

BIFFA PLC
REGISTERED NO: 10336040

Annual Report and Accounts 2018

**Please consider
the environment
before reading this
Annual Report.**

We have.

TUESDAY



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31/07/2018

#311

COMPANIES HOUSE

Every day we clear 15,500 tonnes of rubbish from the UK's doorsteps. That's not something to be sniffed at.

But our skills stretch well 'beyond the bins'.

While others see trucks, we see a logistics challenge demanding operational excellence.

**A challenge demanding
scale, infrastructure
and know how.**

**Demanding the best
minds making the best
environmental decisions.**

**And more importantly,
demanding the passion to
make the essential happen.**

Every day.

Biffa is a leading UK integrated waste management company providing collection, recycling, treatment, disposal and energy generation services to businesses and households across the UK

Strategic Review		Corporate Governance		Financial Statements	
Performance Highlights	1	Chairman's Introduction		Independent Auditor's Report	112
Group at a Glance	2	to Governance	64	Consolidated Financial Statements	122
How Our Industry Works	6	Board of Directors	66	Notes to the Consolidated	
Business Model	8	Corporate Governance Report	68	Financial Statements	127
Chairman's Statement	12	Nomination Committee Report	80	Parent Company	
In Conversation with the		Audit Committee Report	84	Financial Statements	171
Chief Executive Officer	14	Directors' Remuneration Report	90		
Market Review	18	Directors' Report	108	Additional Information	
Our Strategic Goals and KPIs	22	Statement of Directors'		Other Information and Glossary	178
Operating Review	30	Responsibilities	111	Online Information	181
Risk Management	38				
Principal Risks and Uncertainties	40				
Financial Review	46				
The Way We Work	52				

14–17

Q&A with Ian Wakelin,
Chief Executive

18–21

Market drivers
and opportunities

22–29

Our strategic goals and KPIs

30–37

Operating reviews

Strategic Report
Highlights

Performance Highlights¹

- ♦ Continued strong growth in revenue and underlying profitability.
- ♦ Good progress in execution of strategy including acquisitions and investments.
- ♦ Strong cash flows, conservative leverage and significant financing capability.

¹ We have used a number of technical terms and abbreviations within this document. For ease, we do not define terms or provide explanations every time they are used; please refer to the glossary on page 178–180.

The Group operates across the breadth of the UK waste management value chain, including the collection, treatment, processing and disposal of waste and recyclable materials, as well as the production and sale of energy derived from waste and the sale of recovered commodities such as paper, glass, metals and plastic.

The Group's services are organised across four operating divisions: Industrial & Commercial; Municipal; Resource Recovery & Treatment; and Energy.

100+

years of heritage

7,900

employees

2,557

front line vehicles

No. 1

for business waste

Leader

in industry H&S performance

Industrial & Commercial (I&C)

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

Key facts:

Comprehensive UK national network

- Over 95% UK postcode coverage.
- Critical mass of 71 depots, and 35 waste transfer stations and processing facilities.
- 1,100 front line vehicles and 3,200 employees.

Broad service offering

- Collections: scheduled, on demand and reactive nationwide collections of all major categories of waste, including general waste; mixed and segregated recyclables; food waste and other services including confidential and clinical waste.
- On-site waste management and consultancy.
- Producer responsibility compliance services.

Customer breakdown

- 74,000 customers.
- National multi-site customers: UK wide coverage allows access to high contract value corporate customers who typically require services across their entire estate.

Read more p30–31

Municipal

The Municipal division offers household waste and recycling collection and associated services on behalf of local governments across the UK.

Key facts:

Service offering

- Household waste and recycling collection.
- Street cleansing and ancillary services
- Management of household waste and recycling centres.

Contracts

- 2.3 million households served.
- Contracts are secured through public tenders with local governments. Biffa currently holds 34 contracts servicing 32 local governments across the UK.
- Contracts are typically 7–10 years in duration, with opportunities to extend for a further 7+ years.
- Biffa has a long history of constructive relationships with trades unions, our local government customers and the communities that we serve.

Read more p32–33

Resource Recovery & Treatment (RR&T)

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

Key facts:

Soil treatment and composting

11 operational facilities which treat materials that would otherwise have to be sent to landfill. Products include sand, aggregates, soils and compost.

Materials Recovery Facilities (MRFs)

Five automated facilities capable of handling 565k tonnes of mixed recycling. The facilities sort dry mixed recyclables to make them suitable for use as secondary raw materials in manufacturing processes.

Hazardous waste

A national collection, transfer and treatment of hazardous waste materials operated from 11 facilities. Materials handled include acids, alkalis, light bulbs, aerosols and various other hazardous materials.

Polymers

A leading producer of recycled plastic compounds from its facility in Teesside. Products include rHDPE plastic used in the production of milk bottles and food trays – the first of its kind in the UK.

Landfill disposal

Biffa operates eight landfill sites across the UK, primarily accepting waste that cannot be recycled or used for energy recovery. Waste is safely buried in facilities operated to the highest environmental standards.

Read more p34–35

Energy

The Energy division is a significant provider of renewable energy with 80.4MW of installed energy generation capacity. The Energy division comprises the Group's energy production operations generating gas from landfill and from food waste via anaerobic digestion (AD).

Key facts:

Landfill gas

34 landfill gas sites generating electricity for the National Grid.

Anaerobic digestion

Two AD facilities, one owned and one operated on behalf of West Sussex County Council (WSCC) to treat food waste to generate electricity for export to either private customers or the National Grid.

Read more p36–37

What We Do: West Midlands Case Study

Biffa has over 195 sites across the UK servicing the needs of its customers. Here we take a look at some of the services we provide in one of our key markets, the West Midlands.

Hazardous Waste

Wednesbury

Our Wednesbury hazardous waste facility treats hazardous liquid waste on behalf of industrial customers.

Recycling Centre

Tipton Transfer Station

Our Tipton recycling centre sorts recyclable materials from commercial customers and produces Refuse Derived Fuel (RDF) for incineration in an energy recovery facility. We have 35 recycling centres offering similar services across the UK.

Waste Collection

Recycling Centre

Foxyards I&C Depot

45 waste vehicles operate from our Foxyards site, collecting waste from 5,500 customers across the conurbation every week. We have 71 depots offering these services across the UK.

Foxyards SWaRF

Our Secure Waste and Recycling Facility ("SWaRF") safely destroys and recycles counterfeit produce.

Household Waste

Cannock Chase Municipal

We provide household waste and recycling collection services on behalf of Cannock Chase District Council. We have 34 similar contracts across the UK emptying the bins of 2.3 million households every week.

Recycling Centre

Aldridge MRF

Our Aldridge MRF sorts 150kTpa of mixed household recycling, selling sorted products into global commodity markets. It is one of Biffa's five facilities with a total annual capacity of 565kTns.

Anaerobic Digestion

Poplars Anaerobic Digestion

Our Poplars AD facility treats up to 120kTpa of food waste, generating renewable energy and soil enhancer. Electricity is sold to the National Grid and to a local supermarket.

Landfill

Poplars Landfill

Our Poplars landfill site handles 577kTns of waste a year, predominantly dealing with waste that cannot be recycled or treated for energy recovery. We have eight sites across the UK, accepting 3.1mTns in 2018.

Landfill Gas

Poplars Landfill Gas Operation

Our Poplars Landfill Gas Operation generates renewable energy that is exported to the National Grid, capturing biomethane from the landfill site. We have 34 sites across the UK.

How Our Industry Works

Environmental sustainability is at the heart of Government waste management policy and regulation. The fundamental starting point is effective waste collection and management systems to prevent waste leaking into the environment and causing pollution of land, air, rivers and seas. In relation to waste management itself, the key Government policy driver over recent years has been the 'Waste Hierarchy', with waste prevention at the top, followed by re-use and recycling, followed by energy recovery, down to disposal as a last resort.

This is embedded in UK waste policy and regulation and has driven landfill diversion through Landfill Tax, together with setting targets for recycling. However, it is important to remember that this is a hierarchy whose tiers all need to be serviced in order for society and the economy to be able to function properly. For example, notwithstanding increases in recycling and recovery, there will always be some wastes which require safe disposal. Alongside the policy context is the regulatory pollution control system which sets out how waste management facilities need to be operated.

The Waste Hierarchy

Managing waste in accordance with the waste hierarchy is also a cornerstone of the wider 'Circular Economy' debate, which has been promoted in recent years through the EU Circular Economy Package and which concerns resource use more generally. This aims to move away from wasteful linear economy models ('take, make, use, dispose') to resource use systems which are more circular and, in terms of waste management, include more re-use, recycling and energy recovery.

Biffa's services are aimed at helping waste producers comply with these sustainability objectives and waste management requirements which, in turn, helps the Government achieve its environmental and waste policy objectives and targets.

As the UK moves towards leaving the EU, the Government is developing new economic, environmental and waste strategies, and Biffa has been actively engaged in that work over the last two years. Biffa welcomed the publication of the Government's document, 'A Green Future: Our 25 Year Plan to Improve the Environment' in January 2018. We are pleased to see that the general aspirations about waste and resources management mirror issues we have raised ourselves, in our 'Reality Gap (2017)' report and other recent commentaries. For example, the 25 Year Plan highlights plastics waste as a key challenge, but it also recognises the wider need to deal with the many millions of tonnes of other waste, especially in the face of a growing population and changes in international markets for some secondary materials. This national strategy development recognises the need to develop more waste management infrastructure in the UK to reduce reliance on exports; improve product and packaging design; develop stronger secondary materials markets; encourage more producer responsibility; and recover more value from residual waste through measures such as Energy from Waste (EfW) technology. Landfill will continue to play a vital role in managing unavoidable waste which still requires that solution. Biffa has published its detailed analysis and thoughts on these issues in our 'Reality Gap (2017)' report.

A Clean Sweep

Project
West Sussex Aggregate Treatment and Recycling Facility

Operating division
Resource Recovery & Treatment

Highlights

Few of us give any thought to what is swept away when roads and gutters are cleaned. But the development of an innovative processing plant to recycle local authority street sweepings and gulley waste has changed all that. The first six months of Biffa's special processing plant, developed at our West Sussex site, recovered around 98% of the 1,350 tonnes of municipal sweepings processed from Biffa-serviced Kent councils, plus 850 tonnes from other sources. The sorting and washing process recovered valuable secondary resources in the form of sand, gravel and glass for sale to end markets. The service helps local authorities to improve their recycling rate and manage costs, and creates new markets and revenue streams for Biffa.

Our mission is to be the UK's leading integrated waste management platform.

Resources and relationships

Scalable Infrastructure

Biffa I&C's depot and transfer station network allows us to service over 95% of UK postcodes and has significant capacity to collect and prepare waste for treatment.

Brand and Reputation for Delivery

Biffa's brand is highly recognised and is synonymous with the Biffa Bin. Our service levels across our municipal collection business run at 99.96% service success rate across the UK.

Operational and Technical Expertise

Biffa's people have great operational and technical know-how allowing us to deliver an excellent service every day. This is built on experience including an average tenure of 10 years for management at Biffa and allows us to recover more value from waste.

What we do

We collect waste and recycling

- Household collections
- Industrial and commercial

4,124
kTns collected

We process and treat waste and recycling

- Wide range of methods to extract value and minimise environmental impact

3,693
kTns processed

x8
Landfill sites

3,118
kTns of waste
landfilled

We dispose of waste that cannot be reused, recycled or recovered

Landfill gas generates renewable energy

How we make money

Revenue sources

- Lift and disposal charges
- Payment for services
- Gate fee for taking third-party waste to process

Costs

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

Environmental Responsibility

Biffa offers a range of services to treat waste, recover value from recyclable material and prepare waste for energy recovery. This both increases the value of waste and offers the most environmentally responsible solution.

Engaged and Committed Workforce

Biffa remains committed to further increasing employee engagement following significant increases since 2011. We remain focused on developing our people, offering competitive rewards and a safe working environment.

Strong, Predictable Cash Flows

Biffa's track record shows our ability to re-invest in the business while paying a growing dividend.

We produce and sell recycled commodities for use in manufacturing

How we generate value

Biffa generates value from the waste collected from customers throughout the UK. We process waste to drive products up the value chain. This can be through reduced cost or higher quality end products. This also reduces the environmental impact of waste.

We generate and sell renewable energy

- Through recycling, gas capture and organic processes

80.4

MW Energy generation capability

Biffa's scale and breadth of operations allows us to invest in infrastructure to treat waste, reduce cost, and minimise the environmental costs of waste produced in the UK.

- Sale of end products to reprocessors
- Revenues from the sale of electricity

- Processing costs (including equipment and personnel costs)
- Gate fee disposal costs for certain products (e.g. for RDF to an Energy Recovery Facility (ERF))

Why Invest in Biffa?

Biffa is a leading national operator with a strong track record of delivery in a growing, changing industry that we all rely on.

1.

Revenue and profit delivery

Biffa has grown revenue and underlying profits over the last five years. We have achieved this through a combination of organic revenue growth, successful acquisitions, operational improvements and investment in capital projects. Our record stems from:

- a combination of market-share gains, investment in new products and services and pricing discipline. Net revenue growth has averaged 8.5% over the last five years;
- investments in new products and services. During the year, these include the successful opening of Biffa Polymers' second food-grade recycled HDPE (rHDPE) plant to provide material for milk container production, and the opening of new rail hubs for the transfer and disposal of inactive waste;
- profitable acquisitions. During the year seven were completed, for a total investment of £47.1m (see below); and
- cost discipline and delivering operational initiatives. Underlying Operating Profit and EBITDA margins have either grown or been maintained over the five-year period.

2.

Attractive market dynamics for consolidation

Biffa's business, and in particular its I&C platform, operates in a fragmented marketplace, where there is a compelling opportunity for consolidation. Increased regulation, a more complex service offer to more demanding customers, and the need for secure access to disposal outlets mean that scale is more critical than ever.

Biffa has become a natural consolidator in this space, completing 30 acquisitions over five years for a total outlay of £103.4m. In all cases, acquisitions have been rebranded and integrated fully into Biffa's operational network and systems.

Cost savings have been made by the removal of duplicate routes and locations, bringing sub-contracted services in-house, lower disposal costs, better procurement, and back office and support service efficiencies. All acquisitions, once fully integrated, have been earnings accretive.

There remains further opportunities, with many smaller operators keen to explore a combination with Biffa.

3.

Long-term structural growth drivers

Whilst overall waste volumes in the UK are growing at only modest rates, there are some key structural growth drivers that benefit Biffa's positioning:

- **Recycling:** recycling levels have grown significantly over time, but have recently plateaued. Finding stable outlets for recycled materials in a complex global market can be challenging and recycled commodity prices are volatile. Regulation and industry investment are needed to stimulate further growth in recycling. With its scale and experience, Biffa is well placed to help the UK to meet future targets in this space.
- **Energy from waste:** there remains a significant deficit of infrastructure to safely process, and generate low carbon energy from waste that cannot be recycled. Biffa is in a uniquely strong position due to its control of waste flows, and partnership with the leading EfW operator Covanta, to help unlock these much needed infrastructure projects.
- **Landfill:** for waste that cannot be recycled or treated for energy recovery, landfill will remain an essential solution. Biffa is a long-established operator in this space. Whilst it is rightly no longer at the centre of our strategy for dealing with waste, it remains a key underpinning component of the UK's waste management infrastructure. Through Biffa's existing portfolio of sites, experience of developing new sites and our rail hubs, we are well placed to continue to provide this much needed service.

4.

Strong national brand and service delivery

Biffa has built a strong reputation for service delivery, reflected both in key service operating measures and customer surveys.

- A first-class reputation for service delivery and experience in expanding and developing its services to meet changing customer demands have helped Biffa both win and retain customers while improving operational efficiencies. Biffa has been at the centre of the transformation of the waste sector over the past two decades, successfully introducing new services on a national scale to enable its customers to increase recycling and energy recovery and maximise the diversion of waste materials from landfill.
- The Group's strong record of service delivery, together with its national presence and history, has led to the Biffa brand becoming one of the most highly recognisable in the UK waste industry and a key asset for the Group. Strong brand recognition plays a significant role in the Group's success, in helping to attract and retain both customers and employees.
- Biffa's people are one of its key assets, and the Group works to ensure that it provides a safe and engaging working environment for its employees. Strong employee engagement and providing a safe work environment are important factors in both attracting and retaining staff, and are particularly significant given Biffa's reliance on a large workforce for the delivery of its services.

5.

Experience and operational excellence

- Biffa's Board and Group Executive Team have a wealth of experience in the waste industry. This allows them to guide the business from a position of knowledge and experience. Excellent operational performance and a track record of delivery are their hallmark, and together with their ability to identify and execute strategic investment opportunities, such as acquisitions, and their embracing of the opportunities in EfW, Biffa is more than prepared for the inevitable challenges and opportunities that await us.

Biffa is in attractive markets in which it enjoys leading competitive positions

Ken Lever
Chairman

Introduction

It gives me great pleasure to introduce the second Annual Report of Biffa since the IPO in October 2016. The year has of course been overshadowed by the very sad and sudden passing of Steve Marshall, our previous Chairman, in September last year. The shareholders and Biffa owe a great deal to Steve as it was through his leadership and direction of the Board that we achieved a successful Stock Exchange Listing. Steve will be sadly missed.

When I joined the Board in September 2016 I was new to the waste management industry. It has been a steep and quick learning curve. I have been impressed with the strength, experience and knowledge of the business leadership, the depth of the strategic and operational discussions, the organisation and integrity of our business operations and the quality of the information available to the Board.

Business and Markets

Biffa's business is exclusively focused on waste management in the UK. Our business has strong competitive positions in markets which have attractive long-term characteristics. Our success – and the value we deliver in the long run to our investors – derives from our ability to achieve attractive and sustainable returns on the investments we make in the various services we provide throughout the waste management supply chain.

The performance of our I&C collections business is driven by modest market growth augmented by share gains and targeted acquisitions in a fragmented industry. In the Municipal division the market demands a very efficient, cost-effective operation and keen price competitiveness. Our RR&T and Energy divisions create value either through the recovery and recycling of materials or through the generation of energy whilst keenly monitoring commodity and energy prices. Efficient management of processes and highly effective logistics are key drivers of success.

Strategy and Capital Allocation

Prior to the IPO a clear strategy was developed around 'Grow' (organically and through acquisition), 'Develop' (services and infrastructure) and 'Optimise' (our systems and processes). Good progress with this strategy, as set out in the Strategic Report and the 'In Conversation with the Chief Executive Officer' on page 14-17, has been made by the management during the year. The Board monitors the implementation of the strategy at the Board meetings and through periodic strategy reviews. An integral part of the strategy process is to ensure necessary financing and appropriate capital allocation. Biffa has a strong balance sheet and reliable and predictable free cash flow generation. The strategy for sustainable growth is reinforced by tight controls over capital expenditure and working capital management with appropriate review by the Board of investments and acquisitions.

Shareholder Returns

Our financial performance is discussed in some detail in the Financial Review. We have again delivered a strong set of financial results meeting or exceeding the market's expectations for revenue, profit, cash flow, net debt, return on capital/operating assets and adjusted earnings per share. During the year our share price showed significant momentum peaking at 263 pence compared with the IPO price of 180 pence in October 2016.

The short-term headwinds arising from the recently announced changes to the Chinese regulations for the import of recycled commodities did initially cause some short term weakness. However, the underlying intrinsic value of the business continues to grow steadily and Biffa remains strongly positioned over the medium and long term. The Board has proposed a final dividend of 4.53 pence per share bringing the total dividend for the year to 6.70 pence representing a 3.3 per cent yield on the year end share price of 201 pence.

Health and Safety

An excellent record for health, safety and the environment is of paramount importance to our long-term success. We are delighted to report another record year with a further reduction in the lost time injury rate. We will continue to strive to achieve further improvements in performance.

The Board

There have been some changes to the Board following the sad death of Steve Marshall. During the search process to identify the new Chairman, David Martin assumed the role of Interim Chairman. I would like to thank David for stepping into the breach at short notice and in trying circumstances. At the end of the search process, with my appointment as Chairman, I have relinquished my role as Chair of the Audit Committee and this has been assumed temporarily by David Martin in addition to his role as Senior Independent Director. I am delighted to announce that Carol Chesney will join our Board as a Non-Executive Director and Chairman of the Audit Committee

with effect from 12 July 2018. In addition, before the end of the calendar year we will start a process to identify a further Non-Executive Director.

Chief Executive Officer

Following the recent announcement that Ian Wakelin no longer wished to hold a full time executive role and would be stepping down as Chief Executive Officer of the Company, I would like to thank Ian for everything that he has done for the business and to wish him and his family well for the future. Ian can feel extremely proud of what he has achieved at Biffa. He will be leaving a business in good health, the result of the growth strategy he and his colleagues have been implementing for the last eight years.

The Board is delighted that Michael Topham will be Ian's successor. Michael has played a major role in the development of the Group and the evolution and implementation of its strategy since he joined the business in 2010. Moreover, he played a central role in, and has become widely regarded since, the Group's IPO. We believe the business will continue to be in excellent hands when Ian hands over the reins to Michael.

Corporate Governance

We have established processes for corporate governance. Included in the Annual Report is a Governance Report, with an introduction from me, summarising the various processes and activities of the main committees of the Board. The Board aims to strike the right balance between the strategic and entrepreneurial management of the business and the important corporate governance processes.

Employees

I would like to thank our loyal employees for their hard work and commitment during the year. The success of our business is without doubt dependent on their continued support. During the year we have launched a new Sharesave plan that offers employees the opportunity to participate in Biffa's success going forward and the scheme has been very actively supported.

Looking to the Future

Looking to the future we are confident we can address the short-term challenges arising from the changing markets for recycled commodities. Biffa is in attractive markets in which it enjoys a leading competitive position. There is a clear strategy to continue to grow the long-term sustainable value of the business and there is a strong management team in place clearly capable of implementing the strategy.

Ken Lever
Chairman
13 June 2018

I have been pleased once again with the performance of the Group. We have continued to focus on the practical execution of our strategy to Grow market share, Develop services and infrastructure, and Optimise systems and processes

Ian Wakelin
Chief Executive Officer

How would you describe the performance of the business last year?

I am delighted with the performance of the business last year, another year in which we continued to focus on delivering our simple, three-pronged strategy of Growing market share, Developing new services and infrastructure and Optimising our systems and processes. In the year we grew Net Revenue by 8.8% (£78.9m) (and statutory revenue by 8.7% – £86.3m) through a combination of both organic and acquisition growth, increased Underlying Operating Profit by 10.0% to £81.2m, increased statutory profit before tax by £42.0m, generated significant Free Cash Flow and ensured that our balance sheet and available cash liquidity were in a strong position to enable us to continue to invest in the numerous opportunities facing the Group. Away from the financial results I was also pleased with our performance in other areas; once again we have continued to see ongoing improvement in our health, safety and environmental performance. Biffa has been awarded the British Safety Council Sword of Honour this year reflecting the Group's continual focus on trying to make our business a safer place to be.

The business made a number of acquisitions in the year. Can you explain the Group's acquisitions strategy? Acquisitions are a fundamental part of our strategy to grow market share and once again I have been pleased with both the quality and level of acquisition activity this year. Biffa operates in an industry where increasing customer demands and expectations make the supply chain logistics of delivering a waste service ever more complex. This dynamic lends itself to organisations of greater size like Biffa with a complete knowledge and operational experience of the end-to-end service delivery. This is clearly generating opportunities for Biffa to acquire smaller businesses, particularly in our I&C division where our strong market presence, national coverage and complex logistical platform provide the opportunities for significant cost and revenue synergies post acquisition in the UK. Of note this year is the geographic spread of our acquisitions; we have acquired businesses in the North East,

Steve Marshall – Chairman:

Everyone at Biffa was very saddened to hear the news during the year of the sudden and unexpected death of our Chairman, Steve Marshall. Steve had worked with the business since June 2013 and during this time had a significant impact on the business helping to drive both the development of the strategy and act as a guiding mind for the Group Executive Team. He was a man of high intellect and passionate about business in general and will be missed by both Biffa and the wider business community.

the North West, London, the South Coast and South Wales. This is testament to the strength and geographic breadth of our operating platform providing us with the opportunity to acquire suitable businesses almost anywhere in the UK.

The pipeline of acquisitions we are working on is strong and I expect us to continue to acquire good businesses in key geographies around the UK, primarily focused on our I&C division.

How do you intend to continue to deliver organic growth? This year we have continued to deliver strong organic growth. This has come from, and will continue, as a result of three main factors. Firstly we will continue to work on delivering an outstanding customer experience. Secondly we will continue to proactively manage customer pricing to reflect the breadth and excellent level of customer service delivered by Biffa. Thirdly we will continue to develop ancillary services (such as our newly launched One Call service) and waste processing infrastructure such as the investments we have recently made in our Polymers business and soil treatment facilities.

In Conversation with the Chief Executive Officer continued

What were the conclusions of your recent Reality Gap report?

We produced our first Reality Gap report in 2015 and repeated the analysis in 2017. At its core is an attempt to understand the key drivers and requirements of residual waste disposal in the UK over the coming 20 years. Our conclusions now are similar to those back in 2015.

In summary, there are three main conclusions. Firstly, whilst the UK has performed well over the last 10 years in driving up recycling levels compared with our European counterparts, there is still more that can be achieved, but if recycling levels are to increase further, Government intervention or regulation is needed. We believe that regulation is needed to drive stronger end markets for recyclable products by extending the current producer responsibility regulations. Secondly, there is a deficit of energy recovery facilities in the UK and more energy recovery facilities are needed if we are to maximise the amount of energy that can be generated from residual waste that is left over after recycling levels have been maximised. Thirdly, we believe there is a significant ongoing need for landfill in the UK. We estimate there is approximately 15mTpa of waste generated that cannot be recycled or treated for energy recovery and the most sensible place for this to go is to a well-engineered and managed landfill.

It has been very difficult to secure planning consent for new landfills in the UK over the last 10 years and as a consequence many of the remaining sites are now filling quickly and need replacing.

Can you tell us some more about the Energy from Waste development plans?

We believe, as outlined in our 'Reality Gap (2017)' report, that the UK has a deficit in energy from waste recovery facilities. In simple terms, even after maximising the amount we recycle as a country, the UK generates more combustible waste than there are facilities to deal with this waste. As one of the UK's largest collectors of waste and with a responsibility to dispose of 2.4mTpa from our I&C collection business, it is in our interest that there is a long-term sustainable disposal infrastructure for waste in the UK and so we are keen to see these needed facilities developed. We are working alongside Covanta, a US listed global waste to energy operator to assess the feasibility of developing two such facilities, one in Leicestershire and one in Cheshire. Subject to satisfactory completion of this feasibility work and our ability to raise suitable project finance we believe these opportunities will offer a significant equity investment opportunity delivering long-term sustainable cash flows with good equity returns.

It is important to appreciate that should we invest in this area we will do so alongside a proven operating partner in Covanta and be investing in a technology which has been well proven around the globe for many years. We are not a business that takes undue technology risk.

How has Biffa dealt with the changes in China's waste paper and plastic import regulations?

Towards the end of 2017, China announced that from 1 March 2018 it would be banning the import of certain recyclable commodities, increase the quality standards required of the remaining recyclable commodities that could be imported and overall seeking to reduce the country's dependency on imported recyclables by restricting import quotas through 2018. China has been and continues to be the world's largest importer of recycled products, which is a fundamental component of the Chinese manufacturing supply chain. The impact of this has been to increase the cost of recycling and reduce, due to falling demand, prices for most recycled commodities. In response to this we have taken the following actions:

- sought alternative markets outside of China;
- changed the basis of our operations to produce a higher quality output product;
- altered our operations so as to cater for more source separated material as opposed to comingled collections of recyclables, a trend which we expect to see more of over the coming years;
- sought to renegotiate contracts with customers so that the financial burden of these changes is more fairly spread; and
- increased prices as contracts have been re-tendered.

We do not believe the changes introduced by China will be reversed. We believe they are the new norm for the recycling industry. As a result of these changes our key recycling assets, which are part of our RR&T division, are currently loss making.

The actions outlined above will return these assets to profitability over time, leaving us with a business which has greater protection from commodity price movements.

It is important to remember that even with these current challenges, recycling remains a far more cost effective (as well as environmentally sustainable) means of disposing of this type of waste.

To what extent will Brexit affect the business?

Brexit is of course an unknown in many ways for all British businesses, however, I do believe our exposure to any downside is probably limited. Firstly, we trade very little with the EU, although we do export some recyclables (mainly glass) and refuse derived fuel into Europe and so we are keen to ensure that frictionless trade in this regard continues. Secondly, we employ a relatively low number of European workers across the Group, however continued access is important in ensuring that we are not exposed to future skills and labour shortages.

In terms of environmental policy and regulation much of the UK's environmental agenda in recent times has been driven by directives from Brussels. I don't expect there to be significant change to the UK's policy and regulation post Brexit and indeed look forward to the prospect of the UK driving its own environmental agenda to deal with issues more focused on the UK's current position. Like most businesses we continue to watch the development of Brexit with interest.

What changes have been made to the Board this year?

Everyone at Biffa was greatly saddened by the news of Steve Marshall's untimely and unexpected death in September of last year. Steve had been our Chairman for almost five years and made a significant contribution to Biffa during that time, acting as a very wise counsel and a great sounding board for our plans for the Group. At a personal level I miss Steve a great deal.

I was delighted, however, when Ken Lever agreed to step up to the role of Chairman. Ken has been on our Board since 2016 and, like Steve, has made an immediate impact on the Group; I am sure we will work well together as we continue to grow the business over the coming years. Finally, I am delighted to welcome Carol Chesney to the Board and look forward to working with her in her capacity as a Non-Executive Director and Chairman of the Audit Committee.

How would you describe the outlook for the Group in 2018?

I think the outlook for the Group is very positive; we are very well positioned in an increasingly complex industry which lends itself to scale and an understanding of the wider supply chain issues around disposal of waste and recyclables. The Group has many opportunities to deploy capital at attractive returns particularly in continuing to pursue our mergers and acquisitions strategy in I&C, develop further reprocessing and recycling assets in our RR&T division and in energy from waste assets in our Energy division.

However, none of what we have achieved so far or what we intend to achieve in the future would be possible without the continued efforts and talent of our staff and the support the business receives from all of our stakeholders and I would like to take this opportunity to thank everyone for their continued dedication and commitment to the business as we look forward to an exciting and rewarding future.

You recently announced your resignation from the Company?

I have come to the decision that the time is now right for me to step down from a full time executive role and to leave the Company once a new Chief Financial Officer is found to succeed Michael Topham, who will be taking over as the new Chief Executive Officer.

I will be very sad to leave Biffa. I have thoroughly enjoyed the last eight years and will leave satisfied that we have achieved a great deal including successfully bringing the business back to the stock market. I would like to thank all my colleagues across the business for their support and commitment over the years. Biffa is a great business with a great future ahead of it. I wish Michael every success for the future as he takes the business on to a new and exciting stage in its development.

Ian Wakelin
Chief Executive Officer
13 June 2018

Responding to a Changing Landscape

In recent years the UK has revolutionised the way it manages its waste. Recycling levels have increased significantly and major investments in energy recovery have been made. But the industry faces a new set of challenges, to which Biffa is ready to respond.

50%

2020 EU/UK recycling target
for municipal waste

65%

proposed new 2035 EU Circular
Economy Package recycling target
for municipal waste

1.

Recycling levels have stopped growing

The Challenge

The UK's rate of improvement in recycling has been impressive and should be celebrated. However, in recent years levels have now plateaued.

It is becoming clear that we are now entering a phase where further percentage gains are still possible by deploying the most proven collection systems, but are likely to be modest unless there further Government policy intervention in this area.

The Opportunity

Recycling is now very much centre stage in public debate and Government is working on a new national resources and waste policy, as trailed by the 25 Year Environment Plan published in January. The additional seven to nine million tonnes per year of materials needing to be recycled (Biffa 'Reality Gap' analysis) if the UK strives to achieve higher recycling rates presents an opportunity for further investment and innovation in collection systems and recycling infrastructure. Biffa, as a leading collector and processor of recyclables from both households and businesses, is ideally positioned to help deliver this new drive.

Read more p19-29

2. The UK needs more energy from waste capacity

The Challenge

In our analysis, there exists a current UK shortfall of energy from waste capacity of around 13mTpa, an investment requirement of c.£7.5bn. Although we expect this to reduce to around 6mTpa by 2025 as some new capacity gets built and recycling increases, we do not expect it to reduce any further as remaining tonnages of suitable waste arisings are likely to be too scattered geographically to attract further major investment.

The Opportunity

The conditions are right for further facilities to be built. With a supportive Government policy context, the private sector is well placed to deliver this investment, as evidenced by the recent commencement of the construction of a number of major facilities, entirely financed and supplied by the private sector. However, the challenges of bringing these projects to fruition should not be underestimated and the role of well-financed, large-scale waste operators, like Biffa, is key.

[Read more p19–29](#)

Residual Waste

Residual waste management capacity requirements for energy from waste and landfill (all non-hazardous waste).

3.

There is an ongoing need for landfill

The Challenge

Landfill will have an enduring role in the UK in relation to the 15 million tonnes of waste per year which cannot be recycled or used for energy recovery, as well as the six million tonnes per year needed to cater for the longer term EfW treatment capacity gap. However, as sites fill and close, landfill capacity in the UK is expected to be exhausted within 10 years. Through our analysis and reports, Biffa has worked to raise awareness and understanding of this issue with Government policy-makers, flagging up the need to protect existing landfill assets and to plan for replacement capacity as part of the new suite of Government resources and waste policy.

The Opportunity

Remaining landfill capacity is an increasingly scarce asset. As a leading operator with national coverage, Biffa is well placed to develop replacement landfill capacity when needed.

Read more p19-29

10

years of remaining landfill void in the UK

44

mTpa of waste landfilled in England

2020

waste must be transported as some regions run out of landfill prior to 2020

5

mTpa of hazardous waste landfilled in England

Source: Reality Gap (2017) report

Our Strategic Goals and KPIs

Our strategy seeks to capitalise upon the growing market for increasingly sophisticated waste management services demanded by customers as a result of increasing environmental regulation and awareness. Our strategic framework is split into three elements of focus which are underpinned by ensuring a safe, efficient and engaging working environment for the people who ultimately deliver the strategic activities. We believe this strategy will deliver our targeted growth in shareholder returns.

Grow our market share

We do this by

- Biffa seeks to be a natural consolidator within the waste market, growing by acquisition
- New customers and services drive organic growth

Performance

2018 delivered

- Seven acquisitions
- New key accounts include Bourne Leisure, KP Snacks, Arcadia and Kerry Foods

In 2019 we will

- Continue to drive organic growth and acquisition growth through new business wins and strategic acquisitions

Target

CPI +1%

> 2.5%

Growth

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.

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.

Total waste tonnages collected from customers by Biffa operations. Excludes sub-contracted services and haulage/internal movements.

[Read more p39–44](#)

Strategy in action:

Significantly strengthening our market presence

O'Brien Waste Recycling Solutions (O'Brien WRS)

O'Brien WRS is highly complementary to Biffa's existing business. Its collection business, which serves c.3,600 customers and generates revenues of c.£20.7m, is being integrated into Biffa's existing I&C collection business, enabling the combined business to operate more efficiently and enhance its customer service offering.

In addition the acquisition brings a substantial recycling and waste treatment operation across three locations which serves both commercial and local authority customers and which has significantly strengthened Biffa's infrastructure in the region. These facilities have been incorporated into Biffa's I&C and RR&T divisions.

£34.4m

O'Brien WRS Revenue in 2018

UK acquisitions

1. O'Brien Waste Recycling Solutions Holdings Limited
2. Trade and Assets of Enterprise Manchester Partnership Limited
3. Amber Engineering Limited (Amber Engineering)
4. Trade and Assets of EcoFood Recycling Limited
5. Dry Waste Collection Business of Cleansing Services Group Limited
6. Trade and Assets of HWS Waste Limited
7. Trade waste business of G&S Waste Management Limited

The geographic spread of our acquisitions in the year is testament to the quality, reach and scale of the operating platform of Biffa and demonstrates our ability to drive acquisitive growth around the UK. The varying scale and nature of these acquisitions provides further evidence of Biffa's ability to transact successfully across the spectrum of the waste market.

Ian Wakelin, Chief Executive Officer

Develop services & infrastructure

We do this by

- Increasing waste processing infrastructure to expand capacity and service offering
- Increasing the value recovered from waste

Performance

2018 delivered

- First year of second food grade rHDPE line
- Further investment in aggregates and soil treatment
- Development of Covanta partnership

In 2019 we will

- Look to conclude the partnership with Covanta and partner in development of ERFs
- Invest in processing infrastructure including plastics, soils and aggregates
- Invest in rail hubs to support transport of inert waste to Biffa landfills

Target

Growth

Definition

Tonnages received in the period subjected to processing activities at Biffa operated sites. Processing activities include (i) sorting, bailing and transfer; (ii) RDF preparation; (iii) soils and aggregates processing; (iv) composting; (v) plastics recycling; (vi) hazardous waste processing; (vii) anaerobic digestion; and (viii) mechanical and biological treatment. Where materials are subjected to more than one processing activity the tonnes are counted in respect of each process to which the material is subjected. Tonnages that have not been subjected to any processing activity and are disposed of in landfill and soils received at landfill sites for restoration are excluded. Excludes any processing activity carried out by third parties on Biffa's behalf. Where waste is not weighed (e.g. some hazardous waste), tonnages are estimated.

Read more p39–44

Strategy in action:

Plastic Recycling: Rising to the Challenge

Biffa Polymers

Through our specialist plastics recycling business Biffa Polymers, Biffa is committed to helping to tackle the twin challenges of making plastic packaging sustainable and reducing the UK's dependence on overseas outlets for its plastic waste. Biffa Polymers is a leader in its field, dedicated to safely converting plastic waste into high quality raw materials for use in manufacturing. At its award-winning facility in Teesside it is able to handle 45kTpa of material. It was the first facility in the UK to successfully convert post-consumer HDPE milk bottles back into food-grade raw materials, for use in new milk bottles, thereby providing a genuinely closed loop recycling solution for the UK's dairy industry. Following the success of this project, Biffa invested £6.6m in doubling the size of this operation, and successfully commissioned the expanded plant during the financial year 2018. Biffa Polymer's food grade HDPE is now used to re-process 780 million plastic milk bottles every year. We are now turning our attention to PET – the plastic most commonly used for drinks bottles – and hope to be able to bring together a project in this space in the coming year

We are extremely proud of our achievements at Biffa Polymers and the work it is doing to deal with one of society's most pressing issues – how to deal with plastic waste.

Mick Davis, Managing Director, RR&T

Optimise systems & processes

We do this by

- Integrating acquisitions
- Improving our systems and processes
- Ensuring that projects meet return criteria and improve the position of Biffa

Performance

2018 delivered

- Biffa has realised synergies from 2017 acquisitions
- Installed telematics in a large number of vehicles
- Invested in proven automated sorting technology in the MRFs

In 2019 we will

- Continue to seek operational improvements across the business
- Look to expand operating margins
- Integrate and realise optimisation benefits from 2018 acquisitions

Target

Continuous improvement

Maintain in excess of 20%

Continuous improvement

Definition

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

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 finance leases), pensions and environmental provisions.

Read more p39-44

Smarter Ways of Working:

Building a Better Biffa

Biffa's operations are wide, diverse and cover the entire waste supply chain. We are continually evaluating and deploying proven technology to improve our operational performance, drive up operating profit margins and improve the customer experience. At the same time Biffa continues to work hard on integrating acquired businesses to ensure a uniform customer service offering and delivery of planned synergies.

MRF optical sorting investment

In order to extract more valuable recyclables from incoming mixed loads Biffa has invested heavily during the year in optical sorting equipment which automatically identifies certain types of recyclable material. This improves both the quality and yields of our finished product, whilst reducing the need for manual intervention.

Telematics

Biffa has installed modern telematics software and hardware into a large number of our collection vehicles, which provides valuable data on driver and vehicle performance. This allows us to improve our monitoring of regulatory compliance, environmental impact and operational and safety performance.

Biffa continues to invest in proven technology that will both improve the efficiency of our operations and further strengthen the delivery of excellent customer service.

Ian Wakelin, Chief Executive Officer

Building a Better Biffa

Underpinning our three strategic pillars of 'Grow', 'Develop' and 'Optimise' are a range of financial and non-financial targets. These demonstrate our commitment to providing a safe, sustainable and engaging place of work, while delivering shareholder returns.

Non-financial

We do this by	People & places Safe, sustainable and engaging		
Working environment	We believe that the Group's strategy can only be achieved whilst providing a safe and engaging place of work and continuing to reduce the impact our activities have on the environment.		
Our KPIs	Employee engagement	Health & Safety – Lost time injuries (LTI) rate	CO ₂ emissions reduction
	53% (2017: 56%)	0.27% (2017: 0.31%)	109kTns¹ (2017 restated: 18kTns)
Definition	These KPIs provide useful measurements of the level of engagement of our workplace, the safety performance of the Group and the level of environmental impact of its activities.		

¹ See page 61.

Read more p39–44

Financial

We do this by **Delivering shareholder returns**

Working environment We believe that the following financial metrics measure the overall strength and performance of Biffa. They reflect how effective the execution of the strategy has been in delivering shareholder returns.

Our KPIs	Underlying Earnings per Share (pence)	Leverage Ratio (x)	Underlying Free Cash Flow (£m)	Dividend per Share (pence)
	19.2p (2017: 29.3p)	1.9x (2017: 1.8x)	£44.4m (2017: £28.8m)	6.70p (2017: 2.40p)
Definition	EPS helps us measure the underlying performance of the business. Earnings growth enables us to reinvest in the business and deliver shareholder value. Note that this KPI has been affected by the IPO during the year and in the prior period was calculated based on pre-IPO share capital.	We wish to maintain net debt at levels that ensure the business is able to invest for future growth and has the financing flexibility to respond to the opportunities or needs of the business.	Good performance against this KPI demonstrates strong working capital management and a disciplined approach to capital allocation. Strong cash generation provides liquidity.	The Board has adopted a progressive dividend policy to reflect the Group's earnings potential and cash flow characteristics, while allowing it to retain sufficient capital to fund ongoing operating requirements and to invest in the Group's long-term growth.

In the year, the Group delivered strong growth in underlying earnings and free cash flow, whilst maintaining modest leverage and servicing a growing dividend.

Michael Topham, Chief Financial Officer

Industrial & Commercial

Jeff Anderson
Managing Director, Industrial & Commercial

The I&C division remains focused on driving organic and acquisition revenue growth and delivering operational efficiencies.

Highlights

- ◆ Strong revenue growth of 9.9%: organic revenue growth (4.4%) and revenue from acquired business (5.5%).
- ◆ Underlying Operating Profit Margin growth from 7.4% to 8.4%. Prior year acquisitions fully integrated while other cost efficiencies and price discipline delivered into the base business.
- ◆ Current year acquisitions of O'Brien WRS and Amber Engineering are being integrated while the smaller 'infill' acquisitions have been quickly integrated to the wider I&C network. We expect these to perform in line with business case expectations in the year ahead.

3,200
Employees

74,000
Customers

Summary (£m unless stated)	2018	2017	Growth
Statutory revenue	574.0	522.1	9.9%
Underlying EBITDA	77.2	65.5	17.9%
Underlying Operating Profit	48.1	38.5	24.9%
Underlying Operating Profit Margin	8.4%	7.4%	

Performance Summary

The I&C division has continued to see strong growth with revenues increasing by 9.9% to £574.0m and Underlying Operating Profit increasing by 24.9% to £48.1m. Revenue has grown organically through a combination of price increases and collection volume growth including a number of major business wins such as, Boume Leisure, KP Snacks, Arcadia and Kerry Foods. Underpinning this is a strong performance in business retention and growth in some of our new services, such as ‘One Call’ (a 24-hour ‘emergency service’) and our national asbestos removal offer. The largest cost within the I&C division relates to the disposal of waste. I&C has developed a network of RDF production sites to feed UK EfW facilities and for export to mainland European incinerators. During the year, we have taken the opportunity to add additional RDF production capacity in readiness for new UK EfW plants, while also securing some long-term supply contracts with European offtakers to ensure that we maintain a sustainable disposal strategy. In the second half of the year, a downturn in the global commodities market impacted the benefits from commodity sales, but the division has offset a significant proportion of this through customer price management.

The division continued to identify and convert a number of acquisitions. We completed the purchase of seven businesses across the UK which added annualised revenues of c.£50m. The largest acquisition was O’Brien WRS, which included a large collection and processing business. Through a combination of revenue gains, acquisition integration benefits and strong cost management, the overall Underlying Operating Margin in the division increased from 7.4% to 8.4%.

Market Conditions

UK market waste volumes are relatively stable, but with increased pressure on commodity prices and a ‘tightening’ in RDF offtake availability, it is increasingly important to have scale to enable access to the lowest cost disposal while operating an efficient collection and processing network. Whilst I&C is well placed to exploit these market conditions, the fragmented nature of the collection marketplace in the UK means that a large number of smaller or regional businesses will come under increasing pressure. We expect this to provide further opportunities to deliver the division’s strategy to build scale through acquisitions, which will underpin margin gains through operating efficiencies driven from an increased density of collections.

Strategic Objectives

The I&C division remains focused on driving organic and acquisition revenue growth and delivering operational efficiencies. We expect to achieve growth through targeted sales across all customer channels and by improving our levels of customer retention.

Municipal

Roger Edwards
Managing Director, Municipal

Waste and recycling collections are the most visible service that our local authority customers deliver to the public.

Highlights

- ◆ Another year of strong top line growth delivered, with revenues up 6.9% (3.9% organic, 3.0% acquisition).
- ◆ Profitability impacted by ongoing competitive market dynamics and some specific contract performance issues.
- ◆ Excellent client relations – strong service levels and high client satisfaction resulting in significant contract extensions and the win of the Melton Borough contract.
- ◆ Cory integration completed and delivered in line with targets.

3,600

Employees

44

Locations

34

Contracts

Summary (£m unless stated)	2018	2017	Growth
Statutory revenue	194.7	182.2	6.9%
Underlying EBITDA	23.4	23.8	-1.7%
Underlying Operating Profit	8.7	11.0	-20.9%
Underlying Operating Profit Margin	4.5%	6.0%	

Performance Summary

The Municipal division has once again delivered year-on-year revenue growth, with an 6.9% increase, taking revenue to £194.7m. Underlying Operating Profit was £8.7m. Operating margin reduced to 4.5% this year (2017: 6.0%) due to continuing cost pressures (notably labour-related), higher than anticipated costs associated with contract mobilisations and specific operational challenges in our Leicester City waste processing facility.

Our customer service levels remain high. We recorded 99.96% successful first-time collections and 96% of our clients feel we deliver value for money, figures which no doubt contributed to our success in securing extensions to six contracts and winning the new 10-year contract with Melton Borough Council.

Market Conditions

The market remains competitive and dominated by a small number of large-scale players. The ever-increasing need to innovate and reduce costs means that only experienced operators with a long-term view will prosper. Local government customers have recognised the impact that falling commodity prices can have on service delivery and the trend towards a greater transfer of risk and reward to them is continuing. Partnerships between neighbouring local authorities are now an established procurement route and give larger, longer term opportunities for established companies while limiting the ability of new companies to enter the sector. Local government customers continue to face financial pressures and whilst environmental departments are not immune, the need to provide a statutory service of high quality is paramount.

Waste and recycling collections are the most visible service that our local authority customers deliver to the public and our continuity of service excellence means that we are well positioned to work with customers who share these values. The drive for local authorities to operate in a more commercial manner enables innovation and allows us to deliver more direct services to the public (namely, green waste collections, wheeled bin cleaning and services for one-off outside events).

Strategic Objectives

The Municipal division will seek to continue to develop profitability through maintaining a rigid control of costs, developing the customer base through contract extensions and capitalising on business wins. There is scope to develop third-party sales and to continue to expand the range of services we are able to supply directly to the end customer. We will seek to continue to innovate within our sector and optimise our service delivery through new and existing technology. The deployment of our first fully electric refuse collection vehicle in the coming year will provide valuable intelligence for the inevitable shift in the market towards low or zero emission vehicles.

Resource Recovery & Treatment

Mick Davis
Managing Director, Resource Recovery & Treatment

We continue to see growing demand for recovery and treatment services in areas such as organics, aggregates, plastics and hazardous materials.

Highlights

- ◆ A strong year: Net Revenue growth of 13.2% and Underlying Operating Profit growth of 18.1%, from £11.6m to £13.7m. Margin improved from 5.8% to 6.2%.
- ◆ Landfill volumes remained strong and were up 11.8% on last year. Prices continued to grow.
- ◆ New projects delivered in the year include a new aggregate treatment and recycling plant at Cold Meece (Staffordshire), rail hubs for inert waste in Manchester and Leeds, and investment in further technology at the Edmonton, North London, MRF.
- ◆ The expansion of our Biffa Polymers business, which was completed in March 2017, has helped achieve production targets and has contributed to the earnings growth in the year.
- ◆ In our MRF business, the facilities in the North East acquired with O'Brien WRS further strengthened our operational footprint.
- ◆ Following regulatory changes in China, we faced challenging markets for recycled materials in the second half of the year.

600

Employees

34

Locations

Summary (£m unless stated)	2018	2017	Growth
Statutory revenue	220.3	198.9	10.8%
Net Revenue	121.3	107.2	13.2%
Underlying EBITDA	32.1	29.5	8.8%
Underlying Operating Profit	13.7	11.6	18.1%
Underlying Operating Profit Margin	6.2%	5.8%	
Tonnes Landfilled (kTns)	3,118	2,790	11.8%

Performance Summary

The RR&T division delivered strong top line and margin growth in the year despite challenges in the recycling business in the second half of the year. Landfill volumes grew in the year and prices improved. We opened a rail hub, in partnership with GB Railfreight, in Manchester which enables us to transport inactive material (waste that cannot be recycled or used for energy recovery) for disposal at our rail-linked landfill site at Roxby in Lincolnshire. This is proving to be a successful venture and a second rail hub opened in Leeds shortly after the end of the year. As UK landfill sites continue to close, our rail strategy will be key in enabling us to efficiently transport waste over greater distances.

During the previous year, we expanded our food-grade HDPE plant at our award-winning Biffa Polymers business. The facility was commissioned ahead of plan and we have successfully grown throughputs and earnings during the year. Towards the end of the year, we completed the development of our second aggregate treatment and recycling plant at Cold Meece (Staffordshire). In our MRF business, we expanded our footprint in July through the addition of the facilities operated by O'Brien WRS. Following the acquisition, we successfully completed the commissioning of the Teesside facility. During the year, we also delivered a large project, designed to improve fibre and plastic sorting, at the Edmonton, North London, MRF. These projects proved invaluable in the second half of the year when the MRF business experienced the impact of 'Operation National Sword' (the changes in Chinese regulations for the import of recycled materials). There was a significant reduction in the demand for, and prices of, recycled materials, impacting our earnings. However, thanks to the significant investment we have made in our facilities, we are able to meet the enhanced quality standards required of recycled materials.

Our business model in the MRF business has been moving towards sharing risk with our local authority customers, with on average c.50% of the commodity price risk now retained by Biffa. This has helped to partially mitigate the impact of falling prices.

Market Conditions

We continue to see growing demand for recovery and treatment services in areas such as organics, aggregates, plastics and hazardous materials. We are particularly pleased to note the heightened awareness of the environmental harm that plastics can cause if not recycled properly. The MRF business is facing a challenging time, with significant price pressure and changing standards which will impact earnings in the short term. However, we see increased acceptance by our local authority customers that contract structures and service models need to evolve to ensure that these essential services are environmentally and economically sustainable. The landfill market continues to be increasingly focused on waste that cannot be recycled or treated for energy recovery, but we continue to see landfill sites fill and close both within the Biffa portfolio and across the industry. This means waste has to be transported further, which makes rail transportation increasingly attractive.

Strategic Objectives

The RR&T division will continue to seek to grow revenue by expanding its processing infrastructure where the market conditions exist and where the risks are understood and manageable. We are excited by the success of our partnership with GB Railfreight and will continue to expand our rail hub network as a means of accessing more remote landfill sites. We see significant opportunities in expanding capacity in our Biffa Polymers business and are investigating the feasibility of developing a PET processing facility in the coming year.

In our MRF business, stable profit delivery is our goal. We will convert our MRFs at Edmonton, London, and Aldridge, Walsall, to enable greater processing flexibility and to meet the challenges of the recycling market. We will continue to rebalance the risk profile of contracts as and when they are renewed.

Energy

John Casey
Managing Director, Energy

The Energy division delivered another year of strong operational performance while progressing plans for developments in new energy from waste infrastructure.

Highlights

- ◆ Revenues broadly unchanged year on year as the expected reduction in landfill gas generation was largely offset by stronger electricity and ROC prices.
- ◆ Underlying Operating Profit reduced by 6% from £29.9m to £28.1m mainly due to non-repeating prior year items.
- ◆ Plans to build a small-scale ERF in Swansea have been submitted to the local authorities. Facility to be supported by waste supplied by the local Biffa I&C depot.
- ◆ Good progress in feasibility assessment for two new large-scale ERFs in partnership with Covanta.

150

Employees

34

Locations

Summary (£m unless stated)	2018	2017	Growth
Statutory revenue	87.7	87.2	0.6%
Underlying EBITDA	33.4	35.5	-5.9%
Underlying Operating Profit	28.1	29.9	-6.0%
Underlying Operating Profit Margin	32.0%	34.3%	
Energy generation (GWh)	476	512	-7.0%
Energy price (£/MWh)	41.9	38.0	10.3%

Performance Summary

The Energy division delivered another year of strong operational performance while progressing plans for developments in new EfW infrastructure. Revenue was relatively flat (£87.7m, 0.6% increase on prior year) despite the natural decline in gas yields year-on-year, and was helped by improved electricity pricing. Energy generation reduced by 7% from 512GWh to 476GWh whilst average electricity prices increased by 10.3% from £38.0/MWh to £41.9/MWh. Our development efforts were principally focused on progressing our intended partnership with Covanta to jointly sponsor the development of two large-scale ERFs. We are pleased with progress to date and expect to commit to at least one of these projects in the coming year.

We also plan to construct a small-scale ERF in Swansea, which will provide a cost-effective energy recovery solution for Biffa's I&C collection business there. We will construct the plant in the coming year, subject to receiving the necessary consents. We believe this small-scale solution compliments our strategy with Covanta for dealing with waste in areas where waste volumes are not sufficient or are too remote to require large infrastructure.

Market Conditions

Energy prices have improved despite continued uncertainty. For this reason, we forward-sell our generation (from which we earned revenue of £20m in the year) for the coming year to provide earnings certainty. We also benefit from renewables incentives, providing another stable revenue stream. Landfill gas will continue to decline over time as landfill waste inputs reduce and the mix of landfill inputs continues to shift to less organic material.

The growth of separate food waste collections has been limited in the last year and there continues to be an excess of AD processing capacity, which puts downward pressure on prices. Through our scale, operational expertise and collection network, we remain well positioned to benefit from a rebalancing in this market. Conversely, we continue to see a significant deficit in capacity for UK residual waste treatment infrastructure and expect this gap to remain, creating attractive regional investment opportunities for operators with the control of the supply of waste.

Strategic Objectives

The Energy division will continue to seek to maximise earnings from its existing operations by optimising gas, electrical and material yields while controlling costs. We look forward to bringing some of this experience to bear on Biffa's Leicester City integrated contract, which will transfer from the Municipal division to the Energy division from financial year 2019.

In the AD market, while the sector remains challenged, we remain optimistic and will continue to look into ways to increase our operating footprint in readiness for market stabilisation. We will seek to leverage the Group's control of waste supply to invest in EfW infrastructure, and look forward to commencing construction of both large and small scale ERFs in the coming year.

Risk Management

Both the Board and the Group Executive Team recognise the importance and benefits of risk management and are actively engaged in the established process.

Our industry has a number of specific areas of risk, such as Health & Safety and regulatory compliance, which require ongoing monitoring and resource. Risk remains a regular area of focus for the Board which keeps itself fully aware of the potential impacts on the public, our employees, our customers and the environment which could arise from our operational activities.

Risk Governance

The Board recognises its responsibilities for ensuring that the Group's internal control system and risk management framework are effective. The Audit Committee has specific delegated authority to monitor these processes and the annual Audit Committee calendar enables ongoing focus and review of key management processes and controls.

Day-to-day risk management and control rests with the Group Executive Team and Board oversight 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 and to define the relationship between the various management and oversight functions and demonstrate how responsibilities are allocated.

Risk Appetite

The Group's tolerance for risk in the areas of Health & Safety, regulatory and environmental risks is low. Biffa dedicates significant resources and focus to managing and monitoring these risks on a daily basis. Other risks are considered and reviewed on an ongoing basis with controls and mitigating actions put in place, which are aligned to the risk appetite in each case.

Risk Management Process

The Group's risk management processes are centrally coordinated with an established network of 'Risk Champions' embedded in each division/function to facilitate updates to key risks during the year. The Risk Champions are members of the local 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 updates on the risk management process and the key risks relating to each division/function and review each risk including:

- risk description;
- current assessment of likelihood and impact (assessed over a number of risk impacts including financial, regulatory, reputation and customer risk);
- the ongoing controls or mitigation activity in place; and
- planned future mitigation activity with owners/ completion dates.

The Audit Committee receives regular updates on the risk management process in place and also undertakes regular reviews of the key 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 has a risk-based annual plan of assurance reviews.

Our risk management systems are intended to mitigate and reduce risk to the lowest extent possible, but 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

Key

No Change	↔
Reduced risk	↓
Increased risk	↑

Risk title/description	Impact	Mitigating actions include:	Changes in year	Strategic objective	Movement in year
1. Regulatory environment including permits The Group operates in a highly regulated industry and any changes to standards or regulatory compliance requirements could have an adverse impact on the Group's operations and results.	Operational	Environmental & External Affairs (E&EA) department, with experienced and qualified environmental support experts working across all operating divisions.	We have continued our external engagement with Government and regulators on a range of strategic topics and consultations. Our publication of the 'Reality Gap (2017)' report further supports business strategy and helps inform engagement with Government policy makers.	Optimise	↔
	Financial				
	Reputational	External affairs processes in place addressing Biffa representation on the Environmental Services Association (ESA) and external bodies; liaison with regulators at national and local levels; responses to Government/regulatory consultations and sustainability reporting.			
	Regulatory	Robust process to cascade and communicate important environmental updates and associated information.			
		Three-year environmental compliance strategy in place including targets at local, divisional and Group level.	Further improvements achieved as part of our ongoing three-year environmental compliance strategy.		
2. Health & Safety (H&S) Biffa's operations present inherent H&S risks to our employees, our customers and the wider public. If the Group were to violate H&S laws/regulations, it could have a material adverse effect on Biffa's business and reputation.		Improved format developed for monthly environment KPI reports and report to the Group Executive Team.			
		Continued development of E&EA intranet page to host relevant environmental information, compliance training documents and consents information. Established compliance processes in place to manage other regulatory compliance risks, such as vehicle operating licences through Fleet Management function.			
	Reputational	Group H&S function reports to the CEO.	During the year, we introduced a new H&S audit team to improve governance and also strengthened arrangements for the control of contractors.	Optimise	↔
	Regulatory	Active and regular engagement by senior management including weekly reporting and calls with the Group Executive Team.			
	Financial	Inclusion of H&S targets and objectives within Group Balanced Business Plans with one of the five pillars being 'working together safely'.	This year has seen increased regulatory scrutiny driven by the introduction of a new Health and Safety Executive (HSE) sector plan for H&S in waste and recycling.		
		Embedded policies, standards and procedures in place across Biffa for the systematic control of significant H&S risks.			
		Resourced H&S teams supporting operations and delivering a programme of independent assurance.			
		Primary Authority relationship established in 2016 with Hampshire Fire and Rescue Service, enabling access to advice and counsel on fire risk issues.			

Key

No Change	↔
Reduced risk	↓
Increased risk	↑

Risk title/description	Impact	Mitigating actions include:	Changes in year	Strategic objective	Movement in year
3. M&A strategy/delivery Biffa faces risks arising from its acquisition strategy. There could be 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.	Financial	Group delegated authorities in place to manage internal and Board review/ approval of all material transactions. Established M&A process in place with established governance including sponsors and project management for all transactions and engagement with all relevant subject matter experts to consider acquisition and integration factors. Dedicated corporate finance expertise in place to manage M&A transactions together with experienced Biffa subject matter experts as senior stakeholders for the acquisition process. Board and executive level review and update included in monthly Board report summarising current pipeline of identified potential targets. 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 also in place with all transactions reviewed/approved by Investment Committee and (where appropriate) Board. 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). Group's funding arrangements contain flexibility designed to allow for expansion/ relief in the event of material acquisitions.	During the year we have continued our M&A strategy to support growth and completed seven acquisitions of varying sizes, with the largest being O'Brien WRS. We have continued to monitor and improve our M&A process, based on feedback, stakeholder engagement and post-acquisition reviews.	Grow Develop	↔
	Reputational	All material bids are subject to detailed review and formal approval at divisional, Group and Board levels. Material bids are compiled by dedicated development teams with significant expertise and experience. Protection from change of law or force majeure for unforeseen circumstances is designed into contracts. Certain risks will not be accepted commercially such as excessive commodity price volatility exposure.	Our established governance and approval processes have remained in place, with the main focus being on reducing or eliminating commodity risk within any new commercial tenders/contracts.	Grow	↔

Principal Risks and Uncertainties continued

Key

No Change	↔
Reduced risk	↓
Increased risk	↑

Risk title/description	Impact	Mitigating actions include:	Changes in year	Strategic objective	Movement in year
5. Business continuity planning, cyber security and IT resilience A significant disruption to Biffa's 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, destruction, loss, misappropriation or release of sensitive and/or confidential information could result in business disruption, negative publicity or brand damage.	Financial	Crisis management and emergency response plans in place for key sites and operations.	Centrally hosted servers have been migrated during the year from on premise sites to Microsoft Azure Cloud providing resilience, failover and backup services.	Optimise	↔
	Reputational				
	Operational	Server infrastructure supporting key IT services hosted in Microsoft Azure Cloud providing resilience, failover and backup services.			
		ISO 27001 certification (Information Security) in place.	Business continuity workplace recovery sites have been regularly tested throughout the year.		
		Externally hosted business continuity recovery sites in place for key administrative and support functions with a tri-annual testing programme in place.	Further cyber security measures have been implemented during the year and cyber security education initiatives have taken place.		
		Intrusion detection in place and a cloud-based 'always on' security service provided by Microsoft protecting against key cyber threats.			
		Web filtering, malware protection and regular penetration testing in place.			
6. 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 a number of political, social and macroeconomic risks relating to the UK's expected exit from the EU. Any economic weakness that leads to reduced volumes of waste and recyclate 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.	Financial	A substantial proportion of our contractual relationships with customers give pricing flexibility offering a degree of protection against inflationary or other cost pressures.	Whilst we continue to monitor this risk, Biffa provides services across the breadth of the UK economy, to customers in both the public and private sector. The breadth of customers offers a degree of protection against economic pressures that may affect certain specific areas of the economy.	Grow	↔
		Biffa has both revenues and costs that are either directly or indirectly impacted by the value of Sterling relative to other key currencies such as the US Dollar or the Euro. This provides some degree of offset and natural hedge.		Optimise	
		We enter into forward contracts for the sale of electricity and to mitigate short-term currency exposures, improving earnings visibility in the short term.			

Key

No Change	↔
Reduced risk	↓
Increased risk	↑

Risk title/description	Impact	Mitigating actions include:	Changes in year	Strategic objective	Movement in year
7. People – attraction, succession, retention If the Group lost or suffered an extended interruption in the services of a number of its Directors, senior management or key staff or if it encountered labour shortages or was unable to attract or develop new senior management or key skills, it could have a material adverse effect on Biffa's business results, operations, financial condition and prospects. As part of the above and depending on the final structure of the Brexit arrangements, the UK's exit from the EU may impact on the availability of EU labour which could impact a number of our operations.	Operational	Biffa Performance Share Plan launched for senior personnel in July 2017.	Further strategic mitigations have been implemented this year including a new apprenticeship programme and driver recruitment/retention project. Although our reliance on non-UK EU labour is relatively low, we continue to monitor the risk of macro-economic factors such as Brexit and exchange rate volatility, which could impact the availability of EU workers who support a number of our operations.	Grow	↓
	Financial	Biffa Sharesave Plan launched in July 2017 to all employees.		Develop	
		Apprenticeship Programme launched which will be further developed in the coming year.			
		Project initiated to review the recruitment and retention of drivers.		Optimise	
		Talent and management development programmes deployed at senior levels and progressively to other levels going forward.			
		Overall Reward Framework competitively aligned to the market.			
8. Strategic project implementation including Project Fusion transformation The Group is partway through Project Fusion. The programme looks at products and services, how they are sold and delivered, the technology used and the online services offered to customers. Project Fusion will also replace a number of legacy systems supporting back office functions. As with any such projects there are risks that the project fails to deliver the anticipated improvements and/or benefits for the budgeted investment.	Operational	Project governance in place with Group Executive Team engagement and leadership.	Further progress was made in the year to the build of the solution. The HR portion of the system went live in March 2017 replacing the legacy HR system. A number of lessons were learned from the implementation and have been incorporated into the ways of working. Project Boards have been held throughout the year with good engagement and leadership from the executive sponsors. Our external partners supporting Project Fusion have remained engaged in supporting the programme with senior sponsorship and expertise.	Optimise	↔
	Financial	Established Programme Management Office with ongoing risk and issue management processes.			
		Change resourcing with dedicated team incorporating a mix of internal and external expertise.			
		Updates on key change delivery scheduled within the Group Executive Team and Board calendars.			
		Implementation approach phased to de-risk delivery.			
		Selected software is a proven 'off the shelf' product.			
		Change network in place to ensure line management ownership of transformational change.			
		Significant investment in training materials and resources.			

Principal Risks and Uncertainties continued

Key

No Change	↔
Reduced risk	↓
Increased risk	↑

Risk title/description	Impact	Mitigating actions include:	Changes in year	Strategic objective	Movement in year
9. 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.	Financial	Significant and flexible bank funding facility with substantial headroom to enable the Group to progress strategic priorities and accommodate any downside performance risk. Group Treasury function in place as part of Finance organisation. Ongoing monitoring financial and non-financial covenants with summary updates to the Board. Significant current headroom on all covenants. Financial forecasting and modelling in place to test headroom under a number of reasonable worst case scenarios which in turn feeds into longer-term viability review. Regular meetings held with key members of the Group's bank funding facility.	The Group agreed a £300m financing facility prior to its IPO in 2016 and increased this by a further £26.7m during the year. As at the end of the year £123.2m of the facility was undrawn.	Grow Develop Optimise	↔
10. Commodities market and pricing volatility Biffa produces significant volumes of recycled commodities for re-sale. Commodities produced include primarily mixed paper, card, plastics, ferrous and non-ferrous metals. Markets for these recycle products have individual supply and demand dynamics impacting both price and availability of off-take. China has historically been a key off-taker for mixed paper and card, consequently significant changes affecting demand from China could have an impact on Biffa's ability to generate anticipated revenues from this recycled product stream.	Financial Operational	Ongoing monitoring and improvements to product quality within recycling processes. Off-taker strategy review to limit dependency, where able, on Chinese market. Commodity price risk sharing within long-term commercial contracts. Working with key customers (e.g. local authorities) to agree gate fees to reflect any increased costs and also dual collection methods.	Significant impact to global commodities market driven by operation 'National Sword' in China which placed a ban on the import of mixed paper grade and increased quality standards on all recycle imports into China. Whilst alternative markets exist, the overall capacity without the Chinese market is insufficient to absorb global paper/card production. This has created an imbalance between supply and demand within the global market, thereby impacting paper and card recycle prices.	Develop Optimise	↑

Viability Statement and Going Concern

In accordance with the June 2016 UK Corporate Governance Code, 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. The Board's strategic planning horizon is five years, however, the first three years of the plan were selected for the testing as most of the Group's risks would have the greater adverse impact over this timespan. The following factors were taken into account in making this decision:

- we have reasonable clarity over a three year period, allowing an appropriate assessment of our principal risks to make made; and
- in order to set the three years the Board considered whether there are specific, foreseeable key events relating to the principal risks that are likely to materialise, and which might be substantial enough to affect the continued viability and therefore should be taken into account when setting the assessment period. No risks of this sort were identified beyond the three year period.

The Group has a broad range of customers and suppliers and operates across the breadth of the UK waste management chain. It is supported by a well-funded balance sheet and has significant further committed and undrawn liquidity facilities. The Board assessed the principal risks to the business as set out on pages 40–44 and agreed that a number of severe but plausible risk scenarios should be explicitly modelled, both individually and in combination. The Group also identified a number of mitigating steps it would take to reduce the risk, including cost reduction programmes.

The Group's profitability, liquidity and financial headroom have all been assessed and incorporated within the risk scenario modelling. Based on the consolidated financial impact of the sensitivity analysis and associated mitigating actions that are either in place or could be implemented, it has been demonstrated that the Group would maintain adequate headroom under all of the scenarios modelled.

Based on the results of this analysis, the Directors confirm that 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 assessment.

A year of strong performance

**The Group has delivered
another year of strong
Underlying Free Cash Flow**

Michael Topham
Chief Financial Officer

Group Performance

The Group has delivered another year of solid growth. Revenue grew by 8.7% to £1,076.7m (prior year £990.4m) and net revenue grew by 8.8% to £977.7m (prior year £898.8m). Underlying EBITDA increased by 8.9% to £150.0m and Underlying Operating Profit increased by 10.0% to £81.2m. Underlying Profit before Tax increased by 32.2% to £59.6m and Underlying Profit after Tax increased by 33.8% to £47.9m (statutory profit after tax up from £(10.9)m to £31.1m).

Other Items

To enable a better understanding of business performance, certain items are excluded when calculating the Group's underlying measures of performance. The items are more fully explained in Note 3 to the consolidated Financial Statements and include exceptional items, amortisation of acquisition intangibles and material impacts from changes in real discount rates on landfill provisions. These items amounted to £18.8m (at the operating profit level) in the year (prior year £61.7m).

The principal reasons for the significant change in other items in the current year are the non-recurrence of the exceptional costs associated with Biffa's IPO of £29.1m in the prior year, partly offset by a net onerous contract provision movement of £5.2m in the year (prior year £2.4m net release) and the impact of the reduction in the real discount rate on landfill provisions, which resulted in a credit of £5.7m (prior year charge of £17.9m).

The net onerous contract provision movement of £5.2m relates to our long-term contract with Leicester City and one other contract in our Municipal division.

A reconciliation from underlying profit after tax to statutory profit after tax is set out below:

	2018 (£m)	2017 (£m)
Underlying Profit after Tax	47.9	35.8
Exceptional items	(7.7)	(29.2)
Amortisation of acquisition intangibles	(16.8)	(14.6)
Impact of changes in real discount rate on landfill provisions	5.7	(17.9)
Net interest	(2.5)	(2.1)
Tax	4.5	17.1
Statutory profit/(loss) after tax	31.1	(10.9)

Finance Charges

The Group has benefitted from both reduced indebtedness and reductions in the cost of funding when compared to the prior year. A breakdown in net finance charges is below:

	2018 (£m)	2017 (£m)
Interest income	(0.1)	(3.6)
Interest on borrowings	12.0	22.3
Interest on finance leases	6.3	7.0
Bond premiums	1.7	1.8
Landfill provision discount unwind	2.2	2.5
Pension discount/surplus unwind	(0.6)	(1.3)
Net underlying finance charges	21.6	28.7
Discount unwind on EVP instrument and IPO costs	2.5	2.7
Other	-	(0.6)
Net finance charges	24.1	30.8

Taxation

The Group's tax strategy has been approved by the Board and is available on the Group's website. The Group is 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 effective tax rate on underlying profits was 20% (prior year 21%). The effective tax rate is 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 £1.7m. The Group's deferred tax balance of £14.5m includes balances totalling £56.5m in respect of Accelerated Capital Allowances, previously written off goodwill and losses which will continue to reduce tax payments in the years to come.

Earnings per Share

Total Earnings per Share increased to 12.4 pence (prior year 9.0 pence loss). Underlying Earnings per Share was 19.2 pence. Prior year Underlying Earnings per Share was 29.3 pence, however this figure was impacted by changes in share capital upon the Group's Admission.

Dividend

The Board has adopted a progressive dividend policy. It aims to distribute circa 35% of underlying profit after tax in an approximate one-third (interim) and two-thirds (final) split. The Directors recommend a final dividend of 4.53 pence per share, bringing the total dividend payable in respect of the year to 6.70 per share (prior year 2.40 pence per share). The year-end dividend is expected to total £11.3m and, if approved, be paid on the 27 July 2018 to those shareholders on the register as at 6 July 2018.

Retirement Benefits

The Group operates defined benefit 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 authority contracts). At 30 March 2018, the net retirement benefit surplus was £51.3m, compared to a surplus of £15.4m at 24 March 2017. The Biffa Pension Scheme had an actuarial deficit of £66.7m at the time of the last valuation in March 2015, and an inflation-linked annual payment of £4.0m has been agreed with the trustee of the scheme.

Capital Management, Allocation and Returns

The Group maintains a strong capital base to fund its future development while ensuring that it retains the confidence of external stakeholders.

The Group rigorously controls working capital and capital expenditure, and seeks to balance the allocation of its discretionary capital between investment in organic growth, acquisitions and shareholder returns.

Group return on operating assets (measured as underlying operating profit divided by the average of opening and closing tangible fixed assets plus net working capital) reduced marginally to 27.1% (prior year 27.6%).

Group return on capital employed (measured as statutory operating profit, excluding exceptionals, and the real discount rate changes to landfill provisions divided by the average of opening and closing shareholders' equity plus net debt, pensions and environmental provisions) also reduced marginally, from 9.9% to 9.8%.

Acquisitions

The pursuit of synergistic acquisitions is a core element of the Group's growth strategy. During the year, the Group completed seven acquisitions; the entire issued share capital of O'Brien WRS (on 5 July 2017, for a consideration of £35.2m), the entire issued share capital of Amber Engineering (on 27 October 2017, for a consideration of £3.3m) and five smaller trade and assets acquisitions for a total consideration of £3.9m.

Cash Flow

The Group has delivered another year of strong underlying free cash flow, enabling us to invest in acquisitions whilst funding a growing dividend.

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

	2018 (£m)	2017 (£m)
Underlying EBITDA	150.0	137.7
Working capital movement	(3.3)	(3.8)
Capital expenditure	(43.1)	(46.2)
Sale of fixed assets	2.7	1.5
Net interest paid	(19.5)	(28.5)
Finance lease principal payments	(35.3)	(28.9)
Pension deficit payments	(3.9)	(3.0)
Advance for purchase of own shares for PSP awards	(1.5)	-
Tax paid re acquisitions	(1.7)	-
Underlying free cash flow	44.4	28.8
Restructuring and exceptional items	(4.3)	(34.9)
EVP prepayment and associated interest	-	(63.6)
Acquisitions	(41.0)	(14.8)
Changes in borrowings and share capital	(4.5)	28.0
Movement in financial assets	1.2	6.9
Dividends	(11.4)	-
Net cash flow	(15.6)	(49.6)

Underlying free cash flow grew by £(15.6)m (54.2%) in the year, principally due to the growth in underlying EBITDA and reduced net interest costs, partly offset by increased finance lease payments.

Net cash flow improved from £(49.6)m to £(15.6)m due to the improved underlying free cash flow and the non-recurrence of IPO-related cash flows, partly offset by the Group's first dividend payments since its Listing.

Net Debt and Financing Facilities

The Group continues to benefit from modest levels of indebtedness. The reported net debt as at the year end was £279.0m or 1.9x underlying EBITDA (prior year £246.1m, 1.8x underlying EBITDA).

As at the end of the year, the Group had a fully drawn term loan of £200m and an undrawn revolving credit facility of £123.2m. In addition, the Group is in the final stages of increasing its loan facility by a further £53.3m, giving the Group significant committed liquidity to enable it to pursue its strategic objectives.

Reported net debt at year end breaks down as:

Reported net debt (£m)	30 March 18	24 March 17
Actual	Actual	Actual
Cash	40.8	56.4
Loans	(194.7)	(193.6)
Finance leases	(118.8)	(108.9)
EVP preference instrument	(6.3)	-
Total	(279.0)	(246.1)

Reported net debt excludes £39.9m (prior year £43.8m) of EVP preference instrument liability in respect of the EVP dispute (see below). £6.3m of the EVP preference instrument liability is included in reported net debt as it will be payable irrespective of the outcome of the dispute and is therefore considered core debt.

EVP Dispute

The Group is engaged in a dispute with HMRC concerning historical Landfill Tax. Arrangements were put in place at the time of the Group's IPO to ensure the tax at risk was prepaid to HMRC and that the Group was protected against any adverse outcome from the dispute.

Following year end, the Group learned that it had been unsuccessful in the first-tier tax tribunal. Having taken advice, we have decided to appeal this verdict.

For further details see Note 33 on page 168 of the Financial Statements.

Reporting Periods

The Financial Statements for 2018 have been prepared for the 53-week period ended 30 March 2018. The prior year was a 52-week period, to 24 March 2017. The upcoming year will also be a 52-week period, up to 29 March 2019.

Whilst the current period incorporated an additional week of trading, it included nine public holidays, whereas the prior period included seven public holidays. We consider these two factors offset one another to the extent that the results for the two periods are directly comparable without the need for adjustments.

Michael Topham
Chief Financial Officer
13 June 2018

Sustainability at a Glance

Sustainability is not only core to our business model but core to who we are and the way we work. This section of our report details how we make Biffa a safe, sustainable and engaging place to work.

53%

employee engagement
score

20

Tonnes per employee
reduction in CO₂
emissions in 2018

71%

reduction in CAR scores
over three years

60%

reduction in Lost Time Injuries in five years

-6.2%

median gender pay gap

Over

100

years of heritage

476

GWh of renewable
energy generated

**Sword of
Honour**

for Health and Safety excellence awarded to Biffa
by the British Safety Council

No.1

for business waste

7,900

employees

3.7%

point per annum employee
engagement score
improvement over
seven years

**Reality Gap
(2017)**

produced driving the environmental agenda

Our People

Our Values and Pillars

Each year, we develop a Group Balanced Business Plan (BBP) aligned to our business strategy. Each division and function develops its own BBP, also, from which it derives its own particular objectives to ensure that everyone has a clear line of sight as to how their targets align and contribute to the 'big picture'. The BBPs are made up of the following five pillars:

Working
together safely

First choice for
customers

Easy to do
business with

Building pride
in Biffa

Growing
profitably

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. This describes the behaviours we encourage all employees to adopt to best serve the interests of our customers, colleagues and the business overall.

Each year we share our strategy and business plans with our employees through senior leader and manager conferences, and employee roadshows delivered by Ian Wakelin, our CEO.

Employee Rewards

We offer a competitive reward package which encourages high individual and team performance and helps us attract and retain key talent. Employee benefits include salary sacrifice schemes (pensions, cycle2work and childcare), and benefits through our Perkz discount scheme (healthcare, high street discounts, and holiday, travel and leisure discounts), which has been updated with new offerings. We successfully launched a Sharesave Plan in 2017 in which 32% of employees participated and launched a communications campaign to raise awareness of our full suite of employee benefits.

Talent Management and Development

Biffa is committed to providing opportunities for personal growth and development throughout each employee's career. Our programme of apprenticeships for Loader-to-LGV Drivers, funded by our Apprenticeship Levy, is one way we in which we have not only provided personal development and growth opportunities for our team but have taken a significant step in addressing the shortage of drivers that is affecting all transport operators in the UK.

Biffa has been approved as an apprenticeship Employer-Provider by the Education and Skills Funding Agency and we have designed and launched the 12-month LGV programme. One of the advantages of the new 'Trailblazer' apprenticeships is that we are able to design a training programme that meets our needs; the main elements of the programme are health and safety, legislation, LGV training and test, customer service, and safe and fuel-efficient driving.

Since the launch in November 2017, 33 apprentices have joined the programme and we would very much like to see all of them become fully fledged drivers by the end of the year.

Here's what the apprentices themselves are saying about it:

Aidan Young – Leicester:

"The apprenticeship is everything I imagined and it covers all the points you need to be a Biffa driver. I've put a lot of effort into my workbook and I'm getting good support from my training manager. What's really good is that I scored quite well in the English and Maths and can go straight to Level 2."

Michael Doyle – Truro:

"I am really enjoying the apprenticeship and I am up to date with the workbook and the learning diary. I've passed my theory test and will be taking the LGV driving test at the end of April. Overall I'm getting very good support from my manager and the trainer."

Alongside the LGV programme, we have launched our Customer Service Excellence apprenticeship for our service centre staff in High Wycombe and Aylesbury; again designed internally to meet our specific needs. This is also a 12-month apprenticeship and works as a foundation for new starters. So far, we have eight learners on the programme.

Health and Wellbeing

The health and wellbeing programme is a key component of our commitment to improving the health and working lives of our people. We believe that this will deliver mutual benefit to both employees and the wider business.

Employee information and support are accessible through multimedia channels and we aim to continually improve employees' work performance and reduce sickness absence by identifying and addressing the causes of workplace injury and ill health, the impact of health on the capacity of employees to work, and through the promotion of a healthier lifestyle.

In April, we launched our new free-to-access employee wellbeing website which offers employees and their families information on a range of initiatives aimed at tackling mental health and stress-related problems and promotes employee wellbeing at work.

In addition, we have an employee assistance programme which gives all employees free and confidential access to professional advice on a range of issues. We will continue to improve and evolve our offer in order to optimise the impact on our people's everyday health and wellbeing.

Ethics and Human Rights

We like to do business with honesty, integrity, fairness and respect and encourage all our people to embrace these values in their work with us and 'do the right thing' at all times. Our comprehensive employee handbook sets out how we operate in Biffa with particular emphasis on honesty, integrity, fairness and respect, and includes specific policies including: whistleblowing; anti-fraud and corruption; General Data Protection Regulations; modern slavery and human trafficking; diversity; Market Abuse Regulations; disciplinary and grievance matters; working hours; safeguarding; and harassment and bullying. In addition, we have launched a suite of e-learning modules, as part of our policy compliance programme, and support understanding of the policies and embed our expectations further. Through the effective operation of the above policies and practices, we respect the human rights of our employees and fulfil our legal requirements.

Diamond Award Winner

Winner – People Award 2017

Future priorities

Our key priorities emanating from our people strategy are to:

- develop our key talent through succession planning, targeted individual development plans and an enhanced development offer for first line managers;
- encourage employees to embrace smarter ways of working to improve work life balance, reduce travel, improve efficiency, reduce absence and improve our carbon footprint;
- continue the journey for all of our teams to reach the upper quartile employee engagement score as measured by the AON Hewitt index; and
- support business growth to ensure the successful integration of our acquisitions and, in particular, the realisation of benefits through synergies, harmonisation, cultural alignment and engagement.

Our People continued

Whistleblowing

Biffa's whistleblowing policy follows accepted best practice. An employee can raise a concern internally or via an externally provided confidential hotline. Every concern raised is thoroughly investigated and reviewed by senior management, and appropriate action is taken where necessary.

There were 50 whistleblowing reports received in the 12 months to April 2018. Circa 60% of the reports were in the categories health, safety and environment or dishonesty.

Anti-Fraud and Corruption

Our anti-fraud and corruption policy includes guidance to employees on the giving, receiving and recording of business gifts and hospitality. As part of our compliance programme, an e-learning module is scheduled for release in October 2018 to all Group leaders and managers. Any breaches are investigated by the Head of Risk and Internal Audit and are reported to the Audit Committee.

Diversity

Biffa is committed to providing equal employment opportunities and to avoiding unlawful discrimination in the workplace or against customers.

Biffa will not discriminate directly or indirectly in our recruitment, employment and post-employment practices on the grounds of age, disability, sex, gender reassignment, pregnancy, maternity, race (which includes colour, nationality and ethnic or national origins), sexual orientation, religion or belief, or because someone is married or in a civil partnership.

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

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

Gender Diversity Figures

Biffa employs around 7,900 people. 88% of our workforce is male, a percentage which increases to 98% for our blue collar workforce.

Our Board currently has five members, all of whom are male. We are aware of the current gender imbalance and aim to address this when making future appointments.

The table below shows employment by gender in each of the job classifications:

Job Classification	Male		Female		Non disclosed	
	Nos	%	Nos	%	Nos	%
Board	5	100.0%	0	0.0%	0	0.0%
Senior Management	5	71.4%	2	28.6%	0	0.0%
All Employees	6,937	87.8%	963	12.2%	8	0.1%

Gender Pay Gap

Biffa believes in promoting equality and diversity amongst our workforce. We welcome the opportunity to publish the information required under the Equality Act 2010 (Gender Pay Gap Information) Regulations 2017 that shows gender pay gap levels within our business and we published this on the Government website and www.biffa.co.uk in December 2017, before the April 2018 deadline.

For the Group as a whole:

Our mean gender pay gap:	-10.6%
Our median gender pay gap:	-6.2%

The negative gender pay gaps (i.e. average pay for women is greater than average pay for men) across the Group as a whole are mainly due to the structure of our workforce. Men and women are paid equally for doing equivalent jobs across our business, so the gaps are not indicative of equal pay issues within our organisation. We operate a job evaluation methodology which ensures that jobs of similar evaluation are covered by the same salary ranges.

Our industry employs predominantly male workers, particularly at blue collar level. Currently, 88% of our workforce are male and the proportion of males increases to 98% when measured over our blue collar workforce alone.

Another factor influencing our gender pay gap results is that, although females make up only around 12.0% of our workforce, there are proportionately more females in higher paid professional and managerial roles than in the lower paid non-professional and managerial roles.

A more detailed analysis can be found on our website www.Biffa.co.uk.

Trade Union Relationships

Constructive working relationships with trade unions at national and local levels have enabled the continued avoidance of any recent significant industrial action.

Employee Engagement

Employee engagement remains a key goal for Biffa. Currently at 53% we are 3 percentage points behind the UK average and within 13 percentage points of the upper quartile threshold. Although engagement levels reduced by 3 percentage points in 2018, over the last seven years we have improved by an average of 3.7 percentage points annually, and remain ahead of our strategic target of 3 percentage points increase per year.

It is clear that Biffa as a company has significant momentum and stands out as a market leader, I look forward to being part of the future journey towards increasing our market share and profitability.

The conference was great in its content. I now feel I know where Biffa are heading and I know more about the industry.

Senior manager feedback from our Managers Conference 2017.

Each year we identify key areas in which we can improve engagement levels through a number of business-wide and local-level action plans developed by our network of employee engagement champions. Last year we focused on creating a culture of innovation and involvement/collaboration across the Group. The Innovation Hub, that fosters ideas and innovations and a Group-wide suggestion scheme, have been two significant successes in this area.

We hold annual management conferences and roadshows for our employees where we share our progress over the year and strategic priorities for the forthcoming 12 months. The Diamond Awards are our formal annual recognition ceremony at which we celebrate individuals who have 'gone the extra mile' in their contribution to Biffa. We are always overwhelmed by the quality of the nominations for each of the main award categories, which reflect the five pillars of our Balanced Business Plan.

Health & Safety

Our Commitment to Safe Working

Biffa is committed to safe and healthy working. Protecting the health and welfare of our employees, partners and members of the public is a priority set at Board level that runs throughout the business and extends to our impact on the environment, too. Our activities are highly visible within both society and our industry; we strive continuously to operate to the highest standards.

Health & Safety the Biffa Way

The management and governance of Safety, Health, Environment and Quality (SHEQ) is clearly laid out within SHEQ Management - The Biffa Way.

The SHEQ leadership team develop, and manage, strategies to ensure that all risks are identified and suitable controls implemented along with adequate supervision, information, training, monitoring and regular reviews. The structure and function of the SHEQ team is aligned with the four operating divisions.

The SHEQ team have a broad range of knowledge, skills, qualifications and experience which enable them to train, coach and advise the operational teams on how to successfully assess Health & Safety risks and apply suitable and sufficient control measures.

We invest in our SHEQ coaches, too. This financial year, team members have received training in technical disciplines that include fire prevention, machinery safety, auditing and noise control along with 'softer' skills, such as coaching and mentoring.

Performance and Success

Biffa is committed to continual improvement of health and safety which is monitored and measured to identify effective key performance indicators such as accident rates. We also track leading indicators such as compliance assurance, near miss reporting and Internal Audit findings.

Over the past five years, Biffa has seen accident rates reduce by over a half and we continue to see improvements year on year with all key indicators.

Much of our success in this area stems from strong visible leadership, good communications and consultation supported by our 'I for Safety' campaign.

'I for Safety' is centred on the five key behaviours that prevent accidents and support safer working, all summed up in a friendly graphic that highlights the importance of taking personal responsibility. The campaign has contributed to the decrease in accident rates, the increase in our hazard and near miss reporting and, as evidenced by our annual employee engagement survey, has increased safety engagement.

81%

of employees feel
that health
and safety is
important within
the Company

While safety begins at home, Biffa also seeks external accreditation through audit and external benchmarking. Our performance is compared to both the Environmental Services Association (ESA) and Confederation of Paper Industries (CPI) along with the HSE statistics for the UK. The most recent benchmarking showed that we are one of the leading companies within our industry sector.

Biffa is a member of the British Safety Council and has, for the sixth year running, undertaken the organisation's 'Five Star' occupational Health and Safety audit. This year, we achieved our highest ever ranking, scoring over 98% and securing the Council's Five Star award in a combined review of health and safety and environment management systems. What's more, this year Biffa was one of just 56 organisations worldwide to win the coveted British Safety Council Sword of Honour for exceptional health and safety performance.

Biffa has also maintained ISO accreditation of key ISO standards with our external accreditor, NQA, to ensure legal compliance and to maintain our goal of continual improvement.

Our Campaigns for Greater Safety

Biffa has developed a number of its own safety campaigns, willingly sharing them across the sector. We are now beginning to see significant improvements nationwide across the waste industry, including the following:

Contractor management

This year we have launched a revised company-wide toolkit for construction design and management and contractor management. As part of the implementation and embedding of the improvements, workshops have been held for every supervisor and manager across the Group to introduce the new procedures, guidance and forms along with the introduction of a new contractor rules booklet.

Driving recklessly on pavements (DRoPS)

Every year, our staff face the threat of reckless and aggressive drivers who do not have the courtesy or patience to wait for them to perform their duties. It is not uncommon, for example, for a car to mount the pavement to get past one of our teams at work. Clearly, the consequences of this could be a serious injury or even a fatality to one of our team or a member of the public. Although staff report such threats through the 'Hazard and near-miss reporting system', historically, prosecutions have been rare.

We have developed the initiative, 'Driving Recklessly on Pavements' (DRoPs) to raise awareness of the social unacceptability of this hazard. DRoPs has been endorsed by many highly respected safety bodies including the Health and Safety Executive, the Institution of Occupational Safety and Health, the Royal Society for the Prevention of Accidents and Road Safety Great Britain. The initiative has been very successful which has seen a number of drivers prosecuted. Strong partnerships have been built with at least 22 police forces and local authorities and continues to grow nationwide, all of which has led to our crews reporting that they are feeling safer in their work. For further information, please see www.biffa.co.uk/news/drops-driving-recklessly-pavements.

Health & Safety continued

Safe movement of vehicles and plant

We operate many waste facilities, where low speed mobile plant and vehicle movements can cause significant risk. To control this, we maintain robust pedestrian segregation systems at all of our facilities to ensure that our traffic management plans are effective.

At Biffa sites, vehicles and plant stop work if pedestrians enter their safe working zone – we call it our 'Five-metre rule'. This is reinforced by the work of our Best Practice Group, a special team formed to assess new equipment and operator awareness programmes and devise safety guidance when and where needed. Examples of their innovations and work include trialling alarm-signal lighting and proximity warning systems; the introduction of standard traffic-planning templates and specifications for mobile plant and vehicles; and improved hazard-awareness training for plant operatives.

Fire prevention

Fire is one of the most significant operational risks to our business and fire prevention is never far from the thoughts of the SHEQ leadership team. To that end, we maintain our Primary Authority agreement with Hampshire Fire and Rescue Service to develop a successful fire prevention strategy and processes. The agreement not only ensures that we are compliant with fire regulations but provides us with regular support at the forefront of design, technology and engineering in fire safety and prevention. This enables us to proactively challenge fire risk to the benefit of our staff and the business.

Working with our Stakeholders

Biffa is a staunch supporter of 'Helping Great Britain work well', HSE's health and safety system strategy and has published two case studies covering the issue of reckless driving on pavements and vulnerable people sleeping in bins.

Biffa's SHEQ team supports relevant industry bodies and regularly presents to health and safety conferences, and contributes to ESA, the Waste Industry Safety and Health (WISH) Forum and CPI working groups.

We have been proactive during the consultation process for sector guidance in the waste and recycling industry. A number of our SHEQ coaches take an active role in developing industry guidance as part of ESA and WISH industry working groups.

Planning the Future of Health, Safety & Environment in Biffa

Biffa is committed to aligning its improvement objectives with the waste industry strategy. We will focus on the strategic areas that directly affect operational safety. They are:

Visible leadership	<ul style="list-style-type: none">• Director and senior manager inspections• National H&S day for business leaders
Control of risk	<ul style="list-style-type: none">• Risk profiling• Fire prevention• Occupational hygiene• Dynamic working environments
Performance management	<ul style="list-style-type: none">• Compliance validation• Leading and lagging indicators• Risk based assurance
Embedding change	<ul style="list-style-type: none">• Validation of corrective actions

Environment

Sustainable Waste Management

Biffa the Commentator – Influencing UK waste policy and thought leadership

We have had a busy year on the external affairs front engaging with Government policy makers and regulators. A combination of Government work on new UK economic and environmental strategies for life post-Brexit, together with raised public awareness of waste and environmental issues and well-publicised impacts from China's new restrictions on imports for recycling, have combined to prompt a peak of interest and activity. Rarely have waste management issues been so much in the public eye, for such a sustained period. In September, we published our 'Reality Gap (2017)' report, looking at UK residual waste management requirements and considering wider waste policy issues. Through this and other related work, Biffa has continued to engage on national issues and has submitted key consultation responses on:

- HM Government 'Clean Growth Strategy';
- National Infrastructure Commission overarching strategy and specific waste infrastructure assessment;
- HM Government 25 Year Environment Plan;
- Environmental Audit Committee calls for evidence on the impacts of China and on the 25 Year Environment Plan; and
- Streamlined energy and carbon reporting (SECR).

We have continued working with Department for Environment, Food & Rural Affairs (Defra) experts on advisory groups addressing waste data, waste crime and waste infrastructure requirements. Through our membership of the ESA, we continue helping to inform development of Defra's resources and waste strategy, expected later in the year. In our dealings with the Environment Agency, we have responded to consultations on strategic charging and performance-based regulation. We continue to track waste policy and regulation changes within the Devolved Administrations and we also liaise directly with the pollution control regulators for those nations as well as with the Environment Agency in England.

Biffa the Operator

In relation to environmental compliance at our waste management sites, we have continued with the push on our three-year improvement programme in its final year. The three-year environmental compliance strategy sought to deliver substantial, transformational and sustained improvement through a Group-wide approach setting challenging targets and instigating specific actions, training initiatives and improved reporting. Through the fantastic efforts of our operational staff and environmental support experts, we have achieved a further 21% improvement in compliance scores over the year, resulting in a huge 71% improvement over the three years, far in excess of our target. We have also achieved an 82% reduction in complaints and have delivered compliance-related training to over 500 staff. Just as important, through this focused effort, we have set a benchmark against which we can review targets and actions on an annual basis.

We have also continued to deliver strong results on the operational development side, with over 50 planning consent and environmental permit approvals secured for new projects and compliance initiatives.

Carbon Management

Biffa recognises that, in providing waste management services to customers (such as the diversion of materials to recycling and EfW applications) to help reduce their carbon footprint, our own operations have an impact on the environment, which we seek to minimise.

We do this by seeking ways to reduce our energy consumption and increasing our renewable energy generation from the capture of biogas. Other people's waste is our asset, and a key focus is on ensuring that we realise its inherent value through opportunities to recycle or recover energy from it as well as generating secondary raw materials from facilities like our polymers plant and the aggregate treatment and recycling facilities being developed.

71%

reduction in CAR Scores

500+

people trained across the Group

82%

reduction in complaints

Environment continued

Carbon Reporting

Every year, Biffa assesses its environmental data for Green House gas (GHG) emissions reporting (Scope 1 & 2) purposes.

Electricity, gas and self-supplied renewable electricity data is used to maintain compliance with the Carbon Reduction Commitment (CRC).

Following on from consultation on the SECR framework, a key focus for the business has been on ensuring compliance with phase 2 of the Energy Savings Opportunity Scheme (ESOS). Our environmental data capture methodology has been classed as 'excellent' by a third-party audit and will therefore form the basis of our ESOS reporting methodology from 2019.

Environmental data is also captured for a number of voluntary accreditation and reporting schemes to which Biffa subscribes. These include:

Demonstrating 10 consecutive years of reduction in our carbon emissions.

Maintenance of best-in-sector sustainability rating based on annual assessment of our environmental, economic and social sustainability practices.

Demonstrating year-on-year fleet emissions reductions in association with the Freight Transport Association.

13,291 tonnes

HDPE delivered to UK dairy bottle manufacturers

85,758 tonnes

bio-fertiliser delivered to UK agriculture industry from AD

476 GWh

renewable energy generated

85,411 tonnes

glass bottles recycled into new glass bottles

3,800 tonnes

aggregates reused in site construction

428 tonnes

coffee grounds processed into fuel logs

75%

reduction in carbon emissions moving waste by rail rather than road

Carbon Reduction Achievements

Biffa's commitment to reducing its carbon footprint is reflected in our increasingly diverse range of services around recycling and recovery, treating organic waste via AD and in-vessel composting, harvesting bio-gas for renewable energy generation and producing secondary raw materials from waste such as plastics and street sweepings.

Our business is also focused on transport emissions reduction and supports the principles set out in the Government's Clean Growth Strategy. In the last year, we have launched a locomotive service offering in partnership with GB Railfreight and taken delivery of our first electric vans. As the UK undertakes necessary steps to improve air quality and reduce carbon emissions, Biffa is well positioned to achieve the Clean Growth Strategy targets.

Our municipal contract in Cornwall, which employs 480 staff, has already begun phasing out single-use plastic materials at its six depots. Every employee has been given a metal water bottle and Biffa has given hundreds more refillable bottles to community groups across Cornwall as part of the county's 'ReFILL' initiative (www.refill.org.uk/refill-scheme/refill-cornwall). This will potentially prevent some 25,000 single-use plastic water bottles entering circulation annually.

Employees are also being given refillable travel mugs for coffee and tea, which potentially removes an estimated 10,000 plastic cups from dispensing points at Biffa's depots. Plastic cutlery and plates, and sachets of condiment, are being eliminated too, removing an estimated 4,000 such items from use. They will be replaced by paper plates, wooden cutlery, and condiments in glass bottles.

Green House Gas Emissions

	kTns of CO ₂ e	
	2018	2017 (restated) ¹
Emissions from combustion of fuel (scope 1)	744	852
Emissions from electricity, heat, steam and cooling (Scope 2)	38	39
Total Scope 1 & 2 emissions	782	891
Emissions intensity ratio (CO ₂ e (tonnes) per employee)	98.9	119.1

Energy Generation

	2018	2017
Generation		
Generation (GWh)	476	512
Carbon benefit (CO ₂ e kTns)	167	216

1 Following a review of best practice in the year, a small number of revisions have been made to the methodology in calculating certain of our carbon emissions.

Environment continued

82%

reduction in complaints

79

projects have received Biffa
funding in 12 months

£69,925

2017 fundraising total

Social and Community Involvement

As a leading waste management company and given its close working relationship with society at large, Biffa has high regard for its social and community responsibilities.

We host public liaison meetings at our key sites to keep community representatives informed and to help air any developing issues. Through the three-year compliance strategy, which included staff training and best practice guidance, we have achieved an 82% reduction in complaints.

Biffa Award

Biffa Award is a Landfill Communities Fund scheme run by the Royal Society of Wildlife Trusts in its role as an approved environmental body. Since 1997, the scheme has enabled Biffa to redirect a small proportion of Landfill Tax liability to support a variety of community and environmental projects in the vicinity of our landfill sites through the Landfill Communities Fund.

In the last 12 months, 79 projects have received funding of in excess of £5.5m of funding in aggregate from Biffa Award. Projects helped range from replacing church roofs and fitting new dancefloors to installing new playgrounds and nature serve habitat restoration. Biffa Award has also provided grants to support the purchase of land by several Wildlife Trusts.

Cannock Chase

Community Volunteering

Last September, Biffa's Environment & External Affairs team helped Staffordshire County Council Rangers install 50 metres of new protective fencing at Cannock Chase Area of Outstanding Natural Beauty in the Midlands.

Most of the site is designated as a Site of Special Scientific Interest and home to a wide variety of wildlife, including around 800 fallow deer and several rare bird species, and is extremely popular with walkers, mountain bikers, horse riders and photographers.

Community Volunteering

Be it painting a Scout hut or clearing a community garden, Biffa's people willingly go the extra mile to help the local communities we serve. In the RR&T division, employees take part in community volunteering exercises, with staff around the UK involved in a wide variety of volunteering initiatives last year.

Fundraising

Our I&C division operates a charitable giving scheme through which depots accrue funds for each day with no time lost through injury (LTI). At the end of the year, the funds are donated to the charities of choice of the local depots. The total raised last year was a very impressive £69,925.

Linked to the SHEQ campaign to tackle the issue of people sleeping in bins, 14 volunteers were involved in a 'sleep out' event, which raised over £1,000 for Framework Housing Association.

Elsewhere in the business, fundraising events are held regularly. Money raised has been donated to charities such as Children in Need, Cancer Research UK, the British Heart Foundation and Macmillan Cancer Support.

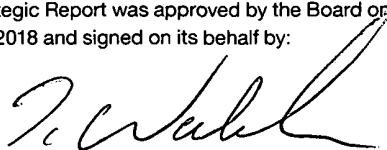
Environmental compliance is something we will continue to strive for and exceed. Underpinning this will be further focused training and best practice development in areas such as odour control, landfill leachate management, hazardous waste documentation and animal by-products regulation compliance.

Engagement with Government and regulators will continue this year as the new Government Resources and Waste Strategy later in 2018 emerges and as consultations continue with the Environment Agency on a number of regulatory matters.

Other carbon and sustainability plans include:

- maintaining our key sustainability performance accreditations;
- publication of key environmental performance metrics;
- internal benchmarking and assessment of sites' energy performance;
- preparation for the transition from CRC to ESOS compliance reporting;
- the introduction of beehives at a number of our closed landfill sites; and
- internal campaigns to benefit the environment, such as 'Walk to Work' and 'Recycle Week'.

The Strategic Report was approved by the Board on 13 June 2018 and signed on its behalf by:



Ian Wakelin
Chief Executive Officer

Meon Valley

Highlights

A Biffa Award grant of £330,000 allowed Hampshire & Isle of Wight Wildlife Trust to purchase and restore 16 hectares of meadow in the Meon Valley.

Smithills Estate

Highlights

A Biffa Award grant of £400,000 helped the Woodland Trust to purchase land on the Smithills Estate, near Bolton. The site is being planted with trees to create wildlife corridors and provide habitats for flora and fauna. The site will play a part in the Northern Forest project, which will see trees planted across a 120-mile stretch of Northern England over the next 25 years.

Further details of the scheme are available on the dedicated website, www.biffa-award.org.

Driving performance through culture

Ken Lever
Chairman

Biffa is committed to ensuring and maintaining high standards of corporate governance to enhance performance for the protection of our shareholders' interests. The Board recognises that good corporate governance is essential in building a successful business that is sustainable for the longer term.

In this part of the Annual Report we have summarised on the page opposite and explained in detail, Biffa's corporate governance arrangements, the principal activities of the Board and its Committees throughout the year and how we complied with the principles and provisions of the UK Corporate Governance Code (June 2016 Edition) (the Code). The Board acknowledges that the establishment of corporate governance policies and procedures is an ongoing process and a proactive commitment to manage Biffa's governance, diversity and effectiveness, so that it continues to reflect best practice and meets the changing requirements of the business.

We have made good progress during the year and have built on firm foundations of sound governance procedures to develop the internal culture across our four operating divisions, to enable us to meet the expectations of our shareholders and wider stakeholders to deliver long-term sustainable growth.

Compliance with the UK Corporate Governance Code

The Board considers that it and the Company has complied with the principles of the Code, except as detailed on page 111, in the Board Statements. With the death of Steve Marshall, the evaluation of the Chairman (provision B.6.3 of the Code) was not undertaken. The evaluation of the Chairman's performance

will be reviewed in the coming year after which we look forward to complying in full with the Code.

Leadership

Following the sudden death of Steve Marshall, the Board appointed Senior Independent Non-Executive Director David Martin as the Interim Chairman of both the Board and the Nomination Committee. After an extensive search process, detailed in the Nomination Committee Report on pages 80–83, I was appointed as the new Chairman on 12 March 2018. In line with the Code I stepped down from my role as Chairman of the Audit Committee and David Martin was appointed Interim Chairman in my place. In June 2018 we were delighted to announce the appointment of Carol Chesney as a Non-Executive Director and Chairman of the Audit Committee with effect from 12 July 2018. Carol is currently a Non-Executive Director and chairman of the audit committee's at both Renishaw plc and Hunting plc, and will bring much financial and governance business experience to the Board. Carol will also join the Nomination Committee.

Also in June it was announced that Ian Wakelin who no longer wished to hold a full time executive role would be stepping down as Chief Executive Officer of the Company once the Board's succession plan has been implemented. The Board announced consistent with the succession plan, that Michael Topham, Chief Financial Officer will succeed Ian. Ian Wakelin will remain as Chief Executive Officer and Michael Topham as Chief Financial Officer until a successor Chief Financial Officer has been appointed.

Effectiveness

I personally conducted the Board evaluation this year through individual meetings with each Board member and the Company Secretary. The review concluded that Board meetings were effective and well run, with good relationships between members and open debate. The review also identified that an additional Non-Executive Director should be appointed to the Board and that the frequency of meetings should be re-considered.

Accountability

The Board acknowledges its responsibility to give a fair, balanced and understandable view of the business' financial position and future prospects. It reviews the principal risks to ensure that effective risk management and robust internal controls systems are in place. It also makes a statement regarding the long-term viability of the Group. Further details are contained on page 70.

Remuneration

We were pleased to have received 99.3% of votes in favour of our first Remuneration Report and the new Remuneration Policy was approved with 99.7% of votes at the 2017 Annual General Meeting (AGM). The full Remuneration Report can be found on pages 90–107.

Relations with Shareholders

The Board remains committed to open channels of communications with shareholders and it will continue to operate and build on the investor relations programme, described on page 78 with our Executive Directors meeting investors and analysts regularly and being supported where appropriate, by both myself and David Martin as Senior Independent Director.

Ken Lever
Chairman
13 June 2018

How Governance Supports Strategy

Strategic priority	The Board's governance role	What we achieved
<p>Grow our market share</p> <p>Read more on pages 22–23</p>	<p>The Board approves the Group's strategy, reviews subsequent progress and makes decisions to support the delivery of this strategy.</p>	<ul style="list-style-type: none"> • Announced the acquisition of Amber Engineering and the O'Brien WRS business together with five other smaller business acquisitions in the year. • Announced the partnership with Covanta to jointly sponsor the development of two large scale ERF's plants in Leicester and Cheshire. • Oversaw increased organic growth through new major contract wins including Bourne Leisure, KP Snacks, Arcadia and Kerry Foods.
<p>Develop services & infrastructure</p> <p>Read more on pages 24–25</p>	<p>The Board empowers local management in each division to operate with relative autonomy within a clear structured framework to develop services and infrastructure.</p>	<ul style="list-style-type: none"> • Expanded our food-grade rHDPE plant at our award-winning Biffa Polymers business. • Opened rail hubs in partnership with GB Railfreight, in Manchester and Leeds for transport of inactive waste. • Developed and opened an aggregate treatment and recycling plant at Cold Meece, Staffordshire. • Announced the development of the construction of a small-scale ERF in Swansea supported by waste supplied by the local Biffa I&C depot.
<p>Optimise systems & processes</p> <p>Read more on pages p26–27</p>	<p>The Board challenges management to ensure that the Group's systems and processes are optimised and adequate to support the Group's plans for future growth.</p>	<ul style="list-style-type: none"> • Regularly reviewed progress in relation to Project Fusion – the introduction of the new enterprise resource planning system. • Oversaw the investment in further technology at the Edmonton, North London MRF to enhance paper sort quality standards.

The right skills and experience to deliver our strategy

Ken Lever
Independent Non-Executive Chairman

Date of Appointment:
28 September 2016

Committee Memberships:



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. Prior to his recent appointment as Chairman of Biffa on 12 March 2018, Ken was Chair of the Audit Committee.

External Appointments

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

Ian Wakelin
Chief Executive Officer

Date of Appointment:
18 August 2016

Committee Memberships:



Nationality:
British

Relevant Skills and experience

Ian Wakelin has a broad range of knowledge of the waste management business. Prior to being appointed Chief Executive Officer of Biffa in September 2010, he was co-founder and chief executive officer of Greenstar UK Holdings Limited from 2001 to 2010, which was subsequently sold to Biffa in 2010. Before joining Greenstar, Ian was managing director of UK Waste Management Limited, a British subsidiary of the USA's Waste Management Inc. In his early career Ian trained and spent eight years with Arthur Andersen, as a Chartered Accountant.

External Appointments

Ian is a board member of the Environmental Services Association.

Michael Topham
Chief Financial Officer

Date of Appointment:
18 August 2016

Committee Memberships:

None

Nationality:
British

Relevant Skills and Experience

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, Michael was finance director at Greenstar UK Holdings Limited from 2005 to 2010. Michael previously held the roles of Divisional Finance Director and Divisional Managing Director in Biffa before being appointed to his current role of Chief Financial Officer in 2013.

Committee Membership at 13 June 2018

 Nomination Committee
  Audit Committee
  Remuneration Committee
 Committee Chairman

Michael Averill
Independent Non-Executive Director

Date of Appointment:
28 September 2016

Committee Memberships:

R  

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 chairman of Rochford Capital Pty in Sydney, Australia and a non-executive director of the Saudi Investment Recycling Company in Riyadh, Saudi Arabia.

David Martin
Independent Non-Executive Director

Date of Appointment:
28 September 2016

Committee Memberships:

A  

Nationality:
British

Relevant Skills and Experience

David is a Chartered Management Accountant and has significant experience of both domestic and global transport businesses. David held a variety of general management and finance positions before joining the bus industry in 1986. 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, one of the largest bus and train transport services organisations in Europe, a position he held from 2006 to December 2015. He was a non-executive director at Ladbrokes from October 2013 to September 2016 and of Arriva plc from January 2016 to June 2017.

David was appointed Chairman of Biffa on an interim basis upon the death of Steve Marshall and following the recent appointment of Ken Lever as Chairman, David has reverted to his previous role of Senior Independent Director.

Read more on Directors' skills on p81

Read more about our diversity policy on p54

Group Executive Team

The Group Executive Team comprises the senior leadership team that reports directly to the Chief Executive Officer and has management responsibility for the business operations and support functions.

1. Rachael Hambrook
General Counsel & Company Secretary
Date of Appointment: December 2016

Rachael joined Biffa in October 2016, and prior to this, she held a number of senior legal and company secretariat positions in FTSE 100 and International blue-chip companies with extensive experience in M&A transactions. Rachael is responsible for the management of legal risk and in supporting the Board in setting and maintaining standards of corporate governance.

2. Jeff Anderson
MD, Industrial & Commercial Division
Date of Appointment: September 2011

Jeff joined Biffa in September 2011. His previous career was spent within B2B supply chain and logistics companies and having held executive board director positions at Wincanton plc and Securicor plc. He has significant experience in managing change, turnaround management and operational excellence in large-scale operational businesses.

3. David Gooding
Group IT Director
Date of Appointment: July 2011

David Gooding was appointed Group IT Director in July 2011, having worked in the waste industry for 15 years and is accountable for the IT strategy. In his role David is responsible for IT Services, the development of management information, project governance, as well as leading Project Fusion, the current initiative to improve the Group's systems and processes.

4. Roger Edwards
MD, Municipal Division
Date of Appointment: October 2010

Roger joined Biffa in June 2010 following the acquisition of Greenstar UK Holdings Limited. Prior to this, Roger 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 2 million households and leading a team of 3,500 staff.

5. Jane Pateman
Group HR Director
Date of Appointment: December 2010

Jane joined Biffa in December 2010. Prior to joining Biffa, 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 & development, payroll, engagement and reward & benefits.

6. Ian Wakelin
Chief Executive Officer
Date of Appointment: September 2010

Ian's full biography appears on page 66

7. Michael Topham
Chief Financial Officer
Date of Appointment: February 2013

Michael's full biography appears on page 66

8. John Casey
MD, Energy Division
Date of Appointment: October 2008

John has been Managing Director of the Energy division since October 2008. Prior to joining Biffa, he had an extensive career of technical and general management roles with US-based multinational General Electric. John is responsible for landfill gas operations, anaerobic digestion and the MBT plant at West Sussex. John also leads the strategic development of EfW plants for the Group.

9. Michael Davis
MD, RR&T Division
Date of Appointment: September 2010

Mick was appointed Managing Director of the RR&T division in September 2010, and prior to this held various senior and board level roles in landfill, recycling, private finance initiatives and technology development. He is responsible for the day to day management of the RR&T Division and the development of new facilities. In addition, he has oversight of the Group's Environmental strategy as well as being a trustee of the charity Biffa Award.

Board Statements

Requirement	Board statement	Further information
Compliance with the Code	The Company has applied all the main principles of the Code and has complied fully with its provisions except provision B.6.3.	See Governance Report on page 64
Going Concern Basis	The Directors have reasonable expectations that the Company and the Group have adequate resources to continue for the foreseeable future and have therefore adopted the going concern basis in preparing the financial statements.	See Note 1 of the Groups' Financial Statements
Viability Statement	The Board has assessed the viability of the Group, taking into account the current financial position and certain principal risks and uncertainties. The assessment concluded that the Directors have a reasonable expectation that the Group will continue to operate effectively and meet its liabilities as they fall due.	See page 45 of the Strategic Report
Robust assessment of the principal risks facing the business	The Directors confirm that they have undertaken a robust assessment of the principal risks that face the business and that could possibly compromise its business strategy.	See pages 38–44 of the Strategic Report
Annual review of systems of risk management and internal control	The Directors monitor the Group's systems of risk management and internal control and have determined that, overall, the systems are effective and fit for their purpose.	More information on page 77
Fair, Balanced and Understandable	The Directors have determined that this year's Annual Report, taken in its entirety, gives a fair, balanced and understandable view of the business' current position and provides stakeholders with the necessary information to fully assess the Group's current financial position and future prospects.	See page 89 of the Audit Committee Report
Modern Slavery Statement	Reference is made in the Directors' Report	Further details are contained on the Company's website

Role of the Board

The Board is collectively responsible for the long-term success of the Group by providing effective leadership and direction to the business as a whole. The Board, with due regard to the views of shareholders and other stakeholders, sets strategic priorities and oversees their delivery in a way that enables sustainable long-term growth, while maintaining a balanced approach to risk within a framework of effective controls. It is also responsible for corporate governance and the overall financial performance of the Group. All Directors are required to devote sufficient time and demonstrate commitment to their role.

Roles and responsibilities of the Directors

Role	Name	Responsibility
Chairman	Ken Lever	The Chairman's primary role is to lead the Board and ensure that it operates effectively. In particular, the Chairman sets the Board's agenda and ensures that adequate time is available for discussion of all agenda items. Additionally, the Board is keen to promote a culture of openness and debate facilitating effective contributions from the Non-Executive Directors and ensuring constructive relations between themselves and the Executive Directors.
Chief Executive Officer	Ian Wakelin	The Chief Executive's role is the day-to-day running of the Group's businesses and includes the development and implementation of strategy, decisions made by the Board and operational management of the Group, supported by the Group Executive Team.
Senior Independent Non-Executive Director	David Martin	The Senior Independent Director, is an Independent Non-Executive Director of the Board. In this role David provides advice and additional support and experience to the Chairman and performs an intermediary role to other Directors, where necessary. He will lead the annual appraisal and review of the Chairman's performance and make himself available to shareholders if they have any concerns that have not been resolved through the normal channels of communication with the Chairman and Chief Executive Officer or if it is inappropriate for them to do so.
Non-Executive Directors	Michael Averill	<p>All the Non-Executive Directors were deemed independent on appointment and continue to be independent in accordance with the Code.</p> <p>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. They are also required to monitor the delivery of the agreed strategy within the risk management framework set by the Board and, amongst other things, review the relationship with the Company's External Auditors within the Audit Committee; and review the remuneration of, and succession planning for, the Board.</p> <p>More detailed background information on each Non-Executive Director can be found in their biographies on pages 66–67. Each Non-Executive Director is appointed for an initial fixed term of three years, subject to annual re-election by shareholders. Their appointment term may be renewed by mutual agreement.</p> <p>It is proposed that the Chairman and Non-Executive Directors will meet at least twice a year without the Executive Directors being present.</p>

Board Committees

The Board has established three Board Committees: the Audit, Remuneration and Nomination Committees, and whose members are either entirely or largely comprised of Non-Executive Directors. Each Committee has its own Terms of Reference approved by the Board which are reviewed annually, and are available to view on the Investors section of the Company's website www.biffa.co.uk.

Membership of each Committee is determined by the Board on the recommendation of the Nomination Committee. The membership, roles and duties discharged in the year ended 30 March 2018 for each Committee is detailed in their respective Committee reports on pages 80–107.

The Executive Directors are supported by several executive management committees that help them discharge their duties. These include reviews with the senior and divisional management teams covering areas such as financial management, risk management and regulatory compliance. The Board and Committee structure is set out immediately below.

EVP Committee

The Board has established an EVP Committee in order to provide an independent review of the EVP dispute proceedings, as detailed in Note 33 on page 168, of the Financial Statements and make recommendations to the Board. The Independent Non-Executive Directors Ken Lever and David Martin, who have no financial interest in the result of the dispute, are the members of the Committee.

The Group Executive Team

The Group Executive Team comprises the senior leadership team, whose biographies are detailed on page 69.

The Group Executive Team is responsible for the day-to-day running of the business. The Group Executive Team meets monthly and relevant matters are reported to Board meetings by the Chief Executive Officer and, as appropriate, the Chief Financial Officer.

The Group Executive Team structure is set out below.

Board and Committee Structure

Board of Directors

Audit Committee

Reviews the integrity, adequacy and effectiveness of Biffa's system of internal control and risk management, and the integrity of Biffa's financial reporting, whistleblowing and anti-bribery and corruption obligations.

Read more on pages 84–89

Remuneration Committee

Sets, reviews and recommends Biffa's overall Remuneration Policy and strategy and monitors their implementation.

Read more on pages 90–107

Nomination Committee

Evaluates and makes recommendations regarding Board and Committee composition, succession planning and Directors' potential conflicts of interest.

Read more on pages 80–83

Group Executive Team

Disclosure Committee

Reviews all material RNS announcements required under the Listing Rules.

Risk Management Committee

Reviews and assesses risks facing Biffa and recommends mitigating actions to the Group Executive Team. Assures performance of risk management structure and risk appetite.

Investment Committee

Reviews all significant capital expenditure potential acquisitions and disposals, major contracts, tenders and property transactions.

Board Meetings

During the year the Board met nine times and consideration and decisions taken by the Board have included the following key matters:

- approval of the appointment of the new Chairman and the appointment of a Non-Executive Director to be the Chairman of the Audit Committee;
- approval of the 2018/19 Annual Budget;
- review and approval of the Company's strategy;
- approval of the Biffa plc 2017 Sharesave Scheme;
- approval of the provisional and interim results and pre-close trading announcements; and
- approved the acquisitions of O'Brien WRS and Amber Engineering.

The Board intends to meet formally at least eight times a year, with ad hoc meetings called as and when circumstances require it to meet at short notice. The Board has approved an annual calendar of agenda items to ensure that all matters are given due consideration and are reviewed at the appropriate point in the regulatory and financial cycles.

It is acknowledged that there may be unforeseen circumstances which prevent a Director from attending a meeting. In such a case the Director would be expected to review the meeting papers and provide comments to the Chairman, Committee Chairman or Company Secretary to ensure that they are raised at the meeting.

The Directors' attendance records at the Board meetings held during the year are shown in the table below; attendance records at Committee meetings are detailed in the respective

Committee Reports. Directors are provided with appropriate documentation approximately one week in advance of each Board or Committee meeting. For each scheduled Board meeting the papers include a trading update, financial performance, market update and papers where a decision or approval is required.

Non-Executive Directors are also 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 the performance and forward focus of their specific area(s) of responsibility.

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. Directors also have access to the advice and services of the Company Secretary who is responsible for advising the Board on all governance matters and ensuring that Board procedures are complied with.

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 to discuss wider business topics, fostering debate in Board and Committee meetings and strengthening working relationships.

Board Meeting Attendance and Committee Membership 2017/18

Director	Board Meetings Held/Attended	Audit Committee	Remuneration Committee	Nomination Committee
Michael Averill	9/9	M	C	M
Ken Lever	9/9	C ◇ /M	M	M
David Martin	9/9	M/C ◆	M	M/C ◆
Steve Marshall	4/4	–	M	C
Michael Topham	9/9	–	–	–
Ian Wakelin	9/9	–	–	M

C Chairman

M Member

◇ Until his appointment as Board Chairman

◆ Until his appointment as Interim Committee Chairman

Leadership continued

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. These reserved matters include Group strategy and structure, governance and regulatory compliance, financial reporting, major capital

commitments, major contracts and agreements, internal controls, significant remuneration changes, stakeholder engagement and material corporate transactions (including acquisitions and disposals). The formal schedule is reviewed annually to ensure that it remains fit for purpose and sets the parameters for management and expectation for internal controls.

Board Activities during 2017/18

April 2017

- Review corporate strategy
- Approve 2017/18 budget
- Municipal Division update
- Review first proof of 2017 Annual Report

May 2017

- Approval of corporate strategy
- Energy Division update
- Review final dividend recommendation
- Review second proof of 2017 Annual Report
- Approve Modern Slavery Statement
- Approve policy for Company to purchase Biffa plc Shares

June 2017

- Review preliminary results announcement
- Review final proof 2017 Annual Report and Accounts and Notice of AGM
- Approve preliminary results roadshow presentation
- HR update

July 2017

- Consider and approve the acquisition of O'Brien WRS
- Review O'Brien WRS acquisition announcement
- Consider Municipal tender proposal
- Approve Biffa plc 2017 Sharesave Scheme

September 2017

- Review Pre-Close Trading Statement
- Review 2017/18 budget forecast
- Corporate Strategy update
- Approve 2018/19 Board and Board Committee calendar
- Consider extension of power purchasing contract

October 2017

- Consider recommendation for the appointment of Interim Chairman
- Consider and approve the acquisition of Amber Engineering Ltd

November 2017

- Review interim results announcement
- Review interim dividend recommendation
- EfW Covanta joint development update
- Review proposal for a local small scale ERF in Swansea
- Review Schedule of Reserved Matters for Board approval
- Approve Board and Board Committee programmes 2018/19

January 2018

- RR&T Division update
- 2018 Biffa plc Annual Report update

March 2018

- Consider recommendation for appointment of new Chairman
- Review Pre-Close Trading Statement Announcement
- Municipal Division update
- Review draft 2018/19 budget
- Consider 2018 Annual Report concept
- Review new Disclosure Committee Terms of Reference
- Consider Board and Board Committee effectiveness review
- EVP dispute update

In addition to the above, 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;

- report from the Chief Executive Officer;
- report from the Chief Financial Officer;
- Investor Relations Report; and
- ratification and approval of Biffa Group Company minutes.

Effectiveness

Independence and Conflicts of Interest

The Board is currently comprised of three independent Non-Executive Directors and two Executive Directors and we therefore comply with the independence requirements of the Code. However, the independence of our Non-Executive Directors is reviewed annually by the Nomination Committee.

Under the Company's Articles of Association, the Board may authorise any actual or potential conflicts of interest that may arise and to impose limits or conditions as appropriate. Each Director provides the Company Secretary with information regarding any actual or potential interests that may conflict with those of the Company, such as other external directorships, and any other potential interests that each thinks may cause a conflict requiring prior Board authorisation on an annual basis. If the circumstances of any of these disclosed interests change, the relevant Director is required to advise the Company Secretary promptly.

Any decision of the Board to authorise a conflict of interest, whether matter-specific or situational, is only effective if it is agreed without the participation of the conflicted Director(s) in the decision, and in making such a decision, as always, the Directors must act in a way they consider in good faith will be most likely to promote the success of the Company. The Company has established a procedure whereby actual or potential conflicts of interest are registered, reviewed annually by the Board to ensure the authorisation granted to the Directors and any conditions attached to them, are appropriate for the relevant matter to remain authorised and for the appropriate authorisation to be sought prior to the appointment of any new Director or if a new conflict arises.

Currently the only registered potential conflict, is Michael Averill's non-executive directorship of the Saudi Investment Recycling Company in Saudi Arabia registered on the 5 March 2018.

Board and Board Committee Performance Evaluation

The Code recommends that an evaluation of the effectiveness of the Board and its Committees should be undertaken externally every three years, and internally in the intervening years. This year the Chairman and the Company Secretary have facilitated an internal evaluation of Board performance and that of the three Board Committees.

The evaluation examined the level of skills, knowledge and experience which involved all Directors responding to self-evaluation questionnaires, which included the following areas Board/Committee structure, conduct of meetings, corporate strategy and planning, governance, risk management and internal controls, financial planning, measuring and monitoring performance, and investor relations. The questionnaires were evaluated following which the Board confirms that all directors continue to be effective and demonstrate a commitment to the role, including having time to attend the necessary meetings.

Directors' Induction, Training and Development

All Directors receive an induction upon appointment, on their duties and responsibilities as Directors of a publicly quoted

company. The induction process also comprises a programme which includes meetings with all Directors, members of the Group Executive Team, the Company Secretary and heads of functions. Key site visits are also incorporated into the programme and undertaken to meet business management and develop greater commercial awareness of the Group; these visits continue throughout the year. This year, in September 2017, the Board meeting was held in the North-East, which gave the Non-Executive Directors the opportunity to visit the Company's Polymers site at Redcar and in January 2018 it was held in Newcastle and once again giving the Non-Executive Directors the opportunity to visit the recently acquired O'Brien's business.

On acceptance of their appointment the Directors follow a tailored induction programme and are provided with a comprehensive suite of induction materials, which comprise: Group strategic plan; financial information and trading updates, recent brokers notes; risk registers; governance and regulatory guidance and documents; Group policies; Group and business structure; statutory documents of the Company; and Board and Committee papers, minutes and other reference documents covering the prior 12-month period. The Chairman reviews ongoing training and development needs of the Board and individual Director, at least annually. Briefings and presentations from external subject specialists form part of the ongoing training needs for the Directors.

Directors Insurance and Indemnity

Directors are ultimately responsible for the operation, performance and decision making of the Company. In doing so, they are exposed to potentially significant personal liability under criminal or civil law and the UK Listing, Disclosure and Transparency Rules, which include penalties such as private or public censure, fines and/or imprisonment.

In line with normal market practice, the Company believes it is in the Company's best interests to protect Directors from the consequences of innocent error or omissions, it maintains, at the Company's expense, a Directors' and Officers' liability insurance policy. The policy provides indemnity to Group employees that serve as directors or officers of any Group company, as recommended by the Code, which includes the Board of Directors. This insurance policy would not provide cover in the event a director or officer had knowingly acted fraudulently or dishonestly.

Annual Re-election of Directors

All of the current Directors are standing for re-election and in the case of Carol Chesney for election at the forthcoming AGM. Following the annual evaluation of the Board and its Committees, all Directors standing for re-election continue to demonstrate commitment to the role and have recent and relevant experience and the skills required for the Board to discharge its responsibilities, as outlined in each of their biographies set out at pages 66–67.

Governance In Action:

Board Visits

Site visits give the Board key insights into the business; at least one Board meeting each year is held at a location outside the head office at High Wycombe to give the Directors an opportunity to review operations and meet local employees.

Biffa Polymers Plant

In September 2017, the Board met in Middlesbrough, at the head office location of the award-winning rHDPE Biffa Polymers plant which produces food grade pellets from recycled milk bottles and processes around 28,000 tonnes of milk bottles each year. During their visit, the Directors were given a comprehensive guided tour of the plant in which the operational processes of how food-grade pellets were produced from the plastic milk bottles were demonstrated.

The Board also received presentations from the Head of Operations and the management team explaining the business, its current operational and financial performance and a detailed update on progress against the strategic initiatives in the Polymers business. The Board also hosted a dinner with the Polymers management team to give the Board an opportunity to engage with the presenters informally.

Governance In Action:

O'Brien Business

In January 2018 the Board visited the newly acquired O'Brien WRS business in Newcastle. O'Brien WRS operates a large waste collection and recycling business in the North East. The business operates from three sites with a combined MRF processing capacity of 165kTpa, with a fleet of 70 vehicles.

The Board had lunch with members of the local management team and received presentations on the business operations and financial performance and answered questions about Biffa and its integration plans for the business.

Afterwards, the Board was taken on a tour of the O'Brien transfer stations and MRF sites at Wallsend, Hartlepool and Washington, where they met some of the local employees to hear their views about working for Biffa and to answer any questions.

Accountability

Internal Control and Risk Management

The Board has overall responsibility for monitoring the Group's system of internal control and risk management and for carrying out a review of its effectiveness. In discharging that responsibility, the Board confirms that it has established the procedures necessary to apply the provisions of the Code, including clear operating procedures, lines of responsibility and delegated authority. These procedures are regularly reviewed by the Board. Business performance is managed closely and the Board and the Group Executive Team have 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;
- the maintenance of insurance cover to insure all risk areas of the Group;
- 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; and
- that the principal risks facing the Group are being identified, evaluated and appropriately managed.

The Board is supported by the Audit Committee in reviewing the effectiveness of the Group's risk process and internal control systems. 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. A robust assessment of the principal risks faced by the Company has been undertaken by the Board.

The Executive Directors, with the assistance of the finance function, are responsible for the appropriate maintenance of financial records and processes. This ensures that all financial information is relevant, reliable, in accordance with applicable laws and regulations, and distributed both internally and externally in a timely manner. A review of the consolidation and financial statements is completed by the Executive Directors to ensure that the financial position and results of the Group are appropriately recorded, circulated to members of the Board and published where appropriate. All financial information published by the Group is subject to the approval of the Board, on the recommendation of the Audit Committee.

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 it is operating within that appetite through a review of a series of agreed metrics and a review of the principal risks.

Risk Management Framework

A full review of the principal risks was completed in September 2017 for our interim reporting. This exercise was undertaken again at the year-end. Details of the process the Board has in place to identify, evaluate and manage principal risks can be found in the risk section on pages 40–44 of the Strategic Report. This process has been in place for the period under review and up to the date of approval of the Annual Report and Accounts. In addition, we monitor the effectiveness of the risk management framework and internal control systems on an ongoing basis. No significant failings or weaknesses have been identified.

Further detail on the process for monitoring the effectiveness of our risk management framework and control environment can be found in the Audit Committee Report on page 88.

Relationships with Shareholders

The Board is committed to maintaining open channels of communication with its shareholders and to continue to strengthen further dialogue with its main stakeholders. 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.

Communication with shareholders, investors and analysts is an ongoing process throughout the year. This includes regular scheduled Investor Relations events, results presentations and investor roadshows, one-to-one and group meetings with Executive Directors, hosting analyst days and site visits, as well as regular updates to the market. see Stakeholder Engagement in Action opposite.

Results and other news releases such as acquisitions, contract wins and new strategic initiatives are published via the London Stock Exchange Regulatory News Service and on the Company's Investor Centre website at www.biffa.co.uk.

In addition, the Company's website acts as a good medium through which news and business developments can be reported including key financial calendar information, details of live webcasting services for key presentations and the source of past key presentations and announcements.

Our Non-Executive Directors are also available to meet shareholders if they wish to raise issues without the Executive Directors present.

Shareholder Engagement

Both the Executive and Non-Executive Directors aim to periodically meet shareholders, both institutional and private.

During the year the Executive Directors, assisted by the Investor Relations team, have held meetings with both existing and potential institutional shareholders providing insight into the development of the business and its progress, in a number of key locations around the world, including meetings with investors in the UK, USA, Germany and Switzerland.

Details of such key shareholder activities are detailed on page 79.

Our future annual shareholder communication strategy ensures that we maintain an open and regular dialogue with our shareholders to help them understand how we plan to grow the business and execute our strategy.

The Non-Executive Directors also play a significant role in developing relationships with our investors. During the year both the Chairman and the Senior Independent Director met a number of key shareholders to discuss strategy, governance and the general performance of the business.

The Board receives regular updates on the views of our shareholders and analysts through briefings and in market reports at each Board meeting, from Investor Relations, the CEO, the CFO and the Company brokers 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 feed back.

Stakeholder Engagement in Action

Analyst Site Visit to Edmonton MRF

In May 2017, Ian Wakelin hosted a site visit for equity analysts at the MRF in Edmonton, North London.

The objective of the visit was to give analysts an in-depth view of the operation of the largest MRF within Biffa's RR&T Division. Throughout the day, analysts were given an insight into the RR&T Division, in the context of the Company's wider operations and strategy, and how this has been underpinned by its investment in innovation, talent and acquisition opportunities.

A summary of the presentation, including the slides of the analysts day, is available on our website: www.biffa.co.uk. We keep our stakeholders updated through our website, blog, press releases, social media and YouTube channel: www.youtube.com/biffa.

Shareholder Activities during the Year

May 2017

- JPM Business Services conference London
- Site visit Edmonton MRF equity research analysts

June 2017

- Full-year results presentation
- Full-year roadshow London
- Full-year roadshow Edinburgh

July 2017

- AGM

September 2017

- Q1 Pre-Close Trading Statement and calls with investors
- Small and Mid Cap company investor conference J.P.Morgan London

October 2017

- Biffa Reality Gap presentation to equity research analysts
- Investor roadshow Frankfurt, Germany
- Investor roadshow Geneva, Switzerland
- Numis investor conference

November 2017

- Half-year results presentation
- Half-year results roadshow London
- Half-year results roadshow Edinburgh
- Credit Suisse waste management roundtable

January 2018

- Investor roadshow New York, USA
- Investor roadshow Boston, USA

March 2018

- Q3 Pre-Close Trading Statement and calls with investors
- Citi Pan-European Business Services & Logistics conference London
- Investor roundtable discussion hosted by HSBC

Annual General Meeting

The AGM is an important forum for shareholders, particularly private shareholders, to hear more about the general development of the business. The Chairman and the Chairs of the Audit and Remuneration Committees will be present at the AGM allowing shareholders an opportunity to ask questions and engage with members of the Board and learn more about the Company.

For all shareholders the Company holds its AGM in July. This year's meeting will be held on 18 July 2018 at the offices of Linklaters LLP in London. Full information is contained in the Notice of AGM, which was sent to shareholders with this Annual Report at least 20 working days prior to the date of the meeting, and is available on the Company's website www.biffa.co.uk.

To encourage shareholder participation the Company will again offer electronic proxy voting through both the registrars' website and, for CREST members, via the CREST service. Voting at the AGM will be conducted by way of a poll and the results will be announced through the Regulatory News Service shortly after the conclusion of the meeting and will be available on the Company's website.

Nomination Committee Report

Nomination Committee

Ken Lever
Chairman, Nomination Committee

Dear Shareholder

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

Firstly I would like to thank David Martin for stepping into the role of Chairman of the Committee following the sudden death of Steve Marshall last September and leading the search for the new Company Chairman.

As a result of the above the main activities of the Committee occurred in the second half of the year, with an exhaustive search for a new Chairman and subsequently the search for an additional Non-Executive Director to be chairman of the Audit Committee, following my appointment as Chairman of the Board and of this Committee in March 2018.

Full details of the search processes are contained on pages 82–83.

Finally, the Board were delighted, in June 2018 to announce the appointment of Carol Chesney to the Board as a Non-Executive Director and Chairman of the Audit Committee with effect from 12 July 2018. Carol brings a wealth of finance and governance experience gained in diverse organisations to the Board.

Ken Lever
Chairman
13 June 2018

Areas of Focus for 2018/19

The Committee's priorities for 2018/19 will be:

- ◆ the appointment of a further Non-Executive Director; and
- ◆ Board succession planning and talent management.

Attendance at Nomination Committee meetings

Members	Meetings
Ken Lever	6/6
Michael Averill	6/6
Steve Marshall	1/1
David Martin	6/6
Ian Wakelin	6/6

Attendees

The Company Secretary attends all the Committee meetings as Secretary to the Committee. In addition, the Chief Financial Officer and the Group HR Director attend by invitation.

Activities During the Year

- Working with (i) Korn Ferry in preparing a Non-Executive Chairman role specification to initiate the search and the subsequent appointment of Ken Lever; and (ii) Odgers Berndtson in preparing a Non-Executive Director Audit Chairman role specification leading to the appointment of Carol Chesney
- Recommending the appointment of Ken Lever as Chairman and Carol Chesney as Chairman of the Audit Committee
- Reviewing the structure, diversity, size and composition of the Board
- Reviewing Board succession planning
- Undertaking the annual review of Director independence in line with Committee Terms of Reference
- Reviewing executive succession plans and talent development

Membership of the Committee and Attendance

The Committee membership comprises the Chairman as Committee Chair, the Chief Executive Officer and the two Non-Executive Directors. The attendance record at meetings held during the year is shown on the previous page.

The Role of the Committee

The Board has delegated oversight of the leadership needs and succession planning for the Board to the Nomination Committee, to ensure that the Group has the best talent to perform effectively now and in the future.

Board Skills and Attributes

	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
David Martin	◆		◆	◆		◆	◆	◆	◆	◆		◆
Ian Wakelin		◆	◆	◆	◆		◆					◆
Ken Lever	◆		◆	◆			◆	◆	◆	◆	◆	◆
Michael Averill	◆	◆		◆	◆		◆	◆	◆	◆		◆
Michael Topham			◆		◆		◆					◆

Key Responsibilities

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

- keeping under review the size, balance and composition (evaluating the balance of skills, knowledge, experience and diversity) of the Board and its Committees, and making recommendations to the Board on any desired changes;
- overseeing the succession planning for the Board and senior management, including the identification and assessment of potential candidates and making recommendations to the Board;
- leading the process for Board appointments by identifying and nominating, for the approval of the Board, candidates to fill Board vacancies as and when they arise;
- reviewing Directors' external commitments and time available to discharge their responsibilities effectively;
- keeping under review the leadership needs of the Group in respect of both its Executive Directors and other senior management; and
- reviewing the independence of Directors.

Nomination Committee Report continued

Board Composition and Skills

The Board considers that the current membership, following the appointment of Ken Lever as Non-Executive Chairman, of two Executive Directors, a Non-Executive Chairman and two independent Non-Executive Directors is the right blend of commercial and governance experience, independence and challenge and that the diverse range of skills and backgrounds of the Directors, prevents any undue individual or collective influence over the Board's decision making.

The Board does however, following its review of the structure, diversity, size and composition of the Board, look to strengthen the Board with the addition of another Non-Executive Director during the coming year.

Board Diversity

The Company fully recognises the benefit of diversity, including gender diversity, when the Committee is searching for candidates for Board appointments. The Board agrees with the recommendations of the Women on Boards Davies Review (published in 2015) and the Report into Ethnic Diversity of UK Boards Parker Review (published October 2017) and is committed to diversity on the Board. Whilst noting the recommendations of the Reviews, our policy is to appoint the best possible candidate considered on merit and against objective criteria, rather than set objectives on gender that may deflect from achieving this fundamental target on each occasion. Subject to these requirements the Committee has an ongoing commitment to seek female representation at Board level.

Further details on diversity and inclusion are set out in the Way We Work section on page 54 of the Report.

Board Appointments Process

The Board has adopted 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.

Chairman Appointment

Following the sudden death of Steve Marshall on 28 September 2017, and following a recommendation from the Committee, the Senior Independent Non-Executive Director David Martin was appointed as both the Interim Chairman of the Board and the Interim Chairman of the Nomination Committee.

At the start of the search process, the Committee drew up a role specification for the role of Chairman. The role specification was drafted to emphasise the importance that the Board and Committee placed on the Chairman in overseeing the Company's strategy at a time when the industry continues to evolve.

The following key attributes were identified:

- having experience of running a listed organisation in a similar industry with a clear and collegiate style of leadership;
- possessing a comprehensive knowledge and understanding of UK corporate governance arrangements;
- having a deep appreciation of UK shareholder perspectives; and
- treating the role as his or her primary commitment with a view to serving in the role over the medium to long term.

These criteria were deemed key to the success of the new appointee and Korn Ferry which specialises in the recruitment of high calibre Board Directors, was engaged to ensure that the widest possible pool of candidates was available to select from. Korn Ferry only provides recruitment consultancy services to the Committee. Its work was validated from time to time to ensure that there were no gaps in the search process and that the Committee was receiving the best possible market advice for this key appointment.

The search was initiated by the Interim Chairman with support from the Company Secretary. The Interim Chairman indicated that he did not wish to be considered for the role of Chairman and was therefore considered most suited to drive the process. Regular oversight of the process and the progress in identifying suitable candidates was exercised by the Committee.

The pool of suitable candidates was reduced to a short-list. Briefing reports on the short-listed candidates were reviewed and candidates met with key Board members. It became clear to the Board and the Committee that Ken Lever was the most suitable candidate to succeed Steve Marshall.

The Committee recommended to the Board the appointment of Ken Lever as the new Chairman, which recommendation received unanimous Board approval and on 12 March 2018 it was announced that Ken Lever would become the new Chairman of the Company with immediate effect.

Ken met the independence requirements set out in the Code on appointment and will be able to dedicate the requisite time to the role.

New Non-Executive Director

With the appointment of Ken Lever as the new Chairman, an immediate search was initiated to appoint a new Non-Executive Director to be the Chairman of the Audit Committee.

During the search process, broad selection criteria were used and sought individuals with the required finance expertise and capabilities to chair an Audit Committee.

Odgers Berndtson which specialises in the recruitment of high calibre Board Directors, was engaged to conduct the search and candidates were considered by the Committee. Odgers Berndtson only provides recruitment consultancy services to the Committee.

After interviewing selected candidates, the Committee was pleased to recommend to the Board Carol Chesney as a Non-Executive Director and Chairman of the Audit Committee. The subsequent appointment recommendation received Board approval with the appointment being announced in June 2018.

Chief Executive Officer

Following the receipt of Mr Wakelin's notice of resignation, the Board met and considered the current succession plan which identified Michael Topham as the Chief Executive Officer's successor having the required identified skills, knowledge, experience and capabilities for the Chief Executive Officer role. The Board unanimously approved the appointment of Michael Topham as the new Chief Executive Officer.

Succession Planning and Talent Management

The Committee reviews both Board and senior management succession planning, and notes short and long-term caretakers for each Board and senior role focusing on resolving key areas of vulnerability and executive team development.

However, with the death of Steve Marshall it brought the matter of succession planning firmly into focus and the Board fully appreciates the need to continue to review its succession planning procedures in the coming 12 months.

Committee Effectiveness

An internal evaluation of the Committee's effectiveness took place during the year, as part of the Board effectiveness review (for further details see page 75). The review indicated that the Committee is working well in addressing the main issues it has covered but succession planning required more focus.

Audit Committee

David Martin
Chairman, Audit Committee

Dear Shareholder

It is a pleasure to present this years Audit Committee (Committee) Report, as Chairman, having been appointed to the role on 12 March 2018 following Ken Lever's Appointment as Chairman.

I would like to acknowledge and thank Ken Lever for all his considerable work during the year as Chairman of the Audit Committee and the assistance he has given me in taking up the reins of the Committee at such short notice.

During the year the Committee has continued to focus on the effectiveness of the controls across the Group, including the strengthening of the Internal Audit resource and to further embed our risk management processes across the Group.

This report aims to provide an understanding of the work of the Committee over the past year and to highlight our areas of focus in 2018.

David Martin
Chairman, Audit Committee
13 June 2018

Areas of Focus in 2018/19

The Committee's priorities for 2018/19 will be:

- ◆ continue to monitor the implementation of the business strategy and its impact on the Group's internal control and risk management framework; and
- ◆ continue to monitor the status of Internal Audit actions.

Attendance at Audit Committee Meetings

Members	Scheduled meetings
Ken Lever	4/4
David Martin	4/4
Michael Averill	4/4

The Role of the Committee

The role of the Committee is to monitor and review the Group's financial reporting arrangements, the effectiveness of its internal controls and risk management framework, the Internal and External Audit processes and the Group's whistleblowing procedures, including oversight of the Internal and External Audit process.

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

Membership and Attendance

The current members of the Committee are the Chairman and two Independent Non-Executive Directors. My appointment as Chairman of the Committee follows Ken's appointment as Chairman of the Board.

The Committee members are selected to provide the widest range of financial and commercial expertise necessary to fulfil the Committee's duties and responsibilities, and the Board considers the Committee members' financial experience to be recent and relevant for the purposes of the Code. Two of the three Committee members are qualified accountants.

Attendees by Invitation

The Chief Financial Officer and the External Audit Partner attend and report to each Committee meeting.

The Chief Executive Officer also regularly attends the Committee meetings by invitation.

During 2017 senior management were invited to attend/present at meetings of the Committee including the Head of Risk and Internal Audit, the Director of Group Finance and the Group IT Director.

Principal responsibilities of the Committee		Key areas discussed and reviewed by the Committee during the year in discharging its responsibilities
Reporting and External Audit	<ul style="list-style-type: none"> Monitoring the integrity of the Company's financial statements and all related formal announcements, and reviewing the significant financial reporting issues, judgements and estimates which they contain including the consistency, quality and appropriateness of accounting policies and the quality and completeness of disclosures. Making recommendations to the Board regarding the appointment, re-appointment or removal of the External Auditor's and approving the External Auditor remuneration and terms of engagement. Monitoring and reviewing the External Auditor independence, objectivity and effectiveness Reviewing the content of the Annual Report and Accounts to ensure that it is fair, balanced and understandable. Reviewing the Non-Audit Services Policy on the engagement of the External Auditor's to supply non-audit services. 	<ul style="list-style-type: none"> Financial statements and announcements relating to the financial performance and governance of the Group at half-year and year-end and the Pre-Close Trading Statements. Key accounting judgements. Changes to accounting policies. Going concern and the Viability Statement. Fair, balance and understandable assessment in relation to the Annual Report. External Auditor independence, objectivity and effectiveness. External Auditor reports on planning the half-yearly and full year audit, including the final opinion. External Auditor remuneration and terms of engagement of the External Auditor. Non-Audit Services Policy and fees paid to External Auditor's.
Risk and Internal Control	<ul style="list-style-type: none"> Overseeing the Company's risk management systems and internal control processes. Monitoring the Company's risk exposure and recommending the Company's risk appetite to the Board for approval. Overseeing the assessment of the principal risks and mitigating actions. Reviewing the risk management disclosures in the half-yearly and Annual Reports. Reviewing the Whistleblowing Policy and its implementation. 	<ul style="list-style-type: none"> Risk Register, including the identification of the Group's principal risks and movement in exposures. Status of key risk indicators including any breaches of thresholds. Effectiveness of the Group's risk management systems and internal control systems. Responses to audit findings and recommendations for control improvements, including reviewing the External Audit management letter. Risk management disclosures in half-yearly and Annual Report. Whistleblowing Policy and processes, including an analysis of matters raised during the year.

Audit Committee Report continued

Principal responsibilities of the Committee		Key areas discussed and reviewed by the Committee during the year in discharging its responsibilities
Internal Audit	<ul style="list-style-type: none"> • Approval of arrangements for the provision of Internal Audit services and any termination of such arrangements. • Monitoring and reviewing the effectiveness of the Company's Internal Audit function and its activities, including its plans, level of resources and budget. • Reviewing Internal Audit reports, recommendations and progress in the implementation of those recommendations. 	<ul style="list-style-type: none"> • 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. • 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. • Internal Audit Reports: including M&A process, financial processes and procedures & corporate governance, I&C sales controls and governance, RDF controls and procedures.
Other Duties of the Audit Committee	<ul style="list-style-type: none"> • Annually reviewing the Audit Committees effectiveness and its Terms of Reference. • Review compliance with legal requirements, accounting standards. • Annually reviewing the Related Party Transactions Policy, and bi-annually the Related Party List. 	<ul style="list-style-type: none"> • The Committee's Terms of Reference. • Evaluation of the effectiveness of the Committee. • Annual treasury and tax Update. • As disclosed at page 75 of this report a potential conflict of interest is registered in respect of Michael Averill who is a non-executive director of the Saudi Investment Recycling Company in Saudi Arabia. • The Related Party Transactions Policy and Related Party List.

Financial Reporting and Significant Financial Judgements

The Committee assesses whether suitable accounting policies have been adopted and whether the Company has made appropriate underlying assumptions, estimates and judgements. The Committee reviewed accounting papers prepared by the Company which provide details on significant financial reporting judgements. Further details can be found in the Financial Statements, Note 1 on page 127.

The Committee also reviewed reports by the External Auditors on the full-year and half-year results which highlighted any issues with respect to the work undertaken on the audit.

The Committee reviewed financial issues through discussion with the Executive Directors and the External Auditors. The significant financial judgements considered in relation to the accounts are detailed in the table opposite:

Significant issues considered by the Committee in relation to the Financial Statements		How these issues were addressed by the Committee
Landfill Accounting	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 beyond the cessation of land filling operations 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>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 accounting methodology.</p> <p>The Committee determined that with the combination of external third-party reports and guidance 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>

Significant issues considered by the Committee in relation to the Financial Statements	How these issues were addressed by the Committee
<p>Retirement Benefit Obligations</p> <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 80 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 £51.3m as at 30 March 2018.</p>	<p>The Committee considered reports from management and the External Auditors 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 164 in Note 29 of the consolidated Financial Statements.</p>
<p>Asset Impairment Review</p> <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.</p>	<p>The Committee reviewed and discussed management's report on the impairment review and considered the External Auditors' 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 and agreed that there were no recognisable indicators of impairment. Details of the key assumptions and judgements used are set out in Note 12 to the consolidated Financial Statements.</p>
<p>Acquisitions</p> <p>For business combinations, the Group operates a process for the identification of the fair values of the assets acquired and liabilities assumed including separate identification of intangible assets by undertaking a purchase price allocation exercise and using, if required, external valuation specialists.</p>	<p>The Committee reviewed this process, the methodology and assumptions used to value the assets and liabilities of the acquisitions completed in 2017/18. The Committee concluded that it was satisfied with management's valuations of these assets and liabilities.</p>
<p>EVP Accounting</p> <p>The Group is currently in dispute with HMRC in connection with the payment of Landfill Tax in respect of certain materials deposited at landfill sites, referred to internally as 'Engineered into the Void' (EVP), (see page 103 of this report and Note 33 on page 168 for further details). A pre-payment was made to HMRC of £63m shortly after the IPO. In May 2018 the first tier tax tribunal found in HMRC's favour. Having taken advice the Company intends to appeal this verdict.</p>	<p>The Committee reviewed the external professional advice received at the time of the IPO and the accounting treatment in respect of both the EVP prepayment to HMRC and the instruments put in place to pay recovered funds to pre-IPO shareholders during the IPO process and its treatment whether or not the outcome of the tribunal hearing was in favour of the Company. The Committee determined that the respective assets and liabilities recorded were appropriate.</p>

Risk Management and Internal Control

The Board has overall responsibility for setting the Group's risk appetite and ensuring that there is an effective risk management framework. The Board has, however, delegated responsibility for review of the risk management methodology and effectiveness of internal controls to the Committee. The Committee has reviewed the work done by management on the assessment of the Company's principal risks, including their impact on the prospects of the Company. The Company's system of internal controls, 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.

The Group's principal risk management systems comprise risk registers and reviews, and Risk Management Committee oversight. Further details of the Group's risk management systems and controls, principal risks and statement following the viability assessment are included in the Strategic Report on pages 40–45. Further details of risk management framework and internal controls are set out on pages 38–39 of this report.

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. Policies and procedures, including clearly defined levels of delegated authority, have been communicated across the Group. Internal controls have been implemented in respect of the key operational and financial processes which exist within the business.

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.

Internal Audit

The Company has an Internal Audit function 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 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 & Internal Audit is given the opportunity to meet privately with the Committee without any Executive Directors or other members of management present.

External Auditors

Deloitte LLP were appointed as the External Auditors of the Company on 23 August 2016. The current lead Audit Partner, Makhani Chahal, was appointed in August 2016. In compliance with the Code, the requirements of the Competition and Markets Authority and EU legislation, the Committee must put its audit arrangements out to tender no later than 2026. The Committee presently intends to keep the Group's audit arrangements under regular review, taking into account the annual performance review that will be conducted by the Committee. There are no contractual restrictions on the Company's selection of its External Auditors.

The Committee is responsible for overseeing the Group's relationship with the External Auditors. The Chief Financial Officer and his team monitor the External Auditor's performance, behaviour and effectiveness during the exercise of their duties, and this informs the Committee's decision whether to recommend to the Board their re-appointment (subject to shareholder approval) or otherwise on an annual basis. The Committee recommended to the Board, which in turn is recommending to shareholders, that Deloitte LLP be re-appointed as the Company Auditors at the forthcoming AGM.

The Committee also assesses the effectiveness, independence and objectivity of the External Auditors process by, for example:

- considering all key External Auditor plans and reports;
- having regular engagement with the External Auditor during Committee meetings and ad hoc meetings (when required), including meetings without any member of management being present;
- the Committee Chair having discussions with the Senior Statutory Auditor ahead of each Committee meeting; and
- at the end of the financial year, each Committee member completing an External Audit process effectiveness review questionnaire.

Auditor Independence and Non-Audit Services

To preserve objectivity and independence, the External Auditors are not asked to provide consulting services unless it is in the best interests of the Company, in accordance with Biffa's Non-Audit Services Policy. This policy requires Audit Committee approval for any non-audit services, whose value exceeds £50,000. The engagement of the External Auditors to provide any non-audit services for more than £10,000 must be approved by the Chief Financial Officer in advance. The policy recognises that certain non-audit services may not be carried out by the External Auditors (in accordance with the EU Statutory Audit regime).

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 our Policy and did not detract from the objectivity and independence of the External Auditors. 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 £95k, representing 11% of the total audit fee (2017 £1.7m and 71%).

The External Auditors confirmed its independence as Auditors of the Company in a letter addressed to the Directors.

Fair, Balanced and Understandable Reporting

The Board recognises the responsibility to present an Annual Report that is a fair, balanced and understandable assessment of Biffa in all of our reporting obligations. This obligation extends further, to interim reports and regulatory announcements to the London Stock Exchange.

In providing the necessary information to its shareholders the Directors consider that, taken as a whole, this Annual Report gives a fair, balanced and understandable assessment of the Company's current financial position and its future prospects.

In arriving at its assessment the Board has:

- reviewed the Annual Report at several levels within the Group ensuring overall balance and consistency;
- benefitted from the oversight and verification process by Internal Audit of factual content;
- received an early review of the Annual Report to enable sufficient time for comment and review; and
- received confirmation from the Committee that there is a robust process in place to support the fair, balanced and understandable assessment.

Whistleblowing

The Group has adopted procedures by which all employees may, in confidence, report any concerns. The Whistleblowing Policy sets out the ethical standards expected of all persons to whom the policy legally applies and includes the procedure for raising concerns in strict confidence. Employees are encouraged in the first instance to talk to their line manager or contact the central HR team directly. However, in circumstances when this is not possible or is inappropriate the Group has provided an independent, external whistleblowing hotline, via Safecall, for the reporting of any such matters on a named or anonymous basis. All reports are treated in strictest confidence and investigations are overseen by the Group HR Director and Company Secretary as appropriate, or the Head of Internal Audit, to ensure that a thorough, fair and transparent process is undertaken and any actions addressed.

The Committee is responsible for monitoring the Group's whistleblowing arrangements and the Whistleblowing Policy is reviewed annually by the Board. The Committee has reviewed these arrangements and is satisfied that they are effective, facilitate the proportionate and independent investigation of reported matters and allow appropriate follow-up action to be taken.

Committee Effectiveness

An internal evaluation of the Committee effectiveness took place during the year, as part of the Board effectiveness review (for further details see page 75). The review indicated that the Committee is working well but identified that a number of the Committee papers needed to be more concise, with the continued evolution of the Internal Audit function demonstrated in the coming year.

Remuneration Committee Chairman's Letter

Michael Averill
Chairman, Remuneration Committee

Dear Shareholder

I am pleased to introduce the Directors' Remuneration Report for 2018.

The Report comprises two sections:

- the **Directors' Remuneration Policy** – which provides the Remuneration Policy for which shareholder approval was obtained at the 2017 AGM and which will continue to apply without amendment for the forthcoming year; and
- the **Directors' Annual Report on Remuneration** – which sets out payments and awards made to the Directors for 2017/18 and how the Policy will be operated for 2018/19.

As no changes are proposed to the existing Policy, only one remuneration resolution will be tabled at the 2018 AGM – i.e. the advisory shareholder vote on the Annual Report on Remuneration.

Areas of Focus in 2018/19

The Committee's priorities for 2018/19 will be:

- ◆ to consider the CEO pay disclosure requirements and the forthcoming revised UK Corporate Governance Code and its impact on the Committee's remit and process; and
- ◆ to monitor developments in market best practice.

Attendance at Remuneration Committee meetings

Current members	Scheduled meetings
Michael Averill	4 of 4
Ken Lever	4 of 4
David Martin	4 of 4

Summary of the Directors' Remuneration Policy

The principal objectives of our Remuneration Policy are to attract, retain and motivate the Executive Directors and the Group's senior management, provide incentives that align with, and support, the Group's business strategy as it evolves, and align incentives with the creation of long-term shareholder value. Our approach to the remuneration of the Executive Directors, which we believe meets these objectives, can be summarised as follows:

Component of remuneration	Summary of approach
Base salary and benefits	<p>Appropriate level of base salary and benefits, reviewed annually in the light of factors such as individual/Group performance, scope of role, practice adopted by comparator companies. The base salaries of the Executive Directors for the forthcoming year (which are unchanged from the prior year) are:</p> <p>Ian Wakelin: £510,000 Michael Topham: £325,000</p>
Pension	Defined contribution/cash supplement of 20% of salary.
Annual bonus	<p>Payable subject to the achievement of challenging financial/strategic/personal performance conditions. Malus and clawback provisions apply. Maximum bonus opportunity for the Executive Directors potentially payable in cash and deferred shares are:</p> <p>CEO: 130% of salary CFO: 110% of salary</p>
Long-term incentives	<p>Provided via a Performance Share Plan ('PSP'). Annual awards over shares which vest are subject to stretching performance conditions, generally measured over a three-year period, and continued service.</p> <p>While the normal PSP grant levels are 150% of salary and 125% of salary for the CEO and CFO respectively, PSP awards will be made in 2018 to the CEO and the CFO over shares worth 120% and 100% of salary respectively. The Executives requested that lower awards be granted on a one-off basis for the 2018 awards only. This is consistent with the approach that is being adopted for other senior executives.</p> <p>Malus and clawback provisions apply.</p>
All-employee share plans	Executive Directors are entitled to participate in the Company's employee share plans, including the Share Incentive Plan (SIP) and Sharesave Plan, on the same terms as other employees.
Share ownership guidelines	200% of salary.

Directors' Remuneration Report continued

Activities of the Committee During the Year

The Remuneration Committee met four times during 2017/18. The main Committee activities during the year (full details of which are set out in the relevant sections of this report) included:

- considering benchmarking pay level analysis for the roles of CEO and CFO;
- agreeing Executive Director base salary levels from 1 April 2017;
- agreeing the performance against the targets and pay out for the 2016/17 Executive Director annual bonus awards;
- setting the performance targets for the 2017/18 annual bonus;
- agreeing the population, award levels and performance targets for the 2017 PSP awards;
- overseeing the roll out of the all-employee 2017 Sharesave Plan;
- receiving an update on the Biffa Group employee pay and conditions and share plans;
- reviewing Gender Pay Gap calculations and agreeing disclosures;
- reviewing proposals for 2017/18 base salary adjustments for the Group Executive Team;
- reviewing annual bonus payments for 2016/17 for the Group Executive Team, senior managers and employees;
- approving the Directors' Remuneration Report and the Remuneration Policy for the 2017 Annual Report; and
- reviewing the Remuneration Committee Terms of Reference.

Committee Effectiveness

An internal evaluation of the Committee's effectiveness took place during the year, as part of the Board effectiveness review.

The review indicated that the Committee is working well in addressing the main issues it has covered and looking ahead we will keep our work under review including the provision of more concise Committee papers, and assessing to what degree we involve the Executive Directors in our remuneration deliberations and their attendance at the meetings.

Pay and Performance

Biffa has delivered a strong set of financial results, which include increasing revenues by 8.7% and maintaining underlying operating margins at 7.5%. 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 £279.0m, which was 1.9 times Underlying EBITDA.

As a result, in respect of the annual bonus for 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 117% of salary for Ian Wakelin and 94% of salary for Michael Topham were awarded in cash (there will be no deferral in shares given that both executives have met the 200% of salary share ownership guidelines). Full details of the bonus targets and performance against the targets are set out in the Annual Report on Remuneration.

CEO Announcement

Following the announcement of 13 June 2018 that Ian Wakelin will be stepping down and Michael Topham will be promoted to CEO, the Committee will further consider Michael's salary, annual bonus and Performance Share Plan award in accordance with the Directors Remuneration Policy, and will disclose any adjustments agreed at such time that his appointment takes effect.

Ian Wakelin's termination terms will also be considered by the Committee in accordance with the Directors Remuneration Policy.

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

Michael Averill
Chairman, Remuneration Committee

Directors' Remuneration Policy

This Remuneration Policy, which has been approved by the Board, contains the material required to be set out in the Directors' Remuneration Report in accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 ('the DRR Regulations').

The Directors' Remuneration Policy as set out in this section of the Directors' Remuneration Report was approved by shareholders at the 2017 AGM. The text has been updated to reflect the passage of time and the fact that the policy has now been approved by shareholders. This policy report can also be found in full on the Company website (www.biffa.co.uk). This policy was developed with reference to the UK Corporate Governance Code in force at the time of approval and is felt to remain appropriate in supporting the long-term success of the Company while ensuring that it does not promote inappropriate risk-taking.

Executive Directors

Element and purpose	Policy and operation	Maximum	Performance measures
Base salary The core element of pay, reflecting the individual's position within the Company and experience	Base salaries will be reviewed as appropriate, but typically not more than annually. In reviewing base salaries, the Remuneration 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.	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.	N/A
Benefits in kind To provide market-competitive benefits valued by recipients	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 Remuneration Committee considers appropriate.	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).	N/A
Pension To provide retirement benefits	The Executive Directors will receive a defined contribution provision (or cash supplement).	The maximum employer's contribution (or cash supplement) is 20% of salary.	N/A
Annual bonus To motivate Executive Directors and incentivise the delivery of business strategy over a one-year operating cycle	<p>Annual bonus plan levels and the appropriateness of measures are reviewed annually to ensure that 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 Remuneration Committee considers it to be necessary in its opinion to make appropriate adjustments.</p> <p>The Remuneration Committee retains the flexibility to pay annual bonus outcomes in cash and/or deferred shares (which may allow for dividend roll-up). The current intention is that one-third of any bonus earned by an Executive Director 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.</p> <p>Malus and clawback provision apply as explained in more detail in the notes to this Policy table.</p>	The maximum annual bonus opportunity is 130% of base salary.	<p>Bonuses will be payable subject to the achievement of performance conditions which will be set by the Remuneration 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 Remuneration 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 Remuneration Committee does not believe this to be the case, it may adjust the bonus outturn accordingly.</p>

Directors' Remuneration Policy continued

Element and purpose	Policy and operation	Maximum	Performance measures
Performance Share Plan To motivate Executive Directors and incentivise the delivery of sustained performance over the long term, and to promote alignment with shareholders' interests	<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 Remuneration Committee and may be subject to a further holding period.</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>Malus and clawback provisions applied are explained in more detail in the notes to this Policy table.</p>	<p>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 CEO and CFO respectively, with awards of a maximum of 250% allowable in exceptional circumstances.</p>	<p>The Remuneration Committee may impose such conditions as it considers appropriate which must be satisfied before any award will vest.</p> <p>All awards made to Executive Directors will be subject to performance conditions which measure performance over a period normally of no less than three years.</p> <p>No more than 25% of awards vest for attaining the threshold level of performance.</p>
Share ownership guidelines To promote stewardship and to further align the interests of Executive Directors with those of shareholders	<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 guideline, 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.</p>	<p>No less than 200% of base salary for any Executive Director.</p>	<p>N/A</p>
All-employee share plans 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>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>	<p>The maximum participation levels for all-employee share plans will be the limits for such plans set by HMRC from time to time.</p>	<p>Consistent with normal practice, such awards would not be subject to performance conditions.</p>

Chairman and Non-Executive Directors

Element and purpose	Policy and operation	Maximum	Performance measures
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	<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 Remuneration Committee. No Director participated 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 or for Chairman of the Audit, Remuneration or other Board Committees 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>	<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>	N/A

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 Remuneration 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 Remuneration Committee expressly reserves the right for the Remuneration 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 Remuneration Committee may apply malus (being the ability to withhold or reduce a payment/vesting) and clawback (the ability to reclaim some or all of a payment/vesting) to an award under the annual bonus or PSP where there are circumstances which would justify such action, such as those relating to material misstatement of accounts, errors in calculating a payment/vesting and a participant's conduct.
- 5 Performance conditions**
The performance-related elements of remuneration take into account the Group's risk policies and systems and are designed to align senior management interests with those of shareholders. The Remuneration Committee reviews the metrics used and targets set for the Group Executive Team and senior management (not just the Executive Directors) every year, in order to ensure that they are aligned with the Group's strategy and to ensure an appropriate level of consistency.

6 Remuneration Committee discretions

The Remuneration Committee will operate the annual bonus plan and PSP according to their respective rules and the above Remuneration Policy table. The Remuneration 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 Remuneration 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 Remuneration Committee determines would make a different or amended target a fairer measure of performance, such 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 Remuneration Committee may make minor amendments to the Remuneration Policy set out above for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation, without obtaining shareholder approval for that amendment.

Directors' Remuneration Policy continued

Remuneration Policy on Recruitment

The Company's recruitment remuneration policy aims to give the Remuneration 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 Remuneration Committee will be to apply the general Policy for Executive Directors as set out above and structure a package in accordance with that Policy. Consistent with the DRR Regulations, any caps contained within the Policy for fixed pay do not apply to new recruits, although the Remuneration 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 general 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 Remuneration Committee may agree that the Company will meet certain relocation expenses as it considers appropriate.

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 general 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 Remuneration Committee and will be limited in value to what the Remuneration Committee considers to be a fair estimate of the value of the awards foregone. The Remuneration 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 Remuneration 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 Remuneration 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 Remuneration Committee, reflected in some other way, such as a significant discount to the face value of the awards forfeited, and where the Remuneration Committee considers it to be in the interests of shareholders.

Service Contracts

Executive Directors

Each of the Executive Directors entered into a service agreement with the Company which was effective upon Admission and dated 14 October 2016. In line with the Policy, 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 Remuneration 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:

- Ian Wakelin's service agreement is terminable by either party on not less than 12 months' written notice or immediately upon payment in lieu of notice, and contains a 12-month garden leave clause.
- 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 six months' written notice. The contract provides for immediate termination upon payment in lieu of notice and contains a six-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 PSP. The payments in lieu will be paid in monthly instalments. Each 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.

Non-Executive Directors

The Non-Executive Directors' appointments are subject to the terms of letters of appointment agreed between themselves and the Company dated 28 September 2016. Ken Lever was appointed as Chairman on 12 March 2018 and is subject to the terms of the letter of appointment on that date. 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 of Association or as otherwise required by law. They are subject to annual re-election by the Company in general meeting.

Remuneration Policy on Termination

The Remuneration Committee will consider any 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 Remuneration Committee determines otherwise). If an Executive Director ceases employment before the bonus date because of death, injury, ill health, disability or any other reason determined by the Remuneration Committee, such bonus will be payable as the Remuneration 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 Remuneration Committee, the award will vest in full on the date of cessation, unless the Remuneration 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 and/or vest on the original vesting date. Alternatively, on a sale or transfer of the employing company or business, participants may be required to exchange their awards for equivalent awards in the acquiring company.

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 deferred bonus awards for equivalent awards in the acquiring company. If awards are not exchanged, they will normally vest immediately, and 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.

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 (evidenced 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 Remuneration Committee, the award will continue and, unless the Remuneration 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; or
- dies, unvested awards will vest at the date of death subject to performance testing and time pro-rating, unless the Remuneration Committee determines otherwise.

Directors' Remuneration Policy continued

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 Remuneration 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 Remuneration Committee considers reasonable if there is a rights issue, corporate restructuring event, demerger, special dividend or other variation of capital.

The all-employee SIP 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 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 non-executive appointments 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 Remuneration Committee will receive regular updates on overall pay and conditions in the Company, including (but not limited to) changes in base pay and any employee bonuses in operation. 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 Company's Remuneration Report or when determining the underlying policy, although it will continue to monitor developments in this area.

Differences between the Policy on Remuneration for Directors 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 SIP and Sharesave Plan on identical terms.

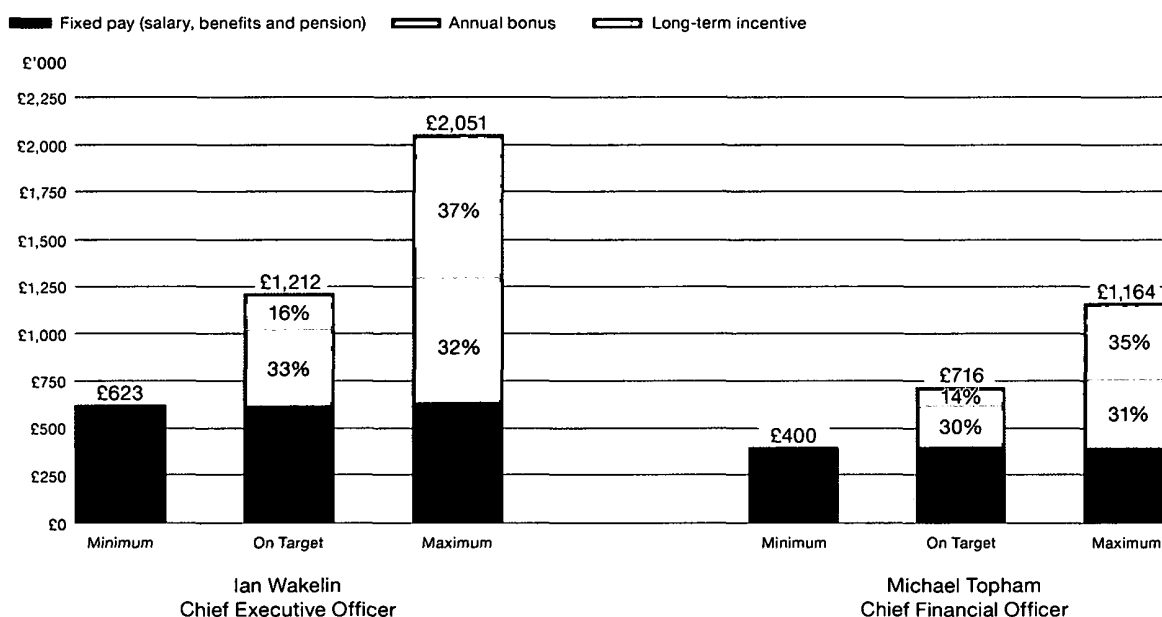
Statement of Consideration of Shareholders' Views

The Company will seek the formal support of its shareholders on matters relating to the remuneration of Executive Directors when required. The Remuneration Committee will ensure that it considers all of the feedback which it receives from its shareholders in this regard.

Illustrations of Application of the Remuneration Policy

The charts below show how the Remuneration Policy set out above is applied for the Executive Directors 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 2018/19 financial year.• Benefits are based on values received for the 2017/18 financial year (rounded to the nearest £1,000).• Pension measured as the defined contribution or cash allowance in lieu of Company contributions of 20% of salary.				
		Base salary	Benefits	Pension	Total fixed
	Ian Wakelin	£510,000	£11,000	£102,000	£623,000
	Michael Topham	£325,000	£11,000	£65,000	£400,000
Target	Based on what the Executive Director would receive if performance was on-target (excluding share price appreciation and dividends):				
	<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: consists of the threshold level of vesting (25% vesting) under the PSP.				
Maximum	Based on the maximum remuneration receivable (excluding share price appreciation and dividends):				
	<ul style="list-style-type: none">• Annual bonus: consists of maximum bonus of 130% of base salary for the CEO and 110% of base salary for the CFO.• Long term incentive: consists of the face value of awards (150% of base salary for the CEO and 125% of base salary for the CFO) under the PSP.				



Directors' Annual Report on Remuneration

Remuneration Committee

In this section details of the composition of the Remuneration Committee are provided.

Remuneration Committee membership

The Remuneration Committee is chaired by Michael Averill, who is an independent Non-Executive Director. Ken Lever, Chairman and David Martin, Senior Independent Director are also members of the Remuneration Committee.

The Company Secretary attends all meetings and other individuals, such as the Chief Executive Officer, the Chief Financial Officer, the Group HR Director and external professional advisers may be invited to attend for all or part of any meeting as and when appropriate and necessary.

The purpose of the Remuneration Committee is to establish a formal and transparent procedure for developing policy on remuneration in accordance with the Code and to set the remuneration of the Chairman and the individual Directors of the Company 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. The Remuneration Committee meets four times a year and at such other times as the Chairman of the Committee shall require or as the Board may direct.

The Remuneration Committee has formal Terms of Reference which can be viewed on the Company's website at www.biffa.co.uk/investor-centre/company-information/corporate-governance.

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. 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 2017/18 financial year were £66,007, charged on the basis of the firm's standard terms of business for advice provided.

2017/18 Remuneration

The following section provides details of how the Company's Directors were paid during the financial year to 30 March 2018.

Single total figure table (audited)

The remuneration for the Executive and Non-Executive Directors of the Company who performed qualifying services during the year is detailed below (with prior year comparatives). As the Company was Admitted in October 2016, part of the 2017 remuneration related to the period when the Group was privately owned.

Director		Salary	Taxable benefits ¹	Bonus	Long term incentives ²	Pre-Admission long term incentives ³	Pension	Total remuneration
Executive Directors								
Ian Wakelin	2018	£510,000	£11,082	£597,355		–	£102,000	£1,220,437
	2017	£510,000	£7,208	£554,503	–	£9,507,310	£102,000	£10,681,021
Michael Topham	2018	£325,000	£11,311	£304,228	–	–	£65,000	£705,539
	2017	£304,167	£7,589	£304,610	–	£3,252,116	£45,069	£3,913,551
Non-Executive Directors								
Michael Averill	2018	£57,000	–	–	–	–	–	£57,000
	2017	£53,665	–	–	–	£250,192	–	£303,857
Ken Lever	2018	£64,096	–	–	–	–	–	£64,096
	2017	£35,881	–	–	–	–	–	£35,881
Steve Marshall ⁴	2018	£90,000	–	–	–	–	–	£90,000
	2017	£180,000	–	–	–	£1,501,154	–	£1,681,154
David Martin ⁵	2018	£118,500	–	–	–	–	–	£118,500
	2017	£35,881	–	–	–	–	–	£35,881
Former Directors								
Gerry Loftus ⁶	2018	–	–	–	–	–	–	–
	2017	£26,585	–	–	–	£250,192	–	£276,777

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

2 No Long Term Incentive Plans vested in the year.

3 This incentive represented shares and a cash bonus paid as part of the long-term Management Incentive Plan (MIP) which was in place from 2013 until Company's Admission. Full details can be found in the Prospectus issued prior to the Company's Admission and last year's Directors' Remuneration Report.

4 Steve Marshall died on 28 September 2017 and ceased to be a Director on that date.

5 In addition to his normal fee and included in the table above, David Martin received a further fee of £61,500 in respect of his six month tenure as acting Chairman (September 2017 – March 2018).

6 Gerry Loftus ceased to be a Director on 20 October 2016, prior to Admission.

The aggregate emoluments (being salary/fees, bonuses, benefits and pension allowances) of all Directors for year ended 30 March 2018 was £2,255,572 (£2,120,431 in the previous year). Aggregate value of vested long-term incentives of all Directors for year ended 30 March 2018 was zero (£14,760,964 in the previous year).

2017/18 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 operating profit and free cash flow targets set by the Board for the purposes of awarding the 2017/18 annual bonuses of the Executive Directors.

More particularly, the profit before tax and cash flow bonus targets (as adjusted appropriately for acquisitions made during the year) were as follows:

	Threshold £m	Target £m	Maximum £m	Actual £m	Max. Pay-out (of total bonus potential)	Actual Pay-out
Underlying Profit Before Tax	54.5	57.4	60.2	59.6	50.0%	45.9%
Underlying Free Cash Flow	33.6	36.4	41.0	44.4	20.0%	20.0%
Total				–	70.0%	65.9%

Directors' Annual Report on Remuneration continued

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.

Measure	Performance	CEO		CFO	
		(% of Potential)		(% of Potential)	
		Potential	Pay-out	Potential	Pay-out
Health, safety & environment					
Demonstrate further progress and improvement in safety and environmental performance as represented by measures of LTI, AFR ¹ , CAR scores and environmental complaints	Progress against targets was made including performance of 12.9% improvement against a target of 5% LTI reduction, CAR score reduced by 21% and a 50% reduction in environmental complaints and there was a static year-on-year performance in the Accident Frequency Rate	5.0%	5.0%	–	–
Employee engagement					
Deliver an improvement in the Group employee engagement score	Annual employee engagement survey did not meet a Group Target of 2% improvement	2.5%	0%	2.5%	0%
Strategy					
Agree five year strategy with Board and make progress against key themes of grow, develop, optimise	Strategy was approved by the Board and performance against KPIs including: <ul style="list-style-type: none">• Organic Net Revenue Growth• Acquisition Net Revenue Growth• Tonnes of Waste Collected• Tonnes of Waste Processed• Underlying Operating Profit Margin• Return on Operating Assets• Return on Capital Employed was considered by the Committee in assessing performance	10.0%	7.7%	10.0%	7.7%
Inorganic growth					
In line with corporate strategy, identify and complete suitable acquisitions with a minimum enterprise value of £25m and an expected EBITDA of £5m (5x multiple)	Good momentum in delivering important part of strategy with acquisition of O'Brien WRS and other acquisitions. Good progress has been made on integration	12.5%	11.5%	12.5%	11.5%
Process improvement					
Complete milestones on Project Fusion by specific dates	Although good progress has been made on the development of the new ERP system some delays resulted in the target dates being missed	–	–	5.0%	0%
		30%	24.2%	30%	19.2%

1 Please refer to the Glossary on pages 178–180.

On the basis of the above performance, the Committee determined that payment of 24.2% for the CEO and 19.2% for the CFO of the maximum 30% of 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	CEO	CFO
Financial performance (% of potential)	70%	70%	65.9%	65.9%
Strategic performance (% of potential)	30%	30%	24.2%	19.2%
Total performance outcome (% of potential)			90.1%	85.1%
Total performance outcome (% of salary)			117.1%	93.6%

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 33, on page 168 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
Ian Wakelin	7.355
Michael Topham	2.129
Estate of Steve Marshall	1.161
Michael Averill	0.194
Gerry Loftus	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
Ian Wakelin	8.172	£817,204	£639,871	£1,457,075
Michael Topham	2.366	£236,559	£185,226	£421,785
Estate of Steve Marshall	1.290	£129,032	£101,032	£230,064
Michael Averill	0.215	£21,505	£16,839	£38,344
Gerry Loftus	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.

A Board Committee has been established to provide an independent review of the EVP Dispute proceedings and make recommendations to the Board. The independent Non-Executive Directors Ken Lever and David Martin, who have no financial interest in the result of the EVP Dispute are the members of that Committee.

The Company was advised in April 2018 that the First Tier Tax Tribunal had found in favour of HMRC in the EVP Dispute. The Company intends to appeal the decision in the Upper Tax Tribunal. At the date of this report, it is unclear as to when an appeal will be heard or how long this will take.

Directors' Annual Report on Remuneration continued

Statement of Directors' shareholding and share interests (audited)

For each Director, the total number of Directors' interests in shares at 30 March 2018 was as follows:

Director	Ian Wakelin	Michael Topham	Michael Averill	Ken Lever ¹	Steve Marshall ²	David Martin ³
Number of Ordinary Shares held as at 30 March 2018 ⁴	1,945,084	660,999	71,340	27,777	428,045	15,000
Number of Ordinary Shares held as at 24 March 2017 ⁴	2,711,497	887,805	71,340	27,777	428,045	15,000

- 1 Since the year-end Ken Lever's spouse purchased 25,000 Ordinary Shares; Ken Lever's total beneficial holding at the date of this report is 52,777 Ordinary Shares.
- 2 Figures for Steve Marshall relate to share interests on death. Since the year-end Steve Marshall's 428,045 Ordinary Shares have been sold.
- 3 Since the year-end David Martin's spouse purchased 10,000 Ordinary Shares; David Martin's total beneficial holding at the date of this report is 25,000 Ordinary Shares.
- 4 Number of shares held includes 145 shares each in respect of the 2016 SIP Award for Ian Wakelin and 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 30 March 2018 and 13 June 2018 other than those noted above. Under the share ownership guidelines, the existing Executive Directors are required to build and maintain a shareholding equivalent to at least 200% of salary. At the 2018 year-end, the Executive Directors complied with this requirement.

PSP awards granted in the year (audited)

The following nil-cost options were granted under the PSP in 2017:

Director	Date of grant	Basis of award (% of salary)	Face value of awards at grant	Number of shares under award ¹	Date of vesting
Ian Wakelin	03-Jul-17	150%	£765,000	344,594 ¹	01-Jul-20
Michael Topham	03-Jul-17	125%	£406,250	182,995 ¹	01-Jul-20

- 1 Based on the three-day average share price of £2.22 to 30 June 2017.

These awards vest in 2020 subject to performance relating to (i) adjusted 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:

Adjusted EPS ¹ 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%
22.5p	100%

- 1 Adjusted EPS is defined as Underlying Profit after Tax per Share.

Biffa's TSR² 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%

- 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.

Awards granted in the year under the Sharesave Plan (audited)

During 2017, all employees, including the Executive Directors, were eligible to participate in the Sharesave Plan. This table details the number of options granted to Michael Topham under the Sharesave:

Director	Date of grant	Share price at grant (£)	Ex Price (£)	No of shares	Date of vesting
Michael Topham	21-Jul-17	2.30	1.581 ¹	2,278	01-Sep-20

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

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 24/03/2017	Awards granted in the year	Awards lapsed in the year	Awards vested in the year	Interest at 30/03/2018	Date of vesting/Exercise period
Ian Wakelin	PSP ¹	0	20-Oct-16	566,666	–	–	–	566,666	See Note 1
	PSP ²	0	03-Jul-17	–	344,594	–	–	344,594	01-Jul-20
	SIP ³	0	21-Nov-16	143	2	–	–	145	See Note 3
Michael Topham	PSP ¹	0	20-Oct-16	361,111	–	–	–	361,111	See Note 1
	PSP ²	0	03-Jul-17	–	182,995	–	–	182,995	01-Jul-20
	SIP ³	0	21-Nov-16	143	2	–	–	145	See Note 3
	SAYE ⁴	1.58	21-Jul-17	–	2,278	–	–	2,278	01-Sep-20

1 Performance targets for the 2016 PSP awards are presented in last year's Directors Remuneration Report. Awards vest as soon as is reasonably practicable after the date of the preliminary announcement of results for the 2018/19 financial year.

2 Performance targets for the 2017 PSP awards are detailed above.

3 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.

4 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 2017/18 from share plan awards was £ nil (2016/17: £ nil).

Payments to past Directors (audited)

There were no payments to past Directors in the financial year 2017/18 (2016/17: nil).

Payments for loss of office (audited)

No payments were made to any Director in respect of loss of office in the financial year 2017/18 (2016/17: nil).

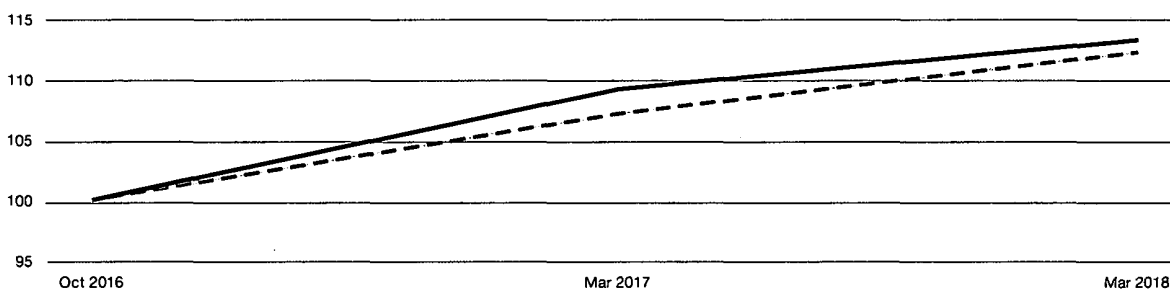
Review of past performance and CEO remuneration table (unaudited)

The graph below shows the TSR of the Company and the FTSE 250 Index (excluding Investment Trusts) over the period from Admission to 30 March 2018. 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)

Directors' Annual Report on Remuneration continued

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
2017/18	£1,220,437	90.1%	–
2016/17	£10,681,021 ¹	94.5%	–

¹ It should be noted that £9,507,310 of the above amount relates to the MIP (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	All Biffa employees
Salary	0.0%	1.9%
Short-term incentives	7.7%	(22.4%)
All taxable benefits	53.8% ¹	5.4%

¹ The increase in taxable benefits relates primarily to a £3,900 p.a. increase in car allowance (£4,500 p.a. to £8,400 p.a.).

Relative importance of spend on pay (unaudited)

The table below details the change in total employee pay between financial years 2016/17 and 2017/18 as detailed in Note 7 of the Consolidated 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 Statements¹.

	% change	2017/18 £'000	2016/17 £'000
Total gross employee pay	9.4%	£234.8m	£214.6m
Distributions to shareholders	N/A	£11.4m	–

¹ Figures for 2016/17 are impacted by the one-off MIP payments and shares, outlined above, which vested on IPO and includes acquisitions made in 2016/17.

Statement of shareholder voting

The table below shows the advisory vote on the 2016/17 Directors' Remuneration Report and the binding vote on the 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	0.27%	7,467,112
Remuneration Report	192,562,711	99.32	1,325,490	0.68%	6,685,772

Implementation of Policy for 2018/19 (unaudited information)

Base salary

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

Director	1 April 2018	1 April 2017	% Increase
Ian Wakelin	£510,000	£510,000	0%
Michael Topham	£325,000	£325,000	0%

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 101. There is no intention to introduce additional benefits in 2018/19.

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

Annual bonus

Bonus will continue to be of maxima 130% of salary for the CEO and 110% of salary for the CFO. 33% of any bonus earned will be deferred into shares for three years to the extent that an Executive Director does not satisfy the share ownership guideline on the bonus payment date. 70% of the bonus will be payable by reference to performance against financial targets (up to 50% will be payable based on a sliding scale of challenging Underlying Profit Before Tax targets and up to 20% will be payable based on a sliding scale of challenging Underlying Free Cash Flow targets). 30% of the bonus will be payable based on performance against a number of strategic/personal objectives relating to the delivery of strategy, health and safety measures and employee engagement.

In addition, no bonus will be payable unless the Committee is satisfied that the Company's underlying performance warrants it and 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.

Due to issues of commercial sensitivity, we do not believe it is in shareholders' interests to disclose any further details of these targets on a prospective basis. However, the Company is committed to adhering to principles of transparency and will, therefore, provide appropriate and relevant levels of disclosure of bonus targets and performance against these targets for the 2018/19 bonus in next year's report.

PSP awards

A PSP award will be made in 2018 to Michael Topham as CFO, of shares worth 100% of salary. This award level is below the normal PSP grant level of 125% of salary for the CFO role, consistent with the approach that is being adopted for other senior executives, and as explained in the Strategic Report. The Committee will review the award made to Michael Topham upon his appointment to CEO, and would disclose any top up to reflect the promotion shortly after any grant and in next year's report.

Adjusted EPS ¹ for 2020/21 financial year (50% of award)	Portion of award vesting
Below 21.5p	0%
21.5p	25%
21.5p to 25.5p	Pro-rata on straight-line basis between 25% and 100%
25.5p	100%

Biffa's TSR ² 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 Adjusted EPS is defined as Underlying Profit after Tax per Share.

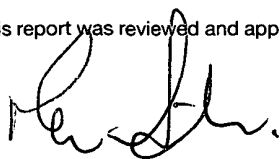
2 TSR (calculated based on Biffa plc share price movements, plus dividends reinvested into Biffa plc shares on the relevant ex-dividend dates, over the performance period) is measured over the period from the date of grant to the date of the preliminary announcement of results for the 2019/20 financial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

Chairman and Non-Executive Director fees

Ken Lever receives a fee of £180,000 p.a. following his appointment as Chairman.

The Non-Executive Directors each receive a fee of £50,000 p.a., with an additional fee of £7,000 p.a. for each of the Senior Independent Director, Chairman of the Audit Committee and Chairman of the Remuneration Committee. These fees are unchanged from the prior year.

This report was reviewed and approved by the Board on 13 June 2018 and signed on its behalf by order of the Board.



Michael Averill
Chairman, Remuneration Committee

Corporate Governance

Directors' Report

Constitution

Biffa plc is a company incorporated in England and Wales with company number 10336040. The Company's Articles of Association may only be amended by a special resolution at a general meeting of the shareholders.

Principal Activities

Biffa plc is the ultimate parent Company of the Group and trades principally through its subsidiary undertakings. The Group is a leading waste management company in the UK. All subsidiaries of the Company are listed on pages 169–170 of this Annual Report.

Information Incorporated by Reference

The following information is provided in other appropriate sections of the Annual Report and the Financial Statements and is incorporated by the following references:

Information	Reported in	Pages
Corporate governance	The Corporate Governance Statement and Statement of Directors' Responsibilities	64–111
Directors	Board of Directors	66–67
	Directors' Report on Remuneration	90–107
	Directors' share interests	104
Accounting policies, financial instruments and financial risk management	Financial Statements	122–177
Going concern	Board Statements	70
Conflicts of interest	Corporate Governance Report	75
Results	Consolidated Statement of Profit and Loss	122
Green house gas emissions	Strategic Report	61

Directors' Report Content

The Strategic Report, the Corporate Governance Report and the Directors' Remuneration Report are all incorporated by reference into this Directors' Report and should be read as part of this Report.

Strategic Report

The Company is required to prepare a fair review of the business of the Group for the 33-week period ended, 30 March 2018. The Strategic Report can be found on pages 1–63 and within that Report are details of the Group's business goals, business strategy and business model which are set out on pages 2–11.

A review of the Group's activities and the position of the Group at the end of the financial period and its prospects for the future are contained in the Chairman's Statement on pages 12–13. The business and financial reviews and the description of the principal risks and uncertainties facing the Group are contained in the Strategic Report. The purpose of the Strategic Report is to enable shareholders to assess how the Directors have performed their duty under section 172 of the Companies Act 2006 (the Act).

Corporate Governance Reporting

Details of the Company's compliance with the Code and the disclosures required under the Code and the UK Listing Rules (Listing Rules) are contained within the Corporate Governance Report on pages 64–107. The Compliance Statement as required by Rule 7.2.1 of the Financial Conduct Authority's (FCA) Disclosure and Transparency Rules (DTR) is set out on page 111.

Management Report

For the purposes of DTR Rule 4.1.5 R(2) and DTR Rule 4.1.8, this Directors' Report and the Strategic Report on pages 21–63 comprise the Management Report.

Directors

The Directors of the Company are listed on pages 66–67 of this Annual Report.

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 election or re-election to the Board.

Each of the Directors is being unanimously recommended by the other members of the Board due to their experience, knowledge and significant management experience, their effective contribution to the businesses and a commitment to their role. Biographical details of all the Directors are set out on pages 66–67.

Details of the service contracts of the Executive Directors and the letters of appointment of the Non-Executive Directors are set out in the Directors' Report on Remuneration on pages 96-97 respectively. Terms of office are set out in the Directors' Remuneration Policy and accompanying notes on pages 96-97

Subject to applicable law and the Articles of Association of the Company and to any directions given by special resolution, the business of the Company will be managed by the Board which may exercise all the powers of the Company.

Directors' Indemnities and Insurance

The Company has made qualifying third-party provisions (as defined in the Act) for the benefit of its Directors. These provisions remain in force at the date of this Annual Report.

In accordance with the Company's Articles of Association, and to the extent permitted by law, the Company may indemnify its Directors out of its own funds to cover liabilities arising as a result of their office. The Group holds Directors' and Officers' Liability Insurance cover for any claim brought against directors or officers for wrongful acts in connection with their positions but the cover does not extend to claims arising from dishonesty or fraud.

Dividends

The interim dividend of 2.40 pence per share was paid on 5 January 2018. Directors recommend the payment of a final dividend of 4.53 pence per share for the financial period ended 30 March 2018 subject to approval at the AGM on 18 July 2018, making a total payment for the year of 6.70 pence per share. The final dividend will be payable on 27 July 2018 to shareholders on the register at the close of business on 6 July 2018.

In accordance with Listing Rule 9.8.4R, details of dividends waived by shareholders are below under the paragraph headed Share Capital.

Authority to Purchase Shares

The Directors are seeking authority at the forthcoming AGM for the Company to purchase its own shares within certain limits.

Post Balance Sheet Events

There have been no material events from 30 March 2018 to the date of this Report.

Shareholders' Rights

Each Ordinary Share of the Company carries the right of one vote at general meetings of the Company. There are no restrictions on the transfer of Ordinary Shares in the capital of the Company other than certain restrictions which may from time to time be imposed by law. In accordance with applicable law and the Company's share dealing policy, certain employees are required to seek approval before dealing in any Company securities.

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.

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.

On 13 June 2018, the Biffa plc Share Incentive Plan 2016 held 637,040 shares and the WasteHoldco 1 Employee Benefit Trust (EBT) held 269,081 shares, and the Biffa PSP plan held 606,558 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.

The rights and obligations attached to these shares are governed by English law, the Act and the Company's Articles of Association.

On 19 July 2017, the shareholders of the Company granted authority to allot shares or grant rights to or subscribe for or convert any security into shares in the Company (i) up to a further nominal amount of £833,333.33 and (ii) comprising equity securities up to a further nominal amount of the same figure £833,333.33 in connection with an offer by way of a rights issue. Such authority shall expire at the earlier of the next AGM of the Company or 30 September 2018.

Additionally, on 19 July 2017, the shareholders of the Company granted authority for the making of market purchases of its own shares subject to the condition that the number of ordinary shares re-purchased shall not exceed 10% of the issued share capital of the Company and subject to the price for such re-purchase not to exceed the higher of a) 105% of the average of the closing price of the shares on the five business days prior to the re-purchase and b) the higher of the price of the last independent trade and the highest current bid for the shares. This authority shall expire on the earlier of the next AGM or 30 September 2018.

Directors' Report continued

Substantial Shareholdings

The information provided below was correct at the date of notification; however, the date on which the information was received may not have been within the current financial year. It should be noted that these holdings are likely to have changed since the Company was notified. However, notification of any change is not required until the next notifiable threshold is crossed.

Information provided to the Company pursuant to the FCA's DTRs is published on a Regulatory Information Service and on the Company's website.

At 30 March 2018 the shareholders with 3% or more of the voting rights in the Company were:

Shareholder	Number of shares held	Holding of issued share capital %
Angelo, Gordon & Co	36,966,869	14.79
Avenue Europe International Management	27,617,862	11.05
Citigroup Global Markets	11,359,885	4.54
Pelham Capital Management	11,000,000	4.40
The Goldman Sachs Group, Inc.	10,398,234	4.16
Legal & General Investment Management	9,672,380	3.87
UBS Securities	8,629,921	3.45
Bain Capital	8,467,522	3.39

Employee Involvement

The Group considers it important that its employees are involved and engaged at all levels within the organisation. Management ensures that employees are updated with matters of interest through a variety of formal and informal communication channels. Further details on employee involvement can be found in the Strategic Report on pages 52–55.

Employment of Disabled People

The business is committed to providing equal opportunity for all its employees, including the consideration of all applications regardless of any disability and all efforts will be made to retain, re-train and make adjustments for disabled colleagues employed by the business. Further details on the employment of disabled people can be found in the Strategic Report on page 54.

Modern Slavery

In compliance with the Modern Slavery Act 2015, the Company's statement on Modern Slavery can be found on the Company's website at www.biffa.co.uk.

Political Donations

No political donations have been made during the financial year.

Contracts and Transactions

The Company is not aware of any significant agreements to which it is party that take effect, alter or terminate upon a change of control of the Company following a takeover. The Company is not aware of any contractual or other agreement, which is essential to its business that ought to be disclosed in this Directors' Report.

External Auditors

So far as each Director is aware, there is no relevant information of which the Company's External Auditors are 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.

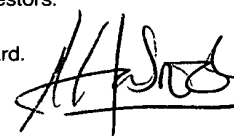
As detailed on page 88, the Audit Committee recommended, and the Board approved, the proposal that the current Auditors, Deloitte LLP, be re-appointed as Auditors of the Company at the AGM. Resolutions to re-appoint Deloitte LLP as the Company's Auditors until the conclusion of the AGM in 2019 and to authorise the Directors to determine their remuneration will be proposed to shareholders at the AGM.

Annual General Meeting

The Company's second AGM will be held at 11am on Wednesday 18 July 2018 at the offices of Linklaters LLP, 1 Silk Street, London EC2Y 8HQ. The Notice of the AGM contains a full explanation of the business to be conducted at the AGM and can be found on the Company's website www.biffa.co.uk/investors.

On behalf of the Board.

Rachael Hambrook
Company Secretary
Biffa plc



Registered in England and Wales No. 10336040

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 Group and parent 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 IAS Regulation and have elected to prepare the parent 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 parent 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 and parent Company Financial Statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU; 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 parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent 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.

Statement of Directors' Responsibility under the Disclosure and Transparency Rules

Pursuant to Rule 4.1.12 of the Disclosure and Transparency Rules (DTRs) each of the Directors, the names and functions of whom are set out on pages 66-67 confirm that to the best of their knowledge:


- 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 or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the management report required by DTR 4.1.8R (contained in the Strategic Report and the Directors' Report) includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole together with a description of the principal risks and uncertainties that they face.

Statement of Directors' Responsibility under the UK Corporate Governance Code

Each of the Directors as detailed above confirm that to the best of their knowledge the Annual Report taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's and the Company's position, performance, business model and strategy in accordance with the Code.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions. A copy of the Financial Statements is available on Biffa's website.

The Statement of Directors' Responsibilities was approved by the Board on 13 June 2018.



Ken Lever
Chairman
13 June 2018

Independent Auditor's Report to the members of Biffa plc Report on the audit of the Financial Statements

Opinion

In our opinion:

- the Financial Statements give a true and fair view of the state of the Group's and of the Company's affairs as at 30 March 2018 and of the Group's profit for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the Company Financial Statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 101 "Reduced Disclosure Framework"; 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 of Biffa plc (the Company) and its subsidiaries (the Group) which comprise:

- the Consolidated Income Statement;
- the Consolidated Statement of Comprehensive Income;
- the Consolidated and Company Balance Sheets;
- the Consolidated Statement of Cash Flows;
- the Consolidated and Company Statements of Changes in Equity;
- the related Notes 1 to 36 for the Consolidated Financial Statements; and
- the related Notes 1 to 10 for the Company Financial Statements.

The financial reporting framework that has been applied in the preparation of the Group Financial Statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Company Financial Statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

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 Company in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, including 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. We confirm that the non-audit services prohibited by the Financial Reporting Council's (FRC's) Ethical Standard were not provided to the Group or the Company.

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

Summary of our Audit Approach

Key Audit Matters	<p>The key audit matters that we identified in the current year were:</p> <ul style="list-style-type: none"> • Landfill Accounting • Retirement Benefit Obligations • Asset Impairment • Acquisition Accounting • Uncertain Tax Positions • The key audit matters are the same as in the prior year
Materiality	We have set materiality for the Group Financial Statements to be £3.5m. Materiality has been determined by applying a rate of 6% to profit before tax, exceptional items and re-measurements (Adjusted Profit Before Tax).
Scoping	We performed full scope audits on 43 legal entities and specified audit procedures on 2 legal entities located in the United Kingdom and Malta. These entities account for 100% of the Group's revenue and net assets.
Significant changes in our audit approach	Our audit approach is consistent with the previous year.

Conclusions relating to Going Concern, Principal Risks and Viability Statement

<p>Going Concern</p> <p>We have reviewed the Directors' statement on page 111 in 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.</p> <p>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.</p>	<p>We confirm that we have nothing material to report, add or draw attention to in respect of these matters.</p>
<p>Principal Risks and Viability Statement</p> <p>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:</p> <ul style="list-style-type: none"> • the disclosures (on pages 40 to 44) that describe the principal risks and explain how they are being managed or mitigated; • the Directors' confirmation on page 38 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity; or • the Directors' explanation on page 45 as to how they have assessed the prospects of the Group, over what period 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. <p>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.</p>	<p>We confirm that we have nothing material to report, add or draw attention to in respect of these matters.</p>

Key Audit Matters

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

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

Independent Auditor's Report to the members of Biffa plc

Report on the audit of the Financial Statements continued

Landfill Accounting

Key Audit Matter Description	<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.</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 matters arise from a number of estimation uncertainties which exist in relation to the level of the provision and depreciation required. These include the appropriateness of the total cost and void data as well as the accuracy of the underlying calculations with the key variables being gross cost assumptions, void assumptions and the discount rate applied to the cashflow assumption.</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> <p><i>As at 30 March 2018 the Group holds a landfill restoration and aftercare provision of £74.2m (24 March 2017: £80.9m).</i></p> <p><i>The associated disclosure is included in Note 21. The Audit Committee has included their assessment of this risk on page 86 and is included within the key sources of estimation uncertainty in Note 1. For specifics of the Group's accounting policy please see page 133.</i></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>Biffa uses internal and external experts to help determine the total expenditure required to remediate sites. As part of the audit we obtained and inspected expert's 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 specialists.</p> <p>We performed procedures to understand the adequacy of the design, implementation and 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 have independently calculated an appropriate discount rate range and compared this to management's rate and used this to benchmark management's rate. We have performed a sensitivity analysis of the environmental provision utilising our independently calculated range. We have 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 substantive analytical reviews; and re-performed the arithmetical accuracy of the cost of the provision.</p>
Key Observations	<p>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>

Retirement Benefit Obligations

Key Audit Matter Description	<p>The Group operates several defined benefit pension schemes which are accounted for under IAS 19 ("Employment Benefits"). At 30 March 2018, the Group have recognised a net defined benefit surplus arising from the defined benefit schemes of £51.3m (2017: £15.4m). Included within this figure is a gross defined benefit obligation of £472.8m (2017: £488.7m).</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. We have identified a key audit matter specifically in relation to the assumption used in valuing the defined benefit pension liabilities including the use of assumptions on the discount rate, mortality assumption, inflation level, pension increase and measures of longevity. The setting of these assumptions is complex and changes to the assumptions can have a material impact on the value of pension assets and liabilities. These measures can have a material impact in determining the quantum of the retirement benefit liability.</p> <p><i>The associated disclosure is included in Note 29. The Audit Committee has included their assessment of this risk on page 87 and is included within the key sources of estimation uncertainty in Note 1. For specifics of the Group's accounting policy please see page 133.</i></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 obligations.</p> <p>We have tested the significant judgements made by Biffa plc third party actuaries and assessed their competence and independence. We also used our internal actuarial experts to assess the key assumptions applied in determining the pension obligations for the two main 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 quantify the impact of illustrative benchmark rates that could be used in their calculations.</p> <p>Additionally we have 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 assessing the basis on which pension surpluses were recognised. The latter involved agreeing related terms to the deeds of the relevant Group pension schemes.</p>
Key Observations	<p>Based on the work performed as outlined above, we are satisfied that the methodologies and key assumptions applied in relation to determining the pension valuation, when taken in aggregate, fall within an acceptable range.</p>

Asset Impairment

Key Audit Matter Description	<p>As at 30 March 2018 the Group held non-current assets of £806.2m (2017: £737.6m) which could be at risk of impairment, including a goodwill balance of £100.3m (2017: £70.4m) arising as a result of the previous Group restructurings and acquisitions. We focused our impairment of goodwill and other intangible assets testing on the Energy division based on low levels of headroom, highly sensitive key inputs and a new impairment model methodology employed during the year.</p> <p>The Group also carries different classes of intangible assets, gas reserves, and brand and customer contracts. In addition, the Group carries different classes of tangible assets.</p> <p>Management identified four Cash Generating Units (CGUs) that are in line with their operating divisions. The recoverable amount of these four CGUs has been calculated on a Value in Use basis (VIU). We have identified a key audit matter specifically in relation to the assumptions used in the forecasts. These include the discount rate; long term growth rates; forecast tonnage; and electricity prices and market prices.</p> <p><i>The associated disclosure is included in Note 12. The Audit Committee has included their assessment of this risk on page 87 and is included within the key sources of estimation uncertainty in Note 1. For specifics of the Group's accounting policy please see page 133.</i></p>
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Asset Impairment continued

Independent Auditor's Report to the members of Biffa plc

Report on the audit of the Financial Statements continued

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 have reviewed the forecast reports provided by management's specialists for consistency with publicly available information and the reflection in the cashflow forecasts. We have assessed the independence, objectivity, and competency of the internal and external specialists used.</p> <p>We have 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>We further challenged management's sensitivity analysis and performed our own sensitivity analysis on key variables. Having ascertained the extent of change in those assumptions that either were individually or collectively required for the goodwill and intangible assets to be impaired, we considered the likelihood of such movement in those key assumptions arising.</p> <p>We used our internal valuation specialists to determine an acceptable range of discount rates utilising market comparable information and compared the rate calculated by management. We have challenged management in the long range growth rates in comparison to those used by comparable competitors. 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>We have concurred with management that there is currently sufficient headroom in the Energy division such that we concur that no impairment is required. We conclude that the assumptions applied in the impairment model, when taken in aggregate, are within our acceptable range.</p>
Acquisition Accounting	
Key Audit Matter Description	<p>During the year Biffa plc acquired O'Brien Waste Recycling Solutions Limited for £35.2 million. In accordance with IFRS 3 "Business Combinations", management has recognised the identifiable assets and the liabilities at their acquisition date fair values.</p> <p>We have identified a key audit matter specifically in relation to the assumptions applied in respect of the Purchase Price Allocation (PPA) exercise including identifying where intangible assets arise and the relevant Weighted Average Cost of Capital (WACC) to be used in valuing these. Judgement is also applied in the assessment of the fair value of the contingent element of consideration.</p> <p>Intangibles of £6.9m have been identified relating to the customer relationships arising from four Municipal contracts held with the local authorities. A further £1.3m was recognised for the brand name.</p> <p>Management have concluded that there are no indicators of impairment of the acquired goodwill based on their expectation of the future performance of the acquired businesses.</p> <p><i>The associated disclosure is included in Note 11. The Audit Committee has included their assessment of this risk on page 87 and is included within the key sources of estimation uncertainty in Note 1. For specifics of the Group's accounting policy please see page 128.</i></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 acquisition process.</p> <p>We tested the acquisition balance sheet and initial fair value adjustments of the acquired businesses including challenging management with regards to the identification and valuation of intangible assets and liabilities post acquisition. This was carried out by assessing the fair value adjustment applied to the acquired assets and liabilities; determining whether these have been appropriately recorded at fair value; and challenging management on whether further intangible assets had been acquired under the agreement.</p> <p>We used our internal valuation specialists to challenge management's assumptions using their expertise with regard to; the valuation methodology used, the identification and valuation of intangibles; and the determination of an appropriate WACC rate.</p> <p>We reviewed post acquisition trading for indicators of impairment of the goodwill recognised.</p>
Key Observations	<p>Based on the work performed as outlined above, we are satisfied that the acquired businesses have been appropriately accounted for in accordance with IFRS 3 "Business Combinations".</p>

Uncertain Tax Positions

Key Audit Matter Description	<p>Estimation is required in relation to the value of the tax provision recorded in respect of the Engineering into the Void (EVP) and other landfill tax arising on materials and soils exhibiting low levels of contamination. Accordingly, tax provisioning is included in Note 1 as one of the key accounting estimates.</p> <p>As outlined in Note 33, HMRC have concluded that the use of EVP in the construction of landfill cells is liable for Landfill Tax. The total liability is now estimated to be approximately £63.6m (2017: £67.4m). Management continue to dispute HMRC's interpretation, and having taken external professional advice, does not reasonably expect a liability to be probable, despite the recent adverse EVP tribunal hearing outcome that was issued on 11 April 2018. Having taken appropriate legal advice following this hearing, the Directors have decided to appeal this judgment on the basis that the Judge did not take proper account for the nature of EVP and other supporting evidence provided by Biffa.</p> <p>Following the IPO in the prior period, the Group ceased to qualify for hardship relief which enabled the Company not to make payment to HMRC. Consequently, upon IPO the Company paid the disputed amount to HMRC. On the basis that the Group expects to win the case, the £61.9m paid has been recognised as recoverable and none of the estimated interest has been accrued.</p> <p>There is a risk that this exposure is not recognised in line with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" which sets out when it is appropriate to recognise an asset and liability when there is a level of uncertainty.</p> <p>In January 2017 HMRC queried Biffa's Landfill Tax treatment in relation to hazardous soil and challenged the standard rate employed in this calculation. Since April 2017, HMRC has issued three protective assessments for £897k and as a result the Group is potentially liable to pay additional Landfill Tax of 8.6 million. Biffa has obtained and received the opinions of two legal experts who concluded that management's interpretation was correct. The Group has challenged the protective assessments received to date but has not received a response yet.</p> <p><i>The associated disclosure is included in Note 33. The Audit Committee has included their amendment of this risk on page 87. For specifics of the Group's accounting policy please see page 134.</i></p>
How the scope of our audit responded to the key audit matter	<p>We performed procedures to understand the design and implementation of controls in place to determine whether the potential liability is appropriately accounted for and disclosed in the Group's Financial Statements.</p> <p>We reviewed correspondence between Biffa, HMRC and Biffa's external legal counsel to assess that the accounting and disclosures for sufficiency against the requirements of IAS 37 in the Group's Annual Report reflected the latest status of the dispute. We obtained direct correspondence from Biffa's external legal counsel with regard to the status of the claim and assessed their independence, competence and objectivity. We have also challenged management on the appropriateness of their positions taken in both cases, requesting a legal opinion to support them.</p>
Key Observations	<p>Based on the procedures performed as outlined above and the evidence obtained, we concur with management's assessment the £63.6m is recoverable, and appropriate disclosures made in the Group's Annual Report accordingly.</p>

Independent Auditor's Report to the members of Biffa plc

Report on the audit of the Financial Statements continued

Our Application of 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:

Materiality	Group materiality as £3.5m (2017: £2.6m) Company materiality as £1.4m (2017: £1.3m)
Basis for Determining Materiality	<p>We have determined materiality for the Group Financial Statements to be £3.5m. Materiality has been determined by applying a rate of 6.0% to profit before tax, exceptional items and re-measurements ("adjusted profit before tax").</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 loss before tax; • adding back items classed as exceptional in Note 3; • adjusting the effect of the change in discount rate on aftercare provisions, so that its impact on adjusted profit represents a four year normalised average figure; and • adjusting finance costs so that their impact on adjusted profit reflects the capital structure post acquisition. <p>The Company materiality was determined on the basis of net assets and equates to 0.6% of the Company's net assets.</p>
Rationale for the Benchmark Applied	<p>We believe that using a materiality based on this benchmark reflects critical underlying measures of the Group which is given substantial prominence throughout the Annual Report and reflects the key metrics used by analysts and investors. 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 four years. We consider this measure suitable having considered also other benchmarks: our materiality equates to 2.3% of Underlying EBITDA, and approximately 1.0% of Net Assets, 5.6% of Operating Profit; 0.4% of Gross Non-Current Assets; and 1.0% of Net Assets.</p> <p>As the Company is non-trading and operates as primarily a holding Company for the Group's trading entities, we believe that the net asset position is the most appropriate benchmark to use.</p>

Levels of materiality applied to components ranged from £2.8m to £1.4m (2017: £1.8m to £1.3m), depending on the scale of the component's operations and our assessment of risks specific to each entity.

We have also set performance materiality for the Group at £2.45m (2017: £1.8m) which represents 70% of our materiality. We use performance materiality to determine the extent of our testing; it is lower than materiality to reflect our assessment of the risk of errors undetected by our sample testing and uncorrected in the Financial Statements.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.17m (2017: £0.13m), 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.

An Overview of the Scope of our Audit

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

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

Based on this assessment, we performed full scope audits on 43 legal entities and specified audit procedures on 2 legal entities located in the United Kingdom and Malta. The number of scoped entities have increased since the prior year following the O'Brien WRS acquisition and the related subsidiaries. These entities account for 100% of both the Group's revenue and net assets.

At the parent entity level we also tested the consolidation process and 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.

A senior member of the Group audit team visited the Maltese entity. In addition to our visit, we sent detailed instructions to the Maltese component audit team, included them in our team briefings, discussed the risk assessment, attended the closing meeting and reviewed their audit working papers.

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.

We have nothing to report in respect of these matters.

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.

Independent Auditor's Report to the members of Biffa plc

Report on the audit of the Financial Statements continued

Responsibilities of the 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 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 Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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.

Report on other Legal and Regulatory Requirements

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 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.

Matters on which we are required to report by exception

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 nothing to report in respect of these matters.

- 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.

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.

Other matters

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 year ending 24 March 2017 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 2 years, covering the years ending 24 March 2017 to 30 March 2018.

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).



Makhan Chahal ACA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
London
13 June 2018

Financial Statements

Consolidated Statement of Profit or Loss

		53 weeks ended 30 March 2018			52 weeks ended 24 March 2017		
	Notes	Underlying activities £m	Other items £m (Note 3)	Total £m	Underlying activities £m	Other Items £m (Note 3)	Total £m
Continuing operations							
Revenue	2	1,076.7	–	1,076.7	990.4	–	990.4
Cost of sales		(845.0)	(17.8)	(862.8)	(866.0)	(31.5)	(897.5)
Gross profit		131.7	(17.9)	113.8	124.4	(31.5)	92.9
Operating costs		(50.5)	(0.9)	(51.4)	(50.6)	(30.2)	(80.8)
Operating profit		81.2	(18.8)	62.4	73.8	(61.7)	12.1
Finance income	4	0.6	–	0.6	4.9	0.6	5.5
Finance charges	4	(22.2)	(2.5)	(24.7)	(33.6)	(2.7)	(36.3)
Profit/(loss) before taxation	6	59.6	(21.3)	38.3	45.1	(63.8)	(18.7)
Taxation	9	(11.7)	4.5	(7.2)	(9.3)	17.1	7.8
Profit/(loss) for the period		47.9	(16.8)	31.1	35.8	(46.7)	(10.9)
Profit/(loss) attributable to shareholders of the parent Company		47.9	(16.8)	31.1	35.8	(46.7)	(10.9)
Basic and diluted earnings/(loss) per share (pence)	10	19.2	(6.8)	12.4	29.3	(38.3)	(9.0)

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/(Loss)

	Notes	53 weeks ended 30 March 2018 £m	52 weeks ended 24 March 2017 £m
Profit/(loss) for the period from continuing operations		31.1	(10.9)
Other comprehensive income/(loss)			
Items from continuing operations that will not be reclassified subsequently to profit or loss:			
Actuarial gain/(loss) on defined benefit pension scheme	29	32.7	(17.6)
Tax relating to items that will not be reclassified subsequently to profit or loss	9	(4.1)	3.4
		28.6	(14.2)
Items from continuing operations that may be reclassified subsequently to profit or loss:			
Net (loss)/gains on cash flow hedge		(0.3)	0.3
Other comprehensive income/(loss) for the period, net of income tax		28.3	(13.9)
Total comprehensive income/(loss) for the period		59.4	(24.8)
Attributable to shareholders of the parent company		59.4	(24.8)

Financial Statements

Consolidated Statement of Financial Position

	Notes	As at 30 March 2018 £m	As at 24 March 2017 £m
Assets			
Non-current assets			
Goodwill	12	100.3	70.4
Other intangible assets	13	216.9	219.9
Property, plant and equipment	14	349.5	327.8
Long-term receivables	16	73.7	75.6
Deferred tax assets	22	14.5	28.5
Retirement benefit surplus	29	51.3	15.4
		806.2	737.6
Current assets			
Inventories	15	12.7	9.1
Trade and other receivables	16	184.9	177.7
Financial assets	19	9.4	10.7
Derivative financial instruments	19	–	0.3
Current tax assets		0.2	–
Cash and cash equivalents	17	40.8	56.4
Assets held for sale	18	0.1	–
		248.1	254.2
Current liabilities			
Borrowings	19	(31.1)	(30.8)
Derivative financial instruments	19	(0.1)	–
Trade and other payables	20	(233.9)	(230.8)
Current tax liabilities		–	(0.9)
Provisions	21	(13.1)	(10.3)
Total current liabilities		(278.2)	(272.8)
Net current liabilities		(30.1)	(18.6)
Non-current liabilities			
Borrowings	19	(328.6)	(315.5)
Trade and other payables	20	(13.0)	(13.1)
Provisions	21	(93.3)	(98.8)
Total non-current liabilities		(434.9)	(427.4)
Net assets		341.2	291.6
Equity			
Called up share capital	24	2.5	2.5
Share premium	24	235.3	235.5
Hedging reserves		–	0.3
Merger reserve	24	74.4	74.4
Retained earnings/(deficit)	25	29.0	(21.1)
Total equity attributable to shareholders		341.2	291.6

The Financial Statements were approved by the Board of Directors and authorised for issue on 13 June 2018. They were signed on its behalf by:



Michael Topham
Director
Company number: 10336040

Consolidated Statement of Changes in Equity

	Notes	Called up share capital £m	Share premium £m	Merger reserve £m	Hedging and other reserves £m	Retained earnings/ (deficit) £m	Total equity £m
As at 25 March 2016		-	-	-	-	3.4	3.4
Loss for the period		-	-	-	-	(10.9)	(10.9)
Issue of share capital	24	2.5	261.0	-	-	-	263.5
Share issue costs		-	(25.5)	-	-	-	(25.5)
Cash flow hedges	19	-	-	-	0.3	-	0.3
Value of employee service in respect of share option schemes	23	-	-	-	-	0.6	0.6
Recognition of merger reserve		-	-	74.4	-	-	74.4
Other comprehensive loss		-	-	-	-	(14.2)	(14.2)
Total comprehensive income/(loss) for the period		2.5	235.5	74.4	0.3	(24.5)	288.2
As at 24 March 2017		2.5	235.5	74.4	0.3	(21.1)	291.6
Profit for the period		-	-	-	-	31.1	31.1
Cashflow hedges	19	-	-	-	(0.3)	(0.1)	(0.4)
Value of employee service in respect of share option schemes	23	-	-	-	-	1.9	1.9
Other comprehensive (loss)/income		-	(0.2)	-	-	28.6	28.4
Total comprehensive (loss)/income for the period		-	(0.2)	-	(0.3)	61.5	61.0
Dividends paid		-	-	-	-	(11.4)	(11.4)
As at 30 March 2018		2.5	235.3	74.4	-	29.0	341.2

Financial Statements

Consolidated Statement of Cash Flows

	Notes	53 weeks ended 30 March 2018 £m	52 weeks ended 24 March 2017 £m
Cash flows from operating activities			
Cash generated from operations	26	141.7	73.3
Restructuring and exceptional costs		(4.3)	(34.9)
Employee share scheme purchase		(1.5)	–
Net cash from operating activities		135.9	38.4
Income tax paid		(1.7)	–
Net cash inflow from operating activities		134.2	38.4
Cash flows from investing activities			
Purchases of property, plant and equipment		(36.2)	(39.4)
Purchases of intangible assets		(7.0)	(6.8)
Acquisitions	11	(41.0)	(14.8)
Proceeds from the sale of property, plant and equipment		5.2	2.4
Interest received		0.1	0.3
Net cash used in investing activities		(78.9)	(58.3)
Cash flows from financing activities			
Interest paid		(19.7)	(28.8)
Repayment of borrowings		(4.4)	(420.5)
Finance lease principal payments	27	(35.3)	(28.9)
Drawdown of new borrowings		–	245.0
Proceeds from issue of share capital		–	212.6
Cost of issue of share capital		–	(5.4)
Deposits made in respect of long-term bonds		(0.1)	(3.7)
Dividends paid		(11.4)	–
Net cash flow used in financing activities		(70.9)	(29.7)
Net (decrease)/increase in cash and cash equivalents		(15.6)	(49.6)
Cash and cash equivalents at the beginning of the period		56.4	106.0
Cash and cash equivalents at the end of the period	17	40.8	56.4

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) 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 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 136.

The Group's income statement and segmental analysis separately identify financial results before after 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.

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.

Basis of consolidation

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

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

Changes in accounting policies and disclosures

The following standards have been adopted by the Group for the first time for the financial year beginning on or after 25 March 2017:

Amendments to IAS 7 Disclosure Initiative

Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses

Amendments to IFRS 12 Disclosure of Interests in Other Entities

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

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

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
IFRS 16	Leases
IFRS 17	Insurance Contracts
IFRS 2 (amendments)	Classification and Measurement of Share-based Payment Transactions
IAS 4 (amendments)	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
IAS 12 (amendments)	Recognition of Deferred Tax Assets for Unrealised Losses
IFRS 10 and IAS 28 (amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Annual Improvements to IFRSs 2014 2016 Cycle	Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 28 Investments in Associates and Joint Ventures
IFRIC 23	Uncertainty over Income Tax Treatments

Notes to the Consolidated Financial Statements continued

1. Accounting Policies continued

IFRS 9 - 'Financial Instruments'

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

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

The Board has completed its assessment of the impact of IFRS 9 and does not expect a significant impact on its existing accounting policies for financial instruments, because the new rules have a more direct impact on the accounting treatment of financial assets to which the Group has limited exposure. Similarly the way that the Group currently deals with its hedge accounting transactions will not be significantly impacted by the move to IFRS 9.

The Board has completed its assessment of IFRS 9 and a material impact is not expected on adoption of the Standard on 31 March 2018. The disclosures around the entity's risk management strategy and the impact of hedge accounting on the financial statements will however be increased to reflect the new requirements.

IFRS 15 - 'Revenue from Contracts with Customers'

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

Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction Contracts' and related interpretations. The standard is effective for the Group for the period ending 29 March 2019, and the Group will adopt the modified retrospective approach whereby the historical cumulative transitional adjustment is reflected through retained earnings. Management/the Board has performed an assessment of a sample of contracts against IFRS 15 across the four operating divisions, covering all major revenue streams across the Group. Based on this assessment management/the Board has concluded that under IFRS 15 a reclassification between cost of sales and revenue will be required with respect of commodity rebates and municipal contract extension discounts. This will result in an immaterial decrease of less than 1% in total revenue recognised, with no impact on gross profit, operating profit or profit before tax. The Group will continue to recognise all other revenue in line with current reporting.

IFRS 16 - 'Leases'

IFRS 16 was issued in January 2016 and will supersede the current lease guidance including IAS 17 Leases and the related interpretations when it becomes effective for accounting periods beginning on or after 1 January 2019. The Board is still in the process of reviewing the impact of IFRS 16 on the Group's accounting policies. The Group currently leases both properties and plant and equipment under a series of operating leases which will be impacted by the new standard and these types of leases may need to be brought onto the Group's statement of financial position from the date of the adoption of the new standard. As a consequence of this there is likely to be an impact on the Group's statement of profit and loss where operating lease rentals are likely to be replaced by a depreciation charge and related interest charge. There will also be an increase to fixed assets and finance lease creditors on statement of financial position. The Board has not yet reached a decision whether the modified retrospective approach, whereby comparatives will not be restated on the adoption of the new standards but instead a cumulative adjustment is reflected in retained earnings will be adopted or whether the prior year comparatives will be restated.

The Group currently expects to adopt IFRS 16 for the year ending 27 March 2020.

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

Business combinations

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

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

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

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

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

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

Goodwill

Goodwill is initially recognised and measured as set out above.

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

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the 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.

Segmental reporting

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

The Group's internal reporting structure is aligned on the same basis and segmental information is presented on a basis consistent with this reporting structure.

Revenue recognition

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

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed.

Revenue from the provision of services is recognised at the point when service has been provided.

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

Notes to the Consolidated Financial Statements continued

1. Accounting Policies continued

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

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

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

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

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Leasing

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

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

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

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

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

Foreign currencies

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

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

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are recognised as an adjustment to interest costs on those foreign currency borrowings; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting these consolidated Financial Statements, the Group's foreign currency denominated assets and liabilities are translated into Sterling using the exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity.

Borrowing costs

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

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

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.

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.

Taxation

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

Notes to the Consolidated Financial Statements continued

1. Accounting Policies continued

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the Consolidated Statement of Profit or Loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities 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 – void consumed

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

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

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

Intangible assets

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

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

- 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

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.

Pre-contract costs

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

Pre-contract costs incurred subsequent to appointment as preferred bidder are capitalised onto the balance sheet under prepayments and accrued income. The prepayment is expensed to the income statement over the period of the contract. Costs, which have been expensed, are not subsequently reinstated when a contract award is achieved.

Impairment of tangible and intangible assets other than goodwill

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

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

Inventories

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

Provisions

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

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

Notes to the Consolidated Financial Statements continued

1. Accounting Policies continued

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. The asset is depreciated over the period of gas generation. Aftercare costs are provided for based on the Directors' expectation that the obligation will have been fulfilled 60 years post closure of the site.

Onerous contracts

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

Financial Instruments

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

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

Derivative financial instruments and hedging activities

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

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

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

The fair values of derivative instruments used for hedging are shown in Note 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, 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.

Financial assets

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

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

Effective interest method

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

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

Financial assets at FVTPL

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

A financial asset is held for trading if:

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

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

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

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

Trade and other receivables

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

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period.

Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

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

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

Derecognition of financial assets

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

Notes to the Consolidated Financial Statements continued

1. Accounting Policies continued

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

Financial liabilities and equity instruments

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Any difference between the amount initially recognised (net of transaction costs) and the redemption value is recognised in the 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.

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

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;

- Business combinations, see Note 11
- Goodwill, see Note 12
- Provision for impairment of receivables, see Note 16
- Environmental and aftercare commitments, see Note 21
- Pension obligations, see Note 29
- Uncertain tax provisions, 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.

2. Segmental Information

The Group is managed by type of business and is organised into four operating divisions. These divisions represent the business segments in which the Group reports its primary segment information and are consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group Executive Team. The activities of the divisions are detailed on pages 2-3. The Group's segmental results are as follows:

Revenue within segments is eliminated on consolidation.

	53 weeks ended 30 March 2018 £m	52 weeks ended 24 March 2017 £m
Revenue – continuing operations		
Industrial & Commercial	574.0	522.1
Municipal	194.7	182.2
Resource Recovery & Treatment	220.3	198.9
Energy	87.7	87.2
	1,076.7	990.4

Sales between operating divisions are carried out at arms length.

All trading activity and operations are in the United Kingdom and there is therefore no secondary reporting format by geographic segment. There is no single customer that accounts for more than 10% of Group revenue (2017: none).

	53 weeks ended 30 March 2018 £m	52 weeks ended 24 March 2017 £m
Underlying EBITDA		
Industrial & Commercial	77.2	65.5
Municipal	23.4	23.8
Resource Recovery & Treatment	32.1	29.5
Energy	33.4	35.5
Group costs	(16.1)	(16.6)
Underlying EBITDA	150.0	137.7
Depreciation and amortisation	(68.8)	(63.9)
Underlying Operating Profit	81.2	73.8
Exceptional items (Note 3)	(7.7)	(29.2)
Amortisation of acquisition intangibles	(16.8)	(14.6)
Impact of real discount rate changes to landfill provisions	5.7	(17.9)
Operating Profit	62.4	12.1
Finance income	0.6	8.1
Finance charges	(24.7)	(38.9)
Profit/(loss) before taxation	38.3	(18.7)

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.

Notes to the Consolidated Financial Statements continued

2. Segmental Information continued

	53 weeks ended 30 March 2018 £m	52 weeks ended 24 March 2017 £m
Underlying Operating Profit		
Industrial & Commercial	48.1	38.5
Municipal	8.7	11.0
Resource Recovery & Treatment	13.7	11.6
Energy	28.1	29.9
Group costs	(17.4)	(17.2)
	81.2	73.8

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 £7.7 million (2017: £29.2 million) are disclosed in Note 3.

	Net book value as at 30 March 2018 £m	Net book value as at 24 March 2017 £m
Tangible and intangible assets		
Industrial & Commercial	171.0	151.0
Municipal	68.2	70.0
Resource Recovery & Treatment	94.8	89.1
Energy	178.4	192.4
Shared services and corporate	54.0	45.2
	566.4	547.7

	53 weeks ended 30 March 2018 £m	52 weeks ended 24 March 2017 £m
Capital expenditure		
Industrial & Commercial	51.2	49.3
Municipal	18.1	23.7
Resource Recovery & Treatment	23.8	25.0
Energy	1.9	3.5
Shared services and corporate	12.5	8.2
	107.5	109.7

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

	53 weeks ended 30 March 2018 £m	52 weeks ended 24 March 2017 £m
Depreciation and amortisation		
Industrial & Commercial	29.1	27.0
Municipal	14.7	12.8
Resource Recovery & Treatment	18.4	17.9
Energy	5.3	5.6
Shared services and corporate	1.3	0.6
	68.8	63.9
Amortisation of acquisition intangibles	16.8	14.6
Total	85.6	78.5

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.

3. Other Items

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

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

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

	53 weeks ended 30 March 2018 £m	52 weeks ended 24 March 2017 £m
Included within operating profit:		
Exceptional items:		
Acquisition related costs	1.6	1.2
Corporate restructuring costs	(0.1)	29.1
Onerous contracts	5.2	(2.4)
Strategy related costs	1.0	1.3
	7.7	29.2
Amortisation of acquisition intangibles	16.8	14.6
Impact of real discount rate changes to landfill provisions	(5.7)	17.9
	18.8	61.7
Corporate restructuring costs included within finance costs:		
Finance charges	(2.5)	2.6
Finance income	-	(4.7)
Taxation impact of other items	4.5	17.1

Notes to the Consolidated Financial Statements continued

3. Other Items continued

	53 weeks ended 30 March 2018 £m	52 weeks ended 24 March 2017 £m
Segmental exceptional items:		
Industrial & Commercial	1.5	0.5
Municipal	6.2	(0.8)
Resource Recovery & Treatment	(1.0)	(1.0)
Energy	0.1	0.1
Group costs	0.9	30.4
	7.7	29.2

Acquisition related costs

The £1.6m of acquisition related expenditure in the 53 weeks ended 30 March 2018 relates to professional fees and other costs which are directly attributable to acquisitions. This includes £0.9m in relation to the acquisition of 100% of the issued share capital of O'Brien Waste Recycling Solutions Holdings Limited, £0.2m in relation to the acquisition of 100% of the issued share capital of Amber Engineering Limited, and £0.2m in relation to the acquisition of the trade and assets of Blakeley's Recycling Limited in the prior year.

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

Corporate restructuring costs

Corporate restructuring costs mostly relate to the final settlement of professional fees directly related to the admission of the Group's share capital to the London Stock Exchange.

Onerous contracts

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

Strategy-related costs

Strategy-related costs primarily relate to the Group's system replacement programme Project Fusion.

Amortisation of acquisition intangibles

Amortisation of acquisition intangibles represents the amount amortised by the Group in each period in respect of intangibles from prior acquisitions, which amounts are reported separately from the Group's depreciation and amortisation charges.

Impact of real discount rate changes to landfill provisions

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

The tax impact of other items is calculated as 22% (2017: 20%) of the expenses allowable in calculating the taxable profit.

4. Finance Income and Charges

	53 weeks ended 30 March 2018 £m	52 weeks ended 24 March 2017 £m
Finance charges		
Interest on bank overdrafts, bonds and loans	(16.0)	(24.4)
Interest on obligations under finance leases	(6.3)	(7.0)
Interest unwind on discounted provisions	(2.1)	(2.5)
Interest on swaps	(0.3)	(2.4)
Total finance charges	(24.7)	(36.3)
Change in fair value arising from derivative items not in a hedging relationship	-	2.1
Interest income	0.6	3.4
Finance income	0.6	5.5
Net finance charges	(24.1)	(30.8)

Recognised in other items (Note 3)

	53 weeks ended 30 March 2018 £m	52 weeks ended 24 March 2017 £m
Finance charges		
Interest on bank overdrafts, bonds and loans	-	(1.7)
Fair value discount unwind on EVP preference instrument	(2.5)	(1.0)
Total finance charges	(2.5)	(2.7)
Interest income	-	0.6
Finance income recognised in other items	-	0.6
Net finance charges recognised in other items	(2.5)	(2.1)

5. Financial Instrument Gains and Losses

	53 weeks ended 30 March 2018 £m	52 weeks ended 24 March 2017 £m
At fair value through profit or loss		
Change in fair value arising from derivative items not in a hedge relationship	-	2.1
Loans and receivables		
Interest income at amortised cost	0.6	3.4
Other financial liabilities		
Interest expense at amortised cost	(24.7)	(36.3)

Notes to the Consolidated Financial Statements continued

6. Profit/(Loss) Before Taxation

	53 weeks ended 30 March 2018 £m	52 weeks ended 24 March 2017 £m
The following items have been included in arriving at the pre-tax profit/(loss);		
Staff costs (Note 7)	272.6	247.1
Depreciation of property, plant and equipment		
• owned assets	40.5	41.0
• assets held under finance leases	26.0	22.1
Amortisation of intangible assets		
• acquisition intangibles (Note 2)	16.8	14.6
• other intangibles	2.2	0.8
Operating lease charges:		
• plant and machinery	2.0	1.8
• other	11.9	11.0
Exceptional items (Note 3)	7.7	29.2
Profit/(loss) on disposal of property, plant and equipment	2.7	0.9

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

	53 weeks ended 30 March 2018 £m	52 weeks ended 24 March 2017 £m
Operating costs		
Distribution costs	20.3	19.1
Administrative expenses	30.2	31.5
	50.5	50.6

7. Employees and Directors

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

	53 weeks ended 30 March 2018 Number	52 weeks ended 24 March 2017 Number
By segment		
Industrial & Commercial	2,924	2,733
Municipal	3,695	3,335
Resource Recovery & Treatment	639	599
Energy	142	150
Shared services and corporate	373	359
	7,773	7,176

	53 weeks ended 30 March 2018 £m	52 weeks ended 24 March 2017 £m
Their aggregate remuneration comprised:		
Wages and salaries	244.0	221.1
Social security costs	19.5	17.3
Other pension costs	8.2	7.6
Redundancy and termination payments	0.9	1.1
	272.6	247.1

The remuneration of the Directors is set out on pages 90–107 within the Directors' Report on Remuneration described as being audited and forms part of these Financial Statements.

Key management compensation

	53 weeks ended 30 March 2018 £m	52 weeks ended 24 March 2017 £m
Their aggregate remuneration comprised:		
Wages and salaries	1.9	1.7
Social security costs	0.4	1.3
Other pension costs	0.2	0.2
Short-term incentives	0.8	1.3
Long-term incentives	–	6.6
	3.3	11.1

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:

	53 weeks ended 30 March 2018 £m	52 weeks ended 24 March 2017 £m
Fees payable to the Company's auditor for the audit of the Company's consolidated annual Financial Statements	0.5	0.3
Fees payable to the Company's auditor for the audit of the Company's subsidiaries	0.3	0.4
Total audit fees	0.8	0.7
Audit-related assurance services	0.1	0.2
Other taxation advisory services	–	0.1
Other assurance services	–	0.1
Corporate finance services	–	1.3
Total audit and non-audit fees	0.9	2.4

Non-audit fees in the prior year relate to due diligence and advisory services in respect of the IPO completed in October 2016.

9. Income Tax Recognised in Profit or Loss

	53 weeks ended 30 March 2018 £m	52 weeks ended 24 March 2017 £m
Current tax		
In respect of the current year	0.1	–
Adjustment in respect of prior years	(0.6)	(0.5)
	(0.5)	(0.5)
Deferred tax		
Losses recognised in respect of the current year	8.5	(11.0)
Adjustment in respect of prior years	0.1	1.2
Adjustment attributable to changes in tax rates and laws	(0.9)	2.5
	7.7	(7.3)
Total tax (credit)/charge	7.2	(7.8)

Notes to the Consolidated Financial Statements continued

9. Income Tax Recognised in Profit or Loss continued

Corporation Tax is calculated at 19% (2017: 20%) of the estimated assessable (loss)/profit for the period. The (credit)/charge for the period can be reconciled to the (loss)/profit per the Consolidated Statement of Profit or Loss and Other Comprehensive Income as follows:

	53 weeks ended 30 March 2018 £m	52 weeks ended 24 March 2017 £m
Profit/(loss) before tax	38.3	(18.7)
Profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax in UK of 19% (2017: 20%)	7.3	(3.7)
Effects of:		
(Over)/under provision in respect of prior years	(0.5)	0.7
Expenses not deductible for tax purposes	1.4	6.6
Non-taxable income	(0.1)	(0.2)
Utilisation of unrecognised tax losses	-	(1.2)
Recognition of deferred tax on previously unrecognised losses	-	(12.5)
Effect of change in tax rate	(0.9)	2.5
Total taxation	7.2	(7.8)

In addition to the amount credited to the Consolidated Statement of Other Comprehensive Income, the following amounts have been credited/(charged) directly to equity:

	53 weeks ended 30 March 2018 £m	52 weeks ended 24 March 2017 £m
Deferred tax (charge)/credit arising on actuarial (gains)/losses	(4.1)	3.4

The Finance Act 2016, which provides for reductions in the main rate of Corporation Tax from 20% to 19% effective from 1 April 2017 and to 17% effective from 1 April 2020, was enacted on 15 September 2016. As deferred tax assets and liabilities are measured at the rates that are expected to apply in the periods of the reversal, deferred tax balances at the balance sheet date have been calculated at the rate at which the relevant balance is expected to be recovered or settled.

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

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

10. Earnings per Share

Basic Earnings per Ordinary Share are based on the Group profit for the year and a weighted average of 250,000,000 (2017: 121,889,489) Ordinary Shares in issue during the year.

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

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

	53 weeks to 30 March 2018		52 weeks to 24 March 2017	
	£m	Earnings per share pence	£m	Earnings per share pence
Profit attributable to owners of parent company for basic and diluted Earnings per Share calculation	31.1	12.4	10.9	9.0
Other items (Note 3)	16.8	6.8	46.7	38.3
Adjusted earnings	47.9	19.2	35.8	29.3

At 30 March 2018 the Company had a weighted average 4,051,926 Ordinary Shares in the Company which underlie the Company's share option awards and may dilute earnings per share in the future. No dilution per share was calculated in the period or in the prior period.

11. Acquisitions

53 weeks ended 30 March 2018

On 5 July 2017, the Group acquired 100% of the issued share capital of O'Brien Waste Recycling Solutions Holdings Limited, a leading provider of waste and recycling solutions in the North East of England. O'Brien Waste Recycling Solutions Holdings Limited 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. O'Brien Waste Recycling Solutions Holdings Limited contributed £26.7m revenue and £2.2m loss to the Group's profit before tax 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 £37.6m and Group profit would have reduced by £0.7m.

On 27 October 2017, the Group acquired 100% of the issued share capital of Amber Engineering Limited, an integrated waste and recycling solutions provider in South Wales. Amber Engineering Limited was acquired to enhance the Group's network and service offering in South Wales. Amber Engineering Limited contributed £3.2m revenue and £0.1m loss to the Group's profit before tax 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 £7.5m and Group profit would have reduced by £1.0m.

During the year, the Group acquired certain trade and assets of:

- G&S Waste Management Limited on 29 March 2017
- HWS Waste Limited on 31 October 2017
- Eco Food Recycling Limited on 17 November 2017
- Enterprise Managed Services Limited on 22 December 2017
- Cleansing Services Group Limited on 23 January 2018

Total net assets of £0.1m were acquired for cash consideration of £3.9m resulting in goodwill of £3.8m 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 £6.7m and Group profit would have increased by £0.1m.

Notes to the Consolidated Financial Statements continued

11. Acquisitions continued

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

	O'Brien Waste Recycling Solutions Holdings Limited £m	Amber Engineering Limited £m	Other acquisitions £m	Total Preliminary £m
Property, plant and equipment	6.7	2.7	0.5	9.9
Intangible assets	8.2	0.5	0.3	9.0
Inventory	0.7	0.1	–	0.8
Debtors	6.5	1.1	(0.1)	7.5
Cash and cash equivalents	1.4	–	–	1.4
Deferred tax (liability)/asset	(1.7)	(0.4)	–	(2.1)
Creditors	(4.6)	(1.7)	–	(6.3)
Borrowings	(4.4)	(1.5)	(0.6)	(6.5)
Provisions	(1.2)	–	–	(1.2)
Total net assets	11.6	0.8	0.1	12.5
Goodwill	23.6	2.5	3.8	29.9
Total consideration	35.2	3.3	3.9	42.4
Satisfied by:				
Cash	35.2	3.3	3.9	42.4
Total consideration transferred	35.2	3.3	3.9	42.4
Net cash outflow arising on acquisition:				
Cash consideration	35.2	3.3	3.9	42.4
Less: cash and cash equivalent balances acquired	(1.4)	–	–	(1.4)
	33.8	3.3	3.9	41.0

The fair value of the debtors includes receivables due from trade debtors with a fair value of £6.8m and a gross contractual value of £6.8m which the Group expects to collect in full.

No contingent liabilities were identified at the acquisition date.

Acquisition-related costs included in exceptional costs amount to £1.6m.

The preliminary total goodwill of £29.9m arising from these acquisitions represents an increase in Industrial & Commercial and Resource Recovery & Treatment 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 24 March 2017

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

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

12. Goodwill

	Total £m
Cost:	
As at 25 March 2016	64.9
Additions	6.1
Disposals	(0.1)
As at 24 March 2017	70.9
Additions	29.9
As at 30 March 2018	100.8
Amortisation:	
As at 25 March 2016	(0.5)
As at 24 March 2017	(0.5)
As at 30 March 2018	(0.5)
Net book amount:	
As at 30 March 2018	100.3
As at 24 March 2017	70.4

	As at 30 March 2018 £m	As at 24 March 2017 £m
By segment		
Industrial & Commercial	38.9	18.5
Municipal	16.7	16.2
Resource Recovery & Treatment	13.3	4.3
Energy	31.4	31.4
	100.3	70.4

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

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 adjusting for assumed inflation is 3.0% for the Energy division and 2.0% (2017: 2.0%) for the other operating divisions. These assumptions are considered appropriate based on the long term nature of the business. A pre-tax discount rate of 7.47% (2017: 7.54%) 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 Industrial & Commercial, Municipal, or Resource, Recovery & Treatment cash-generating units.

The valuation of goodwill allocated to the Energy cash-generating unit is noted to be most sensitive to a decline in the profile of the gas curves which underlie the production of export energy from landfill gas, gate fee for the Poplars site, the export energy price and ROC recycle rates. The Group would recognise a fall in the underlying gas curves by 1% as a reasonable worst case scenario. In this instance the recoverable amount for the cash-generating unit would exceed the carrying amount by £2.3m. The profile of the gas curve would have to fall by over 1.58% in order to incur an impairment. The profile of the increase in Poplars gate fees is a key management estimate to which the Energy cash-generating unit is highly sensitive, which has been made with reference to an external market report.

The Group's reasonable worst case scenario represents an equilibrium price erosion of 25% and an increase of two years to the duration it expects a market price recovery to take place. This would result in a reduction of £3.9m in the amount that the recoverable amount for the cash-generating unit exceeds the carrying amount of goodwill. A 49% erosion in the equilibrium price would result in the carrying amount of goodwill equalling the recoverable amount in the cash-generating unit.

Notes to the Consolidated Financial Statements continued

12. Goodwill continued

The management assumptions for the underlying export energy price and ROC Recycle price are considered to be representative of the current market conditions. A decline of 6.1% in the export energy price, or a 73% decline in the ROC recycle price would be required to result in the carrying amount of goodwill equalling the recoverable amount in the cash-generating unit.

As at 30 March 2018 the recoverable amount for the Energy Division exceeds the carrying amount by £6.6m. A change to the key assumptions could potentially lead to a material misstatement in the future.

13. Other Intangible Assets

	Landfill Gas Rights £m	IT development £m	Brand £m	Customer contracts £m	Total £m
Cost:					
As at 25 March 2016	190.2	7.5	33.3	42.3	273.3
Additions	-	4.8	-	5.7	10.5
Disposals	-	(0.2)	-	-	(0.2)
Reclassification	-	(1.0)	-	0.9	(0.1)
As at 24 March 2017	190.2	11.1	33.3	48.9	283.5
Additions	-	5.8	1.3	8.7	15.8
Disposals	-	(1.0)	-	-	(1.0)
Reclassification	-	0.2	-	-	0.2
As at 30 March 2018	190.2	16.1	34.6	57.6	298.5
Accumulated amortisation:					
As at 25 March 2016	(28.9)	(1.0)	-	(18.5)	(48.4)
Charge for the period	(8.8)	(0.4)	-	(6.2)	(15.4)
Disposals	-	0.2	-	-	0.2
As at 24 March 2017	(37.7)	(1.2)	-	(24.7)	(63.6)
Charge for the period	(10.2)	(1.0)	(0.8)	(7.0)	(19.0)
Disposals	-	1.0	-	-	1.0
As at 30 March 2018	(47.9)	(1.2)	(0.8)	(31.7)	(81.6)
Net book amount:					
As at 30 March 2018	142.3	14.9	33.8	25.9	216.9
As at 24 March 2017	152.5	9.9	33.3	24.2	219.9
As at 25 March 2016	161.3	6.5	33.3	23.8	224.9

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

IFRS 3 requires that on acquisition, intangible assets are recorded at fair value. The Biffa brand was first created in the early 20th century and has been used throughout the Group since then. It remains a highly recognisable brand. Given the longevity of the brand, the Directors consider the asset to have an indefinite life. The Directors reconsider the valuation of the brand at each reporting date. The 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.

14. Property, Plant and Equipment

	Land and Buildings £m	Landfill sites £m	Plant and equipment £m	Total £m
Cost:				
As at 25 March 2016	72.1	61.1	250.4	383.6
Additions	3.3	9.4	86.5	99.2
Disposals	(6.2)	–	(64.8)	(71.0)
Reclassifications ¹	0.4	2.6	(0.4)	2.6
As at 24 March 2017	69.6	73.1	271.7	414.4
Additions	3.4	4.4	83.9	91.7
Disposals	(4.1)	–	(45.7)	(49.8)
Reclassifications ¹	1.7	0.3	(1.9)	0.1
As at 30 March 2018	70.6	77.8	308.0	456.4
Accumulated depreciation:				
As at 25 March 2016	(15.3)	(26.0)	(49.4)	(90.7)
Charge for the period	(3.8)	(6.9)	(52.4)	(63.1)
Disposals	5.1	–	62.7	67.8
Reclassifications	–	(0.6)	–	(0.6)
As at 24 March 2017	(14.0)	(33.5)	(39.1)	(86.6)
Charge for the period	(3.9)	(7.0)	(55.6)	(66.5)
Disposals	2.3	–	44.4	46.7
Reclassifications ¹	–	(0.5)	–	(0.5)
As at 30 March 2018	(15.6)	(41.0)	(50.3)	(106.9)
Net book amount:				
As at 30 March 2018	55.0	36.8	257.7	349.5
As at 24 March 2017	55.6	39.6	232.6	327.8
As at 25 March 2016	56.8	35.1	201.0	292.9

1 Reclassifications include the movement in fixed assets between asset classifications in addition to transfers (to)/from landfill restoration and aftercare provisions as detailed in Note 21.

Landfill assets includes £7.8m (2017: £8.4m) in relation to future economic benefit to be derived as a result of actively fulfilling aftercare obligations that results in gas generation.

The carrying amount of the Group's property, plant and equipment includes £126.7 million (2017: £107.5 million) in respect of assets held under finance leases, analysed as follows:

	As at 30 March 2018 £m	As at 24 March 2017 £m
Land and buildings	2.1	2.0
Landfill sites	2.3	2.5
Plant, vehicles and equipment	122.3	103.0
	126.7	107.5

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:

	As at 30 March 2018		As at 24 March 2017	
	Land and buildings £m	Landfill sites £m	Land and buildings £m	Landfill sites £m
Freehold	30.7	16.5	33.4	16.5
Long leasehold	10.2	14.6	13.9	17.5
Short leasehold	14.2	5.7	8.3	5.6
	55.1	36.8	55.6	39.6

As at 30 March 2018 the Group had entered into contractual commitments for the acquisition of plant, property and equipment amounting to £3.5m (2017: £4.4m).

15. Inventories

	As at 30 March 2018 £m	As at 24 March 2017 £m
Raw materials and consumables	0.7	0.9
Finished goods	12.0	8.2
	12.7	9.1

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

Inventories consumed in the period ended 30 March 2018 were £42.1m (2017: £37.5m). Inventory written down in the period totalled £nil (2017: £nil).

16. Trade and Other Receivables

	As at 30 March 2018 £m	As at 24 March 2017 £m
Amounts falling due within one year		
Trade receivables	123.5	116.7
Less provision for impairment of receivables	(1.7)	(1.7)
Trade receivables – net	121.8	115.0
Other debtors	8.0	11.8
Prepayments and accrued income	53.3	49.3
Prepaid landfill provision expenditure	1.8	1.6
	184.9	177.7

All amounts included within other debtors, prepayments and accrued income are due within one year. Trade receivables are non-interest bearing. Due to their short maturities, the fair value of trade and other receivables approximates to their book value. The average credit period taken on invoices was 38.0 days (2017: 37.3 days).

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

Included in the Group's trade receivables balances are debts with a carrying amount of £24.5m (2017: £18.9m) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

	As at 30 March 2018 £m	As at 24 March 2017 £m
Ageing of past due but not impaired receivables (days)		
1 to 30 days	17.4	14.3
31 to 60 days	3.4	1.7
61 to 90 days	2.0	2.0
Over 91 days	1.7	0.9
	24.5	18.9

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

	As at 30 March 2018 £m	As at 24 March 2017 £m
Movement in the allowance for doubtful debts		
Balance at the beginning of the period	1.7	4.5
Impairment losses recognised	0.1	(0.1)
Amounts recovered during the period	1.5	1.7
Amounts written off as uncollectable	(1.6)	(4.4)
	1.7	1.7

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

Long term receivables

	As at 30 March 2018 £m	As at 24 March 2017 £m
Amounts falling due after more than one year		
Funds on long-term deposit	8.3	12.0
Prepayment in respect of EVP dispute (Note 33)	63.6	63.6
Loans to Employee Benefit Trust	1.8	-
	73.7	75.6

The Group is engaged in a dispute with HMRC in relation to the Landfill Tax treatment of certain materials used in the engineering of landfill sites from September 2009 to May 2012. Prior to the IPO, the Group had hardship relief which meant payment was not required to be made to HMRC. Subsequent to the IPO the Group pre paid the disputed amount to HMRC as disclosed in Note 33.

Notes to the Consolidated Financial Statements continued

17. Cash and Cash Equivalents

	As at 30 March 2018 £m	As at 24 March 2017 £m
Cash at bank and in hand	14.0	50.0
Short term deposits	26.8	6.4
Balance at the end of the period	40.8	56.4

Deposits comprise £19.1m (2017: £0.1m) of funds on overnight deposit via a Group cash pooling facility and an insurance deposit of £7.7m (2017: £6.3m) which represents cash held as security for self-insurance obligations. Included within the total cash balance is £9.6m (2017: £8.7m) 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

	As at 30 March 2018 £m	As at 24 March 2017 £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

	As at 30 March 2018 £m	As at 24 March 2017 £m
At fair value through profit and loss:		
Loans and receivables:		
Liquidity fund ¹	9.4	10.7
	9.4	10.7

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 IAS 39. The Group has entered into forward foreign exchange rate contracts which all mature within one year.

The forward foreign exchange contracts have resulted in the recognition of a derivative liability of £0.1m. During the year a loss of £0.3m has been recognised in the statement of other comprehensive income.

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

The fair value and the notional amounts are as follows:

	As at 30 March 2018		As at 24 March 2017	
	Fair value £m	Notional £m	Fair value £m	Notional £m
Forward foreign exchange contracts	(0.1)	19.0	0.3	19.8

Borrowings

	As at 30 March 2018		As at 24 March 2017	
	Book value £m	Average interest rate %	Book value £m	Average interest rate %
Current				
Obligations under finance leases	31.1	5.8%	30.8	7.0%
	31.1		30.8	
Non-current				
Obligations under finance leases	87.7	5.8%	78.1	7.0%
Bank loans	194.7	3.3%	193.6	3.8%
EVP preference instrument	46.2	5.5%	43.8	5.5%
	328.6		315.5	
	359.7		346.3	
			As at 30 March 2018 £m	As at 24 March 2017 £m
Bank borrowings including finance leases			313.5	302.5
EVP preference instrument			46.2	43.8
			359.7	346.3

At 30 March 2018 the Group has a drawn term loan of £200m with agreement from lenders to increase it to £256.5m and an undrawn RCF of £123m.

In the prior year certain pre-IPO lenders were issued with preference share capital in Wasteholdco1 Limited in exchange for settlement of amounts due to them. In the event that the Group is successful in its EVP case (see Note 33) with HMRC, the EVP preference shareholders will be entitled to certain funds recovered from HMRC by the Company. The Directors consider it likely that the Group will be successful in the case and accordingly have recognised a liability in respect of the EVP preference shares. In the event that the Group is unsuccessful in the EVP proceedings and does not recover the amount prepaid to HMRC, the Group expects to release the majority of the associated EVP liability as disclosed in Note 33.

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

	As at 30 March 2018		As at 24 March 2017	
	Principal £m	Average interest rate %	Principal £m	Average interest rate %
Term facility	200.0	3.8%	200.0	3.8%
	200.0		200.0	

Transaction costs of £5.2m (2017: £6.4m) incurred in the origination of these facilities have been netted against the carrying value of the loans. The EVP preference instrument is non-interest bearing, however, in accordance with IAS 39 'Financial Instruments: recognition and Measurement', an imputed interest charge of 5.5% is being recognised.

Notes to the Consolidated Financial Statements continued

19. Financial Instruments continued

Fair value of financial assets and liabilities

	As at 30 March 2018		As at 24 March 2017	
	Book value £m	Fair value £m	Book value £m	Fair value £m
Borrowings	(313.5)	(318.0)	(302.5)	(311.2)
EVP preference instrument	(46.2)	(46.2)	(43.8)	(43.8)
Trade and other payables ¹ (Note 20)	(165.2)	(165.2)	(161.2)	(161.2)
Trade and other receivables ² (Note 16)	121.8	121.8	115.0	115.0
Liquidity fund	9.4	9.4	10.7	10.7
Funds on long term deposit	8.3	5.2	12.0	4.8
Prepayment in respect of EVP dispute	63.6	59.6	63.6	59.2
Other long term debtors	1.8	1.8	-	-
Cash and cash equivalents (Note 17)	40.8	40.8	56.4	56.4
Derivative financial instruments	-	-	0.3	0.3
	(279.2)	(290.8)	(249.5)	(269.8)

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.

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

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

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

Financial risk management

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

Capital risk management

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

Cash flow interest rate risk

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

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

	As at 30 March 2018 £m	As at 24 March 2017 £m
Financial liabilities		
Floating rate financial liabilities (excluding derivatives)	194.7	193.6
Fixed rate financial liabilities	118.8	108.9
Non-interest bearing financial liabilities	163.8	161.2
Non-interest bearing EVP preference instrument	46.2	43.8
Total financial liabilities	523.5	507.5

Fixed rate financial liabilities relate to obligations under finance leases.

Non-interest bearing financial liabilities comprise trade payables.

	As at 30 March 2018 £m	As at 24 March 2017 £m
Financial assets		
Floating rate financial assets (excluding derivatives)	73.7	75.6
Floating rate financial assets (cash and cash equivalents)	40.8	56.4
	114.5	132.0
Non-interest bearing assets		
Liquidity fund	9.4	10.7
Non-interest bearing financial assets	121.5	115.0
	130.9	125.7
Total financial assets	245.4	257.7

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 lease payments under finance leases fall due as follows:

	As at 30 March 2018 £m	As at 24 March 2017 £m
No later than one year	35.9	36.5
Later than one year but not more than five years	79.7	75.1
More than five years	22.3	18.3
	137.8	129.9
Future finance charges on leases	(19.1)	(21.0)
Present value of finance lease liabilities	118.8	108.9

Currency risk

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

Price risk

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

Credit risk

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

Management does not expect any significant losses of receivables that have not been provided for as shown in Note 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.

Notes to the Consolidated Financial Statements continued

19. Financial Instruments continued

Liquidity risk

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

As at 30 March 2018					
	Due within one year £m	Due between one and two years £m	Due between two and five years £m	Due five years and beyond £m	Total £m
Non-derivative financial liabilities					
Borrowings, excluding finance lease	-	-	(200.0)	-	(200.0)
Finance lease liabilities	(35.9)	(29.9)	(49.8)	(22.2)	(137.8)
Interest payments on borrowings	(7.4)	(7.7)	(12.4)	-	(27.5)
Other non-interest bearing liabilities	(163.8)	-	-	-	(163.8)
Derivative financial liabilities					
Net settled interest rate swaps	-	-	-	-	-
Non-derivative financial assets					
Cash and cash equivalents	40.8	-	-	-	40.8
Liquidity fund	9.4	-	-	-	9.4
Non-interest bearing financial assets	121.5	73.7	-	-	195.2
	(35.4)	36.1	(262.2)	(22.2)	(283.7)

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

Interest rate sensitivity analysis

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

If interest rates had been 2% higher/1% lower and all other variables were held constant, the Group's result for the 53 weeks ended 30 March 2018 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.

	53 weeks ended 30 March 2018		52 weeks ended 24 March 2017	
	2% increase in interest rates £m	1% decrease in interest rates £m	2% increase in interest rates £m	1% decrease in interest rates £m
Gain/(loss) – variable rate financial instruments	(4.0)	2.0	(1.7)	0.8
	(4.0)	2.0	(1.7)	0.8

20. Trade and Other Payables

	As at 30 March 2018 £m	As at 24 March 2017 £m
Current		
Trade payables	135.4	120.6
Taxation and social security	50.8	52.0
Interest payable	0.8	3.3
Accruals and deferred income	46.3	54.2
Other payables	0.6	0.7
	233.9	230.8
Non-current		
Trade and other payables	13.0	13.1

Included within accruals and deferred income is £0.1m (2017: £0.1m) in relation to government grants which will be recognised in more than one year. £13.0m has also been recognised in relation to the EVP dispute as disclosed in Note 33.

Notes to the Consolidated Financial Statements continued

21. Provisions

	Landfill restoration & aftercare £m	Insurance £m	Other £m	Total £m
As at 25 March 2016	66.9	12.2	19.0	98.1
Utilised	(8.8)	(0.7)	(1.9)	(11.4)
Charged/(credited) to profit and loss account	4.1	0.1	(1.7)	2.5
Impact of real discount rate changes to profit and loss account	17.9	-	-	17.9
Unwinding of discount	2.5	-	-	2.5
Transfers from fixed/other assets	(1.7)	-	1.2	(0.5)
As at 24 March 2017	80.9	11.6	16.6	109.1
Utilised	(7.9)	0.6	(2.7)	(10.0)
Charged/(credited) to profit and loss account	4.7	0.4	5.7	10.8
Impact of real discount rate changes to profit and loss account	(5.7)	-	-	(5.7)
Unwinding of discount	2.2	-	-	2.2
As at 30 March 2018	74.2	12.6	19.6	106.4

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

	As at 30 March 2018 £m	As at 24 March 2017 £m
Current	13.1	10.3
Non-current	93.3	98.8
	106.4	109.1

Landfill restoration and aftercare

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

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

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

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

Long-term aftercare provisions included in landfill restoration and aftercare provisions have been discounted at an average rate of 2.3% (2017: 2.3%). An increase of 1% in the real discount rate (at current cost) would result in a decrease of environmental provisions of approximately £13m.

A 10% increase in cash outflows would result in an increased environmental provision of £7.4m.

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 £8.7m (2017: £10.4m) and £7.7m (2017: £2.7m) 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 25 March 2016	45.3	–	2.1	(5.3)	11.0	(37.9)	1.7	16.9
Acquired	1.6	–	–	–	–	(0.7)	–	0.9
Credit/(charge) to income	(4.8)	0.1	(0.2)	(0.8)	(1.5)	3.8	10.7	7.3
Credit/(charge) to SOCI	–	–	–	3.4	–	–	–	3.4
As at 24 March 2017	42.1	0.1	1.9	(2.7)	9.5	(34.8)	12.4	28.5
Acquired	(0.5)	–	–	–	–	(1.6)	–	(2.1)
Credit/(charge) to income	(9.2)	0.3	–	(0.3)	(0.9)	2.9	(0.6)	(7.8)
Credit/(charge) to SOCI	–	1.4	–	(5.5)	–	–	–	(4.1)
As at 30 March 2018	32.4	1.8	1.9	(8.5)	8.6	(33.5)	11.8	14.5

Deferred tax has been recognised in the current year using the tax rate of 17% (2017: 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.

The deferred tax asset of £14.5m (2017: £28.5m) has been recognised in the Financial Statements because the Group considers, based upon its financial projections, that it is probable that future taxable profits will arise against which the asset can be utilised.

As at 30 March 2018, the Group had unused tax losses of £77.4m (2017: £79.6m) available for offset against future profits.

A deferred tax asset has been recognised in respect of £70.0m (2017: £72.2m) of these losses. No deferred tax asset has been recognised in respect of the remaining £7.4m (2017: £7.4m) 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

The following conditional share awards granted to Directors and staff are outstanding:

Date of grant	As at 30 March 2018 Number	As at 24 March 2017 Number
20 October 2016	2,434,819	2,635,794
24 January 2017	59,088	84,189
3 July 2017	2,120,433	–
1 September 2017	26,230	–

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

	As at 30 March 2018 £m	As at 24 March 2017 £m
Performance Share Plan	1.9	0.6

During the year the Group had 79 conditional share-based payment arrangements granted to Directors and staff. The schemes are equity settled.

Notes to the Consolidated Financial Statements continued

23. Share-based Payments continued

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	221.75	78	26%	3	0.36%	154.6
1 September 2017	26,230	2.83	228.75	1	26%	2.83	0.22%	161.8

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	Granted	Vested	Lapsed	30 March 2018
At 25 March 2016	-	-	-	-
20 October 2016	2,635,794	-	200,975	2,434,819
24 January 2017	84,189	-	25,101	59,088
3 July 2017	2,198,313	-	77,880	2,120,433
1 September 2017	26,230	-	-	26,230
At 30 March 2018	4,944,526	-	303,956	4,640,570

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

In the period the Group launched the Biffa Sharesave Plan 2017 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 3,659,197 options were granted at a fair value of 230 pence, and as at 30 March 2018 3,480,579 were outstanding under the scheme.

24. Share Capital

	Number of shares No	Called up share capital £
As at 24 March 2017	250,000,000	2,500,000
As at 30 March 2018	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.

	53 weeks ended 30 March 2018 £m	52 weeks ended 24 March 2017 £m
Opening balance	235.5	-
Premium arising on issue of new shares	-	261.0
Expenses on issue of equity shares	(0.2)	(25.5)
Closing balance	235.3	235.5

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 (Deficit)/Earnings

	As at 30 March 2018 £m	As at 24 March 2017 £m
Retained (deficit)/earnings at the end of the period	(21.1)	3.4
Profit for the period	31.1	(10.9)
Other comprehensive income /(loss) for the period	28.5	(14.2)
Employee service in respect of share option schemes (Note 23)	1.9	0.6
Dividends paid	(11.4)	-
Retained surplus/(deficit) at the end of the period	29.0	(21.1)

26. Cash Flows from Operations

	53 weeks ended 30 March 2018 £m	52 weeks ended 24 March 2017 £m
Profit/(loss) for the period	31.1	(10.9)
Adjustments for:		
Finance income	(0.6)	(5.5)
Finance charges	24.7	36.3
Taxation	7.2	(7.8)
Operating profit	62.4	12.1
Exceptional items (Note 3)	7.7	29.2
Amortisation of intangibles (Note 6)	19.0	15.4
Depreciation of property, plant and equipment (Note 6)	66.5	63.2
Profit on disposal of fixed assets	(2.7)	(0.9)
(Increase)/decrease in inventories	(3.0)	(0.7)
(Increase)/decrease in debtors	6.0	(62.1)
(Decrease)/increase in creditors	(6.1)	(1.5)
Decrease/(increase) in financial asset	1.2	6.9
Increase/(decrease) in provisions	(9.3)	11.7
Total cash generated from operations	141.7	73.3

The increase in debtors in 2017 includes the prepayment of £63.6million in respect of the EVP dispute as detailed in Note 33.

Notes to the Consolidated Financial Statements continued

27. Reconciliation of Net Cash Flow to movement in Debt

	53 weeks ended 30 March 2018 £m	52 weeks ended 24 March 2017 £m
Net (decrease)/increase in cash and cash equivalents	(15.6)	(49.6)
Net decrease/(increase) in borrowings	(13.4)	265.6
Movement in net debt in the period	(29.0)	216.0
Net debt at start of period	(289.9)	(505.9)
Net debt at end of period	(318.9)	(289.9)

Analysis of net debt

	As at 30 March 2018 £m	As at 24 March 2017 £m
Cash and cash equivalents	40.8	56.4
Finance leases	(118.8)	(108.9)
Bank loans	(194.7)	(193.6)
EVP preference liability	(6.3)	–
Reported Net Debt	(279.0)	(246.1)
EVP preference liability	(39.9)	(43.8)
	(318.9)	(289.9)

Of the EVP preference liability, £6.3m has been included within Reported Net Debt as it will be payable to EVP Preference Shareholders irrespective of the outcome of the EVP dispute. The remainder (£39.9m) 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.

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities not already disclosed in the Consolidated Statement of Cashflows.

	£m
Finance leases	
Balance as at 24 March 2017	108.9
Principal repayments	(35.3)
Acquired with acquisitions	2.8
New agreement	42.8
Terminated agreements	(0.4)
Balance as at 30 March 2018	118.8

28. Operating lease commitments

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

	As at 30 March 2018		As at 24 March 2017	
	Land and buildings £m	Other £m	Land and buildings £m	Other £m
Within one year	13.5	1.7	12.8	1.5
Between one and five years	43.6	2.4	43.4	1.8
After five years	88.3	–	90.9	–
	145.4	4.1	147.1	3.3

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

29. Pension and Post Retirement Benefits

Defined contribution schemes

	53 weeks ended 30 March 2018 £m	52 weeks ended 24 March 2017 £m
Defined contribution expense	3.5	4.1

Defined benefit schemes

The Group operates a number of defined benefit schemes: Biffa Pension Scheme (the BPS), the Cornwall Pension Fund (the Cornwall Fund), an Unfunded Unapproved Retirement Benefits Scheme (UURBS), the Federated Pension Plan (the FPP) and Prudential Platinum (Platinum) (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 and the Cornwall 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 ending 29th March 2019 are expected to be £4.8m.

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

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

Investment risk

The present value 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 scheme.

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 on the Schemes' corporate bond assets.

Longevity risk

The present value 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.

Notes to the Consolidated Financial Statements continued

29. Pension and Post Retirement Benefits continued

Inflation risk

The present value 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.

A full actuarial valuation of the Schemes was carried out as at 31 March 2015 and has been updated to 30 March 2018 by a qualified independent actuary. The major assumptions used by the actuary were (in nominal terms) as follows:

	As at 30 March 2018	As at 24 March 2017
Discount rate	2.7%	2.9%
Rate of salary increase	3.2%	3.4%
Rate of inflation – RPI	3.2%	3.4%
Rate of inflation – CPI	2.2%	2.4%
Rate of pension increases ¹ – RPI with floor of 0% cap of 2.5% p.a.	2.2%	2.2%
Rate of pension increases ¹ – RPI with floor of 0% cap of 5.0% p.a.	3.1%	3.3%
Rate of pension increases ¹ – RPI with floor of 0% cap of 6.0% p.a.	3.2%	3.4%
Rate of pension increases ¹ – CPI with floor of 0% cap of 3.0% p.a.	2.1%	2.2%
Longevity (years)		
Expected future lifetime of a male pensioner currently aged 65	21.1	21.7
Expected future lifetime of a female pensioner currently aged 65	22.2	24.3
Expected future lifetime from age 65 of a male member currently aged 50	23.6	23.3
Expected future lifetime from age 65 of a female member currently aged 50	25.0	26.3

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

The assets in the Schemes were:

Asset category	As at 30 March 2018		As at 24 March 2017	
	£m	%	£m	%
Equities	128.3	24.4	142.5	28.3
Bonds	235.0	44.7	198.6	39.4
Properties and infrastructure	86.4	16.5	81.5	16.2
Hedge funds	62.8	12.0	65.0	12.9
Other	12.4	2.4	16.5	3.2
	524.9		504.1	
Actual return on plan assets	33.6		100.8	

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.

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

	As at 30 March 2018 £m	As at 24 March 2017 £m
Benefit obligation at beginning of period	488.7	368.2
Newly recognised obligations	5.0	12.7
Service cost	1.4	0.9
Interest cost	14.0	14.5
Contributions by Scheme participants	0.2	0.1
Net remeasurement (gains)/losses – financial	3.5	125.4
Net remeasurement (gains)/losses – demographic	(17.5)	(19.8)
Net remeasurement (gains)/losses – experience	(0.2)	(1.6)
Benefits paid	(22.3)	(11.7)
Benefit obligation at end of period	472.8	488.7

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

	As at 30 March 2018 £m	As at 24 March 2017 £m
Fair value of Schemes' assets at beginning of period	504.2	397.7
Newly recognised obligations	5.2	14.1
Interest income on Schemes' assets	14.5	15.9
Return on assets, excluding interest income	19.1	84.9
Contributions by employers	4.7	3.7
Contributions by Schemes' participants	0.2	0.1
Benefits paid	(22.3)	(11.7)
Scheme administrative cost	(0.7)	(0.6)
Fair value of plan assets at end of period	524.9	504.1

Amounts recognised in comprehensive income in respect of defined benefit Schemes

	As at 30 March 2018 £m	As at 24 March 2017 £m
Current service cost	1.4	0.9
Administrative cost	0.7	0.6
Net interest on the net defined benefit liability	(0.6)	(1.3)
Components of defined benefit cost recognised in profit or loss	1.5	0.2
Remeasurement on the net defined benefit liability		
Return on Schemes' assets (excluding amounts in net interest expense)	19.1	84.9
Actuarial gains and losses from changes in financial assumptions	(3.5)	(125.4)
Actuarial gain from changes in demographic assumptions	17.5	19.8
Actuarial gain from changes in experience assumptions	0.2	1.6
Movement in asset ceiling	(0.6)	1.5
Components of defined benefit cost recognised in other comprehensive income	32.7	(17.6)

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.

Notes to the Consolidated Financial Statements continued

29. Pension and Post Retirement Benefits continued

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:

	As at 30 March 2018 £m	As at 24 March 2017 £m
Present value of funded defined benefit obligation	(472.8)	(488.7)
Fair value of funded Schemes' assets	524.9	504.1
Adjustment for the restriction in asset benefit	(0.8)	-
Net asset/(liabilities) arising from defined benefit obligation	51.3	15.4

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 £57.2m.

If the inflation assumption increases by 0.5% the defined benefit asset would decrease by £43.4m.

If the life expectancy increases by one year for both men and women, the defined benefit asset would decrease by £15.8m.

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 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 30 March 2018 is approximately 23 years (2017: 23 years).

The Group expects to make a contribution of £4.8m (2017: £4.4m) to the Schemes during the financial year to 30 March 2019.

30. Related Party Transactions

There have been no material related party transactions in the 53 weeks ended 30 March 2018 (2017: 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 page 90–107.

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

No Directors held any material interest in any contract with the Company or the Group in the year or subsequent period to 30 March 2018.

The Group has made £8.2m (2017: £7.8m) contributions to the pension schemes.

31. Subsidiary undertaking

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

Principal Subsidiary	Place of incorporation	Activity	Shareholding
Biffa Polymers Limited ¹	England and Wales	Waste management	100%
Biffa Municipal Limited ¹	England and Wales	Waste management	100%
UK Waste Management Limited 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	Malta	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%
Commercial Waste Limited ¹	England and Wales	Waste management	100%
Biffa Chemical Waste Limited ¹	England and Wales	Waste management	100%
Biffa Environmental Municipal Services Limited ¹	England and Wales	Waste management	100%

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

2 Registered at Development House, St Anne Street, Floriana, Malta.

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 £85.3m outstanding at 30 March 2018 (2017: £82.1m) 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 £21.6m (2017: £18.6m) 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 is engaged in a dispute with HMRC in relation to the landfill tax treatment of certain materials used in the engineering of landfill sites from September 2009 to May 2012, which is fully explained in Note 33.

The Group is also engaged in a dispute with HMRC in relation to the landfill tax treatment of sub-soils with low levels of contamination from asbestos. At the date of signing of the accounts the outcome is not certain, however the Group has received a protective assessment of £8.6m that the Group is disputing. Having taken independent professional advice, the Directors do not reasonably expect a liability of this order to crystallise. Discussions with HMRC are on-going and management are not able reliably to estimate the amount of any potential liability, and accordingly no provision has been made in these financial statements.

Notes to the Consolidated Financial Statements continued

33. EVP Related Items

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

HMRC claims that the Group is liable for £61.9m 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 First tier Tax Tribunal which found in HMRC's favour. Having taken appropriate advice the Directors have decided to appeal this judgement.

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 £46.2m 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 £2.5m has been recognised in finance charges in respect of these obligations. Of the liability of £46.2m, £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 £39.9m has been excluded from Reported Net Debt.

34. Service Concession Arrangements

The Group has two integrated waste management contracts with Leicester City Council (25 years – awarded in 2003) and West Sussex County Council (25 years – awarded in October 2010). The concessions vary as to the extent of their obligations, but typically require the construction and operation of an asset during the concession period including scheduled maintenance and capital expenditure. The operation of the assets includes the provision of waste management services such as collection, recycling and disposal. Typically at the end of concession periods the assets are returned to the concession owner.

These contracts generated revenue of £54.2m in the 53 weeks ended 30 March 2018 (2017: £54.7m).

35. 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		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 ⁶	Cayman Islands	Holding company	100%
GS Acquisitions Limited*1	England and Wales	Holding company	100%
Biffa GS Holdings Limited*1	England and Wales	Holding company	100%
Material Recovery Nominees Limited*1	England and Wales	Dormant	100%
Biffa GS UK Holdings Limited*1	England and Wales	Holding company	100%
Wastelink Services Limited*1	England and Wales	Dormant	100%
Biffa GS (LPP) Limited*1	England and Wales	Waste management	100%
Biffa GS Environmental Limited*1	England and Wales	Waste management	100%
Biffa GS (RUR) Limited*1	England and Wales	Dormant	100%
Biffa GS (WS) Limited* ^{A1}	England and Wales	Dormant	100%
Biffa GS Environmental Recycling Limited*1	England and Wales	Waste management	100%
Wespack Limited*1	England and Wales	Dormant	100%
Biffa GS (M&B) Limited*1	England and Wales	Waste management	100%
Biffa GS (FC) Limited*1	England and Wales	Waste management	100%
The Fosse Group Limited*1	England and Wales	Dormant	100%
Ecovert Limited*1	England and Wales	Dormant	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.* ⁵	Netherlands	Holding company	100%
Biffa Servicios de Energia Mexico SA de C.V.**	Mexico	Waste management	100%
Empresa de Servicios Espezialoados 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%
S.C.S Contractors Limited*1	England and Wales	Dormant	100%
Practical Recycling Systems Limited* ^{A1}	England and Wales	Dormant	100%
R A Johnson (Haulage) Limited*1	England and Wales	Dormant	100%
Waterblast Limited* ^{A1}	England and Wales	Dormant	100%
W R Pollard & Son Limited* ^{A1}	England and Wales	Dormant	100%
A Smith & Sons (Waste Disposal) Limited*1	England and Wales	Dormant	100%
Biffa (Land) Limited*2	Guernsey	Waste management	100%
Photodigit Limited* ^{A1}	England and Wales	Dormant	100%
Tyneside Wastepaper Co Limited* ^{A1}	England and Wales	Dormant	100%
Pilmuir Waste Disposal Limited*1	England and Wales	Dormant	100%
Biffa (Roxby) Limited*1	England and Wales	Dormant	100%
Norwaste Limited*1	England and Wales	Dormant	100%
Waste Clearance (Holdings) Limited*1	England and Wales	Dormant	100%
Clarfield Recycling Limited* ^{A1}	England and Wales	Dormant	100%
Verdant Municipal Limited*1	England and Wales	Dormant	100%

Notes to the Consolidated Financial Statements continued

35. Non-principal Subsidiary Undertakings continued

Name	Country of incorporation		Shareholding
Rent-A-Weld (Wirral) Limited ^{*A1}	England and Wales	Dormant	100%
Westley Trading Limited ^{*A1}	England and Wales	Dormant	100%
Biffa West Sussex Holdco Limited ^{*1}	England and Wales	Dormant	100%
Bray 2008 (Malta) Limited ^{*8}	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%
Exclusive Cleansing Services Limited ^{*A1}	England and Wales	Dormant	100%
Richard Biffa Limited ^{*A1}	England and Wales	Dormant	100%
Biffa Environmental Technology Limited ^{*A1}	England and Wales	Dormant	100%
Descaling Contractors Limited ^{*A1}	England and Wales	Dormant	100%
M Joseph & Son (Birmingham) Limited ^{*1}	England and Wales	Dormant	100%
Biogeneration Limited ^{*1}	England and Wales	Dormant	100%
Biffa Pension Scheme Trustees Limited ^{*1}	England and Wales	Dormant	100%
Hales Waste Control 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%
Biffa (Transport Services) Limited ^{*A1}	England and Wales	Dormant	100%
Wastedrive Limited ^{*1}	England and Wales	Dormant	100%
Wastedrive (Manchester) Limited ¹	England and Wales	Waste management	100%
The Withnell Brick & Terra Cotta Company (1912) Limited ^{*1}	England and Wales	Dormant	100%
Recycling & Resource Management Limited ^{*A1}	England and Wales	Dormant	100%
De-Pack Limited ^{*A1}	England and Wales	Dormant	100%
Recyclite Ltd ^{*A1}	England and Wales	Dormant	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%

* Financial year ended 30 March 2018.

** Financial year ended 31 December 2017.

*** Directly held by Biffa plc.

A Dissolved 3 April 2018.

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

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

3 Registered at East Lothian Depot, Barbachlaw, Wallyford, East Lothian, EH21 8QQ.

4 Registered at 70 Sir John Rogerson's Quay, Dublin 2, Ireland.

5 Registered at Strawinskylaan 3127, 8e verdieping, 1077ZX Amsterdam.

6 Registered at Walkers Corporate Services Limited, Walker House, 87 Mary Street, George Town, Grand Cayman KY19005.

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

8 Registered at Development House, St Anne Street, Floriana, Malta.

36. Dividends

The Directors propose a final dividend of 4.53 pence per ordinary share for the 53 weeks ended 30 March 2018. The dividend will be submitted for formal approval at the Annual General Meeting to be held on 18 July 2018 and, subject to approval, will be paid on 27 July 2018 to those shareholders registered on 6 July 2018.

The Directors recognise that sufficient distributable reserves will be required prior to paying the dividend and therefore the Directors intend to have disbursements paid into the Company and that subsequent to these disbursements being received by the Company, file a further set of the Biffa plc parent company accounts confirming that sufficient distributable reserves are available to pay the dividend.

Parent Company Balance Sheet

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 173 and a separate independent auditors' report on page 112.

	Notes	As at 30 March 2018 £m	As at 24 March 2017 £m
Assets			
Non-current assets			
Investments	2	252.9	251.5
Trade and other receivables	3	1.5	3.5
		254.4	255.0
Current assets			
Financial assets		0.0	0.3
Other receivables	3	24.0	24.0
Cash and cash equivalents	4	0.0	0.1
Current liabilities			
Derivatives financial instruments		(0.1)	0.0
Trade and other payables	6	(29.1)	(19.9)
Net current (liabilities)/assets		(5.2)	4.5
Net assets/(liabilities)		249.2	259.5
Equity			
Called up share capital	7	2.5	2.5
Share premium		235.3	235.5
Retained earnings		9.6	21.2
Hedging and other reserves		1.8	0.3
Total surplus/(deficit) attributable to shareholders		249.2	259.5

Retained profit for the year was £0.4m (2017: £22.7m).

The Financial Statements on pages 171 to 177 were approved by the Board and signed on its behalf by:



Michael Topham
Director
Biffa plc
Registered no: 10336040

Financial Statements

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
At incorporation	–	–	–	–	0.0
Issue of share capital	2.5	261.0	–	–	263.5
Share issue costs	–	(25.5)	–	–	(25.5)
Profit for the period	–	–	–	21.2	21.2
Cash flow hedges	–	–	0.3	–	0.3
As at 24 March 2017	2.5	235.5	0.3	21.2	259.5
Profit for the period	–	(0.2)	–	0.4	0.2
Cashflow hedges	–	–	(0.3)	(0.1)	(0.4)
Value of employee service in respect of share option schemes and share awards	–	–	1.8	(0.5)	1.3
Dividends paid	–	–	–	(11.4)	(11.4)
As at 30 March 2018	2.5	235.3	1.8	9.6	249.2

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 £0.4m.

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 Biffa plc Group
- The requirements of IFRS 7 'Financial Instruments: Disclosures', as equivalent disclosures are provided in the consolidated Financial Statements of the Group to which the Company belongs
- The requirements of IFRS 2 'Share-based Payments'
- The requirements of paragraphs 91 to 99 of IFRS 13 'Fair Value Measurements', as equivalent disclosures are presented in the consolidated Financial Statements

Areas of Judgement and Key Sources of Estimation Uncertainty

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

Investments

Investments are initially stated at cost. Investments are tested for impairment when an event that might affect asset value has occurred. An impairment loss is recognised to the extent that the carrying amounts cannot be recovered either by selling the asset or by the discounted future 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 impairment. They are subsequently held at amortised cost less any provision for impairment.

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

Share Capital

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

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 90–107. Biffa plc has two employees (2017: none).

2. Investments

	As at 30 March 2018 £m	As at 24 March 2017 £m
Interests in Group undertakings	252.9	251.5

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

Disclosure of the Company's subsidiaries is given in Notes 31 and 35 of the Group Financial Statements.

3. Trade and Other Receivables

	As at 30 March 2018 £m	As at 24 March 2017 £m
Amounts falling due within one year		
Amounts due from subsidiary undertaking	24.0	24.0
Amounts falling after more than one year		
Other receivables	1.5	3.5

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

4. Cash and Cash Equivalents

	As at 30 March 2018 £m	As at 24 March 2017 £m
Cash at bank and in hand	-	0.1

5. Fair Value of Financial Assets and Liabilities

	As at 30 March 2018		As at 24 March 2017	
	Book value £m	Fair value £m	Book value £m	Fair value £m
Financial assets and liabilities				
Derivative asset	-	-	0.3	0.3
Trade and other receivables	25.5	25.5	27.5	27.5
Cash and cash equivalents	-	-	0.1	0.1
Trade and other payables	(29.1)	(29.1)	(19.9)	(19.9)
Total financial assets and liabilities	(3.5)	(3.5)	8.0	8.0

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:

	As at 30 March 2018		As at 24 March 2017	
	Fair value £m	Notional £m	Fair value £m	Notional £m
Forward foreign exchange contracts	(0.1)	19.0	0.3	19.8

Notes to the Parent Company Financial Statements continued

6. Trade and Other Payables

	As at 30 March 2018 £m	As at 24 March 2017 £m
Non-current		
Amounts payable to subsidiary undertakings	(29.0)	(19.9)
Other	(0.1)	–
Total trade and other payables	(29.1)	(19.9)

All creditors are unsecured.

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

7. Called up share capital

	Number of shares No	Called up share capital £
As at 24 March 2017 and 30 March 2018	250,000,000	2,500,000

8. Related Party Transactions

There have been no material related party transactions in the 53 weeks ended 30 March 2018 (2017: 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 30 March 2018. 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
Wastelink Services Limited	100%	03301288
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
Wespack Limited	100%	03973242
Biffa GS (M&B) Limited	100%	01173507
Biffa GC (FC) Limited	100%	04800628
The Fosse Group Limited	100%	02372201
Ecovert Limited	100%	02308838
Biffa Group Holdings (UK) Limited	100%	04081901
Reclamation and Disposal Limited	100%	00879315

Name	Proportion of shares held by subsidiary (%)	Company number
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
S.C.S. Contractors Limited	100%	02557040
R.A. Johnson (Haulage) Limited	100%	00675579
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
Waste Clearance (Holdings) Limited	100%	00944987
Verdant Municipal Limited	100%	01204818
Hales Waste Control Limited	100%	04602277
White Cross Limited	100%	01537610
Wastedrive Limited	100%	01396771
Wastedrive (Manchester) Limited	100%	01517244
The Withnell Brick and Terra Cotta Company (1912) Limited	100%	00121258
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
Biogeneration Limited	100%	02970302
Commercial Waste Limited	100%	05964315
Biffa Chemical Waste Limited	100%	09673464
Amber Engineering Limited	100%	01067283
O'Brien Waste Recycling Solutions Limited	100%	09362987
O'Brien Waste Recycling Solutions Holdings Limited	100%	09560589
NE Waste Limited	100%	09390664

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 30 March 2018 the total sum of these debts and liabilities is £21.9 million.

Glossary

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

Acquisition Net Revenue Growth Rate

Acquisition Net Revenue Growth Rate in any period represents the Acquisition Net Revenue Growth for the period expressed as a percentage of the prior period's Net Revenue. Acquisition Revenue Growth Rate is calculated on the same basis, using revenue in place of Net Revenue

AD

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

AFR

Accident Frequency Rate

CAR Score

Compliance Assessment Report score

CRC

Carbon Reduction Commitment

EfW

Energy from waste, typically from the incineration of RDF

Energy Generation

Energy Generation is total energy generated by Biffa's Energy division. Excludes generation by third parties

Environment Agency

Non-departmental public body, with responsibilities relating to the protection and enhancement of the environment in England and Wales

ERF

Energy recovery facility

ESOS

Energy Savings Opportunity Scheme

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

GHG

Greenhouse gas

HDPE

High-density polyethylene

I&C

Industrial and commercial waste producers in the UK

Inactive Waste

Waste materials listed in the Landfill Tax (Qualifying Material) Order 2011, as amended, namely:

- (i) wastes which are not 'hazard' within the meaning of the revised Waste Framework Directive (2008/98/EC);
- (ii) wastes which are not biodegradable, have a low organic content or do not break down under the anaerobic conditions that prevail in landfill sites to produce methane;
- (iii) waste with little or no organic content, such as inorganic residues or completely combusted residues from the incineration of biodegradable/organic wastes; and
- (iv) waste with low polluting potential in the landfill environment

IPO

Initial Public Offering

kTns

Thousand tonnes

kTpa

Thousand tonnes per annum

Leverage Ratio

Ratio of Reported Net Debt to Underlying EBITDA

Loader-to-LGV

Loader-to-Large Goods Vehicles

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&A

Mergers & acquisitions

MBT

Mechanical and biological treatment

MRF

Materials recycling facility

MW

Megawatt

MWh

Megawatt hour

National Grid

High-voltage electric power transmission network in Great Britain

Net Revenue

Statutory Revenue excluding landfill tax, unless stated otherwise, 'revenue' refers to Statutory Revenue

O'Brien WRS

O'Brien Waste Recycling Solutions Limited

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

PSP

Performance Share Plan

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 shareholder's 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

rHDPE

Recycled high-density polyethylene

ROC

Renewable Obligations Certificate

SECR

Streamlined Energy and Carbon Reporting

SHEQ

Safety, health, environment and quality

SIP

Share Incentive Plan

SWaRF

Secure Waste and Recycling Facility

T&A

Trade and Assets

Tonnes Collected

Tonnes Collected is calculated as total waste tonnages collected from customers by Biffa operations. Excludes sub-contracted services and haulage / internal movements

Tonnes Landfilled

Tonnes Landfilled is calculated as total waste tonnages accepted for disposal at a Biffa operated landfill site. Excludes sites managed by third parties. Excludes non-waste materials (e.g. restoration soils) that are not subject to Landfill Tax

Tonnes Processed

Tonnes Processed is calculated as the tonnages received in the period subjected to processing activities at Biffa operated sites. Processing activities includes (i) sorting, baling and transfer; (ii) RDF preparation; (iii) soils and aggregates processing; (iv) composting; (v) plastics recycling; (vi) hazardous waste processing; (vii) anaerobic digestion; and (viii) mechanical and biological treatment. Where materials are subjected to more than one processing activity the tonnes are counted in respect of each process to which the material is subjected. Tonnages that have not been subjected to any processing activity and are disposed of in landfill and soils received at landfill sites for restoration are excluded. Excludes any processing activity carried out by third parties on Biffa's behalf. Where waste is not weighed (e.g. some hazardous wastes), tonnages are estimated

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

Glossary continued

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 Operating Profit Margin

Underlying Operating Profit margin is expressed as Underlying Operating Profit as a percentage of Statutory Revenue

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

Void

Measure of potential capacity of a landfill site in cubic metres

Waste Hierarchy

The hierarchy of waste management options established by the Waste (England and Wales) Regulations 2011 (as amended)

Corporate Information

Registered Office

Biffa plc
Coronation Road
Cressex
High Wycombe
Buckinghamshire
HP12 3TZ

Registrar

Equiniti Limited
Aspect House
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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.

A little bit about the production of your Annual 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.

The inks:

100% of the inks used are vegetable oil based, 95% of press chemicals are recycled for further use and, on average, 99% of any waste associated with this production will be recycled.

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.

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If recycling this report please ensure you do so responsibly, using your local recycling methods for both paper and card.

**This report will one day return
as your newspaper, delivery
packaging, a Christmas card,
your child's first drawing...**

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