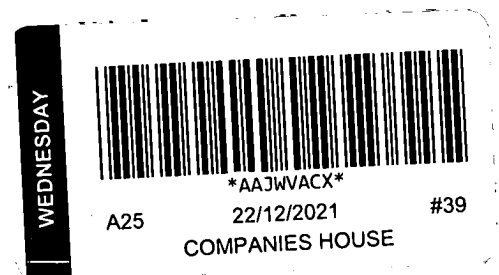


**Biffa Waste Services Limited
Annual Report and Financial Statements
For the 52 weeks ended 26 March 2021**

Company number: 00946107



**Biffa Waste Services Limited
Company Information**

Registered office

Coronation Road
Cressex
High Wycombe
Buckinghamshire
HP12 3TZ
United Kingdom

Directors

M Topham
R Pike
M Davis (appointed 4 November 2019)
D Bird (appointed 1 March 2021)
Biffa Corporate Services Limited

Company Secretary

S Parsons

Registered Auditor

Deloitte LLP
4 Brindley Place
Birmingham
B1 2HZ
United Kingdom

Biffa Waste Services Limited
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Biffa Waste Services Limited
Strategic Report
For the 52 weeks ended 26 March 2021

The Directors present here a strategic review of the business of Biffa Waste Services Limited (the Company). This contains certain forward-looking statements with respect to the financial condition, results, operations and business of the Company. By their nature, these statements and forecasts involve risk and uncertainty because they relate to events and depend on circumstances that may or may not occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements and forecasts.

s.172 statement

The Directors of the Company are required under section 172 of the Companies Act 2006 ("s.172") to act in a way that promotes the success of the Company for the benefit of its shareholders as a whole, whilst having regard to the following matters (amongst other things): the likely long term consequences; the interests of the Company's employees; the business relationships with suppliers and customers; the impact on the community and the environment; reputation for high standards of business conduct; and acting fairly between shareholders. As the Company forms part of the Biffa Group of Companies (the "Group"), it has applied the governance framework adopted by Biffa plc and the matters that the Directors of the Company are responsible for considering under s.172 have been considered to an appropriate extent by the Biffa plc Board (the "plc Board") in relation to both the Group and the Company. Further details of how the plc Board has considered the matters set out in s.172 (for the Group and the Company) are set out in the Biffa plc Annual Report and Accounts 2021 (the "ARA 2021"), which does not form part of this report. During the year, the Directors have also considered, both individually and together, relevant matters where appropriate.

Employees

The Company either directly or through other Group companies, has various formal and informal processes to actively engage with its employees. Employee engagement is measured through the Group annual engagement survey, which provides valuable insight in respect of engagement and culture. Key findings are presented to the Group Executive team and the plc Board, improvement areas are identified and action plans developed for the Group as a whole. Other channels for engagement include the employee app, employee roadshows, all employee calls, newsletters and the intranet. The Directors use these processes and channels to understand employees' views and take these into account when making decisions.

Customers, Suppliers and Other Stakeholders

The Company, either directly or through other Group companies, engages with customers, suppliers and other stakeholders through multiple channels. During the year, engagement included face to face meetings, social media interaction, surveys, and via the corporate website. The Directors received reports and presentations from management on the engagement activities and therefore were provided with a diverse and broad understanding of the issues most relevant to our stakeholders and allowed them to take into account the interest of those stakeholders when performing their duties under s.172.

These included but were not limited to:

- presentations from management on the acceleration of customer digitalisation to transform customer experience including the launch of the new e-commerce platform and the plans for a new electronic Customer Zone.
- updates from management on the business which included feedback on engagement with our customers, new customer wins and customer contract extensions, and the work with customers to support them with their sustainability goals.
- a report on the work the Group has undertaken on modern slavery and approved the Group's Modern Slavery Statement, which is available on the corporate website.
- information about our suppliers and our payment practices.
- approval of a number of material supply contracts during the year.

Accounting reference date

These financial statements are for the period ended 26 March 2021. The comparatives are for the period ended 27 March 2020.

Biffa Waste Services Limited
Strategic Report (continued)
For the 52 weeks ended 26 March 2021

Our strategy

The vision of the Biffa Group is simple – to lead the way in UK sustainable waste management. We wish to lead in business performance and returns, innovation, reputation and in how we tackle broader societal issues to our industry. Sustainability is right at the heart of our strategy as we evolve our role as a key enabler of the UK circular economy.

Our strategy is structured around three pillars where our impact can create the most value:

- Building a circular economy.
- Tackling climate change.
- Caring for our people, supporting our communities.

With a focus on four investment areas in line with the waste hierarchy:

- Reduce – To pioneer and operate the UK's leading waste reduction and surplus produce redistribution services.
- Recycle – To develop recycling solutions which strengthen the UK circular economy.
- Recover – To invest in energy from waste infrastructure as a low carbon alternative to landfill for our customers' waste that can't be recycled.
- Collect – To build the UK's largest, most efficient, low carbon waste and recycling waste collection operation.
- The strategy fully supports the Group's purpose to 'change the way people think about waste' and our vision to 'lead the way in UK sustainable waste management' and is underpinned by our sustainability strategy, 'Resourceful, Responsible', which was launched in March 2020.

Review of the year

The Company is the main trading entity of the Group. In the year, the Group delivered resilient business performance, executed ambitious strategic growth plans and embedded the Group's 10-year Sustainability Strategy.

The Company is structured into two operating divisions:

Collections

Collections comprises the Industrial and Commercial (I&C), Specialist Services and Municipal businesses and provides collection, disposal and other services for businesses and households.

In the Collections division, the impact of the pandemic was particularly challenging in the I&C business with many customers forced to temporarily close and volumes dropping to around 50% of prior year in Q1. Swift action was taken to mitigate the impact of the pandemic and the business recovered well across the year despite the various lockdowns across the UK. The strong recovery was thanks to the hard work of the I&C team who took the opportunity to re-route the business as the Company remobilised after the first lockdown and this has enabled us to become more efficient. As a result, the business also achieved lower ongoing unit operating costs, as a result of the enduring benefits of double shifting vehicles, improving lifts per day and reducing the number of operating vehicles required to service our customers. Despite this, I&C achieved strong levels of new business wins and retentions, particularly as some smaller operators have struggled to ensure continuity of service.

With people spending more time at home over the last year, the Municipal business naturally experienced a strong demand for services and higher volumes. As the business operates a fixed fee model, revenue remained stable. The business balanced these high volumes with increased staff-absenteeism levels which peaked at approximately 20% during the initial few months of the pandemic. Employees from the I&C team were seconded to support with these increased volumes and higher absence levels. The market is stabilising during FY22, with fewer players entering and a more equitable risk balance between the public and the private sector. As a result of the pandemic this year, we have seen fewer contracts come to market for re-tendering as councils have focused their efforts elsewhere. Biffa has seen the benefit of this in the high number of extensions we have secured.

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

Biffa Waste Services Limited
Strategic Report (continued)
For the 52 weeks ended 26 March 2021

Review of the year (continued)**Collections (continued)**

The Company acquired Company Shop Group (CSG) in February 2021 for £86m excluding deferred consideration. CSG delivers a unique circular economy proposition to the food manufacturing and FMCG sectors, helping some of the UK's biggest operators unlock sustainable value from the 141,000 tonnes of quality surplus food, beverage and household products that are produced in the UK each year.

Biffa made two further acquisitions in the I&C business during the year – Simply Waste Solutions acquired in September 2020 and Ward Recycling acquired in October 2020 for a combined investment of £35.3m including deferred and contingent consideration, plus £9.1m of IFRS 16 lease liabilities assumed. The acquisitions of Simply Waste Solutions and Ward Recycling enhance our customer proposition and support our aim to 'tackle climate change', as the consolidation means a more efficient low carbon service with fewer vehicles on the road.

Resources and Energy

Resources and Energy ("R&E") includes Recycling, Organics, Inerts and Landfill Gas and focuses on sorting, treating, processing and recycling waste streams.

The majority of R&E sites remained operational throughout the pandemic, ensuring continuity of our essential services for our customers. The pandemic had a significant impact on our markets in the year, reducing volumes of waste in our Inerts business (which predominantly is construction related) and Organics business (through reduced food waste volumes from the hospitality sector). The main impact on the Landfill Gas business was reduced ROC prices.

In Recycling, our established HDPE operations were largely unaffected by the price weaknesses due to the cost-plus model referred to above being in place. There were short-term challenges with virgin plastic and PRN prices resulting in weaker results from the Seaham plant, particularly in Q2-Q4. The facility has now started to produce food grade recycled materials and performance is expected to rebound in the second half of FY22. The MRFs had to cope with significantly increased volumes during the year as a result of increased Municipal volumes.

The Resources and Energy division is well placed for a strong trajectory in the year ahead, with market leading businesses in growing sectors and the prospect of a post-pandemic recovery. In May 2021, Biffa reached agreement to acquire a post-consumer plastics recycling facility (PRF) from Green Circle Polymers Ltd (GCP) in Grangemouth, Scotland. The acquisition of GCP will strengthen Biffa's Polymers business with increased capacity to recycle more plastic within the UK. The timing of the GCP acquisition is favourable with Scotland's Deposit Return Scheme being introduced in July 2022. GCP is Scotland's only PRF and will be extremely well placed to process these materials.

Trading results

The Directors utilise a number of key performance indicators when measuring the performance of the business.

	52 weeks to 26 March 2021	Restated 52 weeks to 27 March 2020	Movement
	£m	£m	£m
Net assets	533.0	556.2	(23.2)
Operating profit before adjusting items	15.7	36.4	(20.7)
Adjusting items before taxation	(26.9)	3.6	(30.5)
Net interest payable	(5.2)	(6.5)	1.3
(Loss)/profit before tax	(16.4)	33.5	(49.9)

The Company was impacted by the pandemic, in particular in the I&C business with many customers forced to temporarily close and volumes dropping to around 50% of prior year in Q1. The Company was further impacted by the need to impair the Project Fusion asset by £7.7m and the Poplars AD plant by £8.2m. These costs are reflected in the adjusting items.

Non-financial key performance indicators in respect of the Biffa Group of companies are shown in the Financial Statements of Biffa plc for the period to 26 March 2021, which do not form part of this report.

Biffa Waste Services Limited
Strategic Report (continued)
For the 52 weeks ended 26 March 2021

Future outlook

When developing the future strategy for the Company, the Directors have considered the main trends and factors likely to affect the future development, performance and position of the Company as well as the principal risks and uncertainties for the whole Group.

The Collections division has continued to deliver on plans to consolidate the fragmented I&C collections market. Acquisitions are highly synergistic, with the removal of duplicate routes and locations, and result in a more efficient, flexible service proposition for our customers with a lower-carbon intensity. Acquisitions are the key to us delivering our long-term plan to be the leading collector of business waste in the UK. We are looking to expand the services we offer our established corporate customer base and capitalise on the synergies we have available through the acquisition of CSG, as well as expanding our SME customer base. The development of non-scheduled services such as skip hire and van collections continues to be a focus for growth. We have created a new digital materials management platform which enables a seamless approach to booking skips, and we were delighted to be awarded a number of contracts in this area, including for Barratt Developments plc. Strong interest has been demonstrated from other housebuilders with trials planned for FY22.

The Resources & Energy division is well placed for a strong growth trajectory in the year ahead, with market leading businesses in growing sectors and the prospect of a post-pandemic recovery. We will continue to focus on expanding our capacity for closed-loop plastics recycling, which is the highest-grade of recycling and therefore has the highest value. The Group has a clear strategy to invest in green economy infrastructure.

On 25 June 2021, the Company acquired a post-consumer plastics recycling facility (PRF) from Green Circle Polymers Ltd (GCP) in Grangemouth, Scotland. The acquisition of GCP will strengthen Biffa's Polymers business with increased capacity to recycle more plastic within the UK. The timing of the GCP acquisition is favourable with Scotland's Deposit Return Scheme being introduced in July 2022. GCP is Scotland's only PRF and will be extremely well placed to process these materials.

On 31 August 2021, the Company acquired Syracuse Waste Limited from Viridor for £122.1m cash consideration plus £9.6m deferred consideration meaning a total consideration of £131.7m. Syracuse Waste Limited contains Viridor's Collections business and certain Recycling assets. This includes a portfolio of recycling and treatment facilities including materials recycling, composting and anaerobic digestion.

UN Sustainable Development Goals

Sustainable waste management is a key driver for improving environmental, health, social and financial outcomes. The Group plays a vital role in helping the UK to address the climate change emergency and deliver sustainable economic growth. This is woven through our sustainable growth strategy and is demonstrated through our actions over the past two decades.

Our business has become more sustainable by:

- Improving the efficiency and emissions per tonne of waste in the Collections division.
- Broadening and enhancing our recycling and treatment capabilities.
- Reducing the scale of the landfill business.
- Utilising rail links to transport inert waste.
- Pioneering the transition to electric vehicles and alternative fuels.
- Caring for our people by tackling modern slavery and by promoting diversity and inclusion.
- Supporting our communities by funding biodiversity projects.
- Working with partners and customers to reduce waste. We are breaking the link between the management of waste and carbon. But there is still more to do.

In March 2020, the Group launched 'Resourceful, Responsible' a 10-year sustainability strategy. The strategy is aligned to the UN's Sustainable Development Goals, and is centred around three key pillars:

- Building a circular economy;
- Tackling climate change; and
- Caring for our people and supporting our communities.

It includes a commitment to unlock £1.25bn of investment in green economy infrastructure, whilst reducing our CO₂ emission by a further 50% in the coming decade. When combined with what the Group has achieved in the last 15 years, that will amount to a reduction in our CO₂ emissions by over 80%. 'Resourceful, Responsible' is inextricably linked to the Group's strategic framework and the investment in green economy.

Biffa Waste Services Limited
Strategic Report (continued)
For the 52 weeks ended 26 March 2021

Principal risks

The Directors are aware of the need to review all aspects of risk which are likely to affect the financial stability of the Company, whether it be from either the sales or the cost side of the business. On an annual basis the Directors carry out a detailed internal risk assessment analysis on all aspects of the business.

Credit risk

The Company's principal financial assets are cash and intercompany receivables. The Directors assess the intercompany receivable balances for recoverability based on an assessment of the individual counterparties and considers that the carrying value of the assets represents their recoverable amount. The Company mitigates cash risk by using accredited institutions.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Company primarily uses funding from other group companies.

Brexit risk

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

COVID-19 risk

The Covid-19 pandemic is unprecedented. During FY21 the Group introduced measures to reduce costs, including furloughing over 1,800 employees; temporary pay reductions taken by the plc Board, the Group Executive Team and the broader Leadership Group; and suspension of bonuses and pay increases. In addition, payment deferrals were negotiated where appropriate and meaningful in areas such as indirect taxes, pensions, lease liabilities and material supplies. Covenant amendments and additional liquidity headroom were agreed with the Group's banks. £100m equity raise in June 2020 to help the Group continue to pursue its strategic growth plan. An internal response team was set up to ensure we supported the health and wellbeing of our colleagues, managed business continuity, provided clear and timely communications and minimise service disruption.

All staff who could were advised to work from home and ensured the appropriate Covid-secure measures were applied across our workplaces. Internal communications and engagement with CEO vlogs, all employee calls with the Group Executive Team, internal appreciation campaigns and our employee app, Biffa Beat all contributing. As the restrictions are ending our employees are returning to their normal places of work and volumes are returning to pre-pandemic levels but we will continue to monitor the situation and respond to further changes where needed.

Employee engagement

The Company regularly reviews its employment practices to ensure it promotes dignity at work, equal opportunity and good working relations based on fairness, equality and inclusiveness. The safety of employees is the top priority. Employee engagement is critical to us at Biffa, arguably more so during the past year when doing the right thing for our people has been more important than ever. Our goal is to ensure that Biffa is an employer of choice for current and future talent and a Company that we are all proud to be a part of. Throughout the pandemic we have significantly increased two-way engagement with our employees, ensuring that they were kept informed of our latest Covid-secure protocols, the support we were offering, as well as how our business was performing.

Our channels include regular all employee and leadership video calls with our Executive Team, CEO vlogs, podcasts, Q&A opportunities in real time, virtual conferences and events including our first virtual Diamond employee awards ceremony and importantly news updates via our intranet and employee app, Biffa Beat. Biffa Beat really came into its own this year, providing an easy way for employees, particularly our colleagues on the front line, to openly ask questions and voice their opinions at the touch of a button.

Biffa Waste Services Limited
Strategic Report (continued)
For the 52 weeks ended 26 March 2021

Employee engagement (continued)

We continue to invest in the personal development of our colleagues and this year we had to adapt to find alternative ways of offering our programmes online, via our e-learning platform 'Know How' as well as virtual training sessions. The focus of our training this year was employee wellbeing, whilst also supporting line managers to 'manage in a virtual world' offering a suite of training and support across the business. We continue to provide regular live 'relaxation' sessions to support employees with their mental health and training for line managers to help spot the signs of anxiety, so they are better equipped to support their teams. Online training was also provided to our drivers and we continued to broaden our comprehensive portfolio of e-learning modules, allowing all our employees access to relevant and timely learning content.

We also continued our Advanced Leadership Programme to help accelerate the development of some of our brightest talent across the organisation and our apprenticeship programmes, which range from engineering apprenticeships through to master's in business administration. In the year we offered 35 placement opportunities to young people seeking employment in areas such as HR, Finance and Business Operations as part of the Government's Kickstart scheme. The pandemic has influenced how we will continue to provide training and development in the future. With less time required for online training as opposed to face-to-face, we plan to increase the number of training interventions per employee. We will continue to develop and broaden our online training content going forward.

We are committed to being an inclusive employer, ensuring fair and equal opportunities for all employees. The waste management sector is traditionally a male-dominated industry, with the vast majority of operational teams being male. Across the Group, the workforce comprises 18.2% female and 81.8% male employees. We've taken great steps this year to improve the gender balance.

We also launched our Women in Waste Group in September 2020, to understand the barriers women face in the workplace and to look at how we can better attract, support and develop women at Biffa.

Working together safely

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

Approved by the Board of Directors and signed on behalf of the Board;



R Pike
Director
17 December 2021

Biffa Waste Services Limited
Report of the Directors
For the 52 weeks ended 26 March 2021

The Directors who held office during the period and up to the date of signature of the financial statements were as follows:

Directors: M Topham
R Pike
D Bird
M Davis
Biffa Corporate Services Limited

Secretary: S Parsons

The Directors present the Report of the Directors and audited Financial Statements for Biffa Waste Services Limited for the 52 weeks ended 26 March 2021.

Principal activity

The Company's principal activity is the provision of waste management services with its business based in the United Kingdom.

Review of business, future developments and principal risks

The results for the period are set out on page 16. A full review of business is presented in the strategic report on pages 2-5. Future developments and risk management policy is also presented on pages 2-4 of the strategic report.

Going Concern

A going concern review has been completed to review future profitability of the Company and to evidence that the Company has sufficient cashflow and liquidity to continue as a going concern for a period of at least 12 months from signing these Financial Statements. During FY21, Biffa's financial performance was materially impacted by the Covid-19 pandemic and the associated lockdown measures. The Company demonstrated its agility and responsiveness in addressing the volume fluctuations, but an impact was still seen in profitability for the year. The greatest impact of the pandemic was felt in the first quarter of the financial year, where volumes in both the I&C and Landfill businesses dropped to around 50% of prior year levels. As lockdown measures eased, we saw volumes rapidly improve to around 95% of FY20 levels, before again being impacted during the second and third lockdown periods. In addition, the Company recognised impairments on Project Fusion intangible asset as a direct result of pausing the programme throughout the lockdown period. An impairment of £8.2m was recognised on Poplars AD plant. These are considered to be one off costs that won't repeat in future years.

Trading performance in the first half of FY22 recovered well following the easing of lockdown restrictions. Volumes across the group recovered to FY20 levels by the end of H1. We have also benefitted from higher commodity and energy prices. The Company continues to win new business with I&C achieving strong levels of new contract wins and retentions, particularly as some smaller operators have struggled to ensure continuity of service.

On 31 August 2021, the Company completed the acquisition of Syracuse Waste Limited which holds Viridor's Collection business and certain recycling assets. The assets acquired delivered revenue of £142m and EBITDA excluding adjusting items of £18m in the year ending March 2020.

The Group had unutilised committed bank facilities available of £150m as at the FY21 year end and cash and cash equivalents of £30.8m. The Group's sources of funds were broadened with the issuance of £150m of private placement notes in August 2021. As Biffa Waste Services is the main trading entity of this Group given the going concern procedures carried out and the net asset position of the Company, the directors feel confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least twelve months from the date of approval of these financial statements and, therefore, have prepared the financial statements on a going concern basis.

Biffa Waste Services Limited
Report of the Directors (continued)
For the 52 weeks ended 26 March 2021

Dividends

The Directors do not propose the payment of a final dividend. No interim dividends were paid during the period. No dividends were paid or proposed in the prior financial period.

Directors' indemnities

The Company has made qualifying third party provisions (as defined in the Companies Act 2006) for the benefit of all its Directors. These provisions remain in force at the date of this Annual Report.

In accordance with the Company's articles, 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.

Disabled persons

Applications for employment by disabled persons are always fully considered bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Employee engagement

The Company puts employee engagement at the heart of its people strategy and plans, as detailed within the Strategic Report on pages 5 and 6.

Post balance sheet events

In light of the current ongoing Covid-19 pandemic, management continue to closely monitor developments and any potential impacts on the Company.

On 25 June 2021, the Company acquired a post-consumer plastics recycling facility (PRF) from Green Circle Polymers Ltd (GCP) in Grangemouth, Scotland. The acquisition of GCP will strengthen Biffa's Polymers business with increased capacity to recycle more plastic within the UK. The timing of the GCP acquisition is favourable with Scotland's Deposit Return Scheme being introduced in July 2022. GCP is Scotland's only PRF and will be extremely well placed to process these materials. On 31 August 2021, the Company acquired Syracuse Waste Limited from Viridor for £122.1m. Syracuse Waste Limited contains Viridor's Collections business and certain Recycling assets. This includes a portfolio of recycling and treatment facilities including materials recycling, composting and anaerobic digestion.

Further details are set out in note 28.

Statement of Corporate Governance Arrangements

For the year ended 26 March 2021, the Company has applied the Wates Corporate Governance Principles for Large Companies (the "Principles"). The application of the Principles by the Company during the year is set out below.

Principle 1 – Purpose and Leadership

The Company is part of the Group. The plc Board is responsible for setting the Group's purpose and values and ensuring these are aligned with the Group's culture. Our purpose, 'to change the way people think about waste', sits alongside our vision, 'to lead the way in UK sustainable waste management'.

The plc Board also sets the Group's strategy and sustainability strategy, having regard to the Group's stakeholders, while maintaining a balanced approach to risk within a framework of effective controls. It sets the tone and approach to corporate governance and is responsible for the overall financial performance of the Group.

The Group's strategy is structured around three pillars as described above. Further information can be found on pages 20-21 of the ARA 2021.

The Directors are responsible for promoting the long-term success of the Company for the benefit of its members as a whole, taking into accounts other stakeholders as defined by s172 of the Act and the Articles of Association.

Biffa Waste Services Limited
Report of the Directors (continued)
For the 52 weeks ended 26 March 2021

Principle 2 – Board Composition

The plc Board Nomination Committee reviews the plc Board composition annually to ensure that the balance of responsibilities, accountabilities and decision-making across the Group is effectively maintained. Further details on plc Board composition, including diversity, can be found on page 97 of the ARA 2021.

The Company Board members have separate clearly defined roles and responsibilities. The Board members are Group Executive members, responsible for the Collections and Resource and Energy divisions and, also include the Chief Executive Officer and the Chief Financial Officer. Further information on the composition of the plc Board, along with details on roles and responsibilities can be found on page 88 of the ARA 2021.

The plc Board undertook an externally facilitated evaluation of its performance during the year, its first since its IPO in 2016. Further information can be found on page 95 of the ARA 2021.

Principle 3 – Director Responsibilities

The Group has a clear corporate governance framework which was established by the plc Board to provide clear lines of accountability and responsibility. The framework comprises the plc Board reserved matters, the plc Board and Executive Committees with their Terms of Reference and the Group Delegated Authorities Policy and Matrix to ensure effective decision making at appropriate levels within the Group. Further information can be found on pages 86-87 of the ARA 2021.

The Group's approach to environmental, social and employee related matters are clearly set out in its policies and standards. Further information, including how the Group monitors the effectiveness of the policies, can be found on pages 69-71 of the ARA 2021.

The Company Board held a number of meetings throughout the year. The Company Board approved the acquisition of Camo Limited in October 2018 and the acquisition of Company Shop Limited in February 2021. In addition, the Company Board approved the new Protos Energy from Waste facility in Cheshire. In addition, the Company approved a number of property and treasury matters during the year. In order to make an informed decision on these matters the Company Board received comprehensive Board papers, setting out all the relevant information, including consideration of a number of s.172 factors.

Principle 4 – Opportunity and Risk

The role of the plc Board is to promote the long-term sustainable success of the Company, generating value for its shareholders within a framework of effective controls, which enable risks to be assessed and managed.

The Group's risk appetite is approved by the plc Board and reviewed annually. The Group dedicates significant resources and focus to manage and monitor risks via the Internal Audit team. The plc Board Audit Committee monitors risk management processes and controls on behalf of the plc Board. The plc Board has overall responsibility for risk management at Biffa. In support of this, risk management is firmly embedded within our everyday business activities and our culture. The plc Board recognises its responsibility to ensure that the Group's internal control systems and risk management framework are effective. The plc Board Audit Committee has specific delegated authority to review the effectiveness of the risk management and internal control processes during the year. Day-to-day risk management and control is the responsibility of the Group Executive Team, with plc Board oversight, and is designed to ensure that management provides leadership and direction to employees so that our overall risk-taking activity is kept within our risk appetite. Further details can be found on page 100 of the ARA 2021.

Principle 5 – Remuneration

The Group's remuneration policy and practices are consistent with the six factors set out in Provision 40 of the UK Corporate Governance Code, being clarity, simplicity, risk, predictability, proportionality and alignment to culture and are approved by the plc Board Remuneration Committee.

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

The Group reports on the pay ratio of the Group CEO to UK employees and details of this can be found in the Director's Remuneration Report on page 114 of the ARA 2021. Biffa plc also reports on the Group gender pay gap (see <https://www.biffa.co.uk/about-us/policies>).

Biffa Waste Services Limited
Report of the Directors (continued)
For the 52 weeks ended 26 March 2021

Principle 6 – Stakeholders Relationships and Engagement

Details about the Group's stakeholders can be found in the ARA 2021 (pages 8-11).

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Deloitte LLP, Statutory Auditor, will therefore continue in office.

Each of the Directors of the Company at the date when this report was approved confirms that:

- So far as each of the Directors is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- Each of the Directors has taken all steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the requirements of section 418 of the Companies Act 2006.

Approved and signed on behalf of the Board;



R Pike
Director
17 December 2021

Biffa Waste Services Limited
Statement of Directors' Responsibilities
For the 52 weeks ended 26 March 2021

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial period. Under that law the Directors have elected to prepare the Financial Statements 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 Company and of the profit or loss of the Company for that period. In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Independent Auditor's Report to the members of Biffa Waste Services Limited
Report on the audit of the financial statements
For the 52 weeks ended 26 March 2021

Opinion

In our opinion the financial statements of Biffa Waste Services Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 26 March 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the statement of other comprehensive income;
- the statement of financial position;
- the statement of changes in equity;
- the related notes 1 to 29.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework".

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 company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Independent Auditor's Report to the members of Biffa Waste Services Limited
Report on the audit of the financial statements (continued)
For the 52 weeks ended 26 March 2021

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors

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

In preparing the financial statements, the directors are responsible for assessing the 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 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

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

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and internal audit about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, pensions legislation and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team including relevant internal specialists such as tax, valuations, pensions and IT specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

Independent Auditor's Report to the members of Biffa Waste Services Limited
Report on the audit of the financial statements (continued)
For the 52 weeks ended 26 March 2021

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address them are described below:

- **Asset under construction impairment:** There is a risk that the carrying value of the IT development project assets exceed the future economic benefit and therefore required impairment. In order to address this risk we have: a) held discussions with management and tested the design and implementation of the relevant controls in place, b) assessed the reasonableness of the assumptions used in management's impairment review, and c) performed sensitivity analysis to assess whether any headroom is sensitive to reasonably possible changes in key estimates;
- **Onerous Contract Provisions:** There is a risk that onerous contract provisions have not been recognised or any such provision is understated. In order to address this risk we have: a) performed inquiries of management and tested the design and implementation of the relevant control in place, b) assessed the forecast assumptions used by management, and c) assessed the arithmetical accuracy of models used by management;
- **Asset impairment:** There is a risk that the carrying value of assets in certain CGUs where there is limited headroom exceed the future economic benefit and therefore required impairment. In order to address this risk we have: a) performed inquiries of management and tested the design and implementation of the relevant control in place, b) assessed the forecast assumptions used by management, c) assessed the arithmetical accuracy of models used by management, and d) engaged valuations specialist to assess relevant discount rates; and
- **Landfill accounting:** There is a risk that the provision for landfill after care costs is misstated. In order to address this risk we have: a) performed inquiries of management and tested the design and implementation of the relevant control in place, b) performed substantive testing to gain assurance that capital expenditure and costs utilised against the provision are appropriate, c) assessed the arithmetical accuracy of models used by management, d) assessed the estimated inputs taking into account any changes in regulations and the environment, and e) assessed the appropriateness of discount rates and inflation rates used in the models.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

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

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, internal audit and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing internal audit reports.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by 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.

Independent Auditor's Report to the members of Biffa Waste Services Limited
Report on the audit of the financial statements (continued)
For the 52 weeks ended 26 March 2021

In the light of the knowledge and understanding of the company and its 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

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

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.

DocuSigned by:

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Peter Gallimore FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Birmingham, United Kingdom

17 December 2021

Biffa Waste Services Limited
Income Statement
For the 52 weeks ended 26 March 2021

		52 weeks to 26 March 2021			52 weeks to 27 March 2020		
		Activities excluding adjusting items	Adjusting items (note 5)	Total	Activities excluding adjusting items	Adjusting items (note 5)	Total
Notes							
		£m	£m	£m	£m	£m	£m
Revenue	3	715.3	-	715.3	806.3	-	806.3
Cost of sales		(656.7)	(24.4)	(681.1)	(725.4)	(1.0)	(729.7)
Gross profit/(loss)		58.6	(24.4)	34.2	80.9	(1.0)	79.9
Other income	4	11.0	-	11.0	-	-	-
		69.6	-	45.2	80.9	(1.0)	79.9
Distribution costs		(18.8)	-	(18.8)	(11.1)	-	(11.1)
Administrative expenses		(35.1)	(2.5)	(37.6)	(33.4)	(4.9)	(38.3)
Operating profit/(loss)		15.7	(26.9)	(11.2)	36.4	(5.9)	30.5
Income from interest in group undertakings		-	-	-	-	9.5	9.5
Interest receivable	7	3.1	-	3.1	0.1	-	0.1
Interest payable	7	(8.3)	-	(8.3)	(6.6)	-	(6.6)
Profit/(loss) before taxation	6	10.5	(26.9)	(16.4)	29.9	3.6	33.5
Taxation	8	3.5	10.9	14.4	(12.5)	1.1	(11.4)
Profit/(loss) for the period		14.0	(16.0)	(2.0)	17.4	4.7	22.1

The accompanying notes to the financial statements are an integral part of the Company's financial statements.

The income statement has been prepared on the basis that all operations are continuing operations.

Biffa Waste Services Limited
Statement of Other Comprehensive Income
For the 52 weeks ended 26 March 2021

	Notes	52 weeks to 26 March 2021 £m	52 weeks to 27 March 2020 £m
(Loss)/Profit for the period		(2.0)	22.1
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Actuarial (loss)/gain on the net defined benefit pension asset	26	(19.0)	40.2
Deferred tax on the actuarial gain on the defined pension asset above	8	(3.3)	(9.1)
Hive up reserves of group subsidiaries		-	0.7
Gain on employee benefits trust		-	0.3
Deferred tax on share based payments		1.5	(0.2)
Items that may be reclassified subsequently to profit or loss			
Fair value loss arising on hedging instruments in the period		(0.6)	-
Other comprehensive (expense)/income for the period		(21.4)	31.9
Total comprehensive (expense)/income for the period		(23.4)	54.0

Biffa Waste Services Limited
Statement of Financial Position
As at 26 March 2021

	Notes	As at 26 March 2021 £m	As at 27 March 2020 £m (restated)
Non-current assets			
Goodwill	11	65.4	63.6
Investments	12	173.4	47.6
Intangible assets	13	10.7	21.6
Tangible assets	14	412.8	426.9
Deferred tax asset	15	22.4	10.2
Pension asset	26	112.6	125.1
Trade and Other Receivables	17	353.9	482.5
		<u>1,151.2</u>	<u>1,177.5</u>
Current assets			
Inventory	16	16.0	13.6
Trade and Other Receivables	17	370.4	1,260.4
Derivatives		0.3	-
Cash at bank and in hand		20.8	22.0
		<u>407.5</u>	<u>1,296.0</u>
Current Liabilities			
Trade and Other Payables	19	(762.0)	(1,676.0)
Contract Liabilities	18	(15.5)	(13.5)
Lease liabilities	24	(39.3)	(31.7)
Provisions	20	(7.2)	(8.9)
		<u>(824.0)</u>	<u>(1,730.1)</u>
Net current liabilities		<u>(416.5)</u>	<u>(434.1)</u>
Total assets less current liabilities		<u>734.7</u>	<u>743.4</u>
Non-current liabilities			
Trade and Other Payables	19	(0.5)	(0.6)
Lease liabilities	24	(146.2)	(147.9)
Derivatives		(0.9)	-
Provisions	20	(54.1)	(38.7)
		<u>(201.7)</u>	<u>(187.2)</u>
Net assets		<u>533.0</u>	<u>556.2</u>
Capital and reserves			
Called up share capital	21	503.7	503.7
Revaluation reserve	22	0.5	0.5
Hedging reserve		(0.6)	-
Retained earnings		29.4	52.0
Total shareholder's funds		<u>533.0</u>	<u>556.2</u>

The prior period has been restated for the current and non-current liabilities. The disclosures have been split into the component parts on the face of the statement of financial position. In the prior period these had been incorrectly aggregated on the face of the statement, which was not in compliance with IAS 1 presentation of the financial statements which states certain items that must be presented separately on the statement of financial position.

The Financial Statements of Biffa Waste Services Limited, registered number 0946107 were approved by the Board of Directors and authorised for issue on 17 December 2021. They were signed on its behalf by

R Pike

DIRECTOR

Biffa Waste Services Limited
Statement of Changes in Equity
For the 52 weeks ended 26 March 2021

	Called up share capital (note 21) £m	Revaluation reserve (note 22) £m	Hedging reserve £m	Retained earnings £m	Total (restated) £m
At 29 March 2019	503.7	0.5	-	(2.2)	502.0
Profit for the period	-	-	-	22.1	22.1
Other Comprehensive Income	-	-	-	31.9	31.9
Capital contribution	-	-	-	0.2	0.2
At 27 March 2020	<u>503.7</u>	<u>0.5</u>	<u>-</u>	<u>52.0</u>	<u>556.2</u>
Loss for the period	-	-	-	(2.0)	(2.0)
Other Comprehensive Expenses	-	-	(0.6)	(20.8)	(21.4)
Capital contribution	-	-	-	0.2	0.2
At 26 March 2021	<u>503.7</u>	<u>0.5</u>	<u>(0.6)</u>	<u>29.4</u>	<u>533.0</u>

Biffa Waste Services Limited
Notes to the Financial Statements
For the 52 weeks ended 26 March 2021

1. General information

Biffa Waste Services Limited is private Company, limited by shares, incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The Company's registered address is shown on the Company information page. The principal activity is set out in the Directors Report on page 7.

2. Accounting policies

(a) Accounting convention

The Financial Statements have been prepared and approved by the Directors in accordance with Financial Reporting Standard (FRS) 101 Reduced Disclosure Framework issued by the Financial Reporting Council. The Company adopted FRS 101 Reduced Disclosure Framework to take advantage of the reduced disclosures available as the Company meets the definition of a qualifying entity.

As permitted by FRS 101, exemptions from applying the following requirements have been adopted:

- a) IFRS 7 'Financial Instruments: Disclosures';
- b) IAS 1 'Presentation of Financial Statements' paragraphs 10(d), 10(f), 16, 38 (requirement to present comparative information), 39(c), 111 and 134-136;
- c) IAS 16 'Property, Plant and Equipment' paragraph 73(e)
- d) IAS 7 'Statement of Cash Flows';
- e) IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' paragraphs 30 and 31;
- f) IAS 24 'Related Party Disclosures' paragraph 17, and the Company has also taken advantage of the exemption from the requirements in IAS 24 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of the Biffa Group
- g) IAS 36 'Impairment of Assets' paragraphs 134(d)-(f) and 135(c)-(e).

Where required, equivalent disclosures are given in the Group accounts of Biffa plc. The Group accounts of Biffa plc are available to the public and can be obtained as set out in note 29.

(b) Adoption of new and revised standards

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

- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform
- Amendments to References to the Conceptual Framework in IFRS Standards
- IFRS 16 Leases: Amendment to provide lessees with an exemption from assessing whether a Covid-19-related rent concession is a lease modification.
- IAS 1 Presentation of Financial Statements: Amendments regarding the definition of material
- Amendments to IFRS 3 Definition of a business – The Company has adopted the amendments to IFRS 3 for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.
- The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.
- The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or Group of similar assets

Biffa Waste Services Limited
Notes to the Financial Statements (continued)
For the 52 weeks ended 26 March 2021

2. Accounting policies (continued)

(b) Adoption of new and revised standards (continued)

- Amendments to IAS 1 and IAS 8 Definition of material - The Company has adopted the amendments to IAS 1 and IAS 8 for the first time in the current year. The amendments make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'.

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

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

New standards and interpretations not yet adopted

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

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

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

The Financial Statements for 2021 have been prepared for the 52-week period ended 26 March 2021. The prior year was a 52-week period, to 27 March 2020.

(c) Going concern

A going concern review has been completed to review future profitability of the Company and to evidence that the Company has sufficient cashflow and liquidity to continue as a going concern for a period of at least 12 months from signing these Financial Statements. During FY21, Biffa's financial performance was materially impacted by the Covid-19 pandemic and the associated lockdown measures. The Company demonstrated its agility and responsiveness in addressing the volume fluctuations, but an impact was still seen in profitability for the year. The greatest impact of the pandemic was felt in the first quarter of the financial year, where volumes in both the I&C and Landfill businesses dropped to around 50% of prior year levels. As lockdown measures eased, we saw volumes rapidly improve to around 95% of FY20 levels, before again being impacted during the second and third lockdown periods. In addition, the Company recognised impairments on Project Fusion intangible asset as a direct result of pausing the programme throughout the lockdown period. An impairment of £8.2m was recognised on Poplars AD plant. These are considered to be one off costs that won't repeat in future years.

Trading performance in the first half of FY22 recovered well following the easing of lockdown restrictions. Volumes across the group recovered to FY20 levels by the end of H1. We have also benefitted from higher commodity and energy prices. The Company continues to win new business with I&C achieving strong levels of new contract wins and retentions, particularly as some smaller operators have struggled to ensure continuity of service.

On 31 August 2021, the Company completed the acquisition of Syracuse Waste Limited which holds Viridor's Collection business and certain recycling assets. The assets acquired delivered revenue of £142m and EBITDA excluding adjusting items of £18m in the year ending March 2020.

The Group had unutilised committed bank facilities available of £150m as at the FY21 year end and cash and cash equivalents of £30.8m. The Group's sources of funds were broadened with the issuance of £150m of private placement notes in August 2021.

Biffa Waste Services Limited
Notes to the Financial Statements (continued)
For the 52 weeks ended 26 March 2021

(c) Going concern (continued)

As Biffa Waste Services is the main trading entity of this Group given the going concern procedures carried out and the net asset position of the Company, the directors feel confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least twelve months from the date of approval of these financial statements and, therefore, have prepared the financial statements on a going concern basis.

(d) Presentational and functional currency

The presentational currency of the Financial Statements and the functional currency is pound sterling, which is the currency of the primary economic environment in which the Company operates.

(e) Measurement

The Financial Statements have been prepared on the historical cost basis except for the recording of pensions assets and liabilities and the revaluation of certain derivative financial liabilities instruments. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

(e) Measurement (continued)

Fair value for measurement purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

(f) Consolidation

The Company is exempt from the preparation of consolidated Financial Statements under s400 of the Companies Act 2006, because it is included in the group Financial Statements of Biffa plc which are publicly available as set out in note 29.

(g) Impairment

The carrying amounts of the Company's assets, other than deferred tax assets (see accounting policy (q)), are reviewed at each Statement of Financial Position date to determine whether there is any indication of impairment. Non-depreciable assets and goods are assessed annually for impairment. In assessing an asset for impairment, the recoverable amount of the asset or its cash generating unit is estimated. An impairment loss is recognised when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in income statement.

Calculation of recoverable amount

The recoverable amount of such assets is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Biffa Waste Services Limited
Notes to the Financial Statements (continued)
For the 52 weeks ended 26 March 2021

(h) Business combinations

Acquisitions of businesses are accounted for 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 by the Company, liabilities incurred by the Company to the former owners of the acquiree and the equity interests issued by the Company 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 respectively;
- liabilities or equity measurements related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Company entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition date amounts of the identifiable assets and 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 Company 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 Company 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 arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

Transfer of trade and assets under common control

When Biffa transfers trade and assets under common control for consideration equal to the net carrying amount of the assets, or for a lower amount, it applies merger accounting principles in UK GAAP. If the consideration is at fair value it applies acquisition accounting in accordance with IFRS 3.

(i) 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 Company's cash-generating units (or groups of cash-generating units) that are expected to benefit from the synergies of the combination.

If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

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

Biffa Waste Services Limited
Notes to the Financial Statements (continued)
For the 52 weeks ended 26 March 2021

2. Accounting policies (continued)

(j) Revenue recognition

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

Waste collection revenue

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

Landfill revenue

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

Revenue from sale of recyclate materials

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

Energy revenue

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

(k) Interest payable and receivable

Interest payable and receivable comprise interest payable on borrowings calculated using the effective interest rate method, interest receivable on funds invested and gains that are recognised in the profit and loss and the unwinding of discounts on provisions. Interest payable on borrowings is shown as an operating activity in the consolidated statement of cash flows.

Interest receivable is recognised in profit or loss as it accrues, taking into account the effective yield on the asset. Interest payable is shown as an operating activity in the consolidated statement of cash flows. The interest expense component of finance lease payments is recognised in profit or loss using the effective interest rate method.

(l) Leasing

At inception, the Company assesses whether a contract is, or contains, a lease within the scope of IFRS 16. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Where a tangible asset is acquired through a lease, the Company recognises a right-of-use asset and a lease liability at the lease commencement date. Right-of-use assets are included within property, plant and equipment, apart from those that meet the definition of investment property.

Biffa Waste Services Limited
Notes to the Financial Statements (continued)
For the 52 weeks ended 26 March 2021

2. Accounting policies (continued)

(l) Leasing (continued)

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date plus any initial direct costs and an estimate of the cost of obligations to dismantle, remove, refurbish or restore the underlying asset and the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of other property, plant and equipment. The right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are unpaid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise of fixed payments, variable lease payments that depend on an index or a rate, amounts expected to be payable under a residual value guarantee, and the cost of any options that the Company is reasonably certain to exercise, such as the exercise price under a purchase option, lease payments in an optional renewal period, or penalties for early termination of a lease.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in: future lease payments arising from a change in an index or rate; the Company's estimate of the amount expected to be payable under a residual value guarantee; or the Company's assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less, or for leases of low-value assets including IT equipment. The payments associated with these leases are recognised in profit or loss on a straight-line basis over the lease term.

In the current and prior year lease liabilities of £185.5m have been reclassified from trade and other payable on the statement of financial position to lease liabilities in both current and non-current liabilities. This is a change in accounting policy to bring the presentation in line with best practice.

(m) Government grants

Government grants are not recognised until there is reasonable assurance that the Company 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 Company recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the Balance Sheet and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

(n) Pension expenses

The Company contributes to a defined contribution scheme, the Biffa Pension Scheme, in respect of certain employees. For this scheme, the amount expensed to the profit and loss account in respect of pension expenses and other post-retirement benefits is the contribution payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the Balance Sheet. The Company also contributes to a group defined benefit scheme. The scheme offers both pensions in retirement and death benefits to members and is closed to new members. The Scheme is administered by Trustees and the assets are held separately to the legal entity that is the Group. The Trustee board of the Scheme is composed of an independent Trustee, and other employer and member nominated Trustees (where the legal minimum proportion of member nominated Trustees has been upheld). The Trustees are required by law to act in the best interests of the members of the Scheme. The Trustees are responsible for the investment policy with regard to the assets of the Scheme.

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

Biffa Waste Services Limited
Notes to the Financial Statements (continued)
For the 52 weeks ended 26 March 2021

2. Accounting policies (continued)

(o) Share-based payment plans

The Group's management awards employee share options of shares in Biffa plc, 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.

(p) Adjusting items

Adjusting 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 Company's performance.

(q) Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the Profit and Loss Account because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Companies' 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 Company 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.

Biffa Waste Services Limited
Notes to the Financial Statements (continued)
For the 52 weeks ended 26 March 2021

2. Accounting policies (continued)

(r) 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 but not interest 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 methods are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

- Buildings – length of lease straight line method
- Plant, vehicles and equipment – 4 to 20 years straight line method

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 energy production.

Right of use assets

Right-of-use assets are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

(s) 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.

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.

Biffa Waste Services Limited
Notes to the Financial Statements (continued)
For the 52 weeks ended 26 March 2021

2. Accounting policies (continued)

(s) Intangible assets (continued)

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.

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

Customer contracts	3 to 20 years
IT development	3 to 5 years
Pre-contract costs	expensed to the statement of profit or loss over the period of the contract

(t) Inventory

Inventory's are stated at the lower of cost and net realisable value. Costs of inventory's are determined on a first-in-first-out basis. Net realisable value represents the estimated selling price for costs less estimated costs of completion and costs necessary to make the sale.

(u) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company 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 expense.

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.

Provision for the cost of reinstating landfill sites and environmental costs are made as the obligation to reinstate the site arises. Costs are expensed to the profit or loss over the operational life on the basis of the usage of void space for each landfill site. In the event that charges posted to landfill site provisions are in excess of the provision held at that time, the resultant balance is recognised as a non-depreciating asset in landfill assets and subsequent provision build up set against it until such time as the balance reverts to a provision when it is reclassified back to landfill site provisions. The reinstatement obligation is typically fulfilled within 2 years of the landfill site being closed to waste.

Provision for aftercare costs are made as the aftercare liability arises. Costs are expensed to the profit or loss over the operational life of each landfill site on the basis of usage of void space. Where the obligation to restore a landfill site is an integral part of its future economic benefits, a corresponding non-current asset within property, plant and equipment is recognised. The cost of this asset is recognised 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.

(v) Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Company 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.

Biffa Waste Services Limited
Notes to the Financial Statements (continued)
For the 52 weeks ended 26 March 2021

2. Accounting policies (continued)

(w) Financial instruments

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 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 effective in offsetting changes in the fair value of hedged items.

Non-derivative financial instruments

Non derivative financial instruments comprise investments in subsidiary undertakings, trade and other receivables and trade and other Payables. Non derivatives are recognised initially at fair value plus any directly attributable transaction expenses, except as described below. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

A financial instrument is recognised when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the Company's contractual rights to the cash flows from the financial assets expire, are extinguished or if the Company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular purchases and sales of financial assets are accounted for at trade date i.e. the date that the Company commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Company's obligations specified in the contracts expire or are discharged or cancelled.

- (i) Investments in subsidiary undertakings
Investment in subsidiary undertakings are stated at their cost less impairment losses (see accounting policy (e)).
- (ii) Trade and other payables
Trade and other payables are stated at their amortised cost.
- (iii) Trade and other receivables
Trade and other receivables are stated at their amortised cost.

Classification of financial instruments issued by the Company

Financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations of the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and
- (b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the instrument is classified as a financial liability. Where a financial instrument that contains both equity and financial liability components exists these components are separated and accounted for individually under the above policy. The finance expense on the financial liability component is correspondingly higher over the life of the instrument.

Financial assets

Financial assets are recognised in the Company's statement of financial position when the Company becomes party to the contractual provisions of the instrument. Financial assets are classified into specified categories, depending on the nature and purpose of the financial assets.

Biffa Waste Services Limited
Notes to the Financial Statements (continued)
For the 52 weeks ended 26 March 2021

2. Accounting policies (continued)

(w) Financial instruments (continued)

At initial recognition, financial assets classified as fair value through profit and loss (FVTPL) are measured at fair value and any transaction costs are recognised in profit or loss. Financial assets not classified as fair value through profit and loss are initially measured at fair value plus transaction costs.

Financial assets at fair value through profit or loss

Financial assets are classified as at FVTPL when the financial asset is held for trading. This is the case if:

- the asset has been acquired principally for the purpose of selling in the near term, or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company 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.

Financial assets at FVTPL are stated at fair value with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset. Interest and dividends are included in 'Investment income' and gains and losses on remeasurement included in 'other gains and losses' in the statement of comprehensive income.

Financial assets held at amortised cost

Financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity are classified as held to maturity investments. Held to maturity investments are measured at amortised cost using the effective interest method less any impairment, with revenue recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

Trade Receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

Financial assets at fair value through other comprehensive income

Debt instruments are classified as financial assets measured at fair value through other comprehensive income where the financial assets are held within the Company's business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument measured at fair value through other comprehensive income is recognised initially at fair value plus transaction costs directly attributable to the asset. After initial recognition, each asset is measured at fair value, with changes in fair value included in other comprehensive income. Accumulated gains or losses recognised through other comprehensive income are directly transferred to profit or loss when the debt instrument is derecognised.

Financial assets classified as available for sale are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income. Where an AFS financial asset is disposed of or determined to be impaired, the cumulative gain or loss previously recognised in other comprehensive income is reclassified to profit or loss.

Dividends and interest earned on AFS financial assets are included in the investment income line item in the statement of comprehensive income.

Biffa Waste Services Limited
Notes to the Financial Statements (continued)
For the 52 weeks ended 26 March 2021

2. Accounting policies (continued)
(w) Financial instruments (continued)

Impairment of financial assets

For the purpose of impairment assessment for these financial assets, the loss allowance is measured at an amount equal to 12-month ECL. 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Derecognition of financial assets

Financial assets are derecognised only 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 to another entity.

Financial liabilities

The Company recognises financial debt when the Company becomes party to the contractual provisions of the instruments. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as FVTPL when the financial liability is held for trading. A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term, or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company 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.

Financial liabilities at FVTPL are stated at fair value with any gains or losses arising on remeasurement recognised in profit or loss in the 'other gains and losses' category. Interest paid on the financial liability is included in the finance costs line item in the statement of comprehensive income.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the Company's obligations are discharged, cancelled, or they expire.

(x) Critical accounting judgements and key sources of estimation uncertainty

The preparation of Financial Statements in conformity with Financial Reporting Standard (FRS) 101 Reduced Disclosure Framework, requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

- The estimates and business performance excluding adjusting items assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Biffa Waste Services Limited
Notes to the Financial Statements (continued)
For the 52 weeks ended 26 March 2021

(x) Critical accounting judgements and key sources of estimation uncertainty (continued)

Judgements

The Company has the following critical accounting judgements for the year ending 26 March 2021; The cost of internally generated assets is capitalised as an intangible asset where it is determined by management's judgement that the ability to develop the assets is technically feasible, will be completed, and that the asset will generate economic benefit that outweighs its cost. The Company also applies judgement in identifying the significant, exceptional and non-recurring items of income and expense. We have summarised the policy in more detail in Note 5.

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

Brexit

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

Legal and tax cases

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

Estimates

Asset Impairment Review of intangible and tangible assets

The Company 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:

The Company carries different classes of intangible assets including, gas reserves, brand name and customer contracts. The Company also has classes of tangible assets in property, landfill gas and plant, vehicles and machinery. The carrying value of these is dependent on future cash flows and if these cash flows do not meet the Company's expectations there is risk that the assets will be impaired. The impairment reviews performed by the Group contain a number of significant estimates:

- forecast energy prices including the impact of climate change to these prices
- the ROCs recycle benefit rights
- forecast gate fees, tonnage prices and gas yield projections; and
- discount rates

Management relies on a number of third-party experts to value a number of these key estimates. Changes in these assumptions can have a significant impact on the headroom available in the impairment calculations.

During the financial year, the Company recognised asset impairments of £13.7m relating to the Group's IT system replacement programme; Project Fusion within intangible assets (note 13). The Company also recognised impairment of £8.2m relating to the anaerobic digestion plant at Poplars within plant, property and equipment. The discounted future cashflows give a headroom of £1.2m at the end of the financial year. Given the current uncertainty on future energy prices and the relatively small headroom, management have not reversed the impairment previously recognised in Poplars AD assets earlier in the year. Based on third-party reports, the Company has assumed the market price for food waste at the end of FY27 to be £20/te.

Biffa Waste Services Limited
Notes to the Financial Statements (continued)
For the 52 weeks ended 26 March 2021

(x) Critical accounting judgements and key sources of estimation uncertainty (continued)

If the Poplars AD energy price remained flat at £48/MWh this would reduce value in use by £3.0m resulting in an impairment of £1.8m. The ROC recycle benefit has been modelled at £6.07, if this was £5 per ROC, it would reduce the value in use by £1m. If the discount rate increased by 100 basis points this would reduce the value in use by £1.0m. The adverse movements described above are management's view of a reasonable worse case scenario when assessing the value in use of the Poplars AD assets. In aggregate these scenarios would lead to an impairment of £3.8m.

Long-term landfill provisions

The Company operates a number of landfill sites in the UK. A significant cost of owning and operating a landfill site in the UK arises after the land filling operation ceases due to the constructive and legal obligation to restore sites and then to care for them until it can be demonstrated that they present no ongoing risk to the environment. A provision is made for the costs associated with restoring and maintaining its landfill sites and controlling leachate and methane emissions from the sites. A number of estimate uncertainties affect the calculation, including the impact of regulation, climate change, accuracy of site surveys, transportation costs and changes in the real discount rate. The provisions incorporate our best estimates of the financial effects of these uncertainties, but future changes in any of these estimates could materially impact the calculation of the provision. The associated outflows are estimated to arise over a period of up to 60 years depending on the date of each site closure. In determining the provision, the estimates for future expenditure required to settle the obligation are inflated using longer term inflation rates, and discounted using the nominal discount rate. The rates utilised reflect the period of the obligation on a site by site basis which varies between 10 and 60 years. At FY20 year end the 5 year discount rate was 2.1% and the 60 year discount rate was 2.2%. Since then, discount rates have dropped to 1.0% and 2.0% respectively. This has had a material impact on the landfill aftercare provisions.

Retirement benefit schemes

Pension accounting is a specialist area requiring the exercise of significant management judgement and the use of technical expertise to determine the surplus or deficit of the scheme in accordance with generally accepted actuarial practices. The assumptions used in valuing the defined benefit pension liabilities including the discount rate, yield curves, mortality assumption, inflation level, pension increase and measures of longevity are complex and changes to the assumptions can have a material impact on the value of pension liabilities. All pension valuations are performed as at the year end reporting date.

3. Revenue and profit before taxation

The Company's revenue and profit before taxation is derived entirely from the collection, transportation, processing and disposal of industrial, commercial and domestic waste within the United Kingdom. The following table details the revenue generated in each of the Company's operating divisions.

	52 weeks to 26 March 2021 £m	52 weeks to 27 March 2020 £m
Collections	565.7	588.6
Resources and Energy	149.6	217.7
	<u>715.3</u>	<u>806.3</u>

Biffa Waste Services Limited
Notes to the Financial Statements (continued)
For the 52 weeks ended 26 March 2021

4. Other income

During the year ended 26 March 2021, the Company utilised the Coronavirus Job Retention Scheme implemented by the United Kingdom government, where employees designated as being "furlough workers" were eligible to have 80% of their wages costs paid up to a maximum of £2,500 per month. The total amount of such relief received by the Company amounted to £11.0m (2020: £nil).

5. Adjusting items

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

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

Management utilises an adjusting item framework that has been approved by the Board. This follows a three step process which considers the nature of the event, the financial materiality involved and the particular facts and circumstances.

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

	52 weeks to 26 March 2021 £m	52 weeks to 27 March 2020 £m
Cost of Sales:		
Acquisition related expenses	2.0	1.0
Onerous contracts	-	(0.5)
Asset impairment	21.8	-
Amortisation of acquisition intangibles	0.6	0.5
	24.4	1.0
Admin Expenses:		
Strategy related expenses	2.5	4.9
	26.9	5.9
Income from interest in group undertakings		
Corporate restructuring income	-	(9.5)
	26.9	(3.6)

Biffa Waste Services Limited
Notes to the Financial Statements (continued)
For the 52 weeks ended 26 March 2021

5. Adjusting items (continued)

Acquisition Related Expenses

Delivery of the Group's strategy includes investment in acquisitions that enhance the quality of its operations. The exclusion of significant items arising from M&A activity is designed by the Board to align short-term operational decisions with this longer-term strategy. Accordingly, amounts arising on acquisitions are excluded from business performance excluding adjusting items profit measures.

The £2.0m in the 52 weeks ended 26 March 2021 includes £1.1m professional fees and other costs in relation to the acquisition of 100% of the issued share capital of Company Shop Group Limited. £0.4m was incurred in relation to the acquisition of 100% of the issued share capital of CAMO Limited.

Onerous contracts

Onerous contract costs reflect all movement on onerous service contract provisions. In the prior period the Company identified a contract which was loss making and not expected to return to profitability; the Directors accordingly provided for this. In the 52-weeks ended 26 March 2021, no further onerous contracts have been identified. Onerous contract costs include the unwinding of provisions recognised on all loss-making contracts in prior periods. Any additional provisions required against these contracts, or unwinding of these provisions, is reflected within adjusting items on the basis that they do not represent the underlying year-on-year trading of each of these contracts. The Company has no onerous contracts at 26 March 2021.

Plant, property and equipment impairment

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

Intangible asset impairments

The Group-wide IT system replacement programme; Project Fusion was also impaired during the period. Due to Covid-19, the programme has experienced significant delays in restarting works causing previously capitalised works to become obsolete. Management have also reviewed the scope and requirements of the IT replacement programme and identified an incompatibility of the current HR module. A strategic decision to cease the full project was made and replan the programme subsequent to the integration of the Viridor acquisition. As a result, obsolete capitalised work of £7.7m has been written off in the year.

Amortisation of acquisition intangibles

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

Strategy-related and corporate restructuring costs

Strategy-related costs of £2.5m arise from Group-wide initiatives to reduce the ongoing cost base and improve efficiency in the business. These costs are substantial in scope and impact, and do not form part of activities that the Directors would consider part of our operational performance. Adjusting for these charges provides a measure of operating profitability that is comparable over time.

Corporate Restructuring Income

During the prior year, the Company hived up one of its subsidiaries. As a result the net assets on the Balance Sheet of the subsidiary was brought into the Company's Balance Sheet creating an overall gain of £9.5m which was recognised within Adjusting items.

Biffa Waste Services Limited
Notes to the Financial Statements (continued)
For the 52 weeks ended 26 March 2021

6. Profit before taxation

	52 weeks to 26 March 2021 £m	52 weeks to 27 March 2020 £m
The following items have been included in arriving at pre-tax profit		
Staff expenses (note 10)	175.1	170.4
Depreciation of tangible fixed assets (note 14)		
- owned assets	35.8	34.2
- right of use assets	30.8	31.7
Amortisation of goodwill and intangible assets (note 13)	2.0	1.5
Operating lease expenses:		
- plant and machinery	4.1	-
- other	-	-
Adjusting items (note 5)	26.9	(3.6)
Utilisation of inventory (note 16)	32.7	37.9
(Loss)/Profit on disposal of property, plant and equipment	(0.2)	0.7
Expected credit loss	9.9	2.4

7. Interest payable and receivable

	52 weeks to 26 March 2021 £m	52 weeks to 27 March 2020 £m
Interest payable		
Interest on obligations under finance leases	6.2	6.0
Interest unwind on discounted provisions (note 20)	1.2	1.1
Other interest payable	0.9	(0.5)
Finance expenses	8.3	6.6
Interest receivable on bank balances	-	(0.1)
Interest on net retirement benefit	(3.1)	-
Net finance expenses	5.2	6.5

Biffa Waste Services Limited
Notes to the Financial Statements (continued)
For the 52 weeks ended 26 March 2021

8. Taxation

	52 weeks to 26 March 2021 £m	52 weeks to 27 March 2020 £m
Current tax		
In respect of the current year	-	-
Adjustment in respect of prior years	-	4.6
	<u>-</u>	<u>4.6</u>
Deferred tax		
Adjustment in respect of the current year	3.5	12.5
Adjustment in respect of the prior year	(0.1)	(1.0)
Adjustment attributable to changes in tax rates and laws	11.0	(4.7)
	<u>14.4</u>	<u>6.8</u>
Total tax expense	<u>14.4</u>	<u>11.4</u>

Corporation tax is calculated at 19% (2020: 19%) of the estimated assessable profit for the period. The credit for the period can be reconciled to the statement of profit or loss and other comprehensive income as follows:

	52 weeks to 26 March 2021 £m	52 weeks to 27 March 2020 £m
Profit before tax	(16.3)	33.5
Profit before tax multiplied by the standard rate of corporation tax in UK of 19% (2020: 19%)	(3.1)	6.4
Effects of:		
Expenses not deductible for tax purposes	0.7	1.8
Non-taxable income	(0.1)	(2.0)
Effect of change in rate	(11.0)	(4.7)
Adjustments to tax expense in respect of prior periods	0.1	3.5
Group relief	(1.0)	6.4
Total taxation expense	<u>(14.4)</u>	<u>11.4</u>

Finance (No.2) Act 2016, which provides for reductions in the main rate of corporation tax from 20% to 19% effective from 1 April 2017. 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. On 3 March 2021 it was announced in the Budget 2021 that the corporation tax rate would increase to 25% by 2023.

	52 weeks to 26 March 2021 £m	52 weeks to 27 March 2020 £m
Deferred tax charge arising on actuarial gains	<u>3.3</u>	<u>9.1</u>

Biffa Waste Services Limited
Notes to the Financial Statements (continued)
For the 52 weeks ended 26 March 2021

9. Auditor's remuneration

Statutory audit fees for the audit of these financial statements of £0.4m (2020: £0.3m) were paid in the period. Total auditor's remuneration of £0.7m (2020: £0.4m) was expensed in respect of the audit of the Biffa Group all of which is borne by Biffa Waste Services Limited. In addition, Biffa Waste Services Limited paid non-audit fees on behalf of the Group as follows:

	52 weeks to 26 March 2021 £m	52 weeks to 27 March 2020 £m
Taxation advisory services	-	-
Other non-audit fees	0.1	0.1
Total non-audit fees	0.1	0.1

Non-audit fees in the 52 weeks to 26 March 2021 relate to agreed upon procedures and other assurance services outside of statutory requirements.

10. Staff expenses

The average monthly number of persons (including Executive Directors) employed by the Company during the period was:

	52 weeks to 26 March 2021 No.	52 weeks to 27 March 2020 No.
Administration and operatives	4,686	4,688

	52 weeks to 26 March 2021 £m	52 weeks to 27 March 2020 £m
Their aggregate remuneration comprised		
Wages and salaries	156.8	152.3
Social security expenses	11.7	12.1
Other pension expenses	5.1	5.1
Termination expense	1.5	0.9
	175.1	170.4
Directors' remuneration		
	£m	£m
Aggregate emoluments	2.5	4.3

Remuneration of highest paid Director

	£m	£m
Aggregate emoluments	1.0	1.8

No Directors (2020: nil) became entitled to receive shares under long-term incentive schemes during the year. Retirement benefits are accruing to two Directors (2020: two) under money purchase or defined benefit pensions schemes. There were no transactions with Directors in the year (2020: £nil).

Biffa Waste Services Limited
Notes to the Financial Statements (continued)
For the 52 weeks ended 26 March 2021

11. Acquisitions

During the 52 weeks ended 26 March 2021 the Company made the following acquisitions:

- 100% of the share capital of Company Shop Group in February 2021
- 100% of the share capital of Camo Limited in October 2020
- Trade and assets from Donald Ward Limited in September 2020

The acquisitions are in line with the Company's growth strategy and complements the current operations of the Collections division.

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

	Donald Ward Limited
	£m
Property, plant and equipment	0.7
Intangible assets	0.9
Deferred tax (liability)/asset	(0.3)
Borrowings	(0.5)
Total net assets	0.8
Goodwill	1.8
	2.6
Satisfied by:	
Cash	2.1
Contingent consideration*	0.5
Total consideration	2.6
Net cash outflow arising on acquisition:	
Cash consideration	2.1
	2.1

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

Goodwill cost:

At 27 March 2020 (restated)	63.6
Additions	1.8
At 26 March 2021	65.4

The goodwill has been restated for the year ended 27 March 2020. This is to reflect the hive up of the trade and assets of Amber Engineering Limited and O'Brien Waste Recycling Solutions Holdings Limited completed in the years ended 27 March 2020 and 29 March 2019 respectively. On completion of the hive up the reduction in the value of the investment should have been reflected alongside a corresponding increase in the value of the goodwill. The restatement is an increase in goodwill of £2.4m in the year ended 27 March 2020 and an increase of £30.4m in the year ended 29 March 2019.

Biffa Waste Services Limited
Notes to the Financial Statements (continued)
For the 52 weeks ended 26 March 2021

12. Investments in subsidiaries

	Total Restated £m
Cost:	
At 27 March 2020 (restated)	62.3
Additions	125.8
At 26 March 2021	188.1
Amounts provided	
At 27 March 2020	(14.7)
At 26 March 2021	(14.7)
Net book amount at 26 March 2021	173.4
Net book amount at 27 March 2020 (restated)	47.6

On 24 February 2021, the Company acquired 100% of the share capital of Company Shop Limited (CSG) for £86.0m cash consideration and a combined deferred and contingent consideration of £7.1m. CSG is the UK's leading and largest re-distributor of surplus food and household products. It prevents waste by identifying surplus produce and then collecting, processing and redistributing it for sale through its unique network of membership-based outlets. Surplus produce includes production overruns, trial products, or produce that has been incorrectly labelled or packaged, which without intervention would be destined to become waste.

On 8 October 2020, the Group acquired 100% of the share capital of Camo Ltd (which trades under the name of Simply Waste) for £31.0m cash consideration and deferred consideration of £1.7m. The Simply Waste brand is a prominent, well-regarded operator in the south of England. Its operational locations in west London, Oxfordshire and Bristol align well with Biffa's existing portfolio, and once merged into the Collections network will result in an enhanced customer proposition and a lower-carbon, more efficient collection network.

The Company did not make any investments in subsidiaries during the financial year ending 27 March 2020.

The Company's investments in subsidiary undertakings are reviewed at each Balance Sheet date on a subsidiary by subsidiary basis to determine whether there is any indication of impairment. An impairment loss is recognised in profit or loss when the carrying amount exceeds its recoverable amount. The recoverable amount of such assets is the higher of fair value less costs to sell and value in use.

The value in use of each subsidiary has been assessed using the estimated future cash flows of the subsidiary discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the investment. The fair value less costs to sell has been determined as the net assets/(liabilities) as presented within the subsidiaries own Financial Statements as at 26 March 2021.

The value of investment has been restated for the year ended 27 March 2020. This is to reflect the hive up of the trade and assets of Amber Engineering Limited and O'Brien Waste Recycling Solutions Holdings Limited completed in the years ended 27 March 2020 and 29 March 2019 respectively. On completion of the hive up the reduction in the value of the investment as a result of the hive up of trade and assets should have been reflected alongside a corresponding increase in the value of the goodwill. The restatement is a decrease in investment of £2.4m in the year ended 27 March 2020 and an decrease of £30.4m in the year ended 29 March 2019.

Biffa Waste Services Limited
Notes to the Financial Statements (continued)
For the 52 weeks ended 26 March 2021

12. Investments in subsidiaries (continued)

All subsidiary undertakings have a financial period ended co-terminus with Biffa Waste Services Limited unless otherwise noted.

Subsidiary	Place of incorporation	Activity	Shareholding
O'Brien Waste Recycling Solutions Limited	England and Wales	Dormant	100%
O'Brien Waste Recycling Solutions Holdings Limited	England and Wales	Dormant	100%
Weir Recycling Services Limited (formerly NE Waste Limited)	England and Wales	Dormant	100%
Amber Engineering Limited	England and Wales	Dormant	100%
Biffa Pension Scheme Trustees Limited**	England and Wales	Dormant	100%
Specialist Waste Recycling Limited	England and Wales	Waste Management	100%
New Star Environmental Limited	England and Wales	Waste Management	100%
SWR Smash & Grab Limited*	England and Wales	Waste Management	100%
RUR3 Environmental Limited	England and Wales	Waste Management	100%
SWR Newstar Limited	England and Wales	Dormant	100%
Company Shop Limited	England and Wales	Other retail non-specialist	100%
Community Shop C.I.C	England and Wales	Other retail non-specialist	100%
Camo Limited	England and Wales	Waste Management	100%
Simply Waste Solutions Limited	England and Wales	Dormant	100%
Weir Waste Services Limited	England and Wales	Dormant	100%
Biffa Environmental Municipal Services	England and Wales	Waste Management	100%

* financial period ended 31 March

** financial period ended 31 December

The registered office for all of the subsidiary undertakings of Biffa Waste Services Limited is Coronation Road, Cressex, High Wycombe, Buckinghamshire, HP12 3TZ.

The following subsidiaries were struck off on 29 September 2020:

Name of Undertaking

SWR Equipment Limited
 SWR Plastics Limited
 SWR Waste Management Limited
 Smash & Grab Glass Recycling Limited
 Wastecutter Limited
 National Waste Collection Limited
 SWR Just Bins Limited

Biffa Waste Services Limited
Notes to the Financial Statements (continued)
For the 52 weeks ended 26 March 2021

13. Intangible assets

	IT development £m	Pre-contract costs £m	Customer contracts £m	Total £m
Cost:				
At 27 March 2020	16.7	5.0	3.6	25.3
Acquired through business combinations	-	-	0.9	0.9
Additions	3.8	-	-	3.8
Disposals	(0.4)	-	-	(0.4)
Reclassification*	-	-	0.3	0.3
Project Fusion Impairment**	(13.6)	-	-	(13.6)
At 26 March 2021	6.5	5.0	4.8	16.3
Accumulated amortisation:				
At 27 March 2020	(0.9)	(1.8)	(1.0)	(3.7)
Expense for the period (note 6)	(1.0)	(0.2)	(0.8)	(2.0)
Disposals	0.1	-	-	0.1
At 26 March 2021	(1.8)	(2.0)	(1.8)	(5.6)
Net book amount:				
At 26 March 2021	4.7	3.0	3.0	10.7
At 27 March 2020	15.8	3.2	2.6	21.6

*Reclassification relates to transfers from tangible assets.

**Project Fusion is a Biffa Group-wide systems replacement programme. Due to delays and further work requirements an impairment was recognised in adjusting items (see note 5 for further details).

All amortisation expenses are recognised in profit or loss.

Development costs have been capitalised in accordance with the measurement and recognition bases of IAS 38 Intangible Assets. The costs relate to the development of IT infrastructure and processes.

Biffa Waste Services Limited
Notes to the Financial Statements (continued)
For the 52 weeks ended 26 March 2021

14. Property, plant and equipment

	Land and buildings £m	Landfill sites £m	Plant and equipment £m	Assets under construction £m	Total £m
Cost:					
At 27 March 2020	204.3	266.0	628.0	23.5	1,121.8
Additions	27.0	1.0	22.8	18.0	68.8
Acquisitions	-	-	0.7	-	0.7
Disposals	(0.3)	-	(27.1)	-	(27.4)
Transfers*	-	1.5	11.6	(15.3)	(2.2)
At 26 March 2021	231.0	268.5	636.0	26.2	1,161.7
Accumulated depreciation:					
At 27 March 2020	(72.9)	(243.8)	(378.2)	-	(694.9)
Expense for the period (note 6)	(12.1)	(2.3)	(52.2)	-	(66.6)
Disposals	0.3	-	26.1	-	26.4
Impairments	(2.6)	-	(9.6)	(1.0)	(13.2)
Transfers*	-	-	(0.6)	-	(0.6)
At 26 March 2021	(87.3)	(246.1)	(414.5)	(1.0)	(748.9)
Net book amount:					
At 26 March 2021	143.7	22.4	221.5	25.2	412.8
At 27 March 2020	131.4	22.2	249.8	23.5	426.9

*Transfers include the movement of fixed assets between other group undertakings within the Biffa Group. This is in addition to transfers from the land and environmental provision as detailed within note 20.

Landfill assets includes £8.7m (2020: £2.7m) 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 Company's total right-of-use assets are analysed as follows:

	Land and buildings £m	Plant and equipment £m	Total £m
At 27 March 2020	110.0	109.7	219.7
Acquired through business combinations	-	0.5	0.5
Additions	4.1	7.3	11.4
Charge for the period	(8.1)	(22.7)	(30.8)
Disposals	-	(1.2)	(1.2)
At 26 March 2021	106.0	93.6	199.6

Biffa Waste Services Limited
Notes to the Financial Statements (continued)
For the 52 weeks ended 26 March 2021

14. Property, plant and equipment (continued)

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

	As at 26 March 2021		As at 27 March 2020	
	Land and buildings £m	Landfill sites £m	Land and buildings £m	Landfill sites £m
Freehold	30.3	14.1	28.2	17.1
Long leasehold	38.0	8.3	30.0	3.5
Short leasehold	75.4	-	73.2	1.6
	143.7	22.4	131.4	22.2

At 26 March 2021, the Company had entered into contractual commitments for the acquisition of plant, property and equipment amounting to £6.6m (2020: £6.9m).

15. Deferred tax asset

	Provided*	
	2021	2020
	£m	£m
Fixed asset timing differences	37.2	23.0
Other timing differences	(14.8)	(12.8)
	22.4	10.2

* A potential deferred tax asset of £2.4m (2020: £1.8m) relating to other timing differences has not been recognised due to uncertainty over its recoverability.

The movement in temporary differences during the period was as follows:

	Fixed asset timing differences	Other timing differences	Total
	£m	£m	£m
At 27 March 2020	23.0	(12.8)	10.2
Transfers	(0.1)	(0.2)	(0.3)
Recognised in profit and loss (note 8)	14.3	-	14.3
Recognised in other comprehensive income	-	(1.8)	(1.8)
At 26 March 2021	37.2	(14.8)	22.4

At 26 March 2021 and 27 March 2020, there were no unrecognised deferred tax assets.

Biffa Waste Services Limited
Notes to the Financial Statements (continued)
For the 52 weeks ended 26 March 2021

16. Inventory

	As at 26 March 2021 £m	As at 27 March 2020 £m
Raw materials and consumables	<u>16.0</u>	<u>13.6</u>

In the opinion of the Directors, there is no material difference between the carrying values of the Company's inventory and the fair value less costs to sell. The total amount of inventory recognised as an expense during the period was £32.7 (2020: £37.9m).

17. Trade and Other Receivables

	As at 26 March 2021 £m	As at 27 March 2020 £m (restated)
Amounts falling due after one year		
Funds on long term deposit	2.3	2.5
Prepayment in respect of EVP dispute (i)	63.6	63.6
Amounts due from parent undertakings (ii)	15.7	61.7
Amounts due from other group undertakings (ii)	270.0	352.4
Amounts due from subsidiary undertakings (ii)	2.3	2.3
	<u>353.9</u>	<u>482.5</u>

(i) The Biffa 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 Biffa Group had hardship relief which meant payment was not required to be made to HMRC. Subsequent to the IPO Biffa Waste Services Limited pre-paid the disputed amount to HMRC as disclosed in note 25.

(ii) Amounts due from related parties are unsecured, non-interest bearing and repayable on demand, however amounts are presented in non-current as they are unlikely to be settled within 12 months.

	As at 26 March 2021 £m	As at 27 March 2020 £m (restated)
Amounts falling due within one year		
Trade receivables	90.5	98.8
Accrued income (i)	37.0	39.5
Other receivables	0.6	1.9
Amounts due from other group undertakings (ii)	221.5	1,087.2
Amounts due from subsidiary undertakings	-	8.8
Prepayments	20.8	24.2
	<u>370.4</u>	<u>1,260.4</u>

(i) The prior year accrued income of £39.5m was previously presented as contract assets. However, after reviewing the IFRS 15 definition of a contract asset, it was deemed to be accrued income as there is no substantial future event or performance obligation that it is conditional on other than the passage of time. This has also been reclassified to trade and other receivables in the statement of financial position.

Biffa Waste Services Limited
Notes to the Financial Statements (continued)
For the 52 weeks ended 26 March 2021

17. Trade and Other Receivables (continued)

(ii) Amounts due from related parties are unsecured, non-interest bearing and repayable on demand, however amounts are presented in non-current as they are unlikely to be settled within 12 months. The prior period has been restated by £1,096m to reclassify the trading balances owed by parent and other group undertakings from non-current to current as they are repayable on demand and primarily held for trading.

18. Assets and liabilities related to contracts with customers

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

	As at 26 March 2021 £m	As at 27 March 2020 £m
Current contract liabilities	<u>(15.5)</u>	<u>(13.5)</u>

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

Certain contracts have payment terms based on contractual milestones, which are not necessarily aligned to when revenue is recognised, particularly for those contracts with revenue recognised over-time by reference to the stage of completion. Where revenue is received in advance of work carried out and therefore the revenue recognised a contract liability arises.

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

Biffa Waste Services Limited
Notes to the Financial Statements (continued)
For the 52 weeks ended 26 March 2021

19. Trade and other payables

	As at 26 March 2021 £m	As at 27 March 2020 £m (restated)
Current		
Trade payables	122.6	156.5
Taxation and social security	43.9	32.6
Accruals	52.9	52.9
Amounts owed to other group undertakings (i)	500.2	1,368.6
Amounts owed to parent undertakings (i)	-	51.4
Amounts owed to subsidiary undertakings (i)	42.4	14.0
	<u>762.0</u>	<u>1,676.0</u>
Non-current – amounts falling due after one year		
Government grants	0.5	0.6
	<u>0.5</u>	<u>0.6</u>

(i) Amounts due to related parties are unsecured, non-interest bearing and repayable on demand.

The prior period has been restated by £1,433.8m to reclassify the balances owed by parent and other group undertakings from non-current to current as they are repayable.

20. Provisions

	Land reinstatement & environmental £m	Insurance £m	Other £m	Total £m
At 27 March 2020	37.5	1.5	8.6	47.6
Utilised	(5.4)	-	(1.3)	(6.7)
Expensed to profit and loss account	14.6	0.9	4.7	20.2
Discount elimination (note 7)	1.2	-	-	1.2
Impact of discount rate changes	0.2	-	-	0.2
Transfers	(1.2)	-	-	(1.2)
At 26 March 2021	<u>46.9</u>	<u>2.4</u>	<u>12.0</u>	<u>61.3</u>

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

	As at 26 March 2021 £m	As at 27 March 2020 £m
Current	7.2	8.9
Non-current	54.1	38.7
	<u>61.3</u>	<u>47.6</u>

Biffa Waste Services Limited
Notes to the Financial Statements (continued)
For the 52 weeks ended 26 March 2021

20. Provisions (continued)**Land reinstatement and environmental**

As part of its normal activities, the Company undertakes to reinstate its landfill sites and to maintain the sites and control leachate and methane emissions from the sites. Provision is made for these anticipated costs. Reinstatement costs are incurred as each site is filled, and in the period immediately after its closure.

Maintenance and leachate and methane control costs are incurred as each site is filled and for a number of years post closure. Long-term aftercare provisions included in Landfill reinstatement and environmental provisions have been inflated at a rate of 2.8% (2020: 2.2%).

Environmental control 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.

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

Insurance

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

Other

Other provisions include dilapidations provisions.

21. Called up share capital

	As at 26 March 2021 £m	As at 27 March 2020 £m
Authorised, allotted, called up and fully paid:		
503,660,000 (2020: 503,660,000) Ordinary £1 shares	503.7	503.7

22. Revaluation reserve

	As at 26 March 2021 £m	As at 27 March 2020 £m
Revaluation reserve at the end of the period	0.5	0.5

Biffa Waste Services Limited
Notes to the Financial Statements (continued)
For the 52 weeks ended 26 March 2021

23. Share-based payments

The Company operates two share award plans:

- Performance Share Plan
- Sharesave Plan

Performance Share Plan

The following conditional share awards granted to Directors and staff of the Company who are members of the Biffa Group Performance Share Plan have yet to vest. All shares referred to are shares issued by Biffa plc, the Company's ultimate parent Company:

	As at 26 March 2021 Number	As at 27 March 2020 Number
Date of grant:		
20 October 2016	-	-
24 January 2017	-	-
3 July 2017	-	1,392,169
1 September 2017	-	26,230
2 July 2018	711,932	739,128
11 December 2018	18,819	18,819
1 July 2019	1,114,761	1,217,693
1 July 2020	1,634,790	-
	3,480,302	3,394,039

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

Date of Grant	Granted	Vested	Lapsed	26 March 2021
20 October 2016	1,700,689	(1,507,632)	(193,057)	-
24 January 2017	84,189	(59,324)	(24,865)	-
3 July 2017	1,668,216	(1,323,622)	(344,594)	-
1 September 2017	26,230	(26,230)	-	-
2 July 2018	883,832	-	(171,900)	711,932
11 December 2018	18,819	-	-	18,819
1 July 2019	1,217,693	-	(102,932)	1,114,761
1 July 2020	1,784,566	-	(149,776)	1,634,790
At 26 March 2021	7,384,234	(2,916,808)	(987,124)	3,480,302

The Biffa Group Performance Share Plan (PSP) provides for the grant of awards in the form of conditional free shares or nil cost options.

Share options issued under the PSP have a 3 year vesting period. Whether the share options vest is dependent upon:

- the extent to which the performance conditions of adjusted EPS targets for the fiscal year ending 3 years subsequent to the grant date is achieved; and
- the performance of Biffa plc's relative total shareholder growth have been satisfied

Shares in relation to the awards which have vested are released to participants after the final results for Biffa plc are announced for that financial year.

Biffa Waste Services Limited
Notes to the Financial Statements (continued)
For the 52 weeks ended 26 March 2021

23. Share-based payments (continued)

The EPS fair value is equivalent to the share price at grant date on the basis that it is a non-market based measure.

Date of Grant	Number of options originally granted	Contractual life (years)	Share price at date of grant (pence)	Number of employees granted options	Expected volatility	Expected life (years)	Risk free rate	Fair value per option (pence)
20 October 2016	1,700,689	2.65	179.5	11	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	1,668,216	3.0	221.75	64	26%	3.0	0.36%	154.6
1 September 2017	26,230	2.83	228.75	1	26%	2.83	0.22%	161.8
2 July 2018	883,832	2.9	251.0	30	24%	2.9	0.71%	173.2
11 December 2018	18,819	2.9	192.2	1	24%	2.9	0.90%	114.1
1 July 2019	1,217,693	3.0	211.0	35	25%	3.0	0.54%	112.8
1 July 2020	1,784,566	3.0	201.0	75	27%	2.93	(0.07%)	107.7

The Company uses 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.

Savesave Plan

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

During the current period, 2,510,141 (2020: 444,438) options were granted at a fair value of 236 pence (2020: 207 pence) to employees of the Company. As at 26 March 2021, there are 2,156,115 options outstanding under the FY21 scheme and 325,435 options outstanding under the FY20 scheme.

Full details of Director share awards are disclosed in the Biffa plc 2021 Annual Report and Financial Statements which can be obtained as disclosed in note 29.

The following share based expenses charged in the year are included within payroll costs;

	As at 26 March 2021 £m	As at 27 March 2020 £m
Performance Share Plan	3.1	2.3
Savesave	0.7	0.7
	3.8	3.0

Biffa Waste Services Limited
Notes to the Financial Statements (continued)
For the 52 weeks ended 26 March 2021

24. Borrowings

This note provides information about the contractual terms of the Company's finance leases and hire purchase contracts.

	Minimum lease payments		Present value of minimum lease payments	
	2021 £m	2020 £m	2021 £m	2020 £m
<u>Lease obligations</u>				
Within one year	<u>44.7</u>	<u>37.4</u>	<u>39.3</u>	<u>31.7</u>
Due in less than one year	44.7	37.4	39.3	31.7
Between one and two years	32.0	34.1	30.4	29.4
Between two and five years	66.8	69.3	55.0	60.1
Greater than five years	<u>122.2</u>	<u>99.1</u>	<u>60.8</u>	<u>58.4</u>
Due in more than one year	<u>221.0</u>	<u>202.5</u>	<u>146.2</u>	<u>147.9</u>
	<u>265.7</u>	<u>239.9</u>	<u>185.5</u>	<u>179.6</u>
Less future finance charges	(80.2)	(60.3)	-	-
	<u>185.5</u>	<u>179.6</u>	<u>185.5</u>	<u>179.6</u>

The average lease term is 14.5 years (2020: 5.6 years). For the period ended 26 March 2021, the effective borrowing rate was 3.2% (2020: 3.5%).

Lease liabilities have been analysed between current and non-current as follows:

	As at 26 March 2021 £m	As at 27 March 2020 £m
Current	39.3	31.7
Non-current	146.2	147.9
	<u>185.5</u>	<u>179.6</u>

Biffa Waste Services Limited
Notes to the Financial Statements (continued)
For the 52 weeks ended 26 March 2021

25. Financial commitments and contingent liabilities

The Company 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 Company holds for its landfill sites. The Company 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 Company has existing bond arrangements in England and Wales of approximately £82.9m outstanding at 26 March 2021 (2020: £85.7m) in respect of the Biffa Group's permitted waste activities where the Biffa 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 Company has bonds to a value of £14.6m (2020: £18.0m) in connection with security for performance of local authority contracts. No liability is expected to arise in respect of these bonds.

The Company 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 of the Biffa plc annual accounts.

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

The Company is subject to a number of other HMRC enquiries which are on-going.

26. Pension and post-retirement benefits

Defined contribution schemes

	52 weeks to 26 March 2021 £m	52 weeks to 27 March 2020 £m
Defined contribution expense	<u>3.3</u>	<u>4.5</u>

Defined benefit schemes

The Company operates a defined benefit pension scheme, the Biffa Pension Scheme (the scheme), for employees of the Company. The scheme offers both pensions in retirement and death benefits to members. Prior to 31 March 2007, there were a number of employees who held benefits in the Severn Trent Pension Scheme and the Severn Trent Senior Staff Pension Scheme. These members joined the Biffa Pension Scheme with effect from 1 April 2007. As at 1 November 2013, the DB section of the Scheme is closed to future accrual for the majority of members.

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

There is an additional £1.6m (2020: £1.5m) of unfunded defined benefit promises which has been included within the liabilities. The accounting policy used to recognise the actuarial gains and losses is the Other Comprehensive Income (OCI) approach.

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

Biffa Waste Services Limited
Notes to the Financial Statements (continued)
For the 52 weeks ended 26 March 2021

26. Pension and post-retirement benefits (continued)

Investment risk

The present value of the defined benefit Scheme liability is calculated using a discount rate determined by reference to yields available on high quality AA rated corporate bond yields; in other words, from the position of being fully funded then if the return on the Scheme assets was below this rate, it would create a deficit in the Scheme. Currently the Scheme has around 58% of assets invested in return seeking assets and 42% of assets in protection assets in order to manage the investment risk.

Interest risk

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

Longevity risk

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

Inflation risk

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

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

A full actuarial valuation of the scheme was carried out as at 31 March 2019 and has been updated to 26 March 2021 by a qualified independent actuary. Major assumptions used by the actuary were (in nominal terms) as follows:

	As at 26 March 2021	As at 27 March 2020
Discount rate	2.00%	2.45%
Rate of salary increase	3.05%	2.50%
Rate of inflation – RPI		
- Pre-retirement increases	3.05%	2.80%
- Post-retirement increases	3.00%	
Rate of inflation – CPI		
- Pre-retirement increases	2.55%	2.00%
- Post-retirement increases	2.75%	
Rate of pension increases* - RPI with floor of 0% cap of 2.5% per annum	2.05%	2.05%
Rate of pension increases* - RPI with floor of 0% cap of 5% per annum	2.90%	2.75%
Rate of pension increases* - RPI with floor of 0% cap of 6% per annum	3.00%	2.80%
Rate of pension increases* - CPI with floor of 0% cap of 3% per annum	2.20%	1.90%

* in excess of any Guaranteed Minimum Pension (GMP)

Biffa Waste Services Limited
Notes to the Financial Statements (continued)
For the 52 weeks ended 26 March 2021

26. Pension and post-retirement benefits (continued)

Biffa Pension Scheme Life Expectancies

The expected future lifetime of a male pensioner currently aged 65 is 21.3 years.

The expected future lifetime from age 65 of a male member currently aged 45 is 22.6 years.

The expected future lifetime of a female pensioner currently aged 65 is 23.2 years.

The expected future lifetime from age 65 of a female member currently aged 45 is 25.2 years.

The assets in the plans were:

	As at 26 March 2021	% of total	As at 27 March 2020	% of total
	£m		£m	
Equities	119.9	20.8	78.6	14.4
Bonds	251.0	43.5	319.0	58.4
Property & infrastructure	33.5	5.8	77.4	14.2
Hedge funds	82.9	14.3	37.6	6.9
Other	90.3	15.6	33.7	6.1
	<u>577.6</u>	<u>100.0</u>	<u>546.3</u>	<u>100.0</u>
Actual return on plan assets	<u>47.9</u>		<u>28.5</u>	

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

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

	As at 26 March 2021 £m	As at 27 March 2020 £m
Benefit obligation at beginning of period	421.2	453.2
Service cost	0.3	0.4
Interest cost	10.1	11.1
Net remeasurement (gains)/losses – financial	53.7	(24.8)
Net remeasurement (gains)/losses – demographic	3.6	-
Net remeasurement (gains)/losses – experience	(3.6)	-
Benefits paid	(20.4)	(18.7)
Contributions by scheme participants	0.1	-
Benefit obligation at end of period	<u>465.0</u>	<u>421.2</u>

Biffa Waste Services Limited
Notes to the Financial Statements (continued)
For the 52 weeks ended 26 March 2021

26. Pension and post-retirement benefits (continued)**Reconciliation of opening and closing balances of the fair value of plan assets**

	As at 26 March 2021 £m	As at 27 March 2020 £m
Fair value of plan assets at beginning of period	546.3	533.0
Interest income on scheme assets	13.2	13.2
Return on assets, excluding interest income	34.7	15.4
Contributions by employers	4.7	4.5
Benefits paid	(20.4)	(18.7)
Scheme administrative cost	(1.0)	(1.1)
Contributions by scheme participants	0.1	-
Fair value of plan assets at end of period	<u>577.6</u>	<u>546.3</u>

Amounts recognised in comprehensive income in respect of defined benefit plans

	As at 26 March 2021 £m	As at 27 March 2020 £m
Current service cost	0.3	0.4
Past service cost	-	-
Administrative cost	1.0	1.1
Net interest on the net defined benefit asset	(3.1)	(2.0)

Components of defined benefit cost recognised in profit or loss	(1.8)	(0.5)
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Remeasurement on the net defined benefit asset

Return on plan assets (excluding amounts in net interest expense)	34.7	15.4
Actuarial gains and losses from changes in financial assumptions	(53.7)	24.8
Actuarial gain from changes in demographic assumptions	(3.6)	-
Actuarial gains and losses from changes in experience	3.6	-
Components of defined benefit cost recognised in other comprehensive income	<u>(19.0)</u>	<u>40.2</u>

Biffa Waste Services Limited
Notes to the Financial Statements (continued)
For the 52 weeks ended 26 March 2021

26. Pension and post-retirement benefits (continued)

The current service cost is included in operating costs in profit or loss and the net interest expense is included within finance charges in profit or loss. The remeasurement of the net defined benefit liability is included in other comprehensive income.

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

	As at 26 March 2021 £m	As at 27 March 2020 £m
Present value of funded defined benefit obligation	(465.0)	(421.2)
Fair value of funded plan assets	577.6	546.3
Net asset arising from defined benefit obligation	112.6	125.1

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 decreased by 0.5%, the defined benefit asset would decrease by £50.6 million.

If the inflation assumption increased by 0.5% the defined benefit asset would increase by £46.0 million.

If the life expectancy increases by one year for both men and women, the defined benefit asset would decrease by £15.76 million.

The sensitivity analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the statement of financial position.

The Scheme's participating employers are Biffa Waste Services Limited, Island Waste Services Limited, Biffa Leicester Limited and Biffa West Sussex Limited. These subsidiaries fund the cost of any protected members' future accrual (to the extent that any protected members remain working for each of these companies) earned on a yearly basis. Protected members pay a range of fixed contributions of pensionable salary depending on what section of the Scheme they are in. These contributions range from 3% to 6% of pensionable salary. The residual contribution (including past service augmentations) is paid by the above entities of the Biffa Group. These contributions, required to fund the accrual, are agreed between Biffa Corporate Holdings Limited and the Trustees of the Scheme following each triennial valuation of the Scheme.

In accordance with the Pensions Act 2004, the Scheme's liability is measured using a prudent discount rate at the triennial valuation, but some asset outperformance is allowed for when calculating the deficit recovery contributions paid for by the participating employers. Additional liabilities stemming from past service due to augmentation of benefits are added to the Scheme's deficit. The average duration of the benefit obligation at 26 March 2021 is approximately 21 years (2020: 22 years).

Biffa Waste Services Limited
Notes to the Financial Statements (continued)
For the 52 weeks ended 26 March 2021

27. Related party transactions

There were no transactions with Directors in the year (2020: £nil).

28. Post balance sheet events

COVID-19

In light of the ongoing Covid-19 pandemic, management continue to closely monitor developments and any potential impacts on the Company.

Acquisitions

On 25 June 2021, the Company acquired a post-consumer plastics recycling facility (PRF) from Green Circle Polymers Ltd (GCP) in Grangemouth, Scotland. The acquisition of GCP will strengthen Biffa's Polymers business with increased capacity to recycle more plastic within the UK. The timing of the GCP acquisition is favourable with Scotland's Deposit Return Scheme being introduced in July 2022. GCP is Scotland's only PRF and will be extremely well placed to process these materials.

On 31 August 2021, the Company acquired Syracuse Waste Limited from Viridor for £122.1m. Syracuse Waste Limited contains Viridor's Collections business and certain Recycling assets. This includes a portfolio of recycling and treatment facilities including materials recycling, composting and anaerobic digestion.

29. Immediate and ultimate parent undertaking

The Company is a 100% owned subsidiary of Biffa Holdings Limited, a Company incorporated in the United Kingdom.

The largest and smallest undertaking in which the Company's results are consolidated is that headed by Biffa plc, a public limited Company registered in England and Wales which owns the entire shareholding of the Company via its holdings in subsidiary undertakings. Copies of the consolidated Financial Statements of Biffa plc can be obtained from the registered office at Coronation Road, Cressex, High Wycombe, Buckinghamshire, HP12 3TZ.