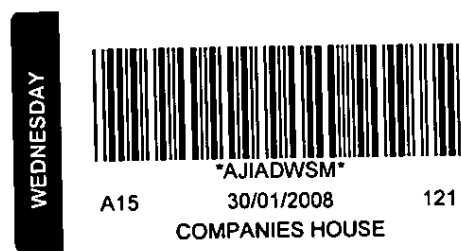


BIFFA WASTE SERVICES LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE 52 WEEKS ENDED
30 MARCH 2007

Company Number : 946107



BIFFA WASTE SERVICES LIMITED

REPORT OF THE DIRECTORS

FOR THE 52 WEEKS ENDED 30 MARCH 2007

Directors	M J Bettington R Chivers N M Gregg B J Griffiths P T Jones D R Knott T W J Lowth M L Saville D Savory R B Tate
Secretaries	W A F Clark K Woodward

The directors present their report and the audited financial statements of the company for the 52 weeks ended 30 March 2007 (2006 53 weeks ended 31 March 2006)

PRINCIPAL ACTIVITY

The company operates waste collection, recycling, treatment, landfill and special waste services, with the majority of this being in the UK

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

Turnover for the period was £519.1 million (2006 £480.1 million). The company made an operating profit of £48.3 million in the period before exceptional pension costs of £21.0 million (2006 (as restated) £37.8 million). The company will continue to trade for the foreseeable future. The company's net assets increased from £121.6 million at 1 April 2006 to £139.9 million at 30 March 2007.

Trends that have been evident in continental Europe for some years, with the emphasis on recycling and reducing the volume of waste going to landfill, are now becoming a reality in this country. The management of waste in the UK is now changing rapidly primarily as a result of legislation giving effect to new government targets. This has been further reinforced by the recent publication of the 'Waste Strategy' white paper.

We welcome this paper, and are confident that we are well positioned to benefit from the opportunities resulting from the wide-ranging changes that it proposes. They play to our strengths because we operate across the whole of the value chain collecting waste from domestic, industrial and commercial customers and operating a range of recycling and treatment facilities supported by an extensive network of well-located landfill facilities. Additionally we have expertise in handling special waste and are significant providers of renewable energy in the UK.

New regulations requiring all waste to be treated prior to final disposal came into force in October this year. In anticipation of this change, we have continued to expand our recycling collection services and are now offering this service to most of our industrial and commercial customers across the UK. For those customers who choose not to pre-sort their waste, we are able to provide a treatment service.

BIFFA WASTE SERVICES LIMITED

REPORT OF THE DIRECTORS (CONTINUED)

FOR THE 52 WEEKS ENDED 30 MARCH 2007

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS (CONTINUED)

The strength of our Collection business is central to our response to this new legislation as we seek to continue to expand this part of the business. Over the past few years, our ability to provide a consistent and reliable service across the country has enabled us to build a leading position in the national account sector of the market. We have now adopted a strategy to improve customer retention levels in the sector of the market represented by local accounts. Among other initiatives to achieve this, we have implemented selective price increases instead of imposing a standard increase across all accounts. Although this impacted profits during the second half of the year, we believe that it will improve customer retention and provide the foundations for future growth.

We anticipate that landfill will continue to play an important role in the disposal of waste in the UK over the medium term. The annual volume of waste going to landfill in the UK is anticipated to decline over the next few years. However, we expect to continue to benefit from the limited availability of sites and the tightening of regulation around them. Our strategy is to continue to optimise the balance between capacity and demand as we have done successfully this year, where the significant increase in gate fees more than compensated for the lower volumes of waste going to landfill.

The professionalism and dedication shown by our employees during the year has been a major contribution in the effective implementation of our operational strategy and the continued delivery of our sales and profit growth. On behalf of the Board we would like to take this opportunity to thank them for their hard work and commitment during this year.

Our markets are entering a period of considerable change. We look forward to this and are confident that our robust business model gives us an excellent platform to capitalise on the opportunities that this change will create and to deliver continued growth into the medium term.

FINANCIAL RESULTS AND DIVIDEND

	52 weeks to 30 March 2007 £m	53 weeks to 31 March 2006 (As restated) £m
Profit before taxation and exceptional items	40.8	35.4
Exceptional items	(21.0)	-
Taxation	(2.1)	3.2
Profit after taxation	17.7	38.6

The directors do not propose the payment of a dividend. Last year, a first interim dividend of 6.27p per ordinary share, amounting to £6.5m and a second interim dividend of 10.17p per ordinary share, amounting to £10.5 million were paid.

BIFFA WASTE SERVICES LIMITED

REPORT OF THE DIRECTORS (CONTINUED)

FOR THE 52 WEEKS ENDED 30 MARCH 2007

POST BALANCE SHEET EVENTS

On 26 June 2007, the House of Commons passed a Finance Bill reducing the standard rate of Corporation Tax from 30% to 28%. As a result, future profits of the company will be taxed at that rate.

On 27 September 2007, the Company issued 400,000,000 ordinary nil par value shares to Biffa Holdings Limited (the Company's immediate parent) for total consideration of £400,000,000. The cash received on issue was used to repay certain intercompany payables.

KEY PERFORMANCE INDICATORS

	<u>2006/07</u>	<u>2005/06</u>
Growth in revenue	10.2%	12.7%
Growth in operating profit*	30.2%	0.7%
Return on sales	9.3%	7.9%

*Growth in operating profit excludes the effect of £21.0 million exceptional pension costs in the financial year (2006: £nil).

The 2005/06 financial year comprised 53 weeks. For key performance indicator purposes, all comparisons between 2006/07 and 2005/06 revenue and operating profit have been made on a 52 week basis to ensure comparability.

Landfill void statistics

At the end of the year, our consented and operational void bank totalled 42.5 million (2006: 51.2 million) cubic metres, whilst also continuing to control 19.6 million (2006: 18.4 million) cubic metres of potential void.

Service success delivery levels

Continuous improvement of our service delivery levels† amongst our largest customer base, industrial and commercial customers, is a key component of our strategy. Currently our service delivery levels fall within a range of 93% to 96%. We seek to achieve and maintain service delivery success in excess of 95%. Following our demerger from Severn Trent Plc last year, we enhanced our management information systems to enable service delivery statistics to be collected consistently throughout the business, we are therefore unable to provide comparative data for this performance measure.

† Service success delivery levels equate to the percentage of jobs completed in proportion to those scheduled. These are measured daily and reported as a rolling 90 day average.

BIFFA WASTE SERVICES LIMITED

REPORT OF THE DIRECTORS (CONTINUED)

FOR THE 52 WEEKS ENDED 30 MARCH 2007

PRINCIPAL RISKS AND UNCERTAINTIES

During the year, a “top-down” and “bottom-up” exercise was carried out to identify those risks which executive management considered could prevent the Company from achieving its objectives or otherwise affect its value. The controls around those risks and their consequences were also identified and a process put in place to review and where possible to improve those controls. This comprehensive exercise will be repeated annually involving executive management across the Company.

The more significant risks and the directors’ approach to them include those set out below. Other factors are capable of having an adverse effect upon the prospects of the Company.

Our service offerings may fail to react to legislative and market dynamics

The Company monitors forthcoming legislation and through customer surveys and other means develops market intelligence. Through dedicated Group resource and cross-divisional co-operation the Company develops new service offerings to customers. Key supply chain relationships are maintained.

The technologies we choose to employ may fail to deliver expected performance

Extensive plant due diligence is undertaken and project specific risk assessments undertaken. Contractual terms are negotiated so that risk is allocated to those most appropriate to bear it.

There may be a lack of leadership continuity

Succession plans are kept under constant review as are reward/retention packages. Relationships with external agencies are maintained.

An Operator’s Licence in one or more of our regions may be suspended or withdrawn

Workshop and operational procedures have been implemented. OHSAS18001 registration has been obtained for all workshops and specialist maintenance schedules kept. The fleet is subject to both external and internal specialist audit.

Civil and/or criminal proceedings arising from a breach of Health & Safety or Environmental legislation could lead to financial loss or reputational damage

Current and developing legislation and regulation is continuously monitored. Staff training procedures have been adopted and a compliance database compiled. Audits are conducted internally by the Environment, Quality, Health and Safety department and externally by bodies such as the Environment Agency. Best practice groups identify lessons and share learning from incidents. A strong legal capability, both internal and external, is maintained as is appropriate insurance cover.

As part of the process, the Board will, every six months, receive and review reports from the Chief Executive Officer on developments in the arrangements for managing risks.

BIFFA WASTE SERVICES LIMITED
REPORT OF THE DIRECTORS (CONTINUED)
FOR THE 52 WEEKS ENDED 30 MARCH 2007

DIRECTORS AND THEIR INTERESTS

The directors of the company at the date of this report are shown above.

Mr N M Gregg was appointed on 3 July 2006 Mr M D Prosser resigned on 14 September 2007
The other directors served throughout the period.

No directors had any interest in the shares of the company at 31 March 2006 or 30 March 2007

Mr M J Bettington and Mr T W J Lowth are also directors of the ultimate parent, Biffa Plc Their interests in the shares of the company and other group companies are disclosed in the financial statements of that company.

Mr P T Jones is a director of the intermediate parent, Biffa Holdings Limited His interests in the shares of the company and other group companies are disclosed in the financial statements of that company

DIRECTORS' INDEMNITIES

In accordance with the Articles of the Company, all of the directors have been granted indemnities by the Company to the maximum extent permitted by sections 309A and 309B of the Companies Act 1985 (including the right to recover costs on an "as incurred" basis), save that such indemnities will not apply to the extent that any recovery is made under any policy of insurance or if the relevant director or directors is or are in breach of obligations in relation to the conduct of claims or if the Company determines that the liability arises out of the director's fraud or wilful default.

EMPLOYEE INVOLVEMENT

The company has its own intranet which forms a major communication channel with employees, in addition to the in-house magazine and regular staff briefings

Opportunity is given on a regular basis for managers to be questioned by employees at the company's operational centres about matters that concern them Further employee feedback is obtained through census surveys, and the findings are used to identify and action areas for improvement

Eligible employees may participate in the Sharesave Scheme and the Pension Scheme

BIFFA WASTE SERVICES LIMITED

REPORT OF THE DIRECTORS (CONTINUED)

FOR THE 52 WEEKS ENDED 30 MARCH 2007

EMPLOYMENT OF DISABLED PERSONS

It is the policy of the company to give full consideration to suitable applications from disabled persons. Consideration will also be given to employees who become disabled to continue in their employment or to be retrained for other positions in the company.

SUPPLIER PAYMENT POLICY

The company has established policies with regard to the payment of its suppliers. The company agrees terms and conditions under which business transactions with suppliers are conducted. It is company policy that, provided a supplier is complying with the relevant terms and conditions, including the prompt and complete submission of all specified documentation, payment will be made in accordance with agreed terms.

The company had 45 days purchases (2006 44 days purchases) outstanding at 30 March 2007 based on average daily amount invoiced by suppliers during the period.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are required to prepare 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 year. 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). The financial statements are required by law to 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 year. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently;
- make judgments and 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,
- 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 proper accounting records that 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 1985. 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.

BIFFA WASTE SERVICES LIMITED

REPORT OF THE DIRECTORS (CONTINUED)

FOR THE 52 WEEKS ENDED 30 MARCH 2007

USE OF FINANCIAL INSTRUMENTS

The company's activities expose it to a number of financial risks including credit risk and liquidity risk

Credit risk

The company's principal financial assets are bank balances and cash and trade and other receivables. The company has no significant concentration of credit risk, with exposure spread over a large number of customers and the directors consider that the carrying value of the assets represent their recoverable amount

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the company uses a mixture of long-term and short-term debt finance

AUDITORS

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 auditors are unaware and
- Each of the directors has taken all steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the requirements of s 234ZA of the Companies Act 1985

Deloitte & Touche LLP has indicated its willingness to continue as auditors of the Company. Accordingly a resolution to reappoint them will be proposed at the Annual General Meeting

On behalf of the Board



T W J Lowth
Director

29 January 2008

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

BIFFA WASTE SERVICES LIMITED

We have audited the financial statements of Biffa Waste Services Limited for the 52 weeks ended 30 March 2007 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 27. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors' 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.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

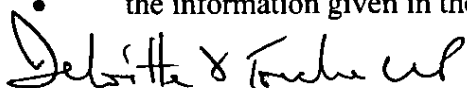
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

BIFFA WASTE SERVICES LIMITED (CONTINUED)

Opinion

In our opinion.

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 March 2007 and of its profit for the 52 weeks then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements



Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

Birmingham

United Kingdom

29 January 2008

BIFFA WASTE SERVICES LIMITED**PROFIT AND LOSS ACCOUNT****FOR THE 52 WEEKS ENDED 30 MARCH 2007**

	Notes	52 weeks to 30 March 2007 £m	53 weeks to 31 March 2006 £m (As restated) (note 1)
Turnover	3	519 1	480 1
Cost of sales		(446 6)	(418 8)
Gross profit		72 5	61 3
Distribution costs		(5 8)	(5 7)
Administrative expenses (including exceptional costs of £21 0m (2006 £nil – see Note 7))		(39 4)	(17 8)
Operating profit		27 3	37 8
Income from investments – joint ventures	4	0 7	1 3
Interest receivable and similar income	5	7 6	4 2
Interest payable and similar charges	6	(15 8)	(7 9)
Profit on ordinary activities before taxation	3,7	19 8	35 4
Taxation on profit on ordinary activities	9	(2 1)	3 2
Profit for the financial period		17 7	38 6

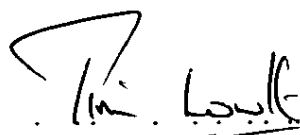
All amounts above relate to continuing operations

The company has no recognised gains and losses other than the profit above and therefore no separate statement of total recognised gains and losses has been presented

BIFFA WASTE SERVICES LIMITED**BALANCE SHEET AS AT 30 MARCH 2007**

	Notes	As at 30 March 2007 £m	As at 31 March 2006 £m
FIXED ASSETS			
Intangible assets - goodwill	11	104 4	110 9
Tangible assets	12	275 1	260 5
		<hr/>	<hr/>
		379.5	371 4
CURRENT ASSETS			
Stocks	14	1 6	2 3
Debtors	15	295.8	290 4
Short term investments	16	1 5	1 9
Cash at bank and in hand		19 1	21 2
		<hr/>	<hr/>
		318 0	315 8
CREDITORS			
Amounts falling due within one year	17	(508 6)	(396 8)
		<hr/>	<hr/>
NET CURRENT LIABILITIES		(190 6)	(81 0)
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		188 9	290 4
CREDITORS			
Amounts falling due after more than one year	18	(12 2)	(130 8)
PROVISIONS FOR LIABILITIES AND CHARGES	19	(36 8)	(38 0)
		<hr/>	<hr/>
NET ASSETS		139 9	121 6
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Called up share capital	20	103 7	103 7
Revaluation reserve	22	0 6	0 6
Profit and loss account	22	35 6	17 3
		<hr/>	<hr/>
TOTAL EQUITY SHAREHOLDERS' FUNDS	23	139 9	121.6
		<hr/>	<hr/>

The financial statements on pages 10 to 39 were approved by the Board of Directors on 29 January 2008 and were signed on its behalf by



T W J Lowth
Director

BIFFA WASTE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 30 MARCH 2007

1 ACCOUNTING POLICIES

a) Basis of accounting

These financial statements are prepared on the going concern basis, under the historical cost convention, as modified by the revaluation of certain tangible fixed assets and in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom. The principal accounting policies are set out below

b) Changes in accounting policies

In preparing this information, the company has adopted FRS 20 "Accounting for share-based payments" in its financial statements. The effect of this change in accounting policy has been to increase cost of sales in 2005/6 by £0.5 million and in 2006/7 by £0.6 million with a neutral impact to the company's reserves.

The company has adopted early the revised provisions of FRS17 "Retirement Benefits". This change impacts only the disclosures included in note 25 to these financial statements.

c) Turnover

Turnover represents the income receivable excluding value added tax, trade discounts and intercompany sales, in the ordinary course of business for goods and services provided.

Revenue is not recognised until the services have been provided to the customer.

d) Tangible fixed assets and depreciation

i Landfill sites

Landfill sites are included within tangible fixed assets at cost less accumulated depreciation. The cost of landfill sites includes the cost of acquiring, developing and engineering sites, but does not include interest. The anticipated total cost of the asset, is depreciated over the estimated life of the site on the basis of the usage of void space. In some circumstances the timing of engineering expenditure and the configuration of a site can lead to depreciation charges in exceeding capital expenditure to date. In these circumstances the surplus depreciation is transferred to provisions.

BIFFA WASTE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 52 WEEKS ENDED 30 MARCH 2007

d) Tangible fixed assets and depreciation (continued)

11 Other tangible fixed assets

Other tangible fixed assets are included at cost less accumulated depreciation. Freehold land is not depreciated. Other assets are depreciated on a straight line basis over their expected lives, which are as follows

Short leasehold property	Length of lease up to 50 years
Long leasehold property	50 years
Motor vehicles	4-8 years
Plant	5-8 years
Fixtures and office equipment	5-10 years

111 Other tangible fixed assets (continued)

Assets in the course of construction are not depreciated until commissioned. The company has taken advantage of the transitional provisions of FRS15 "Tangible Fixed Assets" and retained the book amounts of certain freehold and long leasehold properties which were revalued prior to implementation of that standard. The properties were last revalued at 31 March 1990 and the valuation has not subsequently been updated.

e) Stocks

Stocks are stated at the lower of cost and net realisable value and where appropriate are stated net of provisions for slow moving and obsolete stock.

f) Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Provision is made in full for deferred tax liabilities that arise from timing differences where transactions or events that result in an obligation to pay more tax in the future have occurred by the balance sheet date. Deferred tax assets are recognised to the extent that it is considered more likely than not that they will be recoverable. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on the rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets and liabilities are not discounted.

BIFFA WASTE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 52 WEEKS ENDED 30 MARCH 2007

g) Reinstatement of land, environmental control and aftercare costs

1 Landfill reinstatement costs

Provision for the cost of reinstating landfill sites is made over the operational life on the basis of the usage of void space for each landfill site and charged to the income statement as the obligation to reinstate the site arises

11 Environmental control and aftercare costs

Provision for environmental costs and aftercare costs are made over the operational life of each landfill site as the environmental and aftercare liability arises. These costs are considered to accrue over the operational life of each landfill site on the basis of the usage of void space. Aftercare costs may continue for a considerable period thereafter. Long term aftercare provisions are calculated based on the net present value of estimated future costs by applying an appropriate discount rate. The effects of inflation and unwinding of the discount element on existing provisions are reflected in the financial information as a finance charge

h) Insurance

Provision is made for claims notified and for claims incurred but which have not yet been notified, based on advice from the group's external insurance advisers

i) Leased assets

Where assets are financed by leasing arrangements which transfer substantially all the risks and rewards of ownership of an asset to the lessee (finance leases), the assets are accounted for as if they had been purchased and the corresponding capital cost is shown as an obligation to the lessor. Lease payments are treated as consisting of a capital element and a finance charge, the capital element reducing the obligation to the lessor and the finance charge being written off to the profit and loss account over the period of the lease in proportion to the capital amount outstanding. Depreciation is charged over the shorter of the estimated life and the lease period.

All other leases are accounted for as operating leases. Rental costs arising under operating leases are charged to the profit and loss account on a straight-line basis over the lease term

BIFFA WASTE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 52 WEEKS ENDED 30 MARCH 2007

j) Impairment of goodwill and fixed assets

Impairments of goodwill and fixed assets are calculated as the difference between the carrying value of net assets of income generating units, including where appropriate, investments and goodwill and their recoverable amounts. Recoverable amount is defined as the higher of net realisable value or estimated value in use at the date the impairment review is undertaken. Net realisable value represents the net amount that can be generated through sale of assets. Value in use represents the present value of expected future cash flows discounted on a pre-tax basis, using the estimated cost of capital of the income generating unit.

Impairment reviews are carried out if there is some indication that an impairment may have occurred, or, where otherwise required, to ensure that goodwill and fixed assets are not carried above their estimated recoverable amounts.

Impairments are recognised in the profit and loss account, and where material are disclosed as exceptional.

k) Goodwill

Goodwill represents the excess of the fair value of the purchase consideration over the fair value of the separable net assets acquired.

Following the introduction of FRS10, the company changed its accounting policy for goodwill. Goodwill arising on all acquisitions prior to 1 April 1998 was written off against the profit and loss account reserve. Goodwill previously written off to reserves is taken to the profit and loss account upon the termination or sale of operations. Purchased goodwill arising on acquisitions after 31 March 1998 is treated as an intangible fixed asset in the balance sheet and stated at cost less accumulated amortisation. Useful economic lives are currently estimated at 20 years.

BIFFA WASTE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 52 WEEKS ENDED 30 MARCH 2007

l) Pension costs

The company provides pension arrangements to the majority of full time employees through three defined benefit schemes, the Severn Trent Pension Scheme, the UK Waste Pension Scheme and the Severn Trent Senior Staff Pension Scheme. Due to transfers of employees between group companies and pensioners and deferred members of schemes forming part of acquired businesses, it is not possible to identify the share of the underlying assets and liabilities in these schemes which is attributable to the company on a consistent and reasonable basis. Therefore, the company has applied the provisions in FRS 17 to take the multi-employer exemption and account for the schemes as if they were defined contribution schemes.

In addition, the company contributes to a defined contribution scheme, the Biffa Works Pension Scheme, in respect of certain employees. For this scheme, the amount charged to the profit and loss account in respect of pension costs is the contributions 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.

m) Pre-contract costs

Pre-contract costs incurred are written off as an expense, until such time as award of the contract becomes virtually certain. These costs are amortised over the life of the contract.

n) Share-based payments

FRS 20 "Accounting for share-based payments" requires that an expense for equity instruments granted is recognised in the financial statements based on their fair value at the date of grant. This expense, which is primarily in relation to employee share options and Executive LTIP schemes, is recognised over the vesting period of the scheme. The fair value of employee services is determined by reference to the fair value of the awarded grant calculated using an appropriate pricing model, excluding the impact of any non market vesting conditions.

FRS 20 allows the measurement of this expense to be calculated only on options granted after 7 November 2002. At the balance sheet date, the Group revises its estimates of the number of share incentives that are expected to vest.

The impact of the revision of original estimates, if any, is recognised in the income statement, with a corresponding adjustment to equity, over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

BIFFA WASTE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 52 WEEKS ENDED 30 MARCH 2007

2 CASHFLOW STATEMENT AND RELATED PARTY DISCLOSURES

The company is a wholly-owned subsidiary of Biffa Plc and is included in the consolidated financial statements of Biffa Plc, which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cashflow statement under the terms of Financial Reporting Standard 1 (revised 1996). The company is also exempt under the terms of Financial Reporting Standard 8 from disclosing related party transactions with entities that are part of the Biffa Plc group of companies.

3 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The company's turnover and profit on ordinary activities before taxation is derived entirely from the collection, transport and disposal of industrial, commercial and domestic waste within the United Kingdom.

4 INCOME FROM INVESTMENT

	52 weeks to 30 March 2007 £m	53 weeks to 30 March 2006 £m
Income from participating interests	0.2	0.5
Other income	0.5	0.8
	<hr/> 0.7	<hr/> 1.3

5 INTEREST RECEIVABLE AND SIMILAR INCOME

	52 weeks to 30 March 2007 £m	53 weeks to 30 March 2006 £m
Interest receivable on bank balances	1.9	1.8
Interest receivable from group undertakings	5.2	-
Interest receivable from former parent company	0.1	2.3
Other interest receivable	0.4	0.1
	<hr/> 7.6	<hr/> 4.2

BIFFA WASTE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 52 WEEKS ENDED 30 MARCH 2007

6 INTEREST PAYABLE AND SIMILAR CHARGES

	52 weeks to 30 March 2007 £m	53 weeks to 30 March 2006 £m
Interest payable to group undertakings	9.7	-
Interest payable to former parent company	3.0	5.0
Interest on obligations under finance leases	1.9	2.1
Interest on discounted provisions	1.1	0.8
Other interest payable	0.1	-
	<u>15.8</u>	<u>7.9</u>

7 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	52 weeks to 30 March 2007 £m	53 weeks to 30 March 2006 £m
After charging		
Depreciation of tangible fixed assets		
- owned assets	45.1	39.1
- assets held under finance leases	8.3	10.2
Amortisation of goodwill	6.5	6.6
Operating lease charges		
- plant and machinery	8.2	6.6
- other	2.6	2.7
Auditors remuneration		
- Audit services	0.2	0.1
Exceptional costs.		
- special pension contributions	21.0	-
	<u>21.0</u>	<u>-</u>

Statutory audit fees of £79,000 (2006 £63,000) were paid in the year. There were no non-audit fees (2006 £nil).

Auditors' remuneration of £200,000 (2006 £127,000) is in respect of the audit of the Biffa Plc group all of which is borne by Biffa Waste Services Limited.

BIFFA WASTE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 52 WEEKS ENDED 30 MARCH 2007

8 EMPLOYEES

	52 weeks to 30 March 2007 £m	53 weeks to 30 March 2006 £m
Staff costs during the year		
Wages and salaries	130.5	124.4
Social security costs	12.5	11.9
Special pension contributions (note 7)	21.0	-
Other pension costs (note 25)	10.0	11.0
Share based payments (note 21)	0.6	0.5
	<u>174.6</u>	<u>147.8</u>

The average monthly number of persons (including executive directors) employed by the company during the year was

	52 weeks to 30 March 2007 Number	53 weeks to 30 March 2006 Number
Full time employees	4,770	4,686
Part time employees	70	70
	<u>4,840</u>	<u>4,756</u>
	£m	£m

Directors remuneration

Aggregate emoluments	<u>4.0</u>	<u>2.9</u>
----------------------	------------	------------

Four of the directors exercised share options in the year (2006. none) Ten directors (2006 twelve) became entitled to receive shares under long-term incentive schemes during the year Retirement benefits are accruing to ten directors (2006 twelve) under defined benefit schemes

	52 weeks to 30 March 2007 £000	53 weeks to 30 March 2006 £000
Highest paid director		
Aggregate emoluments	988	410
Accrued pension at end of year	167	167

The highest paid director did not exercise share options but did receive shares under long-term incentive schemes during the year.

BIFFA WASTE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 52 WEEKS ENDED 30 MARCH 2007

9 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	52 weeks to 30 March 2007 £m	53 weeks to 30 March 2006 (As restated) £m
Current tax		
Corporation tax at 30%		
Current year	11 0	-
Prior year	(5 6)	7 9
Group relief at 30%		
Current year	-	7 0
Prior year	(3.3)	(17 0)
Total current tax	2.1	(2 1)
Deferred tax		
Origination and reversal of timing differences		
Current year	(1 1)	6 0
Prior year	1 1	(7 1)
Total deferred tax (note 15)	-	(1 1)
Total tax charge / (credit)	2 1	(3 2)

The tax is assessed for the period is lower (2006 lower) than the standard rate of corporation tax in the UK (30%) The differences are explained below:

	52 weeks to 30 March 2007 £m	53 weeks to 30 March 2006 (As restated) £m
Profit on ordinary activities before tax	19.8	35 4
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2006. 30%)	5 9	10 6
Effects of		
Expenses not deductible for tax purposes	4.0	2 4
Depreciation for period in excess of capital allowances	(0 6)	(2 9)
Utilisation of/movement in short term timing differences	1 7	(3 1)
Adjustments to tax charge in respect of prior periods	(8.9)	(9 1)
Total current tax	2 1	(2 1)

BIFFA WASTE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 52 WEEKS ENDED 30 MARCH 2007

10 DIVIDENDS

	52 weeks to 30 March 2007 £m	53 weeks to 30 March 2006 £m
Equity – Ordinary		
First interim paid: £nil (2006 6 27p) per £1 share	-	6.5
Second interim paid £nil (2006 10 17p) per £1 share	-	10.5

11 GOODWILL

	£m
Cost	
At 1 April 2006 and 30 March 2007	129.6
Accumulated amortisation	
At 1 April 2006	18.7
Charge for the period	6.5
At 30 March 2007	25.2
Net book amount	
At 30 March 2007	104.4
At 1 April 2006	110.9

BIFFA WASTE SERVICES LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE 52 WEEKS ENDED 30 MARCH 2007****12 TANGIBLE FIXED ASSETS**

	Land & Buildings	Landfill Sites	Plant, vehicles & equipment	Total
	£m	£m	£m	£m
Cost or valuation				
At 1 April 2006	62.9	164.1	297.5	524.5
Additions	4.5	22.5	45.2	72.2
Disposals	(0.3)	(0.2)	(24.3)	(24.8)
Reallocations	0.2	-	(0.2)	-
At 30 March 2007	67.3	186.4	318.2	571.9
Accumulated depreciation				
At 1 April 2006	16.1	100.5	147.4	264.0
Charge for the period	3.1	12.6	37.7	53.4
Disposals	(0.2)	(0.2)	(22.5)	(22.9)
Reallocations	0.2	-	(0.2)	-
Transfers to provisions	-	2.3	-	2.3
At 30 March 2007	19.2	115.2	162.4	296.8
Net book amount				
At 30 March 2007	48.1	71.2	155.8	275.1
At 1 April 2006	46.8	63.6	150.1	260.5

In the opinion of the directors there is no significant difference between the market value of land and the balance sheet value above

Included in the land and buildings cost of £67.3m (2006: 62.9m) is £9.7m (2006: 9.3m) of land which is not being depreciated

The net book amount of tangible fixed assets includes £11.4m (2006: £19.7m) in respect of assets held under finance leases

Certain of the company's freehold and long leasehold land and buildings were revalued on the basis of an open market valuation for existing use at 31 March 1990. Had these assets not been revalued land and buildings cost would have been £66.6m (2006: £62.3m), accumulated depreciation would have been £19.2m (2006: £16.0m) and net book value would have been £47.4m (2006: £46.2m)

BIFFA WASTE SERVICES LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE 52 WEEKS ENDED 30 MARCH 2007****12 TANGIBLE FIXED ASSETS (CONTINUED)**

The company will not in future continue to revalue fixed assets but as allowed under the transitional arrangements of Financial Reporting Standard 15, 'Tangible Fixed Assets' will continue to hold these assets at their historically revalued amount

Cost or valuation at 30 March 2007 is represented by

	Land & buildings	Landfill sites	Plant, vehicles & equipment	Total
	£m	£m	£m	£m
Cost	65 4	186 4	318 2	570 0
1990 Valuation	1 9	-	-	1 9
	<hr/>	<hr/>	<hr/>	<hr/>
	67 3	186 4	318 2	571 9
	<hr/>	<hr/>	<hr/>	<hr/>

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

	2007		2006	
	Land & buildings	Landfill sites	Land & buildings	Landfill sites
	£m	£m	£m	£m
Freehold	31 6	53 3	27 9	47.6
Long leasehold	8 8	16 5	9 3	10.6
Short leasehold	7 7	1 4	9 6	5 4
	<hr/>	<hr/>	<hr/>	<hr/>
	48 1	71 2	46 8	63 6
	<hr/>	<hr/>	<hr/>	<hr/>

Capital commitments

	2007 £m	2006 £m
Capital expenditure contracted but not provided for at the year end	3 6	6 4
	<hr/>	<hr/>

BIFFA WASTE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 52 WEEKS ENDED 30 MARCH 2007

13 INVESTMENTS

	As at 30 March 2007 £m	As at 31 March 2006 £m
Investment in joint venture at cost	-	-

The company owns 50% of the ordinary share capital of Biogeneration Limited. The remaining 50% is owned by E ON UK Plc, a wholly owned subsidiary of E ON AG. Biogeneration Limited's principal activity is the generation of electricity using methane produced by four of the company's landfill sites.

During the period, the company had transactions with Biogeneration Limited as summarised below:

- (a) The company has agreements with Biogeneration Limited, to sell gas used in the generation of electricity. Sales for the 52 weeks to 30 March 2007 totalled £321,600 (2006 £347,500). At 30 March 2007 an amount of £56,800 (2006 £95,400) was due from Biogeneration Limited.
- (b) The company charges a management fee to Biogeneration Limited in respect of administration and management services. The charge for the 52 weeks to 30 March 2007 was £42,200 (2006 £41,600). At 30 March 2007, an amount of £4,100 (2006 £3,500) was due from Biogeneration Limited.
- (c) The company made recharges for IPPC costs to Biogeneration Limited during the year. The net release for the 52 weeks to 30 March 2007 was £22,200 (2006 £33,600 charge). At 30 March 2007, an amount of £42,200 (2006 £nil) was due from Biogeneration Limited.

14 STOCKS

	As at 30 March 2007 £m	As at 31 March 2006 £m
Raw materials and consumables	1 6	2 3

BIFFA WASTE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 52 WEEKS ENDED 30 MARCH 2007

15 DEBTORS

	As at 30 March 2007 £m	As at 31 March 2006 £m
Amounts falling due within one year		
Trade debtors	108 6	116 8
Loan to former parent company	-	13 9
Amounts owed by group undertakings	153 8	137.4
Group relief	2 6	-
Deferred tax	6 7	6 7
Prepayments and accrued income	24 0	13.9
Other debtors	0.1	0.3
	<hr/> 295 8	<hr/> 289 0
Amounts falling due after more than one year		
Prepayments and accrued income	-	1 4
	<hr/> 295 8	<hr/> 290 4
	<hr/> <hr/>	<hr/> <hr/>

Deferred tax asset recognised and unrecognised in the financial statements at 30% (2006 30%) are as follows

	Amount Provided		Amount Unprovided	
	2007 £m	2006 £m	2007 £m	2006 £m
Accelerated capital allowances	(0 5)	(1 6)	-	-
Other timing differences	(6 2)	(5 1)	-	-
	<hr/> (6 7)	<hr/> (6 7)	<hr/> -	<hr/> -
			<hr/> <hr/> £m	
At 1 April 2006			(6 7)	
Charge to profit and loss account			-	
			<hr/>	
At 30 March 2007			(6 7)	
			<hr/> <hr/>	

BIFFA WASTE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 52 WEEKS ENDED 30 MARCH 2007

16 SHORT TERM INVESTMENTS

	As at 30 March 2007 £m	As at 31 March 2006 £m
Short term deposits	1 5	1 9

The short term deposit of £1 5m is an insurance deposit which represents cash held on short term deposit as security for self insurance obligations

17 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	As at 30 March 2007 £m	As at 31 March 2006 £m
Trade creditors	53 4	43 3
Amounts owed to group undertakings	401 4	290.0
Group relief	-	3.1
Obligations under finance leases	9 5	8 2
Taxation and social security	16 7	19 1
Corporation tax payable	8 7	8.4
Accruals and deferred income	15 6	22 6
Other creditors	3 3	2 1
	508 6	396 8

Amounts due to group undertakings are unsecured, interest free and also have no fixed date of repayment

BIFFA WASTE SERVICES LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE 52 WEEKS ENDED 30 MARCH 2007****18 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	As at 30 March 2007 £m	As at 31 March 2006 £m
Obligations under finance leases	12.2	19.9
Loans due to group companies	-	110.9
	<hr/> 12.2	<hr/> 130.8
	<hr/> <hr/>	<hr/> <hr/>
	As at 30 March 2007 £m	As at 31 March 2006 £m
Future minimum payments under loans due to group companies are as follows		
After 5 years	-	110.9
	<hr/> -	<hr/> 110.9
	<hr/> <hr/>	<hr/> <hr/>
	As at 30 March 2007 £m	As at 31 March 2006 £m
Future minimum payments under finance leases are as follows		
Within one year	9.5	8.2
1 year to 2 years	9.5	8.6
2 years to 5 years	2.7	11.3
	<hr/> 21.7	<hr/> 28.1
	<hr/> <hr/>	<hr/> <hr/>

BIFFA WASTE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 52 WEEKS ENDED 30 MARCH 2007

19 PROVISIONS FOR LIABILITIES AND CHARGES

	Land reinstatement & environmental £m	Insurance £m	Total £m
At 1 April 2006	34 6	3 4	38 0
Utilised	(5 7)	(2 6)	(8 3)
Charged to profit and loss account	5 9	2 4	8 3
Discount elimination	1 1	-	1 1
Transfers	(2 3)	-	(2 3)
	<hr/>	<hr/>	<hr/>
At 30 March 2007	33 6	3 2	36 8
	<hr/>	<hr/>	<hr/>

Land reinstatement and environmental control costs

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 discounted at a rate of 5 per cent.

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.

Insurance

Provisions for insurance claims are made as set out in note 1h. The associated outflows are estimated to arise over a period of up to five years from the balance sheet date.

20 CALLED UP SHARE CAPITAL

	As at 30 March 2007 £m	As at 31 March 2006 £m
Authorised, allotted, called up and fully paid 103,660,000 Ordinary shares of £1 each	103 7	103 7

BIFFA WASTE SERVICES LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE 52 WEEKS ENDED 30 MARCH 2007****21 SHARE BASED PAYMENTS**

The company participates in two all employee share based remuneration schemes and a long term incentive plan for senior management operated by its ultimate parent company, Biffa Plc. It also continues to participate in a number of share based remuneration schemes for employees operated by its former ultimate parent company, Severn Trent Plc. Details of the share awards outstanding during the year are as follows

	Severn Trent Employee Sharesave Scheme		Biffa Employee Sharesave Scheme	
	Number of share options	Weighted average price (pence)	Number of share options	Weighted average price (pence)
Outstanding at 25 March 2005	1,179,119	596.41	-	-
Granted during the year	136,866	823.00	-	-
Forfeited during the year	(31,214)	604.06	-	-
Cancelled during the year	(145,478)	711.40	-	-
Exercised during the year	(197,760)	515.94	-	-
Expired during the year	(3,188)	663.05	-	-
Outstanding at 1 April 2006	938,345	628.11	-	-
Granted during the year	1,105	1,172.00	1,429,137	264.00
Forfeited during the year	(11,538)	663.63	-	-
Cancelled during the year	(23,378)	646.93	-	-
Exercised during the year	(165,753)	563.86	-	-
Expired during the year	(5,492)	799.00	-	-
Outstanding at 30 March 2007	733,289	642.79	1,429,137	264.00

BIFFA WASTE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 52 WEEKS ENDED 30 MARCH 2007

21 SHARE BASED PAYMENTS (CONTINUED)

	Biffa Employee Share Incentive Plan		Biffa Long Term Incentive Plan	
	Number of share options	Weighted average price (pence)	Number of share options	Weighted average price (pence)
Outstanding at 25 March 2005 and 1 April 2006	-	-	-	-
Granted during the year	322,962	nil	1,218,476	nil
Forfeited during the year	(1,015)	nil	-	-
Outstanding at 30 March 2007	321,947	-	1,218,476	-

The weighted average share price of Biffa Plc was 306 19 pence

No options were exercisable at 30 March 2007

Biffa Sharesave Scheme 2007

In February 2007, the board of Biffa Plc made the first grant under the Biffa Sharesave Scheme with a three year savings contract commencing on 1 May 2007. Under the terms of the Sharesave Scheme, the board of Biffa Plc may grant those employees, who have entered into an Inland Revenue approved Save as You Earn Contract for a period of three years, the right to purchase ordinary shares in Biffa Plc. At 30 March 2007, all options granted under the Biffa Employee Sharesave scheme were outstanding.

BIFFA WASTE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 52 WEEKS ENDED 30 MARCH 2007

21 SHARE BASED PAYMENTS (CONTINUED)

Biffa Share Incentive Plan Trust

The Share Incentive Plan Trust was established in August 2006 to purchase shares on behalf of employees participating in the Biffa Plc Share Incentive Plan. Under this scheme, eligible employees are awarded free shares which are held by the trustee on behalf of the participants for a period of at least three years. After five years the shares may be transferred or sold by the employee free of income tax and national insurance contributions. During the holding period, dividends are paid directly to the participating employees. At 30 March 2007, the trustee Hill Samuel ESOP Trustees Limited, were holding 340,097 shares in Biffa Plc.

Biffa Long Term incentive Plan

The Long Term Incentive Plan was established in July 2006 and its operation approved by the shareholders of Severn Trent Plc in a general meeting in October 2006. The plan provides for the award of free shares to participants conditional upon the satisfaction of performance conditions over a three year period. The first awards under the plan were made on 13 December 2006.

Fair value of awards

The following table sets out the principal assumptions used when calculating the fair value of the Biffa share based remuneration schemes.

	Long term incentive Plan	Sharesave Scheme	Share Incentive Plan
Date of grant	13 Dec 2006	9 Feb 2007	10 Oct 2006
Number of options granted	1,218,476	1,429,137	323,013
Contractual life	3 Years	3 Years	3 Years
Exercise price (pence)	n/a	264.00	n/a
Share price at date of grant (pence)	295.00	330.00	260.00
Number of employees	13	1,326	4,499
Expected volatility	35%	35%	35%
Average correlation	13%	n/a	n/a
Expected option life	3 Years	3½ Years	3 Years
Risk free rate	4.94%	4.94%	4.94%
Expected dividend yield	nil	2.1%	2.1%
Fair value per option (pence)	112.00	117.80	244.10
Total fair value (£m)	1.4	1.3	0.7

BIFFA WASTE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 52 WEEKS ENDED 30 MARCH 2007

21 SHARE BASED PAYMENTS (CONTINUED)

The Company has used the Black Scholes model to value its sharesave options and share incentive awards, with no vesting conditions other than continued employment over the life of the awards. As there is limited historical volatility data available for Biffa Plc, the volatility of the share price of previously newly listed companies in the same sector as Biffa over a period commensurate with the expected term of the share based arrangements formed the basis of the expected volatility for Biffa Plc.

The Sharesave Scheme grant made on 9 February 2007 was available to all eligible employees. The exercise price of the granted options is equal to the market price of the shares less 20% on the date of invitation. Options are normally conditional on the employee completing three year service (the vesting period). The options are exercisable for a period of six months after vesting.

Awards under the Share Incentive Plan were made on 10 October 2006 whereby Biffa Plc awarded free shares to all eligible employees the day following Biffa's admission to the London Stock Exchange. Normally the free shares are conditional on the employee remaining in service with the company for a period of three years from the date of award, thereafter these shares can be released to the participant.

The first awards under the Share Incentive Plan were made on 13 December 2006. The fair value of the award was calculated using the Monte Carlo method. The Company established a comparator group of 218 other companies within the FTSE 250 (excluding investment trusts). The expected volatility used under this model has been based upon the volatility of the total shareholder return of previously newly listed companies in the same sector as Biffa Plc over a period commensurate with the expected term of the long term incentive plan (three years), due to the limited historical volatility data available for Biffa Plc. The correlation figure shown is the average against all other companies movements in the total shareholder return in the comparator group. The dividend yield is assumed to be zero as the participants in the scheme are entitled to receive additional shares equivalent to the value of any dividends that would have been paid during the performance period on shares which are comprised in the vested portion of the award.

Following the demerger, employees who were participants in the Severn Trent Employee Sharesave Scheme, are able to remain participants in these schemes so long as they remain in the employ of the company until the share plan vests.

The charge to the profit and loss account for share based payments in 2007 was £0.6 million (2006: £0.5 million).

BIFFA WASTE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 52 WEEKS ENDED 30 MARCH 2007

22 RESERVES

	Revaluation Reserve £m	Profit & Loss Account £m
At 1 April 2006	0.6	17.3
Retained profit for the financial period	-	17.7
Value of employee services	-	0.6
	<hr/>	<hr/>
At 30 March 2007	0.6	35.6
	<hr/>	<hr/>

The reserves available for distribution are £51.0 million (2006 £35.9 million)

23 RECONCILIATION OF THE MOVEMENTS IN SHAREHOLDERS' FUNDS

	52 weeks to 30 March 2007 £m	53 weeks to 30 March 2006 (As restated) £m
Profit for the financial period	17.7	38.6
Dividend paid during the year	-	(17.0)
Value of employee services	0.6	0.5
	<hr/>	<hr/>
Net addition to shareholder's funds	18.3	22.1
Opening equity shareholder's funds	121.6	99.5
	<hr/>	<hr/>
Closing equity shareholder's funds	139.9	121.6
	<hr/>	<hr/>

BIFFA WASTE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 52 WEEKS ENDED 30 MARCH 2007

24 COMMITMENTS AND CONTINGENT LIABILITIES

At 30 March 2007 the company had annual commitments under non-cancellable operating leases which expire as follows -

	As at 30 March 2007		As at 31 March 2006	
	Land & buildings £m	Other £m	Land & buildings £m	Other £m
Within one year	0.2	3.0	-	2.2
Between one and five years inclusive	0.9	9.9	1.3	8.1
After five years	1.9	1.1	2.2	1.1
	<u>3.0</u>	<u>14.0</u>	<u>3.5</u>	<u>11.4</u>

The figures shown above represent the operating lease commitments for all Biffa group companies. The company holds all operating leases within the Biffa group and recharges to fellow group companies based upon the use of the individual assets.

The company has entered into bonds and guarantees in the normal course of business. No liability is expected to arise in respect of either bonds or guarantees.

25 PENSION ARRANGEMENTS

The company participates in a number of pension schemes. The principal schemes are the Severn Trent Pension Scheme ('STPS'), the Severn Trent Senior Staff Pension Scheme ('STSSPS'), the Biffa Works Pension Scheme and the UK Waste Pension Scheme ('UKWPS'). All defined benefit schemes are funded to cover future salary and pension increases.

The disclosures below give information on the Biffa group as a whole.

- The STPS is operated by Severn Trent Plc. The scheme is of the defined benefit type and the assets are held in separate trustee administered funds.
- The STSSPS is operated by Severn Trent Plc. The scheme is of the defined benefit type and the assets are held in separate trustee administered funds. During the year, unfunded obligations arising from a previously unfunded and unapproved senior staff pension scheme was merged into the STSSPS. This scheme is included in 'others' in the information disclosed below.
- The Biffa Works Pension Scheme is of the defined contribution type, and the assets are held in separate trustee administered funds.

BIFFA WASTE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 52 WEEKS ENDED 30 MARCH 2007

25 PENSION ARRANGEMENTS (CONTINUED)

- d) The UKWPS is primarily a defined benefits scheme but does provide benefits on a defined contribution basis for certain younger members. These members automatically join the defined benefits section on attaining age 40. The assets of the scheme are held in a trustee administered fund separate from the finances of the Company. The Company's funding policy is to contribute the minimum amount that can be contributed to maintain the scheme on an actuarially sound basis.
- e) From 1 April 2007, the UKWPS has been renamed Biffa Pension Scheme (BPS). Biffa employees who are active members in the Severn Trent Pension Scheme as at 31 March 2007 have joined the BPS from 1 April 2007. A final payment into the Severn Trent Pension Schemes will be made by mid 2007 when transfer values for the scheme assets and liabilities have been assessed.

STPS Scheme

The figures below relate to the STPS

Following the valuation of the STPS scheme, the employers' contribution rates have increased to 23.04%, 19.20% and 11.52% of pensionable pay (previously 14.64%, 12.20% and 7.32%). STPS members contributions continue at the rate of 6%, 5% and 3% of pensionable pay.

UKWPS Scheme

The figures below relate to the Final Pay Section (defined benefit section) of the UKWPS. The scheme also has a Money Purchase Section (defined contribution section), with annual employer contributions of about £0.1m.

Contributions to the Scheme have been paid by the employees at the rate of 5% of Pensionable Salary. The company has paid contributions to the scheme at the rate of 20% of Pensionable Salary up to 31 December 2003 and 15% of Pensionable pay plus £0.2m per month until 30 March 2007.

STSSPS Scheme

Contributions to the scheme have been paid by the employees at a rate of 6% of Pensionable Salary. The company has paid contributions to the scheme at a rate of 32.4% (2005: 55%).

The UKWPS and SSPPS schemes are closed to new entrants and hence the service cost is expected to rise as the active members approach retirement.

BIFFA WASTE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 52 WEEKS ENDED 30 MARCH 2007

25 PENSION ARRANGEMENTS (CONTINUED)

Defined benefit plans

Formal actuarial valuations of the Group's deferred benefit pension schemes, based on the projected unit method, are carried out triennially with periodic actuarial reviews.

As at 30 March 2007	STPS £m	UKWPS £m	Others	Total
Present value of defined benefit obligation	(117 0)	(59 2)	(16 7)	(192 9)
Fair value of funded plan assets	118.1	52 7	15 9	186 7
Net asset / (liability)	1.1	(6 5)	(0 8)	(6 2)
As at 31 March 2006	STPS £m	UKWPS £m	Others	Total
Present value of defined benefit obligation	(116.1)	(58 0)	(17 0)	(191 1)
Fair value of funded plan assets	100.0	43 3	14 1	157 4
Net liability	(16.1)	(14 7)	(2.9)	(33 7)

The weighted average of the major assumptions used by the are

	STPS		UKWPS		Others	
	2007	2006	2007	2006	2007	2006
Discount rate	5 4%	4 9%	5 4%	4 9%	5 4%	4 9%
Expected return on plan assets	6 9%	6 8%	7 2%	7 1%	6 9%	6 8%
Future salary increases	4 5%	4 2%	4 5%	4 2%	5 5%	4 2%
Future pension increases	3 0%	2 7%	3 0%	2 7%	3 0%	2 7%

BIFFA WASTE SERVICES LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE 52 WEEKS ENDED 30 MARCH 2007****25 PENSION ARRANGEMENTS (CONTINUED)****Mortality Assumptions**

The UK Waste Pension Scheme and the Severn Trent schemes use different assumptions for post-retirement mortality. For non-pensioners, the UK Waste Pension Scheme uses the mortality tables PMA92C2026 (male) / PFA92C2026 (female) with a 125% scaling for works and manual employees and 100% for staff employees. The same tables, projected to calendar year 2016, are used for pensioners. The Scheme also adopts the short cohort allowance for future longevity improvements.

Change in defined benefit obligation:

As at 30 March 2007	STPS £m	UKWPS £m	Others	Total
Present value of defined benefit obligation at start of year	116.1	58.0	17.0	191.1
Current service cost	8.2	1.2	0.7	10.1
Plan participant contributions	0.6	0.7	-	1.3
Interest cost	5.6	2.9	0.7	9.2
Actuarial gain on liabilities	(9.3)	(1.7)	(0.8)	(11.8)
Benefits paid	(4.2)	(1.9)	(0.9)	(7.0)
Present value of defined benefit obligation at end of year	117.0	59.2	16.7	192.9
As at 31 March 2006	STPS £m	UKWPS £m	Others	Total
Present value of defined benefit obligation at start of year	91.0	49.1	14.0	154.1
Current service cost	6.9	1.0	0.8	8.7
Plan participant contributions	1.8	0.5	0.1	2.4
Interest cost	5.0	2.7	0.8	8.5
Actuarial loss on liabilities	12.7	5.6	1.3	19.6
Benefits paid	(1.3)	(0.9)	-	(2.2)
Present value of defined benefit obligation at end of year	116.1	58.0	17.0	191.1

BIFFA WASTE SERVICES LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE 52 WEEKS ENDED 30 MARCH 2007****25 PENSION ARRANGEMENTS (CONTINUED)**

Contributions to be made in the next annual reporting period are expected to be £15 0 million, consisting of special contributions of £5 0 million into the UK Waste Pension Scheme and normal contributions of £10 0 million

Change in plan assets

As at 30 March 2007	STPS £m	UKWPS £m	Others	Total
Fair value of plan assets at start of period	100 0	43 3	14 1	157 4
Expected return on plan assets	6 7	3 3	0 9	10 9
Actuarial (loss) / gain on assets	(0 9)	(0 6)	0 8	(0 7)
Employer contributions	15 9	7 9	1 0	24 8
Plan participant contributions	0 6	0 7	-	1 3
Benefits paid	(4 2)	(1 9)	(0 9)	(7 0)
Fair value of plan assets at end of year	118 1	52 7	15 9	186 7
As at 31 March 2006	STPS £m	UKWPS £m	Others	Total
Fair value of plan assets at start of period	70 0	30 8	9 9	110 7
Expected return on plan assets	5 5	2 3	0 7	8 5
Actuarial gain on assets	9.1	5 6	0 4	15 1
Employer contributions	14 9	5.0	3 0	22 9
Plan participant contributions	1 8	0 5	0 1	2 4
Benefits paid	(1 3)	(0.9)	-	(2 2)
Fair value of plan assets at end of year	100.0	43 3	14 1	157 4

The weighted average employer contributions rates to all group defined benefit schemes (expressed as a percentage of pensionable payroll) were 26 5% in the 52 weeks ended 30 March 2007

BIFFA WASTE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 52 WEEKS ENDED 30 MARCH 2007

26 POST BALANCE SHEET EVENTS

On 26 June 2007, the House of Commons passed a Finance Bill reducing the standard rate of Corporation Tax from 30% to 28%. As a result, future profits of the company will be taxed at that rate.

On 27 September 2007, the Company issued 400,000,000 ordinary nil par value shares to Biffa Holdings Limited (the Company's immediate parent) for total consideration of £400,000,000. The cash received on issue was used to repay certain intercompany payables.

27 ULTIMATE PARENT UNDERTAKING

The immediate parent undertaking is Biffa Holdings Limited.

The ultimate parent undertaking and controlling party is Biffa Plc which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of Biffa Plc consolidated financial statements can be obtained from the Company Secretary at Coronation Road, Cressex, High Wycombe, Bucks, HP12 3TZ.