in 2020/21.

Pension provision for Michael Topham and for Richard Pike will remain at 20% and 15% of base salary respectively. Contributions may be made as cash supplements in full or in part.

Annual Bonus

The Committee had intended to operate the 2020/21 annual bonus in line with previous years. However, as disclosed in the Committee Chair's letter introducing this report the scheme is suspended and will be reintroduced at the discretion of the Committee when appropriate.

If the scheme is reintroduced it will continue to be based on a maxima of 130% of salary for the Chief Executive Officer and 110% of salary for the Chief Financial Officer which will be calculated on a pro-rata basis. 33% of any bonus earned will be deferred into shares for three years to the extent that the Chief Executive Officer and Chief Financial Officer do not satisfy the Share Ownership Guidelines on the bonus payment date.

The Committee will consider the appropriate conditions to apply if the scheme is introduced, taking into account the evolving situation at the time. In determining any payments, the Committee will consider affordability, and supporting disclosures will be made in next year's report.

PSP Awards

A PSP award will be made in 2020 to Michael Topham as Chief Executive Officer and Richard Pike as Chief Financial Officer, of shares worth 150% of salary and 125% of salary respectively.

It is currently envisaged that the performance conditions will be a mix of EPS (50% of award) and relative TSR (50% of award). These are measures which encourage the generation of sustainable long term returns to shareholders. Due to the current high level of uncertainty surrounding setting suitably stretching EPS targets, the appropriate range has yet to be finalised but will be confirmed within 6 months of the date of grant. If it does not prove possible to set a robust EPS range, the weighting of the TSR element will be increased to 100%. Full details of the targets will be set out in an RNS announcement issued immediately after the PSP award is granted or subsequently if the targets are determined later.

Biffa's TSR ¹ ranking vs the constituents of the FTSE 250 (excluding financial services companies and investment trusts) (50% of award)	Portion of award vesting
Below Median	0%
Median	25%
Between Median and Upper Quartile	Pro-rata on straight-line basis between 25% and 100%
Upper Quartile	100%

1 TSR (calculated based on Biffa plc share price movements, plus dividends reinvested into Biffa plc shares on the relevant ex-dividend dates, over the performance period) is measured over the 3-year period from the date of grant.

The 2020 PSP awards will be subject to a 2-year post vesting holding period.

Chairman and Non-Executive Director Fees

Ken Lever is entitled to a fee of £180,000 p.a. as Chairman (with no additional fee payable for chairing the Nomination Committee).

The Non-Executive Directors are entitled to a fee of £50,000 p.a., with an additional fee of £7,000 p.a. for each of the Senior Independent Director, Chairs of the Audit Committee and Remuneration Committee and to the designated Non-Executive Director for workforce engagement.

Any increases to fees have been suspended and the fees above are therefore unchanged from the prior year. The Chairman and Non-Executive Directors have also volunteered to a 20% reduction in their fees for the duration of the period during which the Group is participating in the CJRS.

This report was reviewed and approved by the Board on 4 June 2020 and signed on its behalf by order of the Board.



Michael Averill

Chair, Remuneration Committee

Directors' Report

Directors' Report

This Directors' Report sets out the information required to be disclosed by the Company in compliance with the Act, the UK Listing Rules and the Financial Conduct Authority's Disclosure and Transparency Rules (DTR). It forms part of the management report as required under the DTR, along with the Strategic Report (pages 1-39) and other sections of this Annual Report and Accounts including the Corporate Governance Report (pages 40-85) all of which are incorporated by reference, as outlined in the table below.

Information	Reported in	Pages
Acquisitions and disposals	Strategic Report	13
Business model	Strategic Report	2-3
Corporate Governance Framework	Corporate Governance Report and Statement of Directors' Responsibilities	45
Community and charitable giving	Strategic Report	31
Directors' conflicts of interest	Corporate Governance Report	58
Directors' share interests and remuneration	Directors' Report on Remuneration	81
Director training and development	Corporate Governance Report	58
Diversity, equality and inclusion	Strategic Report	30
Employee engagement	Strategic Report	29
Employees with disabilities	Strategic Report	30
Financial instruments	Financial Statements (Note 19)	134
Future developments and strategic priorities	Strategic Report	12-13
Going concern statement	Strategic Report	39
Greenhouse gas emissions	Strategic Report	26
Principal risk and risk management	Strategic Report	34-38
Modern Slavery Statement	Strategic Report	31
Non-Financial Information Statement	Strategic Report	27
Results	Consolidated Income Statement	102
Section 172 Statement	Strategic Report	5
Stakeholder engagement	Strategic Report	4-5
Statement of Directors Responsibilities	Directors Report	89
Viability Statement	Strategic Report	39

Annual General Meeting

The Company's AGM will be held at 11:00am on Thursday 16 July 2020 at its offices, Biffa plc, Coronation Road, Cressex, High Wycombe, Bucks, HP12 3TZ. The Notice of the AGM accompanies the Annual Report and Accounts and is available on the Company's website at www.biffa.co.uk/investors.

Articles of Association

The Company's Articles of Association may only be amended by a special resolution at a general meeting of the shareholders and can be found on our website www.biffa.co.uk

Branches

The Company does not have any branches outside of the UK.

Change of Control

The Group has in place a £350m multi-currency revolving credit facility (RCF) with a syndicate of 10 banks which is due to mature in March 2025. Under the terms of the RCF, if there is a change of control of the Company then any lender may request that its commitment be cancelled and all other outstanding amounts be repaid to that lender. The Company is not aware of any other significant agreements to which it is party that take effect, alter or terminate upon a change of control of the Company following a takeover bid.

There are no agreements between the Company and the Directors or employees of the Group providing for compensation for loss of office or employment following a takeover bid.

Charitable Donations

During the year, the Company made a charitable donation of £100,000 to WasteAid. Further details can be found on page 31.

Company Registration

Biffa plc is a company incorporated in England and Wales with company number 10336040.

Directors

Details of the Directors who served during the year are set out on pages 42-43. The Company's Articles of Association provide that all Directors will stand for re-election every three years but in compliance with the Code all Directors at the AGM will retire and present themselves for re-election to the Board.

The business of the Company is managed by the Board, which may exercise all the powers of the Company subject to its Articles of Association and the Companies Act 2006.

Directors' Indemnities and Insurance

The Company's Articles of Association provide for the Directors and officers of the Company to be appropriately indemnified subject to the provisions of the Companies Act 2006. In addition, the Group maintains liability insurance for its Directors and officers. Neither the Company's indemnity nor insurance covers claims arising from dishonesty or fraud.

Dividend

The interim dividend of 2.47 pence per share was paid on 20 December 2019. As announced on 25 March 2020, the Directors are not recommending the payment of a dividend for FY20. For more information see page 20.

External Auditor

So far as each Director is aware, there is no relevant information of which the Company's External Auditor is unaware. Each Director has taken all steps that ought to have been taken as a Director to make themselves aware of any relevant audit information and to establish that Deloitte LLP are aware of that information.

As detailed on page 62, the Audit Committee recommended, and the Board approved, the proposal that the current Auditor, Deloitte LLP, be re-appointed as Auditor of the Company at the AGM. Resolutions to re-appoint Deloitte LLP as the Company's Auditor until the conclusion of the AGM in 2021 and to authorise the Directors to determine their remuneration will be proposed to shareholders at the AGM.

Political Donations

No political donations have been made during the financial year.

Post Balance Sheet Events

There have been no material events from 27 March 2020 to the date of this Report.

Powers for the Company issuing or Buying Back its Shares

The Company was authorised by shareholders at the 2019 AGM to allot shares up to a nominal amount of £833,333 and to make market purchases of up to 25,000,000 of its own shares (representing 10% of the issued share capital).

No shares were allotted or purchased under these authorities during the year.

Share Capital

The Company's issued share capital as at the date of this Report is composed of a single class of 250,000,000 ordinary shares of 1 pence each: each share carries the right to one vote at general meetings of the Company. The Company may vary the rights attaching to its shares by special resolution, subject to the Articles of Association and applicable laws and regulations.

The Articles of Association contain provisions governing the ownership and transfer of shares. There are no restrictions on the transfer of shares beyond those required by applicable law under the Articles of Association or insider trading laws. In accordance with the Company's share dealing policy, the Directors and certain employees are required to seek prior approval of the Company before dealing in its shares.

The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of shares and/or voting rights.

On 4 June 2020, the Biffa plc Share Incentive Plan 2016 held 594,685 shares and the Biffa PSP plan held 2,481,169 shares in the Employee Benefit Trust. The right to receive any dividend has been waived by the Trustee of the EBT over the entire holding of the trust and by Wealth Nominees Limited in respect of all Biffa plc shares in their custodian account.

Employees who participate in the PSP and SIP and whose shares remain in the Plan's trust give directions to the Trustee to vote on their behalf by way of a Form of Direction.

Directors' Report continued

Substantial Shareholdings

The table below shows the holdings in the Company's ordinary shares that had been notified to the Company under the Disclosure and Transparency Rules (DTR 5). The information below was correct at the date of notification. It should be noted that these holdings may have changed since the Company was notified. However, notification of any change is not required until an applicable threshold is crossed.

Shareholder	As at 27 March 2020			As at 4 June 2020		
	Direct/Indirect	Number of shares held	Holding of issued share capital %	Direct/Indirect	Number of shares held	Holding of issued share capital %
Avenue Europe International Management, L.P	Direct	21,626,174	8.65	Direct	21,447,472	8.58
Global Alpha Capital Management	Indirect	17,914,663	7.17	Indirect	17,914,663	7.17
Angelo, Gordon and Co	Indirect	17,907,894	7.16	Indirect	17,317,964	6.93
Goldman Sachs International	Indirect	14,299,746	5.72	Indirect	16,689,258	6.84
Franklin Templeton Investments	Indirect	13,567,254	5.43	Indirect	12,748,354	5.09
Legal and General Investment Management	Indirect	13,409,608	5.36	Indirect	13,409,608	5.36

On behalf of the Board.

Sarah Parsons

Company Secretary Biffa plc

Registered in England and Wales No. 10336040

Sarah C. Parsons

Statement of Directors' Responsibilities

Statement of Directors' Responsibilities in Respect of the Annual Report and Accounts

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the Group and Company Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law, the Directors are required to prepare the Group Financial Statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the International Accounting Standards Regulation and have elected to prepare the Company Financial Statement in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 'Reduced Disclosure Framework'.

Under company law, the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of their profit or loss for that period. In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- in respect of Group Financial Statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- in respect of the Company Financial Statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in those statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Group and the parent Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its Financial Statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of Directors' Responsibility under the Disclosure and Transparency Rules

Each of the Directors, as at the date of this report, confirms to the best of their knowledge that:

- the Financial Statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the Group and the Company;
- the Strategic Report and the Directors' Report include a fair review of the development and performance of the business and the position of the Group and the Company, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's performance, business model and strategy.

This statement was approved by the Board on 4 June 2020.

Ken Lever
Chairman

4 June 2020

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 27 March 2020 and of the group's profit for the period then ended;*
- *the group financial statements have been properly prepared in accordance with 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 IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and*
- *the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.*

We have audited the financial statements which comprise:

Group:

- *the consolidated income statement;*
- *the consolidated statement of other comprehensive income;*
- *the consolidated statement of financial position;*
- *the consolidated statements of changes in equity;*
- *the consolidated statement of cash flows; and*
- *the related notes 1 to 39 for the consolidated financial statements;*

Parent Company:

- *the parent company statement of financial position;*
- *the parent company statement of changes in equity; and*
- *the related notes 1 to 9 of the parent company financial statements.*

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 8 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 and pension assets
- Asset impairment in the Resources and Energy division
- Onerous contract provisions
- Capitalisation and classification of costs associated with Project Fusion
- Impact of COVID 19 on going concern and viability

The last two key audit matters are newly identified key audit matters in the current period. Project Fusion comprises of the investment within a new ERP system which is entering its most active phases, where judgement is used to capitalise material costs on a yearly basis.

As a consequence of the COVID-19 outbreak, which has severely affected the UK economy, there are financial reporting impacts particularly with respect to key judgments, estimates, pension assets, going concern assumption and associated disclosures within the financial statements. In response to this, we performed an updated audit risk assessment and identified the impact of COVID-19 on going concern and viability as a key audit matter.

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 £4.4 million which was determined on a combined basis considering revenue, underlying EBITDA and profit before tax, exceptional items and re-measurements ("adjusted profit before tax"). This equates to 0.4% of group revenue; 2.5% of underlying EBITDA and 6.1% of underlying profit before tax.
Scoping	We performed full scope audits on 15 legal entities in the United Kingdom and specified audit procedures on one legal entity located in Gibraltar. All United Kingdom entities are managed from one central location in the UK and all audit work is completed by the group audit team. These entities account for 98% of the group's revenue, 96% of profit before tax and 98% of net assets.
Significant changes in our approach	Apart from the changes to key audit matters as explained above there have been no other key changes in our approach.

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

4. Conclusions relating to going concern, principal risks and viability statement

4.1. Going concern

We have reviewed the directors' statement in page 39 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the group's and company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.

We considered as part of our risk assessment the nature of the group, its business model and related risks including where relevant the impact of the COVID-19 pandemic and Brexit, the requirements of the applicable financial reporting framework and the system of internal control. We evaluated the directors' assessment of the group's ability to continue as a going concern, including challenging the underlying data and key assumptions used to make the assessment, and evaluated the directors' plans for future actions in relation to their going concern assessment; further details are set out in the impact of COVID 19 on going concern and viability key audit matter.

We are required to state whether we have anything material to add or draw attention to in relation to that statement required by Listing Rule 9.8.6R(3) and report if the statement is materially inconsistent with our knowledge obtained in the audit.

Going concern is the basis of preparation of the financial statements that assumes an entity will remain in operation for a period of at least 12 months from the date of approval of the financial statements.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters. Refer to this key audit matter for procedures performed and key observations.

4.2. Principal risks and viability statement

Based solely on reading the directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the directors' assessment of the group's and the company's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to:

- the disclosures on pages 34-38 that describe the principal risks, procedures to identify emerging risks, and an explanation of how these are being managed or mitigated;
- the directors' confirmation on page 39 that they have carried out a robust assessment of the principal and emerging risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity; or
- the directors' explanation on page 39 as to how they have assessed the prospects of the group, over what period, which for Biffa is 3 years, they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to report whether the directors' statement relating to the prospects of the group required by Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.

Viability means the ability of the group to continue over the time horizon considered appropriate by the directors.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters. Refer to this key audit matter for procedures performed and key observations.

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.

Throughout the course of our audit we identify risks of material misstatement ('risks'). We consider both the likelihood of a risk and the potential magnitude of a misstatement in making the assessment. The extent of the risk determines the level of evidence we seek in providing assurance that the associated financial statement item is not materially misstated.

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	<p>Account balances: Provisions. Please refer to note 21 to the financial statements. The Audit Committee has included their assessment of this risk on page 59 and is included within the key sources of estimation uncertainty in Note 1. For specifics of the group's accounting policy please see page 117.</p> <p>As at 27 March 2020 the group holds a landfill restoration and aftercare provision of £56.6 million (29 March 2019: £67.4 million).</p> <p>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.</p> <p>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.</p> <p>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 forecast cashflow.</p> <p>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.</p>
How the scope of our audit responded to the key audit matter	<p>Our audit response focused on verifying and challenging the underlying data and key assumptions used by management in calculating the restoration and aftercare provisions.</p> <p>As part of the audit we obtained and inspected the experts' reports for consistency with publicly available information and their reflection in the forecasts prepared. We have also assessed the competence, objectivity and independence of the internal and external experts.</p> <p>We performed procedures to understand the adequacy of the design, implementation and tested the operating effectiveness of controls in place over the completeness and accuracy of accounting for landfill provisions.</p> <p>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 assess 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 or utilisation of provisions in the current period.</p> <p>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; tested landfill related provisions through analytical reviews; and re-performed the arithmetical accuracy of the cost of the provision.</p>
Key observations	<p>Whilst we considered management's assumptions to lie towards the optimistic end of the reasonable range, 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.</p> <p>We are satisfied with the group's related disclosures of environmental provisions in light of the underlying assumptions and accounting judgments made.</p>

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

5.2. Retirement benefit obligations and pension assets



Key audit matter description	<p>Account balance: Pensions and other post-retirement benefit obligations and associated assets. Refer to note 29 to the financial statements. The Audit Committee has included their assessment of this risk on page 59 and is included within the key sources of estimation uncertainty in Note 1. For specifics of the group's accounting policy please see page 117.</p> <p>The group operates several defined benefit pension schemes which are accounted for under IAS 19 ("Employment Benefits"). At 27 March 2020, the group have recognised a net defined benefit surplus arising from the defined benefit schemes of £116.7 million (29 March 2019: £79.0 million). Included within this figure is a gross defined benefit obligation of £485.9 million (2019: £523.8 million), which comprised of valuations of property and alternative investments which as at 27 March 2020 make up £80.9 million (2019: £92.8 million) out of scheme assets of £599.3 million (2019: £587.6 million).</p> <p>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.</p> <p>The COVID-19 pandemic has resulted in the valuation of certain property assets being subject to increased uncertainty. In addition the valuation of certain alternative investments including those held in private equity portfolios are subject to an unusually high level of uncertainty due to the most recent valuations on them being performed prior to the significant economic impacts of the COVID-19 pandemic. Management obtained updated valuations of these assets at the balance sheet date and provided relevant disclosures regarding the material uncertainty inherent in the valuation in note 29 of the financial statements.</p> <p>Management also determined to account for certain local government pension schemes previously accounted for as defined contribution schemes on the basis of materiality as defined benefit schemes in the current year. This is a key audit matter which requires significant judgement to determine the correct accounting treatment of these schemes and associated reimbursable assets.</p>
How the scope of our audit responded to the key audit matter	<p>We performed walk through procedures to evaluate the adequacy of the design and implementation controls in place over the accounting of retirement benefit obligation.</p> <p>We tested the significant judgements made by third party actuaries and assessed their competence and independence. We also involved our internal actuarial experts to assess the key assumptions applied in determining the pension obligation for the schemes, and determined whether the key assumptions are reasonable. The assessment included reviewing and challenging available yield curves, discount rate, inflation and mortality data 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.</p> <p>Additionally we considered the independence, objectivity and competence of the independent actuaries engaged by management to perform valuations of the relevant schemes. We also tested a sample of the data used in the actuarial valuation, as well as assessed the basis on which pension surpluses were recognised. The latter involved agreeing related terms to the deeds of the relevant group pension scheme.</p> <p>We also engaged internal specialists to challenge management's valuation of scheme assets, in particular the property and certain alternative investments assets. Our work has included assessing the reasonableness of the valuation methodologies applied, reviewing publically available information on these assets, comparing the valuations to internal benchmarks and confirmation of inputs used by management to determine the asset values. In response to the 'material valuation uncertainty' in investment properties as a result of COVID-19, we also assessed how it impacts upon sensitivities of future sources of estimation uncertainty. We reviewed the appropriateness of new key estimates disclosures in note 1 and the associated sensitivity analysis in note 29.</p> <p>With regards to the inclusion of the local government pension scheme and associated reimbursable assets, we assessed the appropriateness of the accounting treatment with comparison to others within the industry, and through consultation with internal specialists. We also evaluated the valuation of the reimbursable asset with consultation with internal specialists, and reviewed the terms of the contract to assess whether the calculations were appropriate.</p>
Key observations	<p>Based on the work performed as outlined above, we are satisfied that the methodologies and other key actuarial assumptions applied in relation to determining the pension valuation, when taken in aggregate, fall within our internally developed reasonable range.</p> <p>Whilst we note increased estimation uncertainty in relation to property investments as a result of Covid-19, we considered the disclosures in notes 1 and note 29 to be reasonable.</p>

5.3. Asset impairment in the Resources and Energy division



Key audit matter description	<p>Account balance: £1,046.8 million. Refer to note 12 to the financial statements. The Audit Committee has included their assessment of this risk on page 59 and is included within the key sources of estimation uncertainty in Note 1. For specifics of the group's accounting policy please see page 117.</p> <p>As at 27 March 2020 the group held non-current assets of £1,046.8 million (29 March 2019: £856.6 million) which could be at risk of impairment, including a goodwill balance of £132.2 million (2019: £128.2 million) arising as a result of the previous group restructurings and acquisitions. The group carries different classes of intangible assets including, gas reserves, brand name and customer contracts. Additionally, the group has classes of tangible assets. The carrying value of these is dependent on future cash flows and if these cash flows do not meet the group's expectations there is risk that the assets will be impaired. The impairment reviews performed by the group contain a number of significant estimates including energy prices, gate fees, forecast tonnage prices, gas yield projections, long-term growth and discount rates. Management relies on a number of third party experts to value a number of these key estimates.</p> <p>Changes in these assumptions can have a significant impact on the headroom available in the impairment calculations. In the current period, two generating units within the Resources and Energy divisions were identified to have low levels of headroom and high sensitivity to key inputs. The group has incorporated a COVID-19 risk adjustment across both divisions to reflect the associated risks in the group's modelling based on reasonable and supportable information available to management at year end.</p>
How the scope of our audit responded to the key audit matter	<p>We held discussions with management to understand the process that the group followed in its asset impairment assessment. Following these discussions we assessed the design and implementation of the controls that management operates over the process.</p> <p>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 assessed the independence, objectivity, and competency of the internal and external experts used.</p> <p>We evaluated the accuracy of future cash flow forecasts with reference to recent performance, trend analysis and an assessment of historical forecasting accuracy of their forecasts against actual outturn that underpin the cash flows used in the assessment.</p> <p>Having ascertained the extent of change in those assumptions that either were individually or collectively would be required for the goodwill and intangible assets to be impaired, we considered the likelihood of such movements in those key assumptions arising.</p> <p>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 on their long term growth rates and compared them to those used by comparable competitors. We assessed whether they fell within a reasonable range of external market data. Where they did not, we applied our independent view of a more appropriate rate to management's forecast. We also tested the mathematical accuracy of the calculation as performed.</p> <p>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 in its impairment model including agreement with the latest Board approved plans and management approved forecasts.</p> <p>We considered reasonable possible changes in assumptions to challenge the appropriateness of management's assessment of reasonable possible change scenarios. Our challenge was informed by input from certain of our internal valuation specialists, utilising their knowledge and expertise.</p>
Key observations	<p>Whilst we considered management's assumptions to lie towards the optimistic end of the reasonable range, based on the work performed as outlined above we conclude the assumptions to be appropriate and concur with management that the key estimates are materially accurate.</p> <p>We are satisfied that the disclosures in notes 13 and 14 appropriately highlighted the reasonable possible changes in key assumptions to the recoverable amounts of the cash generating units within the Resource and Energy divisions.</p>

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

5.4. Onerous contract provisions



Key audit matter description	<p>Account balances: Provisions. Please refer to note 21 to the financial statements. The Audit Committee has included their assessment of this risk on page 59 and is included within the key sources of estimation uncertainty in Note 1. For specifics of the group's accounting policy please see page 117.</p> <p>Certain of the group's contracts are onerous and long-term in nature. These contracts can be complex and contain key performance indicator clauses where penalties may be incurred in the event of non-compliance. The group is therefore required to make operational and financial assumptions to estimate future losses over periods that can extend beyond seven years. In the period ending 27 March 2020, the provision against onerous contracts reduced to £15.4 million (2019: £17.1 million).</p> <p>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 sub-contractor claims is uncertain and involves a high degree of management estimation.</p> <p>Due to the size and nature of the onerous provision and management's judgements and estimates used in forecasting future financial performance, we have determined this is a key audit matter. The key sources of estimation uncertainty are in relation to the Retail Price Index (RPI), commodity process applied and unavoidable costs under the contracts.</p>
How the scope of our audit responded to the key audit matter	<p>We performed procedures to assess the design and implementation of controls in place to identify contracts which may be onerous, and to determine whether the potential liability is appropriately accounted and disclosed in the group's financial statements. We performed analytics on contract margins to identify unusual or unexpected trends and to assess whether management's process had identified all onerous and problematic contracts.</p> <p>For the identified onerous contracts, we obtained and read the key contractual terms to evaluate whether revenue was recognised in accordance with these terms and whether it is supported by evidence of service delivery. We read and understood the contract penalty clauses and evaluated the completeness of penalties through discussions with contract managers and reading minutes of meetings.</p> <p>We assessed each of the key assumptions underpinning management's forecasts to quantify onerous contract provisions and independently sensitised management's model. We evaluated the accuracy of future forecasted cash flow forecasts with reference to recent performance, trend analysis, an assessment of historical forecasting accuracy and operational improvements against the contracts.</p> <p>Additionally, we assessed the forecast assumptions used by management around RPI, commodity values against external market data and other rates in the model checked against underlying signed contracts and agreements. We also tested the appropriateness of the discount rate used to present value the obligation, evaluating whether the rates used appropriately reflect the risk in the underlying cash flows.</p> <p>We reviewed the models created by management for arithmetical accuracy and the approach taken in relation to the recent IAS 37 "Provisions, Contingent Liabilities, and Contingent Assets" amendments published by the Financial Reporting Council ("FRC") in May 2020.</p>
Key observations	<p>We considered the level of provisioning to be acceptable and in accordance with IAS 37 "Provisions, Contingent Liabilities, and Contingent Assets. We are satisfied with the group's related disclosures of these onerous contracts in light of the underlying assumptions and accounting judgments made.</p>

5.5. Capitalisation and classification of costs associated with Project Fusion



Key audit matter description	<p>Account balances: Intangible assets. Please refer to note 13 to the financial statements. The Audit Committee has included their assessment of this risk on page 59 and is included within the key sources of estimation uncertainty in Note 1. For specifics of the group's accounting policy please see page 117.</p> <p>In the year ended 27 March 2020 management hold a net book value of £14.1 million of intangible assets in relation to costs capitalised under the IT infrastructure modernisation Project Fusion. Amounts capitalised included internal development costs of £15.9 million (2019: £17.4 million).</p> <p>We identified this as a key audit matter due to the significant amounts invested and the level of judgement involved, for example in considering whether internal costs should be capitalised, existing assets being potentially impaired (due to technology being superseded) and also the appropriateness of the useful economic life assigned to project assets. As assessment of useful life or potential impairment of assets requires considerable judgement including the proposed benefits and has an impact on the amounts recorded as an expense in the Income Statement, there is a potential risk of misstatement due to fraud or error.</p> <p>In the current year our audit procedures also considered the risk of impairment in the context of significant sums being invested, the change in the systems integrator resetting projected costs and the fast pace of development. New technology could supersede previously capitalised costs or inappropriate amortisation rates could be used. Given the current year developments, we challenged management's assessment of the impact of COVID-19 on the control environment and cash flow forecasts.</p>
How the scope of our audit responded to the key audit matter	<p>We held discussions with management to understand the process that the group followed in the recognition of costs associated with Project Fusion and their process for assessing impairment, for example a half-yearly review of project status involving project managers and finance. Following these discussions we assessed the design and implementation of the controls that management operates over the process.</p> <p>We compared a sample of costs capitalised to external invoices or timesheets, where appropriate, to assess whether costs have been appropriately capitalised, by reference to the recognition criteria of the applicable accounting standards, including challenging the group's assessment of the technical feasibility of the related assets.</p> <p>We also met with project managers responsible to inform our assessment of the feasibility and economic benefits of the projects, and to identify any indicators of impairment. We assessed the reasonableness of the assumptions used in management's impairment review, including corroborating key inputs such as forecast costs and benefits, to internal performance reporting and knowledge gained performing our other audit procedures. Specifically in relation to recoverability, we challenged the group's assessment of which assets represent inefficient spend and should therefore be discontinued.</p>
Key observations	<p>We consider the capitalisation and classification of Project Fusion related costs to be appropriate and fairly disclosed in the financial statements.</p>

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

5.6. Impact of COVID 19 on going concern and viability



Key audit matter description	<p>The COVID-19 pandemic has had a significant impact on the UK economy with consequences to the judgements and estimates made by the group, principally in relation to the valuation of certain pension assets. Refer to the going concern assumption in note 1 to the financial statements and the Audit Committee's discussion on page 59.</p> <p>From February 2020 the scale and impact of the COVID-19 pandemic on the global economy and markets in which the group operates has increased significantly. This has impacted the results of the group for the 2020 financial year to date and is expected to continue to impact the group for the remainder of 2020, albeit the severity of the impact is expected to reduce over time.</p> <p>A risk was also identified in relation to the impact of the pandemic on the group's cash flows and liquidity and accordingly its ability to continue as a going concern. In order to conclude that it is appropriate for the financial statements to be drawn up on a going concern basis and on the viability of the Group, management have performed a detailed bottom-up analysis of the impact of COVID-19 on revenue, profit and cashflows including cost measures given the period of uncertainty.</p> <p><i>In response Management has assessed the completeness of accounting considerations across the group and determined that the primary risks that arose from the COVID-19 pandemic related to the valuation of unquoted pension assets, particularly certain assets in the property and alternative investment portfolios which are subject to increased valuation uncertainties. The key judgements related to the valuation of certain unquoted pension assets are discussed in the 'retirement benefit obligations' key audit matter.</i></p> <p>In doing so, management have made estimates and judgements that are critical to the outcome of these considerations, such as the speed of macroeconomic recovery and the quantum and timing of collected tonnages over the next twelve months. This analysis has been used in conjunction with an assessment of the group's liquidity and consideration of loan covenants. Management have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future and have therefore adopted the going concern basis of accounting in preparing the financial statements.</p>
How the scope of our audit responded to the key audit matter	<p>We held discussions with management to understand the process that the group has followed in respect of the going concern and viability assessment. Following these discussions we assessed the design and implementation of the controls that management operates in the process.</p> <p>We assessed both the baseline going concern model prepared by management, and the COVID-19 overlay adjustments, which have been used to sensitise the base case model.</p> <p>In relation to the baseline model, we agreed the key inputs including EBITDA and net debt values back to board approved budgets. In addition, we considered the historical accuracy of the budgeting process to assess the reliability of the data.</p> <p><i>Specifically, in relation to the COVID-19 overlay, we obtained management's COVID-19 analysis and challenged the underlying assumptions used with group management. This included consideration of the quantum and timing of cash flows and assessing long-term growth assumptions against Bank of England and OBR projections. Further this involved an understanding of the mitigating cost actions being taken, including those involving local government assistance. We challenged these assumptions based on our understanding of the business and our knowledge of the industry sectors in which the group operates.</i></p> <p>In conjunction with the above we reviewed management's analysis of both liquidity and loan covenant compliance to assess whether any breaches are anticipated over the period of assessment. As the results for April and May 2020 have become available, we have updated our analysis to reflect the most recent data. From this, we have rebased our reasonable worst case to build upon current levels of cash and drawdowns on the current facilities in place. We have focused on the working capital cash flow and assessed the actual movements.</p> <p>In relation to covenant compliance we assessed the stress testing performed on management's adjusted baseline model and considered to what extent sufficient headroom exists to absorb any further downside risk in relation to both EBITDA and net debt. We have performed further analysis on the levels of overdue debt held by the Group and the plans in place with key customers to assess the recoverability of debtor balances and the impacts to forecasted cash flows. We also reviewed the appropriateness and feasibility of management's mitigations in the case of a reasonable worst case scenario in order to meet covenant compliance.</p> <p><i>Lastly, we reviewed the adequacy of the group's disclosures in relation to the impact of COVID-19 on going concern and appropriateness of the sensitivity analysis presented in the notes of the financial statements.</i></p>
Key observations	<p>Our conclusion on the valuation of certain pension assets is set out in our 'net pension obligation' key audit matter.</p> <p>Our conclusion on going concern is set out in the 'Conclusions relating to going concern, principal risks and viability statement' section of this report. We are satisfied that appropriate disclosures are provided in the Annual Report and the notes of the financial statements.</p> <p>We concluded that management's disclosures included in note 1 to the accounts in respect of the key judgements and areas of estimation uncertainty are appropriate.</p>

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	£4.4 million (2019: £4.0m)	£1.8 million (2019: £1.7m)
Basis for determining materiality	<p>Materiality has been determined with reference to revenue, underlying EBITDA and profit before tax, exceptional items and re-measurements ("adjusted profit before tax"). The materiality determined of £4.4 million equates to 0.4% (2019: 0.3%) of revenue.</p> <p>In making this determination, we calculated an adjusted profit before tax as follows:</p> <ul style="list-style-type: none"> ■ taking the statutory profit before tax; ■ adding back items classed as exceptional in note 3; and ■ adjusting the effect of the change in discount rate on aftercare provisions, so that its impact on adjusted profit represents a five year normalised average figure. 	<p>The Company materiality was determined on the basis of net assets and equates to 0.6% (2019: 0.6%) of the Company's net assets.</p>
Rationale for the benchmark applied	<p>The business is currently highly acquisitive, and therefore profit before tax is very low in the overall context of the balances within the financial statements. We believe that using a materiality based on these benchmarks reflects critical underlying measures of the group which is given substantial prominence throughout the annual report and reflects the key metrics used by analysts in their reports and communications to shareholders and investors, as well as the communications of peer companies.</p> <p>In calculating an adjusted profit before tax figure, we removed exceptional items as these are not reflective of the underlying performance of the Group. We consider that the impact of the change in discount rate on the aftercare provision is a recurring item and have therefore included it in our calculation; however, because of its volatility, we have taken an average over five years. We consider this measure suitable having considered also other benchmarks: our materiality equates to 2.7% (2019: 2.7%) of Underlying EBITDA, 1.1% (2019: 1.1%) of Net Assets, 8.8% (2019: 8.8%) of operating profit; and 0.5% (2019: 0.5%) of revenue.</p>	<p>As the Company is non-trading and operates primarily as a holding company for the group's trading entities, we believe that the net asset position is the most appropriate benchmark to use. The entity is not in itself profit-oriented. The strength of the balance sheet is the key measure of financial health that is important to shareholders since the primary concern of the parent company is the payment of dividends and servicing of debt.</p>

Group materiality
£4.4m

Adjusted PBT
£71.7m

Component materiality
range of £3.5m to £1.50m

Audit Committee
reporting threshold £0.22m

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

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 performance materiality was set at 60% of group materiality for the year ended 27 March 2020 (2019: 70%). 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 £0.22 million (2019: £0.20 million), 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. In the prior year this component was based in Malta, however in response to Brexit the group decided to move the company to Gibraltar. However our audit approach has not changed in this respect.

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 are then performed based upon the level of scope identified.

Based on this assessment, we performed full scope audits on 15 (2019: 15) legal entities and specified audit procedures on one (2019: one) legal entity located in the United Kingdom and Gibraltar. All United Kingdom entities are managed from one central location in the UK and all audit work is completed by the group audit team. The full scope and specified audit procedures entities account for 99% (2019: 98%) of the group's revenue, 98% (2019: 98%) of profit before taxation and 99% (2019: 98%) of net assets.

In addition to the work performed at a component level the group audit team also performs audit procedures on the parent company financial statements including 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, financial statement disclosures and risk assessment work on components not included elsewhere in the scope of our audit. 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.

Full audit scope	98%	Full audit scope	96%	Full audit scope	97%
Specified audit procedures	0%	Specified audit procedures	2%	Specified audit procedures	1%
Review at group level	2%	Review at group level	2%	Review at group level	2%

7.2. Our consideration of the control environment

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. We have not taken a controls reliance approach over a number of other areas: asset impairment, onerous contracts, Project Fusion, retirement benefit obligations, expenditure and payroll. The control improvements that are identified in relation to these areas are reported to management and the Audit Committee as appropriate. *Management determines their response to these observations and continues to monitor their resolution with reporting to and oversight from the Audit Committee.* In the current year, we have highlighted the potential to enhance the formality of the control and process documentation including evidencing their operation. We have taken a substantive audit approach on all other areas not mentioned above.

7.3. Working with other auditors

A senior member of the group audit team oversaw the Deloitte component team's work on the Gibraltar entity. We included them in our team briefings, discussed the risk assessment, attended the closing meeting and reviewed their audit working papers. In response to the COVID-19 pandemic and restrictions on in person meetings after the year-end, frequent calls were held between the group and the component team and remote access to relevant documents was provided.

8. Other information

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

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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- **Fair, balanced and understandable** – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit committee reporting** – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code** – the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

We have nothing to report in respect of these matters.

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.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud and non-compliance with laws and regulations are set out below.

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.

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

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

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

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 teams, and involving relevant internal specialists, including tax, valuations, pensions, IT, 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 frameworks 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, pensions 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.

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; 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.

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. Matters on which we are required to report by exception

13.1. 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.

13.2. 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.

14. Other matters

14.1. 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 4 years, covering the periods ending 24 March 2017 to 27 March 2020.

14.2. 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).

15. 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.



Makhan Chahal ACA

(Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

9 June 2020

Consolidated Income Statement

	Notes	52 weeks ended 27 March 2020			52 weeks ended 29 March 2019		
		Underlying activities £m	Other items £m (Note 3)	Total £m	Underlying activities £m	Other items £m (Note 3)	Total £m
Revenue	2	1,183.1	-	1,183.1	1,091.2	-	1,091.2
Cost of sales		(1,012.7)	(11.6)	(1,024.3)	(959.0)	(34.5)	(993.5)
Gross profit		150.4	(11.6)	138.8	132.2	(34.5)	97.7
Operating costs		(57.7)	(4.8)	(62.5)	(50.1)	(1.8)	(51.9)
Expected credit loss recognised	16	(2.2)	-	(2.2)	(0.4)	-	(0.4)
Operating profit		90.5	(16.4)	74.1	81.7	(36.3)	45.4
Finance income	4	2.3	1.1	3.4	1.5	-	1.5
Finance charges	4	(21.0)	-	(21.0)	(19.2)	(6.2)	(25.4)
Share of results in joint venture		(0.1)	-	(0.1)	-	-	-
Profit/(loss) before taxation	6	71.7	(15.3)	56.4	64.0	(42.5)	21.5
Taxation	9	(14.3)	3.5	(10.8)	(12.5)	9.0	(3.5)
Profit/(loss) for the period		57.4	(11.8)	45.6	51.5	(33.5)	18.0
Profit/(loss) attributable to shareholders of the parent Company		57.4	(11.8)	45.6	51.5	(33.5)	18.0
Basic earnings/(loss) per share [pence]	10	23.1	(4.8)	18.3	20.6	(13.4)	7.2
Diluted earnings/(loss) per share [pence]	10	22.5	(4.6)	17.9	19.9	(13.0)	6.9

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

Consolidated Statement of Other Comprehensive Income

	Notes	52 weeks ended 27 March 2020 £m	52 weeks ended 29 March 2019 £m
Profit for the period		45.6	18.0
Other comprehensive income/(loss)			
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gain on defined benefit pension scheme	29	40.9	27.3
Share of other comprehensive income of joint ventures			
Tax relating to items that will not be reclassified subsequently to profit or loss	9	(8.3)	(4.9)
		32.6	22.4
Items that may be reclassified subsequently to profit or loss:			
Net loss on cash flow hedge		(0.6)	(0.4)
Net loss on cash flow hedge in joint venture		(1.8)	-
<i>Other comprehensive income for the period, net of income tax</i>		30.2	22.0
Total comprehensive income for the period		75.8	40.0
Attributable to shareholders of the parent Company		75.8	40.0

Consolidated Statement of Financial Position

	Notes	As at 27 March 2020 £m	As at 29 March 2019 £m
Assets			
Non-current assets			
Goodwill	12	132.2	128.2
Other intangible assets	13	197.0	213.0
Property, plant and equipment	14	527.7	365.4
Investment in joint venture	33	3.0	-
Long-term receivables	16	68.2	68.9
Deferred tax assets	22	-	2.1
Retirement benefit surplus	29	124.7	79.0
		1,062.8	856.6
Current assets			
Inventories	15	16.1	14.4
Trade and other receivables	16	165.3	142.0
Contract assets	37	56.2	54.2
Financial assets	19	6.7	15.7
Current tax assets		-	0.5
Cash and cash equivalents	17	87.8	66.2
Assets held for sale	18	0.1	0.1
		332.2	293.1
Current liabilities			
Borrowings	19	(43.6)	(31.7)
Derivative financial instruments	19	(1.2)	(0.7)
Trade and other payables	20	(274.2)	(232.0)
Contract liabilities	37	(17.8)	(17.6)
Provisions	21	(10.2)	(16.0)
Total current liabilities		(347.0)	(298.0)
Net current liabilities		(14.8)	(4.9)
Non-current liabilities			
Borrowings	19	(511.0)	(387.5)
Trade and other payables	20	(13.6)	(13.7)
Provisions	21	(85.1)	(90.3)
Deferred tax liability	22	(17.3)	-
Total non-current liabilities		(627.0)	(491.5)
Net assets		411.0	360.2
Equity			
Called up share capital	24	2.5	2.5
Share premium	24	235.3	235.3
Hedging reserves		(2.8)	(0.4)
Merger reserve	24	74.4	74.4
Retained earnings	25	101.6	48.4
Total equity attributable to shareholders		411.0	360.2

The Financial Statements were approved by the Board of Directors and authorised for issue on 9 June 2020. They were signed on its behalf by:



Richard Pike

Director

Company no: 10336040

Consolidated Statement of Changes in Equity

	Notes	Called up share capital £m	Share premium £m	Merger reserve £m	Hedging and other reserves £m	Retained earnings £m	Total equity £m
As at 30 March 2018		2.5	235.3	74.4	-	22.8	335.0
Profit for the period		-	-	-	-	18.0	18.0
Other comprehensive (loss)/income		-	-	-	(0.4)	22.4	22.0
Total comprehensive (loss)/income		-	-	-	(0.4)	40.4	40.0
Value of employee service in respect of share option schemes (net of tax)	23	-	-	-	-	2.2	2.2
Dividends paid		-	-	-	-	(17.0)	(17.0)
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 (loss)/income		-	-	-	(2.4)	32.6	30.2
Total comprehensive (loss)/income		-	-	-	(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 (net of tax)	23	-	-	-	-	2.4	2.4
Dividends paid		-	-	-	-	(18.3)	(18.3)
As at 27 March 2020		2.5	235.3	74.4	(2.8)	101.6	411.0

Consolidated Statement of Cash Flows

	Notes	52 weeks ended 27 March 2020 £m	52 weeks ended 29 March 2019 Restated £m
Cash flows from operating activities			
Cash generated from operations	26	193.8	133.0
Restructuring and exceptional costs		(14.0)	(4.5)
Receipt of funds held on long-term deposit		-	6.1
Net cash from operating activities		179.8	134.6
Income tax paid		(0.2)	(0.2)
Net cash inflow from operating activities		179.6	134.4
Cash flows from investing activities			
Purchases of property, plant and equipment		(56.8)	(42.4)
Purchases of intangible assets		(3.8)	(3.7)
Compensation		4.4	-
Purchase of business, net of cash acquired	11	(5.1)	(41.5)
Investment in joint venture		(5.0)	-
Proceeds from the sale of property, plant and equipment		1.6	0.9
Loan to joint venture		(2.4)	-
Interest received		0.3	0.3
Net cash used in investing activities		(66.8)	(86.4)
Cash flows from financing activities			
Interest paid		(17.2)	(16.3)
Employee share scheme purchase		(6.0)	(1.4)
Drawdown of borrowings	27	1.0	45.1
Fees payable on 1 year extension to RCF		(0.5)	-
Lease liabilities principal payments	27	(50.2)	(33.0)
Dividends paid		(18.3)	(17.0)
Net cash flow used in financing activities		(91.2)	(22.6)
Net increase in cash and cash equivalents		21.6	25.4
Cash and cash equivalents at the beginning of the period		66.2	40.8
Cash and cash equivalents at the end of the period	17	87.8	66.2

Strategic Report

Corporate Governance

Financial Statements

Additional Information

Notes to the Consolidated Financial Statements

1. Accounting Policies

Basis of preparation

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

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

The Financial Statements for 2020 have been prepared for the 52-week period ended 27 March 2020. The prior year was a 52-week period, to 29 March 2019. The upcoming year will also be a 52-week period, to 26 March 2021. The Notes to the accounts refer to 2020 and 2019 meaning 52-week period ended 27 March 2020 and 52-week period ended 29 March 2019 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 page 117.

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

Going concern

The Group meets its day-to-day working capital requirements through its bank facilities. The current economic and political conditions create uncertainty; however, the Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the current level of its facilities. Having assessed the principal risks and other matters discussed in connection with the Viability Statement, the Directors consider it appropriate to adopt the going concern basis in preparing the Consolidated Financial Statements.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 1-39. The financial position of the company, its cash flows, liquidity position and borrowing facilities are described in the Chief Financial Officer's review on page 18. In addition, note 19 to the Financial Statements include the company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The Group has significant financial resources including unutilised bank facilities of £98m and net cash of £87.8m at 27 March 2020. These funds, together with the Group's long-term customer contract portfolio, flexible cost base coupled with the geographically diverse operating footprint of the Group and breadth of customer industry groupings, means that the Group is well placed to manage the direct business impacts and the current global economic uncertainty arising from the COVID-19 pandemic. This view is underpinned by sensitivity analysis which has been carried out to model the potential financial impact on the Group of the pandemic over 2020. The Directors have assessed the principal risks discussed on pages 34-38, including by modelling a reasonable worst-case scenario. This scenario covers the cash flow impact associated with an extended lockdown for a period of 3 months and a gradual recovery in the remainder of the year. The main cash flow impacts identified in the reasonable worst-case scenario are:

- a significant reduction in the collections business and landfill businesses driven by lower demand;
- a reduction in capital expenditure across the Group;
- a reduction in discretionary spend across all areas;
- no payment of the final FY20 dividend;
- the FY20 annual bonus will not be paid in cash;
- the exec are taking a 20% pay cut with senior management (85 employee's) taking a 10% pay reduction for the duration of the furloughing period;
- there is a recruitment freeze in place; and
- an intensive furloughing programme involving both operational and central support services. This consists of approx. 1200 employees

As part of their analysis the Board also considered the following potential levers at their discretion to improve the position identified by the reasonable worst-case scenario including:

- a number of further reductions in operating expenditure across the Group primarily related to workforce cost options; and
- further reduction in capital expenditure

Having considered the reasonable worst-scenario and further levers at the Board's discretion, the Group continues to have headroom against the Group's committed facilities identified in note 19 to the Financial Statements. The Bank of England CCFF scheme is being explored by the Group in order to increase headroom in the case of an extreme downside scenario. Other factors considered by the Board as part of their going concern assessment included the potential impact of Brexit trade talks, alongside inherent uncertainties in cash flow forecasts.

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.

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 27 March 2020. 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

Impact of initial application of IFRS 16 Leases

IFRS 16 Leases was adopted by the Group on 30 March 2019 and replaces IAS 17 Leases. IFRS 16 removes the distinction between operating leases and finance leases. The result is that the majority of leases are capitalised on the statement of financial position as a right-of-use asset within property, plant and equipment, with a corresponding finance creditor. The cost of leasing these assets in the income statement is recognised as a depreciation charge and an interest charge, opposed to the operating lease charge previously reflected under IAS 17. The exception to this is the leasing of assets for a period of less than 12 months and the leasing of low-value assets which do not require the recognition of a right of use asset or corresponding creditor.

On transition, IFRS 16 allows for either a full retrospective approach whereby all prior year comparatives are restated or the modified retrospective approach. The Group has adopted the modified retrospective approach. On transition the Group has made use of the practical expedients to exclude leases where the term ends within 12 months from the date of initial application, and to not reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to apply to those leases entered or modified before 30 March 2019. The Group has applied a single discount rate to portfolios of assets with similar characteristics.

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.

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.

Notes to the Consolidated Financial Statements continued

1. Accounting Policies continued

Changes in accounting policies and disclosures continued

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.

At implementation the Group recognised right of use assets of £134.9m and the corresponding lease liability of £134.9m.

To aid comparability the tables below highlight the differences arising as a result of the adoption of IFRS 16 showing the impact on Statement of Financial Position and Income Statement. A reconciliation of the closing balance under IAS 17 to the opening balance under IFRS 16 is detailed in Note 28. The tables below use APM's to demonstrate the IFRS 16 impact as this provides a comparable pre-exceptional position.

Group £m (unless stated)	2020 Post IFRS 16	2020 IFRS 16 adjustment	2020 Pre IFRS 16	2019
Property, plant and equipment	527.7	(139.4)	388.3	365.4
Lease liability	(258.0)	141.0	(117.0)	(122.6)
Other	141.3	(0.5)	140.8	137.6
Net assets	411.0	1.1	412.1	360.1

Group £m (unless stated)	2020 Post IFRS 16	2020 IFRS 16 adjustment	2020 Pre IFRS 16	2019
Revenue	1,163.1	-	1,163.1	1,091.2
Net Revenue	1,102.8	-	1,102.8	1,030.8
Underlying EBITDA	174.0	(18.9)	155.1	150.7
Underlying EBITDA margin	15.0%	-	13.3%	13.8%
Depreciation	(83.5)	16.1	(67.4)	(69.0)
Underlying Operating Profit	90.5	(2.8)	87.7	81.7
Underlying Operating Profit margin	7.8%	-	7.5%	7.5%
Statutory operating Profit	74.1	(2.8)	71.3	45.4
Underlying net Finance Charges	(18.7)	4.2	(14.5)	(17.7)
Underlying Profit before Tax	71.7	1.4	73.1	64.0
Statutory profit before Tax	56.4	1.4	57.8	21.5
Underlying Profit after Tax	57.4	1.1	58.5	51.5

The table above shows underlying measurements; IFRS 16 has no further impact on statutory measures.

Group £m (unless stated)	2020 Post IFRS 16	2020 IFRS 16 adjustment	2020 Pre IFRS 16	2019
Return	73.6	(2.8)	70.8	65.2
Average Capital Employed	823.1	(137.5)	685.6	692.3
ROCE	8.9%		10.3%	9.4%

Group £m (unless stated)	2020 Post IFRS 16	2020 IFRS 16 adjustment	2020 Pre IFRS 16	2019
Average Net Debt	(477.3)	137.9	(339.4)	(336.0)

Collections £m	2020 Post IFRS 16	2020 IFRS 16 adjustment	2020 Pre IFRS 16	2019
Revenue	870.8	-	870.8	797.2
Net Revenue	870.8	-	870.8	797.2
Underlying EBITDA	126.4	(11.2)	115.2	106.5
% margin	14.5%		13.2%	13.4%
Underlying Operating Profit	72.2	(1.7)	70.5	61.5
% margin	8.3%		8.1%	7.7%

Resources & Energy £m	2020 Post IFRS 16	2020 IFRS 16 adjustment	2020 Pre IFRS 16	2019
Revenue	292.3	-	292.3	293.9
Net Revenue	232.1	-	232.1	233.5
Underlying EBITDA	63.4	(5.6)	57.8	59.1
% margin	21.7%	-	19.8%	20.1%
Underlying Operating Profit	37.7	(0.8)	36.9	37.1
% margin	12.9%	-	12.6%	12.6%

In the current year, the Group has applied a number of amendments to IFRS Standards and Interpretations issued by the International Accounting Standards Board (IASB) that are effective for an annual period that begins on or after 1 January 2019. Their adoption has not had any material impact on the disclosures or on the amounts reported in these Financial Statements.

The UK's Financial Conduct Authority announced that LIBOR will cease to exist by the end of 2021, and will be replaced by alternative reference rates. In September 2019, the IASB amended IFRS 9 and IFRS 7 by issuing Interest Rate Benchmark Reform, which provides exceptions to specific hedge accounting requirements to ensure that hedging relationships are not considered to be modified as a result of the change in the reference rate. The amendments were endorsed in January 2020 for adoption in the EU. The Group early-adopted these changes to IFRS 7 and IFRS 9 with effect from 1 April 2019. There were no transition adjustments on adoption.

IAS 19 (amendments)	Plan Amendment, Curtailment or Settlement
Annual Improvements to IFRS Standards 2015–2017 Cycle	Amendments to IFRS 3 Business Combinations, IAS 12 Income Taxes and IAS 23 Borrowing Costs
IFRS 9 (amendments)	Prepayment Features with Negative Compensation
IFRS 10 and IAS 28 (amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
IFRIC 22 1 January 2018	Foreign Currency Transactions and Advance Consideration
Annual Improvements to IFRS Standards 2014–2016 Cycle	Amendments to IFRS 1, IFRS 12 and IAS 28 1 January 2018
IFRIC 23	Uncertainty over Income Tax Treatments

Adoption of the above has not had any material impact on the disclosures or on the amounts reported in these Financial Statements.

Changes in accounting policies and disclosures – future developments

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:

IFRS 17	Insurance Contracts
IFRS 3 (amendments)	Definition of a Business
IAS 1 and IAS 8 (amendments)	Definition of Material
Conceptual Framework	Amendments to references to the Conceptual Framework in IFRS Standards

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;
- 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 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.

Notes to the Consolidated Financial Statements continued

1. Accounting Policies continued

Business combinations continued

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 52-weeks ended 29 March 2019 has been restated to reflect the Group reorganisation into two operating divisions. The historical Municipal and Industrial & Commercial divisions have been merged into the Collections division. The Resource Recovery & Treatment and Energy divisions have been merged into the Resources & Energy division. The Hazardous Waste business was transferred from the Resource Recovery & Treatment division into the new Collections division.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable once performance obligations have been fulfilled. Revenue is reduced for value added taxes, trade discounts and commodity rebates. The methodology and assumptions for the calculations of trade discounts and commodity rebates are monitored and adjusted regularly with reference to contractual and legal obligations, historical trends, past experience and projected market conditions. The nature of the service provided by the Group means that returns or refunds are extremely limited. Landfill Tax is included within both revenue and cost of sales.

Revenue from the sale of goods is recognised when the performance obligation has been met, the goods are delivered and titles have passed.

Revenue from the provision of services is recognised at the point when service has been provided. Collection revenues are recognised at the point of collection from customer sites. For municipal collections, revenue is recognised in accordance with quantities specified in the customer contracts.

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised as the services are provided and in accordance with the terms of the contract.

Revenue from waste processing, treatment and landfill facilities is recognised when the performance obligation has been met which is deemed to be when waste is physically received at the Group sites.

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

The Group's standard terms for payment offered to customers is typically 30 days.

Leasing

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 (such as tablets and personal computers, small items of office furniture and telephones). 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. Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- 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 as a separate line in the consolidated statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect 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 significant event or change in circumstances resulting in 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 an unchanged discount rate (unless the lease payments change is due to a change in a floating interest 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 based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received 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. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

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 within property, plant and equipment note 14 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.

Notes to the Consolidated Financial Statements continued

1. Accounting Policies continued

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.

Government grants

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

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

Employee benefits

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

For defined benefit retirement 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. At re-bid, any deficit or surplus will be transferred to the next contractor. 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.

Exceptional items

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

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. In the Consolidated Statement of Financial Position, cash and cash equivalents are presented net of bank overdrafts where there is a legal right to offset, otherwise are included within borrowings in current liabilities.

Following a review in the year, we have restated our presentation of £6.1 million of cash inflows in relation to the receipt of funds held on long term deposits in the cash flow statement, to be presented as operating activities rather than financing activities for the financial period ending on 29 March 2019. The reclassified cash flows relate to consideration arising from the modification of a revenue contract, and are therefore more appropriately presented as operating activities which is where the cash flows from revenue would be presented.

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 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.

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.

Notes to the Consolidated Financial Statements continued

1. Accounting Policies continued

Intangible assets continued

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 landfill site content degradation (average 28 year)

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

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.

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

Derivative financial instruments and hedging activities

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

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

The Group documents the transaction relationship between the hedging instruments and hedged items at inception.

At inception and at each reporting date the Group assesses whether the derivatives used have been effective in offsetting changes in the fair value of hedged items.

The fair values of derivative instruments used for hedging are shown in Note 19. Movements in the hedging reserve are shown in the statement of changes in equity.

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

Cash flow hedge

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

When a hedging instrument expires or is sold, 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.

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.

Notes to the Consolidated Financial Statements continued

1. Accounting Policies continued

Financial assets continued

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.

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

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.

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.

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.

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:

- Asset impairment; growth rates, pre-tax discount rate, food waste, energy prices, ROC rates, gate fees and haulage costs, see Note 14
- Intangible assets; The assessment of the useful economic life of the Group's assets involves a significant amount of estimation uncertainty based on the anticipation of future events which may impact their useful life, such as changes in technology or methods of remediation. Given the significant investment in technology and other assets, the Group undertakes a review of the remaining useful lives of assets each year and will reduce the remaining useful lives, or impair where necessary, assets that are being superseded by new technology, see Note 13.
- Environmental and aftercare commitments; Landfill aftercare provision is a key source of estimation uncertainty in the calculation of the provision including, long-term inflation rates, discount rates and the estimates for future expenditure of up to 60 years depending on the date of each site closure. Estimates are applied on a site by site basis to reflect the time scales, see Note 21
- Pension obligations: discount rate, mortality, inflation, salary and longevity, see Note 29
- Uncertain tax provisions; The uncertain tax disputes; EVP, HMRC have been paid and this is treated as a prepayment in the accounts with a corresponding liability recognised. Also, Hazardous soils assessment has similarly been paid to HMRC and treated as a prepayment in the current year, see Notes 32 and 33

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

Notes to the Consolidated Financial Statements continued

1. Accounting Policies continued

Areas of judgement and key sources of estimation uncertainty continued

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 27 March 2020 have been identified including the valuation of certain pension assets, in particular unquoted equities and property investments Note 19.

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.

2. Segmental Information

The Group is managed by type of business and is organised into two operating divisions. With effect from the start of the 52 weeks ended 27 March 2020, the Group has been reorganised into two operating divisions. The divisions were merged according to type of service offered. Collections comprises of Waste and recycling collections and related services to industrial, commercial, municipal and household customers. Resources & Energy consists of Waste and recycling treatment and energy generation services. The historic Municipal and Industrial & Commercial divisions have been merged into the Collections division. The Resource Recovery & Treatment and Energy divisions have been merged into the Resources & Energy division. The Hazardous Waste business was transferred from the Resource Recovery & Treatment division into the new Collections division. The prior period results have therefore been restated for comparison purposes.

These divisions represent the business segments in which the Group reports its primary segment information and are consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group Executive Team. The activities of the divisions are detailed on pages 21-24. The Group's segmental results are as follows:

Revenue within segments is eliminated on consolidation.

	2020 £m	2019 £m restated
Revenue		
Collections	870.8	797.3
Resources & Energy	292.3	293.9
Statutory Revenue	1,163.1	1,091.2
	2020 £m	2019 £m
Revenue reconciliation		
Statutory Revenue	1,163.1	1,091.2
Landfill Tax	(60.3)	(60.4)
Net Revenue	1,102.8	1,030.8
	£m	Growth factor
FY19 Net Revenue	1,030.8	
Acquisition revenue growth	46.7	4.5%
Organic revenue growth	25.3	2.5%
FY20 Net Revenue	1,102.8	

Sales between operating divisions are carried out at arm's length.

All trading activity and operations are in the United Kingdom and there is therefore no secondary reporting format by geographical segment. There is no single customer that accounts for more than 10% of Group revenue (2019: none).

	2020 Post IFRS 16 £m	IFRS 16 Adjustment £m	2020 Pre IFRS 16 £m	2019 £m restated
Underlying EBITDA				
Collections	126.4	(11.2)	115.2	106.5
Resources & Energy	63.4	(5.6)	57.8	59.1
Group costs	(15.8)	(2.1)	(17.9)	(14.9)
Underlying EBITDA	174.0	(18.9)	155.1	150.7
Depreciation and amortisation	(83.5)	18.1	(67.4)	(69.0)
Underlying Operating Profit	90.5	(2.8)	87.7	81.7
Exceptional items (Note 3)	(4.4)	-	(4.4)	(18.2)
Amortisation of acquisition intangibles	(16.9)	-	(16.9)	(16.5)
Impact of real discount rate changes to landfill provisions	4.9	-	4.9	(1.6)
Operating Profit	74.1	(2.8)	71.3	45.4
Finance income	3.4	-	3.4	1.5
Finance charges	(21.0)	4.2	(16.8)	(25.4)
Share of result in joint venture	(0.1)	-	(0.1)	-
Profit before taxation	56.4	1.4	57.8	21.5

The 52-week period ended 29 March 2019 has been restated to reflect the Group reorganisation into two operating divisions. The historical Municipal and Industrial & Commercial divisions have been merged into the Collections division. The Resource Recovery & Treatment and Energy divisions have been merged into the Resources & Energy division. The Hazardous Waste business was transferred from the Resource Recovery & Treatment division into the new Collections division.

Group costs represent those components of shared services and corporate costs (including, inter alia, board and corporate costs, finance, HR, IT, legal and insurance, external affairs and SHEQ) that cannot be meaningfully allocated to the operating segments.

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

The exceptional costs of £4.4m (2019: £18.2m) are disclosed in Note 3.

	2020 Post IFRS 16 £m	IFRS 16 Adoption £m	2020 Pre IFRS 16 £m	2019 £m restated
Underlying Operating Profit				
Collections	72.2	(1.7)	70.5	61.5
Resources & Energy	37.7	(0.8)	36.9	37.1
Group costs	(19.4)	(0.3)	(19.7)	(16.9)
	90.5	(2.8)	87.7	81.7

Notes to the Consolidated Financial Statements continued

2. Segmental Information continued

The 52-week period ended 29 March 2019 has been restated to reflect the Group reorganisation into two operating divisions. The historical Municipal and Industrial & Commercial divisions have been merged into the Collections division. The Resource Recovery & Treatment and Energy divisions have been merged into the Resources & Energy division. The Hazardous Waste business was transferred from the Resource Recovery & Treatment division into the new Collections division.

	2020 Post IFRS 16 £m	2020 IFRS 16 adoption £m	2020 Pre IFRS 16 £m	2019 £m restated
Tangible and intangible assets net book value				
Collections	325.6	(77.6)	248.0	247.0
Resources & Energy	309.6	(47.4)	262.2	256.5
Shared services and corporate	89.5	(14.4)	75.1	74.9
Total	724.7	(139.4)	585.3	578.4

The 52-week period ended 29 March 2019 has been restated to reflect the Group reorganisation into two operating divisions. The historical Municipal and Industrial & Commercial divisions have been merged into the Collections division. The Resource Recovery & Treatment and Energy divisions have been merged into the Resources & Energy division. The Hazardous Waste business was transferred from the Resource Recovery & Treatment division into the new Collections division.

	2020 Post IFRS 16 £m	2020 IFRS 16 adoption £m	2020 Pre IFRS 16 £m	2019 £m restated
Capital expenditure				
Collections	65.4	(13.2)	52.2	78.0
Resources & Energy	48.1	(8.5)	39.6	21.3
Shared services and corporate	6.4	-	6.4	7.1
Total	119.9	(21.7)	98.2	106.4

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

The 52-week period ended 29 March 2019 has been restated to reflect the Group reorganisation into two operating divisions. The historical Municipal and Industrial & Commercial divisions have been merged into the Collections division. The Resource Recovery & Treatment and Energy divisions have been merged into the Resources & Energy division. The Hazardous Waste business was transferred from the Resource Recovery & Treatment division into the new Collections division.

The Industrial & Commercial division expenditure includes £3.2m of acquired assets as detailed in Note 11.

	2020 Post IFRS 16 £m	2020 IFRS 16 adoption £m	2020 Pre IFRS 16 £m	2019 £m restated
Depreciation and amortisation				
Collections	54.2	(9.5)	44.7	45.0
Resources & Energy	25.7	(4.9)	20.8	22.0
Shared services and corporate	3.7	(1.7)	2.0	2.0
	83.6	(16.1)	67.5	69.0
Amortisation of acquisition intangibles	16.9	-	16.9	16.5
Total	100.5	(16.1)	84.4	85.5

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

The 52-week period ended 29 March 2019 has been restated to reflect the Group reorganisation into two operating divisions. The historical Municipal and Industrial & Commercial divisions have been merged into the Collections division. The Resource Recovery & Treatment and Energy divisions have been merged into the Resources & Energy division. The Hazardous Waste business was transferred from the Resource Recovery & Treatment division into the new Collections division.

3. Other Items

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

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

Management utilises an exceptional item framework that has been approved by the Board. This follows a three step process which considers the nature of the event, the financial materiality involved and the particular facts and circumstances.

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

	2020 £m	2019 £m
Included within operating profit:		
Exceptional items:		
Acquisition related costs	1.1	2.8
Onerous contracts	(1.5)	10.2
Strategy related and corporate restructuring costs	4.8	2.1
Pensions GMP equalisation	-	3.1
Total exceptional items	4.4	18.2
Other non-underlying items:		
Amortisation of acquisition intangibles	16.9	16.5
Impact of real discount rate changes to landfill provisions	(4.9)	1.6
Total non-underlying items	16.4	36.3
Corporate restructuring costs included within finance costs:		
Finance charges	(1.1)	6.2
Taxation impact of other items	(3.5)	(9.0)
	2020 £m	2019 £m
Segmental exceptional items:		
Collections	0.7	9.3
Resources & Energy	(1.5)	3.7
Group costs	5.2	5.2
	4.4	18.2

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 underlying profit measures. The £1.1m of acquisition-related expenditure in the 52 weeks ended 27 March 2020 relates to professional fees and other costs which are directly attributable to acquisitions.

The £2.8m of acquisition-related expenditure in the 52 weeks ended 29 March 2019 relates to professional fees and other costs which are directly attributable to acquisitions. This includes £0.7m in relation to the acquisition of 100% of the issued share capital of Specialist Waste Recycling Limited and £0.9m in relation to the acquisition of Weir Waste Services Limited.

Onerous contracts

Onerous contract costs reflect all movement on onerous service contract provisions. In the prior period the Group identified two contracts which were loss making and not expected to return to profitability; the Directors accordingly provided for these. In the 52-weeks ended 27 March 2020, no further onerous contracts have been identified. Onerous contract costs include the unwinding of provisions recognised on all loss-making contracts in prior periods. Any additional provisions required against these contracts, or unwinding of these provisions, is reflected within exceptional items on the basis that they do not represent the underlying year-on-year trading of each of these contracts.

Notes to the Consolidated Financial Statements continued

3. Other Items continued

Strategy-related and corporate restructuring costs

Strategy-related costs arise from Group-wide initiatives to reduce the ongoing cost base and improve efficiency in the business. These costs are substantial in scope and impact, and do not form part of recurring operational or management activities that the Directors would consider part of our underlying performance. Adjusting for these charges provides a measure of operating profitability that is comparable over time. Strategy-related costs primarily relate to the Group's system replacement programme Project Fusion. Within the year the Group received compensation of £4.4m from the original systems integrator, this was offset against a write off of some previously capitalised costs. The net charge relating to Project Fusion is £3.8m, this was incurred progressing Project Fusion following the project pause and change of advisers. The Project has now been put on hold temporarily due to COVID-19.

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 through the underlying operational results. 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.

GMP equalisation

As a result of the 2018 High Court ruling that Lloyds Banking Group must amend its pension schemes in order to equalise benefits for men and women. In the prior year an additional past service cost of £3.1m being recognised in the 52-week period ended 29 March 2019. This was reported separately to aid the understanding of the Group's performance as it is a non-operational item.

Impact of real discount rate changes to landfill provisions

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

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

	2020 Post IFRS 16 £m	IFRS 16 Adoption £m	2020 Pre IFRS 16 £m	2019 £m
Return on Operating Assets				
Underlying Operating Profit ¹	90.5	(2.8)	87.7	81.7
Average of property, plant and equipment ²	514.0	(134.9)	379.1	357.5
Average net working capital ³	(46.7)	-	(46.7)	(37.6)
Total average of property, plant and equipment plus net working capital ⁴	467.3	(134.9)	332.4	319.9
Return on Operating Assets⁵	19.4%		26.4%	25.5%

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

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

3 Average balance in 2020 and 2019 of the closing net of inventories, trade and other receivables and trade and other payables.

4 Average property, plant and equipment has been adjusted for the balance recognised on the adoption of IFRS 16.

5 Return on Operating Assets is determined by Underlying Operating Profit divided by the average of opening and closing PP&E plus net working capital.

	2020 Post IFRS 16 £m	IFRS 16 Adjustment	2020 Pre IFRS 16 £m	2019 £m
Return on Capital Employed				
Operating profit	74.1	(2.8)	71.3	45.4
Exceptional items (Note 3)	4.4	-	4.4	18.2
Impact of real discount rate changes to landfill provisions (Note 3)	(4.9)	-	(4.9)	1.6
Adjusted operating profit	73.6	(2.8)	70.8	65.2
Average of shareholders' equity ¹	385.6	0.5	386.1	350.7
Average net debt ²	477.3	(138.0)	339.3	336.0
Average retirement benefits	(101.8)	-	(101.8)	(65.2)
Average environmental provisions	62.0	-	62.0	70.8
	823.1	(137.5)	685.6	892.3
Average Return on Capital Employed³	8.9%		10.3%	9.4%

1 Average of opening and closing shareholders' equity.

2 Net debt comprises the average net debt in 2020 and 2019 (Note 27).

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

4. Finance Income and Charges

	2020 £m	2019 £m
Finance charges		
Interest on bank overdrafts, bonds and loans	(11.0)	(17.9)
Interest on obligations under lease liabilities	(4.2)	(5.0)
IFRS 16 lease interest	(4.2)	-
Interest unwind on discounted provisions	(1.6)	(2.0)
Interest on forward contracts	-	(0.5)
Total finance charges	(21.0)	(25.4)
Interest income	1.4	0.2
Interest on net retirement benefit (pension)	2.0	1.3
Finance income	3.4	1.5
Net finance charges	(17.6)	(23.9)
Recognised in other items (Note 3)		

	2020 £m	2019 £m
Finance charges		
Interest on bank overdrafts, bonds and loans	-	(3.8)
Fair value discount unwind on EVP preference instrument	1.1	(2.4)
Total finance charges	1.1	(6.2)

During the period total finance charges have decreased by £4.4m. The reduction of interest on bank overdrafts, bonds and loans is largely due to the refinancing in March 2019. During the year the Group has also renegotiated loan borrowings and bonding facilities at more favourable rates. There has also been a natural decline in the number of older, more expensive lease liabilities, resulting in reduced financing costs. This amount also includes an additional £4.2m of interest on right-of-use asset leases recognised due to the implementation of IFRS 16. The £3.8m of interest on bank loans recognised in the prior period in other items is the write off of previously capitalised borrowing costs which arose as a result of the completion of the Group refinancing in the prior year. The finance charges are adjusted by £1.1m for the fair value EVP discount unwind which is not part of the Group's underlying results as defined in Note 3. Further details on EVP are expanded in Note 34.

5. Financial Instrument Gains and Losses

	2020 £m	2019 £m
Financial assets at amortised cost		
Interest income	3.4	1.5
Financial liabilities at amortised cost		
Interest expense	(21.0)	(25.4)

6. Profit/(Loss) Before Taxation

	2020 Post IFRS 16 £m	2020 IFRS 16 adoption £m	2020 Pre IFRS 16 £m	2019 £m
The following items have been included in arriving at the pre-tax profit/(loss):				
Employee costs (Note 7)	292.4	-	292.4	283.0
Depreciation of property, plant and equipment				
■ Owned assets	36.3	-	36.3	38.0
■ Assets held under lease liabilities	46.3	(16.1)	30.2	29.7
Amortisation of intangible assets				
■ Acquisition intangibles (Note 2)	16.9	-	16.9	16.5
■ Other intangibles	1.0	-	1.0	1.3
Expense relating to short-term leases and leases of low-value assets:				
■ Plant and machinery	-	-	-	1.9
■ Other	0.7	16.1	16.8	12.9
Exceptional items (Note 3)	4.4	-	4.4	18.2
Income from sub-leasing right-of-use assets	(2.2)	-	(2.2)	n/a
Profit on disposal of property, plant and equipment	1.0	-	1.0	2.2

Notes to the Consolidated Financial Statements continued

6. Profit/(Loss) Before Taxation continued

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

	2020 £m	2019 £m
Operating costs		
Distribution costs	20.1	21.7
Administrative expenses	39.8	28.8
	59.9	50.5

7. Employees and Directors

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

	2020 Number	2019 Number restated
By segment		
Collections	6,989	6,501
Resources & Energy	788	967
Shared services and corporate	368	354
	8,145	7,822

The 52-week period ended 29 March 2019 has been restated to reflect the Group reorganisation in two operating divisions. The historical Municipal and Industrial & Commercial divisions have merged into the Collections division. The historical Resource Recovery & Treatment and Energy divisions have been merged into the Resources & Energy division. The Hazardous Waste business was transferred from the Resource Recovery and Treatment division into the new Collections division.

	2020 £m	2019 £m
Their aggregate remuneration comprised:		
Wages and salaries	254.7	246.5
Social security costs	24.2	19.4
Other pension costs	12.3	15.3
Redundancy and termination payments	1.2	1.8
	292.4	283.0

The remuneration of the Directors is set out on pages 62-87 within the Directors' Report on Remuneration described as being audited and forms part of these Financial Statements.

Key management compensation

	2020 £m	2019 Restated £m
Their aggregate remuneration comprised:		
Wages and salaries	2.2	2.4
Social security costs	1.1	0.6
Other pension costs	0.3	0.3
Long-term incentives	2.5	1.1
Short-term incentives	1.4	1.5
	7.5	5.9

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

8. Auditor's Remuneration

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

	2020 £m	2019 £m
Fees payable to the Company's auditor for the audit of the Company's Consolidated annual Financial Statements	0.6	0.6
Fees payable to the Company's auditor for the audit of the Company's subsidiaries	0.3	0.3
Total audit fees	0.9	0.9
Audit-related assurance services	0.1	0.1
Total audit and non-audit fees	1.0	1.0

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

9. Income Tax Recognised in Profit or Loss

	2020 £m	2019 £m
Current tax		
In respect of the current year	-	0.2
Adjustment in respect of prior years	0.1	(0.1)
	0.1	0.1
Deferred tax		
Origination and reversal of temporary differences	11.4	5.0
Adjustment in respect of prior years	(0.8)	(1.1)
Adjustment attributable to changes in tax rates and laws	0.1	(0.5)
	10.7	3.4
Total tax charge	10.8	3.5

Corporation tax is calculated at 19% (2019: 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:

	2020		
	Underlying activities £m	Other items £m	Total £m
Profit before tax	71.7	(15.3)	56.4
Profit 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:			
Over provision in respect of prior years	-	-	-
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

Notes to the Consolidated Financial Statements continued

9. Income Tax Recognised in Profit or Loss continued

	2019		
	Underlying activities £m	Other items £m	Total £m
Profit before tax	64.0	(42.5)	21.5
Profit on ordinary activities multiplied by the standard rate of corporation tax in UK of 19% (2018: 19%)	12.2	(8.1)	4.1
Effects of:			
Over provision in respect of prior years	-	(1.2)	(1.2)
Expenses not deductible for tax purposes	0.5	0.8	1.3
Non-taxable income	(0.2)	-	(0.2)
Effect of change in tax rate	-	(0.5)	(0.5)
Total taxation	12.5	(9.0)	3.5

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

	2020 £m	2019 £m
Deferred tax (charge) arising on actuarial (gains)/losses	(8.3)	(4.9)
Deferred tax (charge) arising on share-based payments	(0.2)	(0.9)
Total deferred tax charged directly to equity	(8.5)	(5.8)

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

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

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

10. Earnings per Share

Basic Earnings per Ordinary Share are based on the Group profit for the year and a weighted average of 250,000,000 (2019: 250,000,000) Ordinary Shares in issue during the year.

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

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

	2020		2019	
	£m	Earnings per Share pence	£m	Earnings per Share pence
Profit attributable to owners of parent Company for basic Earnings per Share calculation	45.6	18.3	18.0	7.2
Other items (Note 3)	11.8	4.8	33.5	13.4
Underlying earnings	57.4	23.1	51.5	20.6
			2020	2019
Total number of Ordinary Shares			250.0	250.0
Shares held in employee benefit trust in respect of share options			(1.9)	-
Weighted average number of Ordinary Shares for the purposes of basic Earnings per Share			248.1	250.0
Effect of dilutive potential Ordinary Shares				
Share options			6.5	-
Weighted average number of Ordinary Shares for the purposes of diluted Earnings per Share			254.6	250.0

11. Acquisitions

52 weeks ended 27 March 2020

On 1 July 2019, the Group paid IWMS Wastecollection.com Limited £2.5m for the purchase of customer lists in both the collections and brokerage arms of the business, along with the Wastecollection.com brand and containers. It was acquired in order to extend the Group's commercial customer base and market presence in the region, and is highly complementary to the Group's existing business. IWMS Collection.com Limited contributed £2.3m of revenue and £0.3m of profit for the period between the date of acquisition and the balance sheet date. If the acquisition had been completed on the first day of the financial period, Group revenues would have increased by £3.2m and Group profit would have increased by £0.4m.

On 30 September 2019, the Group acquired vehicles, containers, lease liability and customer lists from Ribbex UK Limited for £2.0m.

During the year the Group also acquired certain trade and assets of:

- Kier Group
- Winchester City Council I&C contract; and
- Thamesdown Recycling

Total net assets of £0.5m were acquired for cash consideration of £0.6m resulting in goodwill of £0.1m being recognised. If these acquisitions had been completed on the first day of the financial period, Group revenues would have increased by £6.6m and Group profit before interest and tax would have increased by £0.8m.

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

	IWMS Waste Collection.com Limited £m	Ribbex Limited £m	Other acquisitions £m	Total preliminary £m
Property, plant and equipment	0.1	0.6	~	0.7
Intangible assets	1.3	0.7	0.5	2.5
Debtors	-	-	~	-
Cash and cash equivalents	-	-	~	-
Deferred tax (liability)/asset	(0.2)	(0.1)	~	(0.3)
Creditors	-	-	~	-
Borrowings	-	(0.5)	~	(0.5)
Total net assets	1.2	0.7	0.5	2.4
Goodwill	1.3	1.3	0.1	2.7
Total consideration	2.5	2.0	0.6	5.1
Satisfied by:				
Cash	2.5	2.0	0.6	5.1
Total consideration transferred	2.5	2.0	0.6	5.1
Net cash outflow arising on acquisition:				
Cash consideration	2.5	2.0	0.6	5.1
Less: cash and cash equivalent balances acquired	-	-	~	-
	2.5	2.0	0.6	5.1

No contingent liabilities were identified at the acquisition date. Acquisition-related costs included in exceptional costs amount to £1.1m.

The preliminary total goodwill of £2.7m arising from these acquisitions represents an increase in Industrial & Commercial businesses and the Group's strategy to become the leading UK-based integrated waste management business. None of the goodwill is expected to be deductible for income tax purposes.

52 weeks ended 29 March 2019

On 16 August 2018, the Group acquired 100% of the issued share capital of Weir Waste Services Limited, a leading provider of waste and recycling solution in the Birmingham and West Midlands region. It was acquired in order to extend the Group's commercial customer base and market presence in the region, and is highly complementary to the Group's existing business.

On 11 March 2019, the Group acquired 100% of the issued share capital of Specialist Waste Recycling Limited. It was acquired in order to extend the Group's commercial customer base and is highly complementary to the Group's existing business.

The Group acquired certain trade and assets of:

- London Recycling Services Limited on 30 April 2018
- Bisset Waste Management Limited on 30 April 2018

Notes to the Consolidated Financial Statements continued

11. Acquisitions continued

52 weeks ended 29 March 2019 continued

- H&A Recycling Limited 31 August 2018
- The Kier Group on 31 October 2018
- Saving British Business Money Limited on 30 November 2018

Total net assets of £19.2m were acquired for cash consideration of £46.9m resulting in goodwill of £27.7m being recognised.

If these acquisitions had been completed on the first day of the financial period, Group revenues for the period would have increased by £57.9m and Group profit would have increased by £2.7m.

12. Goodwill

	Total £m	
Cost:		
As at 30 March 2018	100.8	
Additions	27.9	
As at 29 March 2019	128.7	
Purchase price adjustment	1.3	
Additions	2.7	
As at 27 March 2020	132.7	
Amortisation:		
As at 30 March 2018	[0.5]	
As at 29 March 2019	[0.5]	
As at 27 March 2020	[0.5]	
Net book amount:		
As at 27 March 2020	132.2	
As at 29 March 2019	128.2	
	2020 £m	
	2019 £m	
By segment		
Collections	92.9	88.9
Resources & Energy	39.3	39.3
	132.2	128.2

The purchase price adjustment is in relation to Weir Waste Services Limited and the associated deferred tax. The Group completed the acquisition of Weir Waste Services on 16 August 2018. Subsequent to the acquisition it was identified that the previous operators had been operating the MRF in a non-compliant way and as a result the underlying MRF performance was misstated at acquisition. As a result of these issues, it has also been determined that the carrying value of the plant should be written down.

The purchase price allocation has been reconsidered and an adjustment made to reflect the revised carrying value of the MRF

The Group reviews at each reporting period whether there are any indicators of impairment in accordance with IAS 36 Impairment of Assets. An annual impairment review is completed by comparing the carrying amount of the goodwill for each operating segment to its recoverable amount. The recoverable amount is the higher of its fair value less costs of disposal and its value in use. If the recoverable amount is less than the carrying amount, an impairment loss is allocated first to reduce the carrying amount of the goodwill and then to the assets of the cash-generating unit. In the current year all cash-generating units have been valued on the basis of value in use, with the exception of Leicester which uses fair value less costs of disposal.

The valuation of goodwill allocated to the Resources & Energy cash-generating unit is noted to be most sensitive to any changes in assumptions due to the limited headroom of £53m. 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 final year growth rate assumption used beyond the five-year plan period based on market trends, after adjusted for assumed inflation, is 3.0% (2019: 3.0%) for the landfill gas CGU and 2.0% (2019: 2.0%) for the other operating divisions. 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 9.01% (2019: 8.26%) was applied across all cash-generating units as the inherent risks have been included in the segmental cash flow forecasts. No reasonably foreseeable change in the assumptions used in the value in use calculations would cause an impairment to any of the Collections or Resources & Energy cash-generating units.

13. Other Intangible Assets

	Landfill gas rights £m	IT development £m	Brand £m	Customer contracts £m	Total £m
Cost:					
As at 30 March 2018	190.2	16.1	34.6	57.6	298.5
Opening IFRS 15 adjustment	-	-	-	(6.9)	(6.9)
Additions	-	3.7	-	-	3.7
Acquired through business combination	-	0.3	2.1	13.5	15.9
Disposals	-	(0.7)	-	-	(0.7)
As at 29 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
Accumulated amortisation:					
As at 30 March 2018	(47.9)	(1.2)	(0.8)	(31.7)	(81.6)
Opening IFRS 15 adjustment	-	-	-	1.4	1.4
Charge for the period	(10.2)	(1.3)	(0.4)	(5.9)	(17.8)
Disposals	-	0.5	-	-	0.5
As at 29 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)
Net book amount:					
As at 27 March 2020	121.9	15.9	35.8	23.4	197.0
As at 29 March 2019	132.1	17.4	35.5	28.0	213.0
As at 30 March 2018	142.3	14.9	33.8	25.9	216.9

All amortisation charges are recognised in profit or loss. Included within IT development costs are internally generated assets with a net book value of £14.1m (2019: £16.5m). The amortisation charge in relation to these assets was £0.9m (2019: £0.8m). During the current period the Group received compensation of £4.4m from one of its suppliers due to the non-performance of its obligations under contracted terms.

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. A 10% change in the forecast cost would reduce the value in use by £1.4m.

The landfill gas rights are amortised over the length of projected profitable gas extraction based upon landfill site degradation. The calculations that determine available gas reserves involve a number of estimates and judgements. Should the amortisation profile be shortened to reflect a weighted gas consumption in earlier years, this could result in an increased amortisation charge of circa. £8.8m in the next year, which would the subsequently reduce in future years.

As at 27 March 2020, the landfill gas CGU had a value in use of £133.9m against assets of £131.0m. The Group's reasonable worst case scenario represents an increase in the gas degradation rate of the sites by an additional 2%, which would reduce the value in use by £10.5m. A change in the discount rate from the pre tax rate from 9% to 12% would reduce the values in use by £13.5m.

The export energy prices have been assumed to be £52.42 at the end of FY24. The reasonable worst case scenario of no growth in energy prices beyond this point would result in a reduction of £8.9m to the value in use.

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 Wasteshareholderco 1 in 2008. The values were subsequently remeasured following the restructuring of the Group in 2013.

In 2019, the SWR brand was acquired on acquisition of Specialist Waste Recycling Limited for £2.1m.

Notes to the Consolidated Financial Statements continued

14. Property, Plant and Equipment

	Land and buildings £m	Landfill Sites £m	Plant, vehicles and Equipment £m	Total preliminary £m
Cost:				
As at 30 March 2018	70.6	77.8	308.0	456.4
Additions	1.8	6.6	69.6	78.0
Acquired through business combination	3.5	-	5.9	9.4
Disposals	(0.4)	-	(45.0)	(45.4)
Reclassifications	0.2	(0.5)	(2.9)	(3.2)
As at 29 March 2019	75.7	83.9	335.6	495.2
Adoption of IFRS 16	129.6	-	5.3	134.9
As at 30 March 2019	205.3	83.9	340.9	630.1
Additions	11.6	4.7	96.5	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	395.8	699.0
Accumulated depreciation:				
As at 30 March 2018	(15.6)	(41.0)	(50.3)	(106.9)
Charge for the period	(4.0)	(6.1)	(57.6)	(67.7)
Impairment of assets	-	-	(0.8)	(0.8)
Disposals	0.4	-	44.7	45.1
Reclassifications	-	-	0.5	0.5
As at 29 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
Reclassifications ¹	-	-	-	-
As at 27 March 2020	(34.7)	(52.0)	(84.6)	(171.3)
Net book amount:				
As at 27 March 2020	180.1	36.4	311.2	527.7
As at 29 March 2019	56.5	36.8	272.1	365.4
As at 30 March 2018	55.0	36.8	257.7	349.5

1 Reclassifications relate to Landfill sites includes £6.7m (2019: £7.7m) 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 £0.2m (2019: £0.7m) 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.

The Group leases assets including buildings and plant and equipment. The average lease term is 4.5 years (2019: 3.4 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 valuation of certain assets within the landfill gas energy (see Note 13) and certain organic cash generating units within the Resource and Energy segments 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, 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 cash-generating units assumed growth rate of 2% with the exception of landfill gas which uses 3%.

As at the 27 March 2020 the Poplars AD CGU had a value in use of £22.3m versus gross segmental assets of £21.0m.

Based on third party reports, the Group has assumed the market price for food waste at the end of FY24 to be c£28/te. The reasonable worst case scenario would be a reduction of the price by in excess of 27% to c£20/te, this would result in a reduction to the value in use of £5.0m. An annual reduction in haulage of £0.2m has been assumed, if this assumption was removed the value in use would reduce by £1.6m. If the Poplars AD energy price remained flat at £52.16 this would reduce value in use by £1.0m. The ROC recycle benefit has been modelled at £7.93, if this was £4 per ROC, it would reduce the value in use by £5.3m. If the discount rate increased to 12% this would reduce the value in use by £3.1m.

The above sensitivity analysis 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.

The maturity analysis of lease liabilities is presented in Note 19.

The carrying amount of the Group's total right-of-use assets are analysed as follows:

Group £m (unless stated)	2020 Land and buildings	2020 Plant, vehicles and equipment	2020 Total
At 30 March 2019 on adoption of IFRS 16	131.7	137.5	269.2
Additions	9.0	41.8	50.8
Depreciation	(12.5)	(33.8)	(46.3)
Disposals	(1.1)	(0.1)	(1.2)
	127.1	145.4	272.5

The split of new right-of-use assets recognised in the period is as follows:

Group £m (unless stated)	2020 Land and buildings	2020 Plant, vehicles and equipment	2020 Total
At 30 March 2019 on adoption of IFRS 16	129.6	5.3	134.9
Additions	9.3	12.4	21.7
Depreciation	(12.4)	(3.7)	(16.1)
Disposals	(1.1)	-	(1.1)
	125.4	14.0	139.4

The carrying amount of the Group's property, plant and equipment includes £422.4m (2019: £134.3m) in respect of leased assets, analysed as follows:

Group £m (unless stated)	2020 Post IFRS 16	2020 IFRS 16 adjustment	2020 Pre IFRS 16	2019
Land and buildings	141.3	(125.4)	15.9	2.1
Plant, vehicles and equipment	281.1	(14.0)	267.1	132.2
	422.4	(139.4)	283.0	134.3

The accumulated depreciation of the Group's property, plant and equipment includes £16.1m (2019: n/a) in respect of right-of-use assets.

Group £m (unless stated)	2020 Post IFRS 16	2020 IFRS 16 adjustment	2020 Pre IFRS 16	2019
Land and buildings	14.2	(12.4)	1.8	2.1
Landfill sites	-	-	-	-
Plant, vehicles and equipment	135.8	(3.7)	132.1	132.2
	150.0	(16.1)	133.9	134.3

No other assets have been pledged to secure borrowings.

Notes to the Consolidated Financial Statements continued

14. Property, Plant and Equipment continued

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

	2020		2019	
	Land and buildings £m	Landfill sites £m	Land and buildings £m	Landfill sites £m
Freehold	36.0	15.0	37.0	15.5
Long leasehold	40.3	13.4	13.0	14.0
Short leasehold	103.8	8.0	6.5	7.3
	180.1	36.4	56.5	36.8

As at 27 March 2020 the Group had entered into contractual commitments for the acquisition of plant, property and equipment amounting to £7.9m (2019: £6.5m).

15. Inventories

	2020 £m	2019 £m
Raw materials and consumables	1.8	2.5
Finished goods	14.3	11.9
	16.1	14.4

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

Inventories consumed in the period ended 27 March 2020 were £55.3m (2019: £45.8m). Inventory written down in the period totalled £nil (2019: £nil). Reversals of inventory previously written down in the period were £nil (2019: £nil).

16. Trade and Other Receivables

	2020 £m	2019 £m
Amounts falling due within one year		
Trade receivables	139.4	125.8
Less expected credit loss allowance	(4.3)	(2.1)
Trade receivables – net	135.1	123.7
Other debtors	3.2	5.0
Prepayments	24.1	11.9
Prepaid landfill provision expenditure	2.9	1.4
	165.3	142.0

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. The in year increase £8.5m that has been paid to HMRC in respect of Landfill tax on sub-soils, further detail on this is disclosed in Note 32. 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 38.1 days (2019: 36.1days).

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 £21.1m (2019: £19.1m) which are past due at the reporting date. As a result of COVID-19 and associated circumstances as at the 27 March 2020, there has been an increase in credit risk due to a number of factors such as payment behaviour and financial position of our customers. This increase in credit risk has lead to an increase in ECL of £2.0m.

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 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

	Expected credit loss rate %	Lifetime expected credit loss
As at 29 March 2019		
Trade receivables – days past due		
1 to 30 days	1%	0.2
31 to 60 days	1%	-
61 to 90 days	1%	-
91 to 120 days	50%	0.6
Over 120 days	50%	1.3

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.

	2020 £m	2019 £m
Movement in expected credit losses		
Balance at the beginning of the period	2.1	1.7
Impairment losses recognised	0.2	0.7
Amounts recovered during the period	1.4	0.7
Amounts written off as uncollectable	(1.4)	(1.0)
Expected credit losses in relation to increase in credit risk	2.0	-
	4.3	2.1

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

Long-term receivables

	2020 £m	2019 £m
Amounts falling due after more than one year		
Funds on long-term deposit	2.2	2.4
Prepayment in respect of EVP Dispute (Note 34)	63.6	63.6
Loans to Employee Benefit Trust	-	2.9
Other long-term debtors	2.4	-
	68.2	68.9

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 34.

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.

Notes to the Consolidated Financial Statements continued

17. Cash and Cash Equivalents

	2020 £m	2019 £m
Cash at bank and in hand	53.6	24.4
Short-term deposits	34.2	41.8
Balance at the end of the period	87.8	66.2

Deposits comprise £25.0m (2019: £36.2m) of funds on overnight deposit via a Group cash pooling facility and an insurance deposit of £9.2m (2019: £5.7m) which represents cash held as security for self-insurance obligations. Included within the total cash balance is £12.0m (2019: £6.6m) 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. Assets Classified as Held for Sale

	2020 £m	2019 £m
Freehold land held for sale	0.1	0.1

The Group holds a freehold property that it no longer requires and intends to dispose of it within the next 12 months. A search is currently under way for a buyer and the Directors expect that the fair value less costs to sell will be higher than the carrying amount.

19. Financial Instruments

	2020 £m	2019 £m
Amortised cost		
Liquidity fund ¹	3.3	13.1
	3.3	13.1

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 a cash flow hedge under IFRS 9. The Group has entered into forward foreign exchange rate contracts which all mature within one year. 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 forward foreign exchange contracts have resulted in the recognition of a derivative asset of £0.4m. During the year a loss of £0.6m has been recognised in the statement of other comprehensive income.

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 fair value measurements are classified as Level 2 in the fair value hierarchy as defined by IFRS 13 Fair Value Measurement, as the inputs are from observable quoted exchanges.

The fair value and the notional amounts are as follows:

	2020		2019	
	Fair value £m	Notional £m	Fair value £m	Notional £m
Forward foreign exchange contracts	0.4	10.9	(0.7)	16.0
Interest rate swaps	(1.6)	200.0	-	-
	(1.2)	210.9	(0.7)	16.0

Borrowings

	2020				2019	
	Book value Post IFRS 16 £m	Book value IFRS 16 adoption £m	Book value Pre IFRS 16 £m	Average interest rate %	Book value £m	Average interest rate %
Current						
Lease liabilities	43.6	(15.0)	28.6	4.4%	31.7	5.8%
Non-current						
Lease liabilities	214.4	(126.0)	88.4	4.4%	90.9	5.8%
Bank loans	249.0	-	249.0	2.6%	248.0	3.2%
EVP preference instrument	47.6	-	47.6	5.5%	48.6	5.5%
	511.0	(126.0)	385.0		387.5	
	554.6	(141.0)	413.6		419.2	
					2020 £m	2019 £m
Bank borrowings including finance leases					507.0	370.6
EVP preference instrument					47.6	48.6
					554.6	419.2

At 27 March 2020 the Group has an undrawn revolving credit facility (RCF) of £98m. (2019: £99m). 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 29 March 2019, the Group settled its £200m term facility and entered into a £350.0m RCF. The costs of £3.0m attributed to obtaining the facility were capitalised and continue to be amortised over the existing life of the facility. The unamortised costs of £3.8m in relation to the historic £200m term facility were written off as a finance charge in Other items (Note 3).

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 34] 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 34.

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

	2020		2019	
	Principal £m	Average interest rate %	Principal £m	Average interest rate %
Term facility	249.0	2.6%	-	3.2%

Unamortised transaction costs of £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; however, in accordance with IFRS 9 Financial Instruments, an imputed interest charge of 5.5% (2019: 5.5%) is being recognised.

Notes to the Consolidated Financial Statements continued

19. Financial Instruments continued

Fair value of financial assets and liabilities

	2020		2019	
	Book value £m	Fair value £m	Book value £m	Fair value £m
Borrowings	(507.0)	(507.0)	(370.6)	(370.6)
EVP preference instrument	(47.6)	(47.6)	(48.6)	(48.6)
Trade and other payables ¹ (Note 20)	(233.2)	(233.2)	(189.1)	(189.1)
Derivative financial instrument	(1.2)	(1.2)	(0.7)	(0.7)
Trade and other receivables ² (Note 16)	135.1	135.1	123.7	123.7
Financial asset arising on liquidity fund ³	3.3	3.3	13.1	13.1
Financial asset arising from IFRIC 12 ³ (Note 35)	3.4	3.4	-	-
Funds on long-term deposit	2.2	2.2	2.4	1.4
Prepayment in respect of EVP Dispute	63.6	63.6	63.6	62.9
Other long-term debtors	2.5	2.5	2.9	2.9
Cash and cash equivalents (Note 17)	87.8	87.8	66.2	66.2
	(491.1)	(491.1)	(337.1)	(338.8)

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

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

3 Total financial assets are the liquidity fund and IFRIC 12.

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:

	2020 Post IFRS 16 £m	2020 IFRS 16 adoption £m	2020 Pre IFRS 16 £m	2019 £m
Financial liabilities				
Floating rate financial liabilities (excluding derivatives)	249.0	–	249.0	248.0
Fixed rate financial liabilities	258.0	(141.0)	117.0	122.6
Non-interest bearing financial liabilities	233.2	–	233.2	189.1
Non-interest bearing EVP preference instrument	47.6	–	47.6	48.6
Total financial liabilities	787.8	(141.0)	646.8	608.3

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

	2020 £m	2019 £m
Financial assets		
Floating rate financial assets (excluding derivatives)	65.7	68.6
Floating rate financial assets (cash and cash equivalents)	87.8	66.2
	153.5	134.8
Non-interest bearing assets		
Liquidity fund	3.4	13.1
Non-interest bearing financial assets	135.1	123.7
	138.5	136.8
Total financial assets	292.0	271.6

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.

The minimum payments for lease liabilities fall due as follows:

	2020 Post IFRS 16 £m	2020 IFRS 16 £m	2020 Pre IFRS 16 £m	2019 £m
No later than one year	51.7	(19.5)	32.2	35.6
Later than one year but not more than five years	145.6	(63.8)	81.8	84.1
More than five years	144.3	(123.4)	20.9	23.3
	341.6	(206.7)	134.9	143.0
Future finance charges on leases liabilities	(83.6)	65.7	(17.9)	(20.4)
Present value of lease liabilities	258.0	(141.0)	117.0	122.6

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.

Notes to the Consolidated Financial Statements continued

19. Financial Instruments continued

Credit risk continued

Management does not expect any significant losses of receivables that have not been provided for as shown in Note 16.

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

Liquidity risk

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

	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	(28.6)	(25.9)	(49.4)	(13.1)	(117.0)
IFRS 16 lease liability	(15.0)	(13.8)	(37.3)	(74.9)	(141.0)
Trade and other payables	(233.2)	-	-	-	(233.2)
Contract liabilities	(17.9)	-	-	-	(17.9)
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
Contract assets	56.2	-	-	-	56.2
	(12.2)	28.5	(338.7)	(88.0)	(410.4)
	2019				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 finance lease	-	-	(251.0)	-	(251.0)
Finance lease liabilities	(35.6)	(28.3)	(55.7)	(23.3)	(142.9)
Interest payments on borrowings	-	-	-	-	-
Other non-interest bearing liabilities	(189.1)	-	-	-	(189.1)
Non-derivative financial assets					
Cash and cash equivalents	66.2	-	-	-	66.2
Liquidity fund	13.1	-	-	-	13.1
Non-interest bearing financial assets	123.7	68.9	-	-	192.6
	(21.7)	40.6	(306.7)	(23.3)	(311.1)

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 27 March 2020, the Group entered into a £200m 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 27 March 2020 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.

	2020		2019	
	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	(1.0)	0.4	(4.2)	2.7

20. Trade and Other Payables

	2020 £m	2019 £m
Current		
Trade payables	176.7	155.9
Taxation and social security	40.9	42.9
Interest payable	0.8	-
Accruals	55.2	32.6
Other payables	0.6	0.6
	274.2	232.0
Non-current		
Trade and other payables	13.6	13.7

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

21. Provisions

	Landfill restoration & aftercare £m	Insurance £m	Onerous Contracts £m	Other £m	Total £m
As at 30 March 2018	74.2	12.6	7.7	11.9	106.4
Utilised	(9.3)	-	-	(1.1)	(10.4)
Charged/(credited) to profit and loss account	(0.8)	(1.1)	9.4	(0.5)	7.0
Impact of real discount rate changes to profit and loss account	1.6	-	-	-	1.6
Unwinding of discount	2.0	-	-	-	2.0
Transfers from fixed/other assets	(0.3)	-	-	-	(0.3)
As at 29 March 2019	67.4	11.5	17.1	10.3	106.3
Utilised	(8.0)	(0.4)	-	(2.4)	(10.8)
(Credited)/charged 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

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

	2020 £m	2019 £m
Current	10.2	16.0
Non-current	85.1	90.3
	95.3	106.3

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, 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.

Notes to the Consolidated Financial Statements continued

21. Provisions continued

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

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

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

Period of obligation	Inflation rate		Discount rate	
	2020	restated 2019	2020	2019
5 years	2.1%	2.4%	2.1%	1.4%
10 years	2.3%	2.4%	2.1%	1.9%
20 years	2.3%	2.7%	2.5%	2.5%
30 years	2.1%	2.5%	2.4%	2.5%
60 years	1.6%	2.1%	2.2%	2.4%

An increase of 1% in the real discount rate (at current cost) would result in a decrease of environmental provisions of approximately £10.3m.

A 10% increase in cash outflows would result in an increased environmental provision of £5.9m.

Long-term aftercare provisions included in landfill restoration and aftercare provisions have been inflated at a rate of 2.3% (2019: 2.4%).

An increase of 1% in the rate of inflation would result in an increase of environmental provisions of approximately £14.3m.

Insurance

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

Other

Other provisions include a provision for dilapidations of £7.8m (2019: £8.0m) and £15.4m (2019: £17.1m) relating to onerous contracts.

The associated outflows are estimated to arise over a period of up to 20 years from the balance sheet date.

22. Deferred Taxation

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

	Temporary difference arising on property, plant and equipment £m	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 2018	32.4	1.8	1.9	(8.5)	8.6	(33.5)	11.8	14.5
Acquired	(0.5)	-	-	-	-	(2.7)	-	(3.2)
Credit/(charge) to income statement	(2.4)	0.5	(1.0)	-	(0.9)	3.0	(2.6)	(3.4)
Credit/(charge) to SOCI	-	-	-	(4.9)	-	-	-	(4.9)
Credit/(charge) to retained earnings	-	(0.9)	-	-	-	-	-	(0.9)
As at 29 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)

A deferred tax liability of £17.3m (2019: £2.1m asset) has been recognised in the current year using the tax rate of 19% (2019: 17%). 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 27 March 2020 the Group had unused tax losses of £66.9m (2019: £71.9m) available for offset against future profits.

A deferred tax asset has been recognised in respect of £49.6m (2019: £54.7m) of these losses. No deferred tax asset has been recognised in respect of the remaining £17.2m (2019: £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.

23. Share-based Payments

Date of grant	2020 Number	2019 Number
20 October 2016	-	2,282,240
24 January 2017	-	59,088
3 July 2017	1,575,164	1,622,420
1 September 2017	26,230	26,230
2 July 2018	870,176	936,125
1 October 2018	218,359	218,359
11 December 2018	18,819	18,819
1 July 2019	1,773,988	-

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

	2020 £m	2019 £m
Performance Share Plan	3.0	3.8

During the year the Group had three 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	2,635,794	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	2,198,313	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

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	27 March 2020
20 October 2016	2,635,794	(1,664,399)	(971,395)	-
24 January 2017	84,189	(43,157)	(41,032)	-
3 July 2017	2,198,313	-	(623,149)	1,575,164
1 September 2017	26,230	-	-	26,230
2 July 2018	1,014,880	-	(144,704)	870,176
1 October 2018	218,359	-	-	218,359
11 December 2018	18,819	-	-	18,819
1 July 2019	1,773,988	-	-	1,773,988
At 27 March 2020	7,970,572	(1,707,556)	(1,780,280)	4,482,736

Notes to the Consolidated Financial Statements continued

23. Share-based Payments continued

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 2019/20 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.

In 2017 the Group launched the Biffa Sharesave Plan 2017 (the Scheme) 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 £500 and the option price for this award was £1.58 being a 20% discount to the average market price over the three consecutive days preceding the offer date. 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.

During the period 444,438 options were granted at a fair value of 34.8 pence, and as at 27 March 2020 403,290 were outstanding under the Scheme. The share price at award was £2.07 and the option price was £1.81.

24. Share Capital

	Number of shares	Called up share capital £
As at 29 March 2019	250,000,000	2,500,000
As at 27 March 2020	250,000,000	2,500,000

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 and 29 March 2019	235.3

Merger reserve

The 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.

25. Retained Earnings/(Deficit)

	2020 £m	2019 £m
Retained earnings/(deficit) at the start of the period	48.4	29.0
Adjustment in respect of adoption of IFRS 15	-	(6.2)
Profit for the period	45.6	18.0
Other comprehensive income for the period	32.6	22.4
Shares purchased by employee benefit trust	(9.1)	-
Employee service in respect of share option schemes (Note 23)	2.4	2.2
Dividends paid	(18.3)	(17.0)
Retained surplus at the end of the period	101.6	48.4

26. Cash Flows from Operations

	2020 £m	2019 £m
Profit/(loss) for the period	45.6	18.0
Adjustments for:		
Finance income	(3.4)	(1.5)
Finance charges	21.0	25.4
Share of result in joint venture	0.1	-
Taxation	10.8	3.5
Operating profit	74.1	45.4
Share based payments	3.0	3.8
Exceptional items (Note 3)	4.4	18.2
Amortisation of intangibles (Note 6)	17.9	17.8
Depreciation of property, plant and equipment (Note 6)	82.6	67.7
Profit on disposal of fixed assets	(1.0)	(2.2)
(Increase) in inventories	(1.7)	(1.7)
(Increase) in receivables	(14.7)	(0.9)
Increase in payables	32.3	4.1
(Increase)/decrease in financial asset	9.2	(8.2)
(Decrease) in provisions	(12.3)	(11.0)
Total cash generated from operations	193.8	133.0

27. Reconciliation of Net Cash Flow to Movement in Debt

	2020 £m	2019 £m
Net increase in cash and cash equivalents	21.6	25.4
Net (increase) in borrowings	(135.4)	(59.5)
Movement in Net Debt in the period	(113.8)	(34.1)
Net Debt at beginning of period	(353.0)	(318.9)
Net Debt at end of period	(466.8)	(353.0)

Analysis of Net Debt

	2020 Post IFRS 16 £m	2020 IFRS 16 £m	2020 Pre IFRS 16 £m	2019 £m
Cash and cash equivalents	87.8	-	87.8	66.2
Lease liabilities	(258.0)	141.0	(117.0)	(122.6)
Bank loans	(249.0)	-	(249.0)	(248.0)
EVP preference liability	(6.3)	-	(6.3)	(6.3)
Reported Net Debt	(425.5)	141.0	(284.5)	(310.7)
EVP preference liability	(41.3)	-	(41.3)	(42.3)
	(466.8)	141.0	(325.8)	(353.0)

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:

	2020 Post IFRS 16 £m	2020 IFRS 16 £m	2020 Pre IFRS 16 £m	2019 £m
Cash and cash equivalents	87.8	-	87.8	66.2
Lease liabilities	(258.0)	141.0	(117.0)	(122.6)
Bank loans	(249.0)	-	(249.0)	(248.0)
EVP preference liability	(6.3)	-	(6.3)	(6.3)
Reported Net Debt	(425.5)	141.0	(284.5)	(310.7)
Reported Net Debt: EBITDA	2.4x	(0.6)x	1.8x	2.1x

Notes to the Consolidated Financial Statements continued

27. Reconciliation of Net Cash Flow to Movement in Debt continued

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.

	As at 29 March 2019	Adoption of IFRS 16	Financing cash flows	Non-cash changes				As at 27 March 2020
				Fair value movements	Acquisition of subsidiary	New finance leases	Other changes	
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)

The cash flows in respect of the Group's bank loans include repayments of £251.0m and drawdowns of £252.0m.

	As at 29 March 2018	Financing cash flows	Non-cash changes				As at 29 March 2019
			Fair value movements	Acquisition of subsidiary	New finance leases	Other changes	
Obligations under finance leases	(118.8)	33.0	-	(1.9)	(36.5)	1.6	(122.6)
Bank loans	(194.7)	(45.1)	-	-	-	(8.2)	(248.0)
EVP preference liability	(46.2)	-	(2.4)	-	-	-	(48.6)
	(359.7)	(12.1)	(2.4)	(1.9)	(36.5)	(6.6)	(419.2)

28. Lease Liabilities

2020 undiscounted lease liability maturity analysis under IFRS 16

	2020		
	Land and buildings £m	Other £m	Total £m
Within one year	15.0	36.7	51.7
Between one and five years	54.8	90.8	145.6
After five years	133.0	11.3	144.3
	202.8	138.8	341.6

Reconciliation of operating leases under IAS 17 to opening IFRS 16

	2020 £m
Operating lease commitments disclosed under IAS 17 at 29 March 2019	173.4
Short-term and low-value lease commitments straight-line expensed under IFRS 16	(0.7)
Effect of discounting	(37.6)
Exempt	(0.2)
Lease liabilities recognised at 30 March 2019	134.9

Amounts recognised in the Income Statement arising from IFRS 16 lease liabilities have been included in Note 6. These charges include depreciation and short-term or exempt leases. Interest on lease liabilities have been summarised in Note 4. Right-of-use assets and the associated movement in the year are summarised in Note 14. The transition narrative in relation to IFRS 16 is included in Note 1. Repayment of lease liabilities are included within the Statement of Cash flow.

2019 operating leases under IAS 17

	2019		
	Land and buildings £m	Other £m	Total £m
Within one year	14.4	2.4	16.8
Between one and five years	51.0	3.1	54.1
After five years	102.5	-	102.5
	167.9	5.5	173.4

29. Pension and Post-retirement Benefits

Defined contribution schemes

	2020 £m	2019 £m
Defined contribution expense	10.2	9.8

Defined benefit schemes

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 26 March 2021 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 an admitted body in one other scheme that is part of the Local Government Pension Schemes. The contractual terms of the commercial agreements that admit the Group to the schemes limit the actuarial risk that the Group is exposed to; consequently the scheme has been accounted for as a defined contribution scheme.

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.

The COVID-19 pandemic

The COVID-19 pandemic has had a global impact on economies, equity and bond markets. Market volatility during March has had an impact on the value of assets held by our DB and DC pension plans. Our UK DB plans have low-risk investment strategies with limited exposure to equities and other return seeking assets.

Notes to the Consolidated Financial Statements continued

29. 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 27 March 2020 by a qualified independent actuary. The major assumptions used by the actuary were (in nominal terms) as follows:

	2020 £m	2019 £m
Discount rate	2.5%	2.5%
Rate of salary increase	2.5%	3.3%
Rate of inflation - RPI	2.8%	3.3%
Rate of inflation - CPI	2.0%	2.3%
Rate of pension increases ¹ - RPI with floor of 0% cap of 2.5% p.a.	2.1%	2.2%
Rate of pension increases ¹ - RPI with floor of 0% cap of 5.0% p.a.	2.8%	3.2%
Rate of pension increases ¹ - RPI with floor of 0% cap of 6.0% p.a.	2.8%	3.3%
Rate of pension increases ¹ - CPI with floor of 0% cap of 3.0% p.a.	1.9%	2.2%
Longevity (years)		
Expected future lifetime of a male pensioner currently aged 65	20.9	21.0
Expected future lifetime of a female pensioner currently aged 65	22.9	23.3
Expected future lifetime from age 65 of a male member currently aged 50	21.9	22.0
Expected future lifetime from age 65 of a female member currently aged 50	24.5	24.1

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

The assets in the Schemes were:

Asset category	2020		2019	
	£m	%	£m	%
Equities	102.8	17.1%	126.2	21.4
Bonds	327.8	54.7%	301.9	51.4
Properties and infrastructure	80.9	13.5%	92.8	15.8
Hedge funds	39.5	6.6%	49.9	8.5
Other	48.3	8.1%	16.8	2.9
	599.3		587.6	
Actual return on plan assets	26.3		46.9	

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 £8.1m. An increase in the valuation of unquoted assets of 10% would increase pension assets by £1.2m.

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

	2020 £m	2019 £m
Benefit obligation at beginning of period	523.8	472.8
Newly recognised obligations	-	42.6
Service cost	2.8	3.2
Past service cost	-	3.1
Interest cost	12.9	13.7
Contributions by Scheme participants	0.4	0.5
Net remeasurement (gains)/losses - financial	(29.3)	29.2
Net remeasurement (gains) - demographic	(0.4)	(7.9)
Net remeasurement (gains) - experience	(4.5)	(14.5)
Benefits paid	(19.8)	(18.9)
Benefit obligation at end of period	485.9	523.8

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

	2020 £m	2019 £m
Fair value of Schemes' assets at beginning of period	587.6	524.9
Newly recognised GMPF asset	-	29.2
Interest income on Schemes' assets	14.5	14.6
Return on assets, excluding interest income	11.8	32.3
Contributions by employers	5.9	5.8
Contributions by Schemes' participants	0.4	0.5
Benefits paid	(19.8)	(18.9)
Scheme administrative cost	(1.1)	(0.8)
Fair value of plan assets at end of period	599.3	587.6

Amounts recognised in comprehensive income in respect of defined benefit Schemes

	2020 £m	2019 £m
Current service cost	2.8	3.2
Past service cost	-	3.1
Administrative cost	1.1	0.8
Adjustment in respect of Greater Manchester Pension Fund	(0.7)	(0.8)
Net interest on the net defined benefit liability	(2.0)	(1.3)
Components of defined benefit cost recognised in profit or loss	1.2	5.0
Remeasurement on the net defined benefit liability		
Return on Schemes' assets [excluding amounts in net interest expense]	11.8	32.3
Actuarial gains and losses from changes in financial assumptions	29.4	(29.2)
Actuarial gain from changes in demographic assumptions	0.4	7.9
Actuarial gain from changes in experience assumptions	4.5	14.5
Movement in asset ceiling	(5.2)	1.8
Components of defined benefit cost recognised in other comprehensive income	40.9	27.3

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:

	2020 £m	2019 £m
Present value of funded defined benefit obligation	(485.9)	(523.8)
Fair value of funded Schemes' assets	599.3	587.6
Adjustment for the restriction in asset benefit	(1.7)	(0.3)
Adjustment in respect of GMPF agreement	13.0	15.5
Net asset arising from defined benefit obligation	124.7	79.0

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 £50.5m (2019: £56.6m).

If the inflation assumption increases by 0.5% the defined benefit asset would decrease by £42.6m (2019: £44.2).

If the life expectancy increases by one year for both men and women, the defined benefit asset would decrease by £19.4m (2019: £21.8m).

Notes to the Consolidated Financial Statements continued

29. Pension and Post-retirement Benefits continued

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.

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 outperformance is allowed for when calculating the deficit recovery contributions paid for by the participating employers. Additional liabilities stemming from past service due to augmentation of benefits are added to the Schemes' deficit.

The average duration of the benefit obligation at 27 March 2020 is approximately 21 years (2019: 21 years).

The Group expects to make a contribution of £4.0m (2019: £4.1m) to the Schemes during the financial year to 26 March 2021.

30. Related Party Transactions

There have been no material related party transactions in the 52 weeks ended 27 March 2020 (2019: 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 62-83. There have been no related party transactions with any directors in the year or in the subsequent period.

During the year to 27 March 2020, the Group invested £5m in Newhurst ERF Limited a joint venture that the Group holds 50% share in through Newhurst ERF Holding Limited. This is therefore a related party of Biffa Plc. On financial close the Group received from the joint venture reimbursement for development costs incurred. There was one other related party transaction in the year. The Group issued loan notes of £2.2m to Newhurst ERF Holding Limited, the parent company of Newhurst ERF 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 27 March 2020.

The Group has made £10.2m (2019: £9.2m) contributions to the pension schemes.

31. 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%
Barge Waste Management Limited ¹	England and Wales	Waste management	100%
Island Waste Services Limited ¹	England and Wales	Waste management	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%
Weir Waste Services Limited ¹	England and Wales	Waste management	100%
Weir Recycling Services Limited ¹	England and Wales	Waste management	100%
Specialist Waste Recycling Limited ^{3*}	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 Annan Suite, 10 York Place, Edinburgh, Scotland EH1 3EP

32. Contingent Liabilities

The Group must satisfy the financial security requirements of environmental agencies in order to ensure that it is able to discharge the obligations in the licences or permits that the Group holds for its landfill sites. The Group satisfies these financial security requirements by providing financial security bonds. The amount of financial security which is required is determined in conjunction with the regulatory agencies, as is the method by which assurance is provided. The Group has existing bond arrangements in England and Wales of approximately £85.7m outstanding at 27 March 2020 (2019: £84.9m) in respect of the Group's permitted waste activities where the Group has obligations under the Environment Agency's fit and proper person test to make adequate financial provision in order to undertake those activities. Additionally the Group has bonds to a value of £18.0m (2019: £19.8m) 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 two letters of credit in relation to Newhurst EfW amounting to £38.8m.

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 34.

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.

33. 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
			2020
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 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 joint ventures financial statements prepared in accordance with IFRS Standards adjusted by the Group for equity accounting purposes.

	2020 £m
Current assets	4.4
Non-current assets	28.0
Current liabilities	(7.0)
Non-current liabilities	(22.2)
The above amounts of assets and liabilities include the following:	
Cash and cash equivalents	1.9
Current financial liabilities (excluding trade and other payables and provisions)	(5.2)
Non-current financial liabilities (excluding trade and other payables and provisions)	(22.2)
Revenue	-
Profit or loss from continuing operations	-
Profit/(loss) for the year	(0.1)
Other comprehensive income attributable to the owners of the company	(1.8)
Total comprehensive income	(1.9)
The above profit (loss) for the year include the following:	
Depreciation and amortisation	-
Interest income	-
Interest expense	-
Income tax expense (income)	-

Notes to the Consolidated Financial Statements continued

33. Joint Ventures continued

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

	2020 £m
Net assets of joint venture	6.0
Proportion of the Group's ownership interest in the joint venture	50%
Goodwill	-
Carrying amount of the Group's interest in the joint venture	3.0
	2020 £m
Interest in joint venture at 30 March 2019	-
Addition	4.9
Share of post-tax results	(0.1)
Share of net loss on cash flow hedge in joint venture	(1.8)
Interest in the joint venture at 27 March 2020	3.0

34. EVP-related Items

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

HMRC claims that the Group is liable for £61.9m 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 Second tier Tax Tribunal which found in Biffa's favour. The Environment Agency has exercised its right to appeal this decision.

The contested amount was originally unpaid under a hardship agreement with HMRC but was paid to HMRC following the refinancing of the Group upon its IPO in October 2016. In addition to the payment of £61.9m, the Group paid £1.7m in interest in the prior year.

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 £47.6m has been recognised in borrowings, an accrual of £13m has been recognised in non-current liabilities, and a non-underlying non-cash interest charge of £1.1m has been recognised in finance charges in respect of these obligations. Of the liability of £47.6m, £6.3m has been included within Reported Net Debt as it will be payable irrespective of the outcome of the dispute. The remaining balance of £41.3m has been excluded from Reported Net Debt.

35. 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 £3.4m has been recognised in relation to the Leicester City Council contract (Note 19).

These contracts generated revenue of £45.7m in the 52 weeks ended 27 March 2020 (2019: £49.6m). 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.

36. Non-principal Subsidiary Undertakings

The following entities complete the full list of the Company's subsidiary undertakings. All subsidiaries are 100% owned and consolidated unless otherwise stated.

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%

Name	Country of incorporation	Activity	Shareholding
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 Servicios de Energía Mexico SA de C.V.**	Mexico	Waste management	100%
Empresa de Servicios Especializados en Generación de Energía, S.A. de C.V.**	Mexico	Waste management	100%
Biffa Waste Limited* ¹	England and Wales	Waste management	100%
Biffa Holdings (Jersey) Limited* ²	Jersey	Holding company	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	Waste management	100%
UK Waste Management Holdings Limited* ¹	England and Wales	Waste management	100%
A Smith & Sons (Waste Disposal) 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	Waste management	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	Holding company	100%
O'Brien Waste Recycling Solutions Limited* ¹	England and Wales	Waste management	100%
SWR Plastics Limited* ¹	England and Wales	Dormant	100%
SWR Waste Management Limited* ¹	England and Wales	Dormant	100%
Smash & Grab Glass Recycling Limited* ¹	England and Wales	Dormant	100%
Wastecutter Limited* ¹	England and Wales	Dormant	100%
New Star Environmental Limited* ¹	England and Wales	Waste management	100%
SWR Equipment Limited* ¹	England and Wales	Dormant	100%

Notes to the Consolidated Financial Statements continued

36. 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%
National Waste Collection Limited ^{*1}	England and Wales	Dormant [†]	100%
SWR Just Bins Limited ^{*1}	England and Wales	Dormant	100%
SWRNewstar Limited ^{*1}	England and Wales	Dormant	100%
Protos Investco Limited	England and Wales	Waste management	100%
Newhurst ERF Holding Limited ^{**8}	England and Wales	Waste management	50%
Newhurst ERF Limited ^{**8}	England and Wales	Waste management	50%

* Financial year ended 27 March 2020.

** Financial year ended 31 December 2019

*** 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 Strawinskylaan 3127, 8e verdieping, 1077ZX Amsterdam.

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 Development House, St Anne Street, Floriana, Malta.

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

37. Assets and liabilities related to contracts with customers

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

	2020 £m	2019 £m
Current contract assets	58.2	54.2
Current contract liabilities	[17.8]	[17.6]

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 £0.1m (2019: £0.1m) in relation to Government grants which will be recognised in less than one year.

Certain contracts have payment terms based on contractual milestones, which are not necessarily aligned to when revenue is recognised, particularly for those contracts with revenue recognised over-time by reference to the stage of completion. Where work is carried out and revenue recognised in advance of the customer being invoiced this creates a contract asset. Where revenue is received in advance of work carried out and therefore the revenue recognised a contract liability arises.

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 27 March 2020 are expected to be invoiced and transferred to trade receivables within the next 12 months. The movement in contract assets relates to £56.2m performance obligations satisfied in the year and recognised as revenue £54.2m which has been transferred to trade receivables.

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 27 March 2020 are expected to satisfy performance obligations in the next 12 months. The movement in contract liabilities relates to £17.6m performance obligations satisfied and recognised as revenue in the year and £17.8m cash received for performance obligations not satisfied.

38. Dividends

As announced in the COVID-19 update on 25 March 2020 the Board recommended there will be no final dividend for the year ended 27 March 2020. An interim dividend of 2.47p per share was paid on 20 December 2019. All dividends were paid from distributable reserves.

39. Post balance sheets

There have been no post balance sheet events.

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 accounting policies which have been applied to these accounts can be found on page 155 and a separate independent auditor's report on page 88-101.

	Notes	2020 £m	2019 £m
Assets			
Non-current assets			
Investments	2	255.8	255.7
Trade and other receivables	3	34.3	2.9
		290.1	254.4
Current assets			
Other receivables	3	–	34.0
Cash and cash equivalents	4	0.1	0.1
Current liabilities			
Derivatives financial instruments	5	(1.3)	(0.7)
Trade and other payables	6	(33.6)	(29.3)
Net current assets/(liabilities)		(34.8)	4.1
Net assets		255.3	262.7
Equity			
Called up share capital	7	2.5	2.5
Share premium		235.3	235.3
Retained earnings		19.8	20.2
Hedging and other reserves		(2.3)	4.7
Total surplus/(deficit) attributable to shareholders		255.3	262.7

Retained profit for the year was £17.9m (2019: £27.6m).

The Financial Statements on pages 153 to 154 were approved by the Board and signed on its behalf by:



Richard Pike

Director
Biffa plc

Registered no: 10336040

Strategic Report

Corporate Governance

Financial Statements

Additional Information

Parent Company Statement of Changes in Equity

	Called up share capital £m	Share premium £m	Hedging and other reserves £m	Retained earnings/ (deficit) £m	Total equity £m
As at 30 March 2018	2.5	235.3	1.8	9.6	249.2
Profit for the period	-	-	-	27.6	27.6
Cashflow hedges	-	-	(0.4)	-	(0.4)
Value of employee service in respect of share option schemes and share awards	-	-	3.3	-	3.3
Dividends paid	-	-	-	(17.0)	(17.0)
As at 29 March 2019	2.5	235.3	4.7	20.2	262.7
Profit for the period	-	-	-	17.9	17.9
Cashflow hedges	-	-	(0.6)	-	(0.6)
Shares purchased by employee benefit trust	-	-	(8.8)	-	(8.8)
Value of employee service in respect of share option schemes and share awards	-	-	2.4	-	2.4
Dividends paid	-	-	-	(18.3)	(18.3)
As at 27 March 2020	2.5	235.3	(2.3)	19.8	255.3

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 £17.9m.

The Company's distributable reserves amount to £19.8m (2019: £20.2m) at the end of the period. The Company regularly reviews its distributable reserves and makes dividend recapitalisations as and when necessary to ensure it can make all expected dividend payments. The company has sufficient subsidiary reserves to enable recapitalisation in 2021 and going forward.

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.

Accounting Policies to the Parent Company Financial Statements continued

Derivative Financial Instruments and Hedging Activities

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

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

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

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

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

Cash Flow Hedge

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

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

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

Other Payables

Accounts 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 66 to 83. Biffa plc has two employees (2019: two).

2. Investments

	2020 £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

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

Disclosure of the Company's subsidiaries is given in Notes 31 and 36 of the Group Financial Statements.

3. Trade and Other Receivables

	2020 £m	2019 £m
Amounts falling due within one year		
Amounts due from subsidiary undertaking	-	34.0
Amounts falling due after more than one year		
Amounts due from subsidiary undertaking	34.0	-
Other receivables	0.3	2.9
Total	34.3	2.9

During the year amounts due from subsidiary undertakings was reclassified to falling due after more than one year due to managements assessment.

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

4. Cash and Cash Equivalents

	2020 £m	2019 £m
Cash at bank and in hand	0.1	0.1

Notes to the Parent Company Financial Statements continued

5. Fair Value of Financial Assets and Liabilities

	2020		2019	
	Book value £m	Fair value £m	Book value £m	Fair value £m
Financial assets and liabilities				
Derivative asset	(1.3)	(1.3)	(0.7)	(0.7)
Trade and other receivables	34.3	34.3	36.9	36.9
Cash and cash equivalents	0.1	0.1	0.1	0.1
Trade and other payables	(33.6)	(33.6)	(29.3)	(29.3)
Total financial assets and liabilities	(0.5)	(0.5)	7.0	7.0

Derivative financial instruments

Full details of the derivative financial instruments are disclosed in Note 19 of the Group Consolidated Statements. The fair value and the notional amounts are as follow:

	2020		2019	
	Fair value £m	Notional £m	Fair value £m	Notional £m
Forward foreign exchange contracts	0.4	10.9	(0.7)	16.0
Interest rate swaps	(1.6)	200.0	-	-

6. Trade and Other Payables

	2020 £m	2019 £m
Non-current		
Amounts payable to subsidiary undertakings	(33.6)	(29.3)
Other	-	-
Total trade and other payables	(33.6)	(29.3)

All creditors are unsecured.

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

7. Called up share capital

	Number of shares No	Called up share capital £
As at 27 March 2020 and 29 March 2019	250,000,000	2,500,000

8. Related Party Transactions

There have been no material related party transactions in the 52 weeks ended 27 March 2020 (2019: nil) except for key management compensation as set out in the report of the remuneration committee.

9. UK Registered Subsidiaries Exempt from Audit

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 27 March 2020. 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
Materials Recovery Nominees Limited	100%	05186581
Biffa GS UK Holdings Limited	100%	04631832
Biffa GS (LPP) Limited	100%	02276396
Biffa GS Environmental Limited	100%	03446693
Biffa GS (RUR) Limited	100%	04594882
Biffa GS Environmental Recycling Limited	100%	04786413
Biffa GS (M&B) Limited	100%	01173507
Biffa GS (FC) Limited	100%	04800628
Biffa Group Holdings (UK) Limited	100%	04081901
Reclamation and Disposal Limited	100%	00879315
Biffa Waste Limited	100%	04084432
Biffa UK Group Limited	100%	03650457
Biffa UK Limited	100%	03650459
Biffa (UK) Holdings Limited	100%	03249158
UK Waste Management Limited	100%	01362615
A. Smith & Sons (Waste Disposal) Limited	100%	01346573
Pilmuir Waste Disposal Limited	100%	01829739
Biffa Waste Management Limited	100%	01138022
Biffa (Roxby) Limited	100%	02031961
Norwaste Limited	100%	01041912
White Cross Limited	100%	01537610

Notes to the Consolidated Financial Statements continued

9. UK Registered Subsidiaries Exempt from Audit continued

Name	Proportion of shares held by subsidiary (%)	Company number
Wastedrive Limited	100%	01396771
Wastedrive (Manchester) Limited	100%	01517244
Biffa Holdings Limited	100%	01032104
Richard Biffa (Reclamation) Limited	100%	00929000
Barge Waste Management Limited	100%	02849409
Island Waste Services Limited	100%	01552791
M. Joseph & Son (Birmingham) Limited	100%	00440100
Amber Engineering Limited	100%	01067283
O'Brien Waste Recycling Solutions Limited	100%	09362987
O'Brien Waste Recycling Solutions Holdings Limited	100%	09560589
Weir Recycling Services Limited	100%	9390664
Weir Waste Services Limited	100%	03777183
SWR Equipment Limited	100%	06974078
SWR Plastics Limited	100%	07800637
SWR Waste Management Limited	100%	07800679
Smash & Grab Glass Recycling Limited	100%	07800734
Wastecutter Limited	100%	08212454
National Waste Collection Limited	100%	09700337
SWR Just Bins Limited	100%	10060304
SWRNewstar Limited	100%	11098385
UK Waste Management Holdings Limited	100%	02536345
Protos Investco Limited	100%	12215502
Biffa (WES) Limited	100%	02729607
Biffa West Sussex Holdco Limited	100%	07001231
New Star Environmental Limited	100%	07306131
SWR Smash & Grab Limited	100%	05667032
RUR3 Environmental Limited	100%	06304761
Loristan Services Limited	100%	01390710
Newhurst ERF Holding Limited	50%	11998817
Newhurst ERF Limited	50%	12006738

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 27 March 2020 the total sum of these debts and liabilities is £33.7 million.

Glossary

A		Strategic Report
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	
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	
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	
APM	Alternative Performance Measures	
C		
CO ₂ e	Carbon dioxide equivalent is a standard unit in carbon accounting to quantify greenhouse gas emissions, emissions reductions and carbon credits	
E		
EFW	Energy from waste, typically from the incineration of RDF	
ERF	Energy recovery facility	
ESG	Environmental, Social and Governance	
ESOS	Energy Savings Opportunity Scheme - a mandatory energy assessment scheme for organisations in the UK that meet the qualification criteria	
EV	Electric Vehicle	
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	
F		
FTSE	Financial Times Stock Exchange	Corporate Governance
FY	Financial Year	
G		
GDPR	General Data Protection Regulation	
GHG	Greenhouse gas	
H		
HDPE	High-density polyethylene	
I		
I&C	Industrial and commercial business	
IPO	Initial Public Offering	
K		
KPIs	Key Performance Indicators	Financial Statements
ktns or kt	Thousand tonnes	
L		
Leverage Ratio	Ratio of Reported Net Debt to Underlying EBITDA	
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	
MBT	Mechanical and biological treatment	
MRF	Materials recycling facility	
MW	Megawatt	
MWh	Megawatt hour	
N		
National Grid	High-voltage electric power transmission network in the UK	Additional Information
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	

Glossary continued

O

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
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P

PET	Polyethylene terephthalate
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 exceptional items and impact of real discount rate changes to landfill provisions divided by the average of opening and closing shareholders' equity plus Net Debt (including finance leases), pensions and environmental provisions
Return on Operating Assets (ROOA)	Underlying Operating Profit 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

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
SWR	Specialist Waste Services

U

Underlying Earnings per Share	Underlying Earnings per Share is expressed as underlying profit after tax dividend by the weighted average number of shares in the year
UN	United Nations
Underlying EBITDA	Profit before depreciation and amortisation, exceptional items, impact of real discount rate changes to landfill provisions, finance costs and taxation. Divisional underlying EBITDA is stated after allocation of shared services costs
Underlying Free Cash Flow	The net increase/(decrease) in cash and cash equivalents excluding dividends, restructuring and exceptional items, acquisitions, movement in financial assets and movements in borrowings or share capital (but including finance lease principal payments)
Underlying Operating Profit	Profit before exceptional items, amortisation of acquisition intangibles, impact of real discount rate changes to landfill provisions, finance costs and taxation. Divisional underlying operating profit is stated after allocation of shared service costs
Underlying Profit after Tax	Underlying Profit after tax is the profit or loss for the period as adjusted for non-underlying operating items (exceptional items, amortisation of acquisition intangibles and impact of real discount rate changes to landfill provisions), non-underlying net interest items and non-underlying taxation
Underlying Operating Profit Margin	Underlying Operating Profit margin is expressed as Underlying Operating Profit as a percentage of Statutory Revenue

V

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

W

WEEE	Waste Electronic and Electrical Equipment
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

Corporate Information

Registered Office

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Auditor

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Solicitors

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Financial PR Advisers

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Strategic Report

Corporate Governance

Financial Statements

Additional Information

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 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.

Inside the production of this report

The printer

The printer is an Eco-Management and Audit Scheme ("EMAS") certified company. EMAS is designed to improve environmental performance of companies. Its environmental management system is certified to ISO14001.

Consultancy, design and production

The logo for Luminous, featuring the word "luminous" in a lowercase, cursive script font.

luminous.co.uk

The material

This document is printed on carbon balanced revive silk paper, accredited by the World Land Trust. Revive 100 Silk is made from 100% Recycled fibre and is certified in accordance with the Forest Stewardship Council®.

Carbon footprint

Carbon emissions generated during the manufacture and delivery of this report have been reduced to net zero through a verified carbon offsetting project.

Recycling

If recycling this report please ensure you do so responsibly, using your local recycling methods for both paper and card.

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