

Annual Report and Accounts

Biffa Limited

Registered number: 10336040



Biffa.co.uk

We are Biffa

We've been at the forefront of the UK sustainable waste management industry for over 100 years.

Our strategy for growth means that our waste reduction, recycling, energy recovery and collection services all have a positive impact across the UK. We have a strong track record of growing our profits whilst reinvesting to grow our business.

Today, Biffa is an established enabler of the UK circular economy and our team of just under 11,000 colleagues carry out essential services every day in line with our purpose 'to change the way people think about waste'. Sustainability has been at the heart of our business strategy for many years. Our areas of investment reflect the waste hierarchy – to Reduce, Recycle and Recover, all supported by the need to Collect.

We have already taken huge strides in our sustainability journey by investing in surplus redistribution, plastic recycling, energy recovery infrastructure and low carbon collections, leading to a 70% reduction in our carbon emissions since 2002. Our sustainability strategy, 'Resourceful, Responsible', will see us unlock £1.25bn of investment in vital green economy infrastructure by 2030, of which c.£1bn has already been committed to, while further reducing our carbon emissions by 50% by 2030. Our aim is to reach net zero emissions by no later than 2050.

Our people care about doing the right thing and, in turn, we strive to do right by them by prioritising their health, safety and wellbeing. We are proud to have been awarded a 5-star rating by the British Safety Council. We have also made strong progress in making sure Biffa is an inclusive place to work where diversity is championed and our employees feel valued and understand the positive contribution they make to enabling the UK circular economy.

Our longstanding Biffa Award programme supports sustainable projects across the UK which deliver environmental benefits, while making a valuable contribution to local communities.

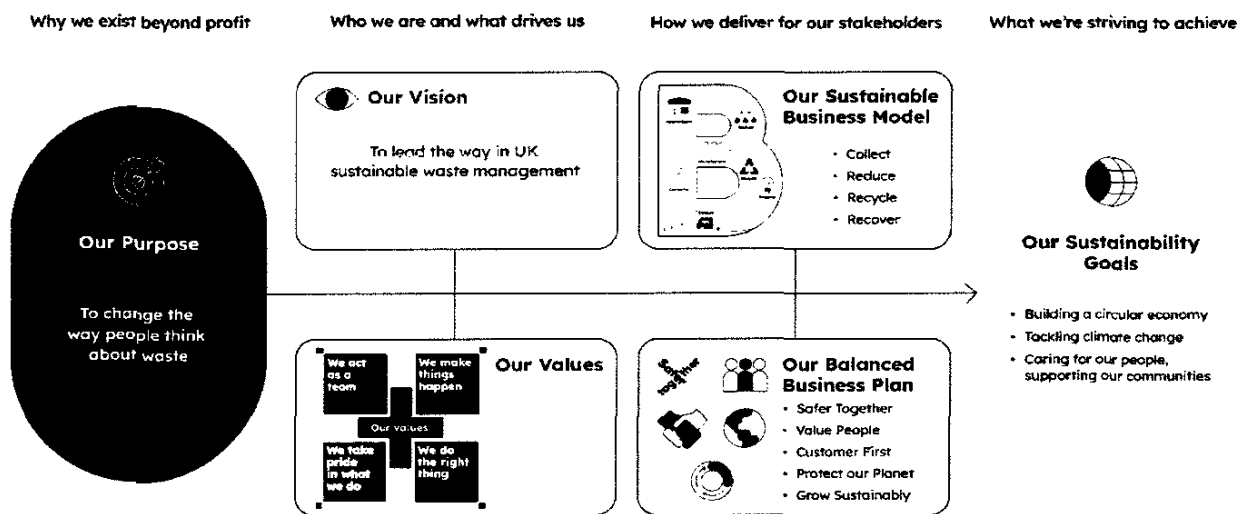
Through our proud partnership with WasteAid, we are helping to share practical and low-cost waste management knowledge with communities in developing countries.

As we look forward, whilst being mindful of the near-term challenges the UK economy is facing, we are increasingly well positioned to play a key role in the transition that our sector is embarking on, supported by an ambitious policy agenda.

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Combining purpose with profit

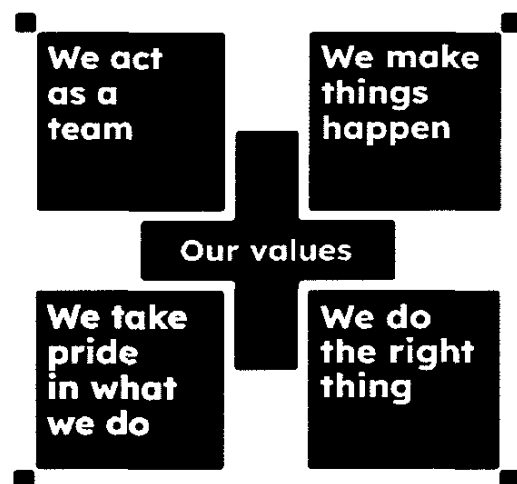


Why we do what we do

Our business model combines purpose with profit, helping to enable the circular economy, generate profit for our shareholders and deliver our core purpose – to change the way people think about waste.

Who we are and what drives us

Our values demonstrate how we act every day and how we make decisions. They set us apart from the competition and show that how we do things is just as important as what we do. They are the guiding principles for how we do business.

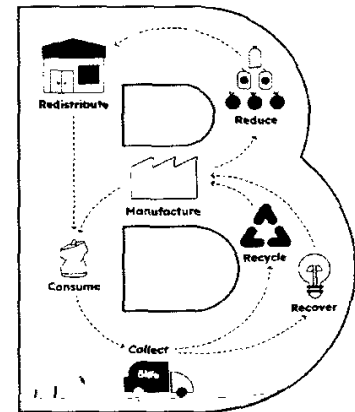


Strategic Report

What we do

Our business model focuses on four strategic areas – Reduce, Recycle, Recover and Collect. Concentrating on these four areas enables us to deliver efficient and sustainable waste management in line with the waste hierarchy and enables us to deliver the most value from our operational capabilities.

Our business model is resilient by design, demonstrated by how we have navigated economic uncertainty and market challenges during the year. Our services are generally essential, non-discretionary and predictable in demand. Commercial terms either offer good levels of pricing flexibility or contractual structures designed to protect against commodity and inflationary exposures.



Reduce

To pioneer and operate the UK's leading waste reduction and redistribution services.

Sources of revenue:

- Sale of surplus produce to Company Shop Group's members.

Recycle

To develop and operate the UK's leading recycling solutions.

Sources of revenue:

- Gate fees for processing and treating waste.
- Sale of commodity products.

Recover

To invest in energy recovery infrastructure as a lower carbon alternative to landfill for our customers' waste that cannot be recycled.

Sources of revenue:

- Gate fees for processing and treating waste.
- Sale of renewable energy.

Collect

To build the UK's largest, most efficient, low carbon waste and recycling collections operation.

Sources of revenue:

- Service fees for collection and disposal of commercial waste.
- Fees for outsourced provision of household collection services.

Where we focus: our objectives

Our Balanced Business Plan ('BBP') is aligned to five key pillars – Safer Together, Value People, Customer First, Grow Sustainably and Protect our Planet. The actions and targets within our annual BBP help to guide activity around our business model.

Underpinning all of this is our powerful sustainability story, based around three key pillars:

Building a circular economy

Tackling climate change

Caring for our people, supporting our communities

Strategic Report

The Directors present their strategic report for Biffa Limited ('the Company') and its subsidiary companies (together 'the Group' or 'Biffa') for the year ended 31 March 2023.

Accounting reference date

This strategic report and the accompanying financial statements are prepared for the 53 weeks ended 31 March 2023. The comparatives are prepared for the 52 weeks ended 25 March 2022. The strategic report for the subsequent period will be prepared for the 52 weeks ending 29 March 2024.

Principal Activity

Biffa is a leading integrated sustainable waste management company in the UK. The Group collects and processes a significant proportion of the waste generated in the UK with a focus on developing a circular economy. Operations include waste collection, recycling, organic waste treatment, landfill, surplus stock redistribution and investments in two Energy from Waste ('EfW') joint ventures.

Ownership Structure

On 26 January 2023 the entire issued and to be issued share capital of Biffa plc was acquired by Biffa Bidco Limited (formerly Bears Bidco Limited). Biffa's listing on the London Stock Exchange was cancelled at 8am on 27 January 2023 and Biffa plc was subsequently re-registered as a private company and renamed Biffa Limited.

Biffa Limited remained a wholly-owned subsidiary of Biffa Bidco Limited at 31 March 2023. Biffa Bidco Limited is an entity wholly owned by the funds managed by the Energy Capital Partners group of companies ('ECP').

Founded in 2005, ECP is a leading investor across energy transition, electrification and decarbonization infrastructure assets, including power generation, renewables and storage solutions, environmental infrastructure and sustainability, efficiency & reliability assets facilitating the energy transition. The ECP team, comprised of 73 people with 600+ years of collective industry experience, deep expertise and extensive relationships, has consummated more than 100 transactions over the last 18 years. For more information, visit www.ecpgp.com.

Going concern

The Directors have concluded that the Group is able to continue as a going concern and the financial statements have been prepared on the going concern basis accordingly. Refer to Note 1 to the financial statements for more information.

Forward-looking statements

This report contains certain forward-looking statements with respect to the financial condition, results, operations and business of the Group. 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 statements and forecasts.

Key Performance Indicators ('KPIs')

The Directors utilise a number of KPIs when measuring the performance of the business. These KPIs have been detailed in the below table and discussed further on the following pages. Definitions for the metrics are provided in the Appendix to the financial statements.

	FY23	FY22	Movement
Financial KPIs:			
Organic net revenue growth (%)	12.0%	20.0%	(8.0)%
Acquisition net revenue growth (%)	6.0%	18.0%	(12.0)%
Adjusted Operating profit margin (%)	6.7%	6.7%	-
Adjusted Return on Operating Assets (%)	18.2%	18.2%	-
Adjusted Return on Capital Employed (%)	8.5%	7.0%	1.5%
Group Leverage Ratio (Net Debt: EBITDA) (x)	3.0x	3.1x	(0.1)x
Non-financial KPIs:			
Scope 1 and 2 GHG emissions (kt)	524kt	538kt	(14kt)
Plastics recycling capacity (kt)	167kt	151kt	16kt
Employee engagement (%)	63%	59%	4%
Lost time injury (LTI) rate	0.32	0.39	(0.7)
RIDDOR rate	0.19	0.17	0.02

Strategic Report

Financial Review

Financial highlights

The other financial performance highlights in addition to the KPIs above are detailed in the following table. Alternative performance measures are also defined and reconciled in the Appendix to the financial statements.

	FY23	FY22	Movement
Statutory Revenue	1,680.4	1,443.2	237.2
Adjusted EBITDA	225.5	195.0	30.5
Operating Profit/(Loss)	6.7	(8.3)	15.0
Adjusted Operating Profit	112.8	96.6	16.2
Loss After Tax	(16.7)	(17.6)	0.9
Net Debt: EBITDA	3.0x	3.1x	(0.1)x

Group performance

The Group has built upon FY22's strong trajectory with Statutory Revenue increasing by 16.4% in the year to the record level of £1,680.4m. This has been achieved across the Group with Collections, Resources & Energy and Specialist Services divisions growing by 15.1%, 11.2% and 34.8% respectively. The majority of the growth has been organic, being roughly twice that attributed to acquisitions.

Operating Profit has risen from a loss of £8.3m in FY22 to a profit of £6.7m. This was driven by the 16.8% improvement in Adjusted Operating Profit from £96.6m in FY22 to £112.8m.

The Group continues to experience significant inflationary headwinds. Despite this, the Adjusted Operating Profit Margin has remained flat at 6.7%, demonstrating the Group's resilience and pricing flexibility.

The Group uses Alternative Performance Measures ('APMs') to enable a better understanding of Group performance. APM's exclude certain items from statutory results and are used to enhance the comparability of information between reporting periods and the Group's divisions.

Adjusting items are fully explained in the Appendix to the financial statements. The net impact of adjusting items on Loss Before Tax was a charge of £105.1m (FY22: £104.2m charge). The main adjusting items were acquisition related costs (£24.8m), strategy related and restructuring costs (£18.0m), increase to provision related to HMRC Landfill Tax enquiry (£50.7m), asset impairments (£9.1m), amortisation of acquisition intangibles (£25.2m) and impact of real discount rate changes on landfill provisions (£24.8m credit).

Net debt and borrowings

Group net debt is £667.0m (FY22: £595.8m) representing 3.0x Adjusted EBITDA (FY22: 3.1x). This demonstrates strong continued cash performance across the Group.

On 1 February 2023 the Group's existing borrowings drawn down under the RCF were repaid by Biffa Bidco Limited, with a corresponding loan established between Biffa Bidco Limited and a subsidiary of Biffa Limited. The RCF was simultaneously replaced by a new £225m RCF held by Biffa Bidco Limited.

The private placements held at 25 March 2022 were still held at 31 March 2023, but were terminated on 23 May 2023 as part of the debt restructure.

Finance income and charges

Net finance charges rose from £19.2m in FY22 to £22.8m. The primary driver behind this was the £5.9m increase in finance costs on loans and private placements mostly caused by interest rate rises during the year, partly offset by net interest income on the net defined benefit surplus increasing by £2.5m.

Retirement Benefits

The Group operates a defined benefit pension scheme for certain employees which is closed to new entrants and which closed to future accrual for the majority of its members as at 1 November 2013. At 31 March 2023 the Group's total IAS 19 net retirement benefit surplus was £95.1m, a significant fall from the surplus of £166.1m at 25 March 2022.

The reason for this fall is the overall shrinking of the largest scheme, with both plan assets and liabilities decreasing due to the rise in borrowing rates.

Return on Capital

Group Adjusted Return on Capital Employed improved from 7.0% in FY22 to 8.5% due to the rise in Adjusted Operating Profit.

HMRC Landfill Tax Enquiry

This enquiry is in progress and therefore the outcome remains unclear. Following the receipt of further information from HMRC, we have increased our provision from £20m to £64m. Refer to Note 1 to the financial statements for more information.

Strategic Report

Financial Review continued

Post-balance sheet events

The following material events occurred after the reporting period:

- The Group acquired the entire issued share capital of Esterpet Limited and 49.9% of the issued share capital of Esterform Packaging Limited in April 2023
- A restructure of the Group's debt became effective in May 2023 with term loans increasing by £135m, rolling credit facility increasing by £150m and private placements decreasing by £85m
- It was announced in June 2023 that the Deposit Return Scheme in Scotland will no longer commence in FY24 as previously expected. A replacement scheme will commence in October 2025 at the earliest.
- In May and June 2023 £7.8m was paid to EVP preference shareholders and ex-management in relation to the EVP dispute disclosed in Note 29. A further £10.0m is expected to be paid in FY25.

Refer to the Directors' Report and Note 34 for more information.

Operating Review

The Group is organised into three operating divisions:

- Collections
- Resources & Energy
- Specialist Services

Collections

This division provides sustainable waste and recycling collections and related services. It is split into two businesses: Municipal and Industrial and Commercial ('I&C'). The Municipal business provides household waste and recycling collections, street cleaning and other services for households, on behalf of local authorities. The I&C business provides waste and recycling collections for a wide range of industrial and commercial customers.

	FY23 £m	FY22 £m	Change £m	Change %
Statutory Revenue	1,006.1	873.9	132.2	15.1%
I&C	792.7	690.9	101.8	14.7%
Municipal	213.4	183.0	30.4	16.6%
Net Revenue	1,006.1	873.9	132.2	15.1%
Operating profit	75.9	65.6	10.3	15.7%
Operating profit margin (%)	7.5%	7.5%	n/a	n/a
Adjusted EBITDA	146.1	130.7	15.4	11.8%
Adjusted Operating profit	82.5	75.0	7.5	10.0%
Adjusted Operating profit margin (%)	8.2%	8.6%	n/a	n/a

The Collections division had a strong year in FY23, with Statutory Revenue rising by 15.1%. This high growth rate was seen consistently across the division with I&C and Municipal achieving growth rates of 14.7% and 16.6% respectively.

I&C

The growth in I&C has been achieved through the combination of acquisitions (including a full 12 months' contribution from the Viridor acquisition in FY22), volume growth and price increases. The I&C business has continued to be affected by substantial inflationary cost pressures impacting the UK economy. While these pressures have had a significant impact on our operating costs, pricing flexibility built into our contracts has enabled the business to pass on most of these cost increases to customers, thereby protecting our profitability with Collections Adjusted Operating Profit Margin only falling from 8.6% in FY22 to 8.2% in FY23.

While the business was impacted by national HGV driver shortages in FY22, these shortages eased in the latter part of FY22 and this easing continued into FY23. Supply chain disruption has continued to provide challenges in FY23, e.g. the procurement of new vehicles. These challenges require careful management going forward.

Our strategy remains to drive forward our plan to consolidate the fragmented I&C collections market. Acquisitions are highly synergistic due to the removal of duplicate routes and locations, and result in a more efficient, flexible service proposition for our customers with lower carbon intensity. The acquisition pipeline looks promising and Biffa's new owners intend to support our historically acquisitive approach.

Operating Review continued

Strategic Report

Collections continued

Municipal

The significant growth experienced in FY23 has been driven by the revenue indexation built into our Municipal contracts, enabling the prices charged to customers to rise in line with the relevant inflation indices. This results in revenue rises lagging cost increases in an environment with growing inflation, but then a catch-up as inflation slows. A margin improvement is therefore expected in FY24.

The challenges faced by the Municipal business are similar to those faced by the I&C business and the mitigating actions are therefore broadly similar.

The business is well placed to continue to deliver its growth strategy by capitalising on its scale and expertise. We will seek to capitalise on the opportunities that are presented by the approaching regulatory changes in the industry.

Resources and Energy ('R&E')

The R&E division focuses on the sustainable treatment, recycling, energy recovery and ultimate disposal of waste. It comprises the Recycling, Organics, Inerts and Landfill Gas businesses as well as our equity investments in two Energy from Waste (EfW) facilities that were under construction at the year end date.

	FY23 £m	FY22 £m	Change £m	Change %
Statutory Revenue	439.6	395.2	44.4	11.2%
Recycling	165.1	140.8	24.7	17.5%
Organics	102.0	78.0	23.4	30.0%
Inerts	54.7	56.7	(1.9)	(3.4)%
Landfill Gas	42.1	40.4	1.8	4.5%
Net Revenue	363.9	315.9	48.0	15.2%
Operating profit	35.3	17.5	17.8	101.7%
Operating profit margin (%)	8.0%	4.4%	n/a	n/a
Adjusted EBITDA	78.3	73.4	4.9	6.7%
Adjusted Operating profit	42.3	41.1	1.2	2.9%
Adjusted Operating profit margin (%)	9.6%	10.4%	n/a	n/a

The R&E division saw strong performance in FY23 with Net Revenue of £363.9m, up 15.2% on the prior year. This was driven by growth in the Recycling and Organics businesses, which in turn was partly caused by a full 12 months' contribution from the Viridor acquisition.

The significant cost increases experienced in the year were largely mitigated through the Group's risk management measures and pricing flexibility, but Adjusted Operating Profit Margin did fall from 10.4% to 9.6%.

Recycling

Our Recycling business comprises our leading Polymers plastics business and our Materials Recycling Facilities ('MRFs').

FY22 was a transitional year for the Polymers business due to customer acceptance at Seaham taking longer than expected but a number of multi-million pound agreements were signed late in FY22 and FY23, driving the 17.5% revenue growth in FY23.

We expect demand for plastics recycling to continue to strengthen following the introduction of the UK Government's Plastic Packaging Tax and greater scrutiny on corporate behaviours.

Construction of the third rHDPE line at Redcar is now complete.

Organics

The Organics business includes Biffa's anaerobic digestion ('AD'), composting and residual waste treatment assets. Assets are generally supported by long-term local authority contracts. The business had a strong year with revenue growth of 30.0%.

Inerts

Our Inerts business includes the treatment and disposal of complex construction waste and provides landfill disposal for untreatable residues. Inerts Net Revenue fell by 3.4% due to a decline in landfill volumes caused by macroeconomic uncertainty.

Landfill Gas

The Landfill Gas business provides energy generation from landfill gas extraction.

Revenue grew by 4.5% in FY23 with the positive movement in energy prices offsetting the reduction in gas yields.

Operating Review continued

Strategic Report

Resources and Energy ('R&E') continued

Energy Recovery

The treatment of general waste for energy recovery is an important part of our investment strategy for waste which cannot be avoided, reduced or recycled. Biffa has invested in two Energy from Waste joint ventures in partnership with Encyclis (previously Covanta).

Construction of the Newhurst Energy Recovery Facility is complete and the site became fully operational in May 2023, so FY24 Adjusted Operating Profit will benefit from roughly 10 months of contribution. Construction of the Protos Energy Recovery Facility is still in progress and is 1-2 years behind Newhurst.

Specialist Services

The Specialist Services division helps customers fulfil their sustainability ambitions by providing bespoke solutions including surplus redistribution, integrated resource management and hazardous waste services. The division contains the Industrial Services and Company Shop Group ('CSG') businesses.

The Industrial Services business provides bespoke solutions to customers who have more complex waste requirements such as manufacturing and distribution businesses. Solutions include on site services and equipment rental ('Integrated Resource Management' or 'IRM'), hazardous waste collection and treatment and packaging producer responsibility compliance services ('Biffpack').

CSG adds waste reduction and redistribution capabilities to Biffa's range of sustainable waste management solutions. It also enables us to support customers in moving surplus products further up the waste hierarchy and to deliver on their sustainability ambitions.

Alongside its core network, CSG operates Community Shop, a not-for-profit community interest company that supports some of the most deprived areas of the UK through a network of hubs which sell produce provided by donations from supplier partners at deeply discounted prices, alongside the provision of a number of community services.

In July 2022 Biffa announced that Circularity Scotland Ltd ('CSL'), the scheme administrator for Scotland's Deposit Return Scheme, appointed Biffa to provide collection, counting and sorting services for the billions of drinks containers which are placed on the Scottish market each year. The attributable financial performance was to be included within the Specialist Services division due to the unique nature of the scheme. The scheme will no longer commence in August 2023 as originally planned, as it was announced on 7 June 2023 that a replacement scheme would not go ahead until at least October 2025. Refer to Note 34 for further details on the DRS and position as at the balance sheet date.

	FY23 £m	FY22 £m	Change £m	Change %
Statutory Revenue	234.7	174.1	60.6	34.8%
Industrial Services	145.1	103.4	41.7	40.3%
Company Shop Group	89.6	70.7	18.9	26.7%
Net Revenue	234.7	174.1	60.6	34.8%
Operating profit / (loss)	12.7	(19.9)	32.6	n/a
Operating profit margin (%)	5.4%	(11.4)%	n/a	n/a
Adjusted EBITDA	21.6	11.6	10.0	86.2%
Adjusted Operating profit	13.8	5.4	8.4	155.6%
Adjusted Operating profit margin (%)	5.9%	3.1%	n/a	n/a

The Specialist Services division had a very strong year, with revenue increasing by 34.8%. The majority of this growth was seen in Industrial Services which grew by 40.3%, followed by Company Shop Group which saw its revenues increase by 26.7%.

Industrial Services

Industrial Services continued its strong performance into FY23, with all three business units (IRM, Hazardous Waste and Compliance) performing seeing high levels of growth. The acquisition of Total Recycling Services in March 2023 will help drive further growth in FY24.

Biffa is uniquely placed to benefit from the growing Industrial Services market as the fully integrated waste management platform means we can take advantage of cross-selling services from our I&C customer base.

The business experienced similar challenges to those faced by the Collections division in FY23, but these were sufficiently mitigated to ensure performance was not significantly impacted.

Company Shop Group

The business saw a significant turnaround in FY23, moving from being loss-making to profit-making. The encouraging progress seen in the final quarter of FY22, achieved through strategic changes, continued into FY23 as membership, footfall and gross margins maintained their positive trajectory. Performance is expected to improve further in FY24 due to a full year of higher sales and margins.

Stakeholder engagement and sustainability

Strategic Report

We have continued to focus on our purpose “to change the way people think about waste”. Sustainability is at the heart of our business. We’re committed to doing the right things to protect our planet, which includes minimising our carbon footprint whilst delivering the most environmental, social and financial value from the resources we collect. We are also proud to give something back to the communities we serve and in doing so create value for all our stakeholders.

We care about our customers and their needs. Every day we provide essential services to a wide range of customers across the UK from large corporates to thousands of local businesses and local authorities. We focus on delivering excellent services consistently, as promised, every time. Our sustainable approach, responsiveness to customer needs and delivery makes us the first choice for customers.

Our suppliers play an important role in helping our business deliver for our customers. We form strong, sustainable and trusted partnerships and look to secure excellent value for money, whilst minimising risk in our supply chain.

The health, safety and wellbeing of our colleagues and our communities continues to be of paramount importance. During the year, we have continued to actively support the communities in which we operate through various community projects, including our proud partnership with the charity, WasteAid. WasteAid is an independent UK charity, set up by waste management professionals to share practical and low-cost waste management knowledge with communities in developing countries. We support them through our sponsorship, employee fundraising and with their projects in the Gambia, Kenya and Cameroon.

Employee engagement

Our employee engagement score has increased 4% during the year, and we are now 7% above the UK average.

We want our people to be engaged in their work and with their workplace. Research shows that organisations with high levels of employee engagement are more efficient and effective and that highly engaged employees care about the future of their organisation and are motivated to help it achieve its objectives. We have doubled engagement over the past 10 years and our ambition is to be in the top 25% of all companies in the UK, which we are now only 4 percentage points away from achieving.

We have a team of just under 11,000 talented and diverse colleagues who support Biffa’s purpose of changing the way people think about waste. We pride ourselves on having an open and honest relationship with our workforce, empowering them to have their say, whilst ensuring they remain supported. We engage with each other respectfully, encourage each other and help make Biffa a fair, inclusive and fun place to work.

We also continue to maintain two-way engagement with our workforce, ensuring that they are kept up to date with the latest business developments and answering their questions. Our channels include regular all-employee video calls with our Group Executive Team, CEO vlogs, conferences and news updates via our intranet and employee app, Biffa Beat. Biffa Beat helps us to communicate and engage with our frontline workforce, enabling them to openly ask questions and voice their opinions at the touch of a button. This is further supported by the Biffa Involvement Group, a forum of over 100 employees that meet regularly to share ideas and feedback with both each other and the Group Executive Team.

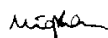
Health and safety

Over the year, through dedicated focus on risk reduction, we reduced our LTI rate from 0.39 injuries per 100,000 hours worked to 0.32. We also reduced the overall proportion of all injuries that resulted in any lost time from 12.35% to 9.95%. Disappointingly, our RIDDOR rate rose slightly over the 12m period due largely to our I&C business. We are maintaining our approach to increasing the effectiveness of our risk management processes with a specific focus on reducing road risk by improving our systems, technology and driver capabilities. We are also investing in EcoOnline, a best class H&S management platform to help us improve our incident management procedures, and in the TopSet investigation methodology to improve our ability to learn from incidents.

Other matters contained within the Strategic Report

The Section 172 statement, Task Force on Climate-related Financial Disclosures (‘TCFD’), Principal risks and uncertainties and Non-Financial Information Statement below form part of the Strategic Report.

On behalf of the Board.



Michael Topham

Director

Biffa Limited

Registered in England and Wales No. 10336040

11 September 2023

Strategic Report

Section 172 statement

The Directors had regard to their duty under Section 172(1) of the Companies Act 2006 ('s172') to promote the long-term success of Biffa Limited (the 'Company') for the benefit of its members during the year. In doing so, the Directors have considered the matters outlined below.

The likely consequences of any decisions in the long term / The need to act fairly between members of the Company

Our business model focuses on four strategic areas – Reduce, Recycle, Recover and Collect. See pages 3 and 4 for more details. s172 factors were considered in the Board's discussions on strategy, including how they underpin the Company's long-term success and the need to act fairly between members.

The interests of the Company's employees

The Directors engage directly with our employees, both through their day-to-day activities and via site visits, conferences, dinners and other events. The Directors and Group Executive Team host regular all-employee calls, giving employees the opportunity to provide feedback and ask questions. All Directors also have access to our employee app, Biffa Beat, giving them the ability to view employee feedback on announcements and other communications. In addition, the annual employee engagement survey provides valuable insight to the Directors across a range of key employee matters, including safety, wellbeing, reward & recognition and diversity & inclusion. See page 10 for more details.

The need to foster the Company's business relationships with suppliers, customers and others

To be able to fulfil their s172 duty when making decisions, it is essential that the Directors understand what matters to the Company's stakeholders. Much of the stakeholder engagement at Biffa is carried out at a business level. The Board has received updates on stakeholder engagement during the year. See page 10 for more details.

The impact of the Company's operations on the community and the environment

Sustainability is at the heart of our business. We're committed to changing the way people think about waste and doing the right things to protect our planet, which includes minimising our carbon footprint whilst delivering the most environmental, social and financial value from the resources we collect. We are also proud to give something back to the communities we serve and in doing so create value for all our stakeholders. See pages 12 to 20 for more details.

The desirability of the Company maintaining a reputation for high standards of business conduct

We are committed to maintaining our reputation for high standards across all areas of our business. More detail is provided as follows:

- Stakeholder engagement – page 10
- Employee engagement – page 10
- Health and safety – page 10
- Environment and sustainability – pages 12 to 20
- Non-Financial Information Statement – pages 28 to 29

Example of principal decision of the Board

During the year, the Board considered and approved the acquisition of the whole of the ordinary share capital of the Company by funds managed and/or advised by Energy Capital Partners LLC ('ECP'), implemented by way of scheme of arrangement under Part 26 of the Companies Act 2006 (the 'Transaction').

In considering the Transaction, the Board sought the views of certain of the Company's largest shareholders and consistently considered the potential impact of the Transaction on the Company's wider (non-shareholder) stakeholders. This included looking for reassurance to ECP on a number of matters as follows:

- ECP having a strong track record of employee stewardship with the evaluation of the Transaction not being predicated on headcount reductions or cost cutting initiatives and that all existing employee rights would be safeguarded;
- ECP supporting the Company's sustainability strategy, with Biffa's leadership in this area being a major reason for their interest in the Transaction; and
- ECP's support for continued focus by the Company on its customers and communities.

Task Force on Climate-related Financial Disclosures

Task Force on Climate-related Financial Disclosures (TCFD)

In 2022 we made a mandatory disclosure in line with the TCFD 2017 Annex recommendations. This year, due to being delisted, this is no longer a mandated requirement however we have chosen to make a voluntary disclosure consistent, albeit not fully compliant, with the TCFD 2017 Annex recommendations. Using this framework enables us to explain our process for responding to climate-related opportunities and risks to our key stakeholder groups in a purposeful and comparable context.

Governance

Board

For the majority of the year the Biffa Limited Board were responsible for the delivery of sustainable value to our key stakeholder groups and provided oversight of our strategic commitments, which are aligned with our sustainability strategy. Following the acquisition by ECP, the Biffa Topco Limited (formerly Bears Topco Limited) Board are responsible for the whole business, which includes sustainability. This ensures climate-related risks and opportunities are considered in all aspects of the business including capital expenditure, acquisitions, and performance objectives.

Executive Sustainability Committee

During the reporting year the Executive Sustainability Committee managed the Company's sustainability strategy while senior management are responsible for the day-to-day implementation, monitoring and management of our sustainability performance including climate-related risks and opportunities. During the year the Executive Sustainability Committee met twice. At the end of the financial year the Executive Sustainability Committee was disbanded and sustainability has become a standing item on the Group Executive meeting agenda at least 3 times per year. This ensures climate-related risks and opportunities are integrated in decision making across our business.

During the year the Executive Sustainability Committee received updates on UK legislation including the Environment Act and Resources and Waste Strategy, the Group's Alternative Fuels Strategy, the Group's sustainability ratings and accreditations, the Group's social value strategy and progress against the Group's sustainability strategy. The Executive Sustainability Committee also approved the Group's Scope 3 emissions target which has now been submitted for validation by the Science-based Target Initiative (SBTi). Similar updates will be provided at least 3 times a year at the Executive meetings during the next financial year.

Environment and Sustainability Team

During the reporting year the Group's Environment and Sustainability team reported to the Corporate Affairs Director however the team now report to the General Counsel and Company Secretary following changes to the Group Executive Team in FY24. The team provide regular updates including to the Group Executive Team and work closely with management teams and employees across the business to:

- Identify and report any emerging climate-related risks and opportunities to the Group Executive Team.
- Drive awareness of our sustainability targets across the business and ensure that where relevant, sustainability targets are incorporated into our divisional balanced business plans.
- Evolve and refine the sustainability strategy and associated targets, ensuring it keeps pace with Biffa's overall ambitions, market developments and the latest Science-based Targets.
- Ensure performance monitoring and reporting is completed and rigorously audited through both internal audit and external verification to ensure accurate information is communicated to stakeholders.
- Escalate any issues that may impact the delivery of the sustainability strategy to the Group Executive Team.
- Participate in industry working groups, along with other experts, and monitor best practice.
- Ensure the Company position is reflected in developing Government policy through transparent and pro-active interaction with our regulators and policy makers.

Audit Committee

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

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system of internal control.

During the year the Audit Committee has reviewed the Group's principal risks and emerging risks which includes climate change. The review of the principal risks considers the likelihood of the risks materialising and the potential impact, in terms of both the inherent risks, before any mitigating actions, and the residual risks, after considering mitigating actions and controls. The emerging risks reviewed by management and the Committee include risks relating to physical and transitional climate change.

Following the acquisition by ECP, the Audit Committee for Biffa Limited was disbanded and responsibilities were transferred to the Audit Committee of Biffa Topco Limited.

Strategy

As a leader in UK sustainable waste management, we play a critical role in climate action; enabling the UK circular economy and allowing customers and society to reduce their emissions by moving waste further up the waste hierarchy. Our business strategy 'Reduce, Recycle, Recover and Collect' guides the services we offer, our operations, our supply chain management and our investment in research and development.

These four areas of our sustainable business model reflect the outcomes and value creation delivered by our operational capabilities and our capital allocation:

- **Reduce:** To pioneer and operate the UK's leading waste reduction and redistribution services.
- **Recycle:** To develop and operate the UK's leading recycling solutions.
- **Recover:** To invest in Energy Recovery Facilities infrastructure as a lower 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 collections operation.

To further align our funding strategy with our sustainability strategy and the climate-related risks and opportunities identified, we have established a Sustainability-Linked Finance Framework which was published in December 2020.

Our sustainability strategy, Resourceful, Responsible, was published in March 2020 and identifies 20 clearly defined targets which mitigate against climate-related risks and capitalise on climate-related opportunities. These targets include Scope 1 and 2 emissions reduction, alternative fuelled vehicles, increased collection route efficiencies and the purchasing of renewable energy.

Progress against the strategy is reviewed annually and will take on board any changes in regulations, societal demand, technology availability and the development of climate science. Where required the strategy will be adapted to reflect these changes.

Scenario analysis

We use scenario analysis to ensure our business model and sustainability strategy remain resilient to a range of potential future climate scenarios to 2030 and beyond. This year we have evaluated against three scenarios. Expanding our scenario selection enables us to explore the key transitional and physical risks and opportunities that Biffa may be exposed to:

- **The 'sustainable' scenario** – enables us to assess the opportunities and risks arising from a successful decarbonisation, aligned with the Paris Agreement and its goal is to limit global warming to 1.5 degrees Celsius, compared to pre-industrial levels.
- **The 'middle of the road' scenario** – enables us to assess the opportunities and risks arising from what could currently be regarded as the most likely climate trajectory with a global temperature increase of between 2 and 3°C.
- **The 'hot house' scenario** – enables us to assess the risks where the Paris Agreement is not met and for global average temperatures rising to above 4°C by the end of the century. Under this scenario we face the acute risk of severe weather events and chronic impacts of temperature and precipitation changes.

The scenarios used were informed by the International Panel on Climate Change (IPCC) Representative Concentration Pathways¹ and UK Shared Socioeconomic Pathways (UK SSPs)². Data from the UK Met Office, that aligned with the global average temperature rising to above 4°C by the end of the century was used in the 'hot house' scenario so we could consider the UK-specific physical impacts of climate change, as this is most applicable to our UK operations.

In 2022 we carried out a materiality assessment, asking our key stakeholders whether they saw the material topics as risks or opportunities for Biffa to ensure we had a balanced view. The Executive Sustainability Committee consider that the material risks and opportunities outlined in the 2022 materiality assessment are still reflective of the current business. See page 4 of our Sustainability Report 2022 for more information on outcomes of the assessment: www.biffa.co.uk/sustainability.

Footnotes

- ¹ The Intergovernmental Panel on Climate Change Representative Concentration Pathways were used in our scenarios as they allow physical climate impacts to be considered such as temperature, flooding and extreme weather, across differing average temperature rises resulting from varying radiative forces.
- ² Socioeconomic Pathways (SSPs) describe a set of alternative plausible trajectories of societal development, which are based on hypotheses about which societal elements are the most important determinants of challenges to climate change mitigation and adaptation. Spatial explicit Projections of Environmental Drivers (SPEED) have worked with partners to develop UK versions of the SSPs through a participatory process involving stakeholder workshops, interviews and questionnaires to spatially, temporally and sectorally extend global and European versions of the SSPs.

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L Low M Medium H High

Summary of our most material climate-related risks and opportunities – Scenario 1 ('sustainable')

TCFD category	Sub-topic	Potential financial impact			Strategic response and resilience		
		Short 1-3 yrs	Medium 3-10 yrs	Long 10+ yrs			
Opportunities	Resource efficiency	More efficient technology	Reduced and avoided operating costs for facilities and collections fleet.	M	H	L	We have an ambitious carbon reduction target and in order to meet this we have a strong focus on energy efficiency across our operations and fleet and we believe technology advancement would enable us to accelerate this under the sustainable world.
	Products/ services / markets	Increased demand for low carbon services and materials	Increased revenue due to the continued development and reduced operating costs.	H	H	H	We are committed to optimising our processes and using our expert knowledge to deliver low carbon services/products. We continue to monitor customer demands and markets changes so we remain competitive.
		Additional technology	Increased revenue from continued development of additional services.	H	H	H	We understand the importance of green technology and our ambition is to unlock £1.25bn of investment in green economy infrastructure by 2030, which includes but isn't limited to investments in plastics recycling.
	Resilience	Collaborative relationships	Increased market value and revenue due to reputational benefits.	L	M	L	We engage collaboratively with our key stakeholder groups to help find solutions to the most difficult climate challenges.
		Mergers and acquisitions	Reduced operating costs due to efficiency gains and increased revenue.	H	M	H	M&A enables us to continue to gain operating efficiencies and new capabilities, helping us to achieve our ambitious sustainability targets.
TCFD category	Sub-topic	Potential financial impact			Strategic response and resilience		
		Short 1-3 yrs	Medium 3-10 yrs	Long 10+ yrs			
Risks	Policy and legal	Emissions legislation	Increased operating costs in order to maintain emissions compliance and comply with low emission zones.	L	M	M	We continue to review our progress against our emissions targets and ensure our targets aligned to the latest climate science.
		Renewable energy legislation	Impact on revenue due to changes in initiatives available.	L	H	L	The cessation of the renewable obligation schemes for landfill gas which we currently receive for our landfill gas operations has been built into our five-year business plans. Other sources of renewable energy such as solar would allow us to utilise the grid connections across our landfill portfolio.
		Waste legislation	Impact on revenue and operating costs due to change in service demand and materials.	L	L	L	We engage productively and transparently with regulators and policy makers to ensure that we have foresight of upcoming legislation, allowing us to make the necessary adaptations. A higher demand for recycled materials presents a great opportunity for Biffa.
		Low emission technology	Costs to transition to low carbon technology	M	M	L	Collaborating with our supplier on technology advances enables efficiency gains in the use of resources and operational processes.

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Summary of our most material climate-related risks and opportunities – Scenario 2 ('middle of the road')

	TCFD category	Sub-topic	Potential financial impact			Strategic response and resilience	
			Short 1-3 yrs	Medium 3-10 yrs	Long 10+ yrs		
Opportunities	Resource efficiency	More efficient technology	Reduced and avoided operating costs for facilities and collections fleet.	L	L	L	We have a strong focus on energy efficiency across our operations and fleet. Improving our energy efficiency across our operations and fleet is essential for us to meet our ambitious carbon reduction commitments.
	Products/ services / markets	Increased demand for low carbon services and materials	Increased revenue due to the continued development and reduced operating costs.	H	H	H	Our sustainability ambitions will be delivered by optimising our processes and combining these with our actions to help customers move their waste further up the waste hierarchy, helping to reduce the carbon footprint of the services we offer.
		Additional technology	Increased revenue from continued development of additional services.	H	H	H	Our ambition is to unlock £1.25bn of investment in green economy infrastructure by 2030, which includes but isn't limited to investments in plastics recycling.
	Resilience	Collaborative relationships	Increased market value and revenue due to reputational benefits.	L	M	M	We engage collaboratively with our key stakeholder groups to help find solutions to the most difficult climate challenges and help our customers meet their own sustainability targets.
Mergers and acquisitions		Reduced operating costs due to efficiency gains and increased revenue.	M	M	M	We continue to develop our capabilities through M&A, which will enable us to continue to gain operating efficiencies and new capabilities, helping us to achieve our ambitious sustainability targets.	
			Potential financial impact				
	TCFD category	Sub-topic	Short 1-3 yrs	Medium 3-10 yrs	Long 10+ yrs	Strategic response and resilience	
Risks	Policy and legal	Emissions legislation	Increased operating costs in order to maintain emissions compliance and comply with low emission zones.	L	L	L	We are making significant progress towards our commitment of a 50% reduction in our emissions by 2030. We have also set a target for Net Zero by no later than 2050. Achieving our targets will reduce our expose to emission related costs.
		Renewable energy legislation	Impact on revenue due to changes in initiatives available.	L	H	L	The cessation of the renewable obligation schemes for landfill gas which we currently receive for our landfill gas operations has been built into our five-year business plans. We are exploring other sources of renewable energy that will allow us to utilise our large land holding and grid infrastructure.
	Waste	Waste legislation	Impact on revenue and operating costs due to change in service demand and materials.	L	L	L	We engage productively and transparently with regulators and policy makers to ensure that we have foresight of upcoming legislation, allowing us to make the necessary adaptations. A higher demand for recycled materials presents a great opportunity for Biffa.
		Low emission technology	Costs to transition to low carbon technology	M	M	M	Collaborating with our supplier on technology advances enables efficiency gains in the use of resources and operational processes.

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Summary of our most material climate-related risks – Scenario 3 ('hot house')

Risks	TCFD category	Sub-topic	Potential financial impact			Strategic response and resilience	
			Short	Medium	Long		
			1-3 yrs	3-10 yrs	10+ yrs		
	Acute physical impacts (increase in severity of extreme weather) and chronic physical impacts (long-term climate shifts)	Damage to property/site infrastructure from extreme weather events	Increased costs due to physical damage. Increased insurance premiums and reduced insurance availability for 'high risk' areas.	M	H	H	Understanding the exposure of our operations to the risk from extreme weather events, including flooding, allows us to identify business-critical locations which can then be assessed for climate change adaption investment. New facilities incorporate climate change and flooding measures into their planning phases and development.
		Increased health and safety risk	Increased capital costs as a result of fire damage to buildings/vehicles. Indirect costs due to impacts on health and wellbeing.	L	L	L	Whilst the frequency and extent of extreme weather is hard to predict, we continue to monitor changing weather patterns on a short-term basis and take action to mitigate any negative effects.
			Increase in operational costs for heating, cooling and change in operating practices due to shifting temperatures.				

The Risks and Opportunities Identified

Biffa views potential climate-related risks and opportunities under two main categories:

- *Transition risk: changes as a result of legislation, customer expectations and new technologies.*
- *Physical climate: physical climate impacts and how this impacts our facilities and operations.*

Under both decarbonisation scenarios used in our analysis, the risks we face are intrinsically linked to changes in policy and legislation, technological advancements and innovation that support a low carbon, energy efficient economy. Risks that relate to transport and emissions, impact most sectors, while other risks are waste sector specific. Mitigation measures include support of our subject-matter experts and the monitoring of future changes and our current business model shows our consideration of a deeply decarbonised pathway.

To achieve decarbonisation the circular economy is needed to decouple economic growth from the use of natural resources. This presents significant opportunities for Biffa including changes in resource efficiency along with increased demand for recycling services and low carbon materials. These opportunities are enhanced by England's Resources and Waste Strategy, which supports the circular economy and green consumerism. Our business strategy positions us in key role to support our customers during this transformation.

If global climate mitigation is unsuccessful and the 'hot house' scenario becomes a reality, we understand that the world will face changes in market conditions, but the size and nature of these changes are highly uncertain. Therefore, the focus of this scenario is the physical climate impact on our business and workforce. The physical impacts are primarily related to severe weather events. These could pose a risk to our workforce and facilities in the long term and require us to introduce additional safety measures and training. We believe the best mitigation against the risks from this scenario is to support the goals of the Paris Agreement and make a positive contribution to climate action ourselves and through our value chain.

Under the decarbonisation pathways, due to the amount of carbon already in the atmosphere and unknown carbon feedback loops, some increase in extreme weather events and long-term changes in temperature and rainfall patterns is expected. These will impact our business, but to a lesser magnitude than if a decarbonisation pathway isn't achieved. Our business continuity planning is informed by both past and simulated events and ensures that we remain resilient to any disruption caused by extreme weather events. Business critical operations that are at a higher risk will be assessed for adaptation if required.

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Risk Management

We use our well-established risk management framework to review our climate-related risks and opportunities.

Risk governance

The Biffa Topco Limited Board ensures the Group's internal control systems and risk management framework are effective with the Audit Committee having specific delegated authority to review the effectiveness of the risk management and internal control processes during the year.

The Group Executive Team is responsible for the day-to-day risk management and control. This ensures that management provides leadership and direction to employees so that our overall risk-taking activity is kept within our risk appetite.

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

Risk appetite

The Biffa Topco Limited Board sets our overarching risk culture and appetite and ensures risk is managed appropriately across the Group. Health & Safety, legal, regulatory and environmental risks (including climate-related risks) are our major focus. Biffa dedicates significant resources to managing and monitoring these risks, with other key risks considered and reviewed alongside. In each case, controls and mitigating actions aligned to the risk appetite are put in place.

Risk assessment

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

For more information on our Risk Management Process please see the 'Principle risks and uncertainties' section.

Emerging risks

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

Risk Management Processes

The Group's risk management process is centrally coordinated. It utilises a risk management tool and considers the existing business model and future strategy. Within this tool, climate-related risks have a separate section, but these risks are also included within the operational risk profile for each area of the business where relevant. An established network of 'Risk Champions' is in place to facilitate updates during the year. The Risk Champions are members of the senior management team and take a lead role in engaging local management to identify and regularly update risk information.

The Group Executive Team are updated regularly on the principal and emerging risks and ownership of each of these risks is assigned to individual members of the Team.

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

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

Task Force on Climate-related Financial Disclosures

Metrics and Targets

We assess our effectiveness of integrating climate-related risks and opportunities into our business through the use of a series of business relevant climate change indicators.

Our targets are:

- Reduce our Scope 1 and 2 carbon emissions by 50% by 2030 from a 2019 baseline (746,925 tCO₂e) and achieve Net Zero* by no later than 2050. During FY24 we hope to receive validation from the SBTi for our Scope 1, 2 and 3 emissions targets.
- Introduce 10% non-fossil-fuelled collection vehicles by 2025.
- Increase collection route efficiency by 10% by 2025.
- Purchase 100% renewable energy by 2025.

*Net zero refers to achieving a balance between the amount of greenhouse gas emissions produced and the amount removed from the atmosphere.

Metric	2023	2022	2021
Total Scope 1 and 2 emissions (Location-based) (tCO ₂ e)*	524,367	537,950	533,187
% reduction in Scope 1 and 2 emissions since 2019	29.80	27.98	28.62
Scope 3 (tCO ₂ e)**	666,065	622,170	n/a
% of alternative fuelled collection vehicles	3.33	1.90	<1
Collection route efficiency (lifts per km)	0.50	0.49	0.42
% increase in collection route efficiency from 2019	4.17	2.08	-12.50
% renewable energy purchased***	100	100	51

* Limited assurance provided by Bureau Veritas. The independent assurance statement can be viewed at <https://www.biffa.co.uk/sustainability/reports-and-performance>

** FY22 amounts have been recalculated to include the impact of the Viridor acquisition during the prior period.

*** Amounts have been restated to reflect the percentage of renewable energy purchased for sites where Biffa controls the energy supply agreement.

Comments on the data

1. During FY23 we adopted a new methodology for calculated emissions associated with Scope 3 Category 1 (purchased goods and services) and Category 5 (waste generated in operations). This new methodology means we are using quantity data for third-party waste treatment/disposal where possible rather than the spend-based methodology.
2. During FY21 we moved our main portfolio where we are responsible for the energy supplier onto a renewable tariff.
3. Collection route efficiency was significantly impacted by Covid-19. FY22 has been another challenging year with Covid-19 impacting the start of the year and driver shortages, however positive progress has been made towards our 2025/30 target.

To lead in UK sustainable waste management it is critical that we reduce our own carbon emissions and continue to develop our ability to offer low carbon services to our customers. Our emissions reduction target is built into the Group Balanced Business Plan (BBP). This influences our divisional BBPs which in turn determines senior leaders' remuneration policy. Where relevant, other targets outlined in our sustainability strategy are incorporated into our divisional BBPs.

Streamlined Energy and Carbon Reporting

Streamlined Energy and Carbon Reporting

We have seen a reduction in our Scope 1 and 2 carbon emissions of almost 30% compared to our 2019 baseline¹. When taking into account our purchasing of renewable energy², this reduction is 31%.

This has been achieved through the continued improvement of our landfill gas capture and efficiency gains within our operations, including the removal of 56 diesel RCVs to date as a result of our acquisitions since the launch of our sustainability strategy, equating to a saving of 1,600 tCO₂e per year.

In FY20 we transitioned our portfolio to a new energy management system to aid more granular data analysis. Following recommendations from our annual SECR audits, carried out by an independent auditor, we have completed a series of actions, including a Non-Half Hourly (NHH) meter replacement exercise and creation of an independent site list, to allow us to have greater understanding of our electricity usage and quickly identify problems. During FY23 we have begun work on business area intensity metrics, helping us to normalise electricity usage as the business continues to grow.

During the year we have implemented a Computer Aided Facilities Management System which has allowed for the development of regional networks, reducing the mileage travelled for reactive maintenance. We also operate a rolling upgrade programme of energy efficiency improvements across our sites. In FY23 we have fitted 7 sites with external lighting timeclocks and installed LEDs across 18 sites. A Building Management System has been installed at our Head Office to control the Heating, Ventilation and Air Conditioning (HVAC) system effectively. It is estimated that these improvements will save c.75tCO₂e per year.

Building on the successful roll out of energy and utility audits in our Municipal business in FY22, during FY23 our Resources and Energy division have undertaken energy and utility audits to identify potential areas for energy efficiency improvements to be made. By identifying our sites individual energy usage, we can take more effective measures to reduce the energy consumption. The plan for FY24 is to roll out a similar audit across our I&C estate.

As a result of our positive progress to date, we are well on course to achieve our sustainability strategy targets to reduce carbon emissions by 50% by 2030.

UK Greenhouse gas ('GHG') Emissions and Energy Use Data

Emissions from: (in tonnes CO ₂ e*)	2023	2022	2021
Scope 1**	496,959	507,630	506,228
Scope 2 (Market-based)**	15,641	16,079	20,355
Scope 2 (Location-based): Electricity, heat, steam and cooling**	27,408	30,320	26,959
Total Scope 1 and 2 emissions (Market-based)**	512,600	523,709	526,583
Total Scope 1 and 2 emissions (Location-based)**	524,367	537,950	533,187
Scope 1 and 2 (Market-based) intensity ratio – tCO ₂ e per £m revenue	304	363	505
Scope 1 and 2 (Location-based) intensity ratio – tCO ₂ e per £m revenue	311	373	512
Scope 1 and 2 (Market-based) intensity ratio – tCO ₂ e per employee	47.40	53.75	63.92
Scope 1 and 2 (Location-based) intensity ratio – tCO ₂ e per employee	48.55	55.21	64.72
Total Scope 3***	666,065	622,170	n/a

* Carbon dioxide equivalent (CO₂e) is a standard unit in carbon accounting to quantify greenhouse gas emissions, emissions reductions and carbon credits.

** Limited assurance provided by Bureau Veritas. The independent assurance statement⁴ can be viewed at <https://www.biffa.co.uk/sustainability/reports-and-performance>

*** FY22 amounts have been recalculated to include the impact of the Viridor acquisition during the prior period.

Comments on the data

- Biffa collects and reports environmental data in accordance with the guidelines of the Greenhouse Gas Protocol. The CO₂e emissions were calculated using the BEIS 2022 emission factors. We have followed the GHG Protocol Scope 2 Guidance requiring dual reporting using two emission factors for each site - Market-based and Location-based. Prior to FY21 the Location-based method has been used as a proxy for the Market-based method.
- Scope 1 encompasses direct GHG emissions from energy generated from fossil fuels used within our operations such as diesel, gas and oil. It also includes our landfill gas emissions. Scope 2 encompasses indirect GHG emissions from the on-site generation and purchase of electricity using market-based emissions data. Scope 3 encompasses indirect GHG emissions in Biffa's value chain (upstream and downstream).
- The data reported is based on our operational control. Reported emissions are within the UK only. No direct operations are carried out offshore. Our investments in joint ventures and associates are included within Category 15 of our Scope 3 emissions as they fall outside our operational control. Details of these investments can be found in Note 28 to the consolidated financial statements.
- Scope 3 emissions includes purchased goods and services, capital goods, fuel and energy related activities, downstream transportation of sold products, waste generated in operations, business travel, employee commuting, end-of-life treatment for products sold by CSG, leased assets and investments. During the year we have developed an updated methodology and FY22 is our baseline for Scope 3 emissions as it is not possible to calculate the prior years using the updated methodology.
- We have extended the boundary of our Scope 1, 2 and 3 emissions to include acquired companies. The emissions associated with the acquired companies have not exceeded our emissions recalculation threshold.

Streamlined Energy and Carbon Reporting

Energy Consumption within the UK

Climate Change/GHG emissions table (kWh)	2023	2022	2021
Methane emissions (utilised)	390,479	389,925	422,215
Diesel fuel used	554,071,615	457,705,737	342,316,629
Red diesel used	3,674,083	77,179,734	71,590,025
Unleaded petrol used	1,236,825	643,513	196,097
Kerosene used	2,501,887	87,499	87,542
LPG*	3,215,745	3,073,594	3,080,661
Natural gas	9,626,811	9,389,522	9,229,118
HVO	4,393,127	1,670,603	-
Purchased electricity	108,628,860	108,025,000	81,480,688
Self-supplied electricity	33,101,886	34,769,481	34,155,151
Total	720,841,318	692,934,607	542,558,126

* LPG has been restated to include sites missing from disclosures in the prior period. All other disclosures in this table are unaffected.

Comments on the data

1. To calculate the above consumption figures, we used methodology based on the Streamlined Energy Carbon Reporting ('SECR') compliance scheme.
2. The increase in kWh attributed to Diesel fuel used is due to an increase in fleet size following acquisition combined with 'red diesel' usage being replaced by white diesel. The growth of the business through acquisitions has led to an overall increase in Total kWh used by the Group.
3. The data reported is energy used within the UK only. No energy is used offshore. All Biffa's operations are UK-based.
4. SECR data is audited by Carbon Decoded.
5. ESOS phase 3 audit due by December 2023.

Energy Generation

	2023	2022	2021
Generation (GWh)	349	383	396
Carbon benefit (k tonnes CO ₂ e)	68	81	92

Principal risks and uncertainties

Principal risks and uncertainties

The Biffa Topco Limited 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.

Governance

The Biffa Topco Limited Board recognises its responsibility to ensure that the Group's risk management and internal control systems are effective. The Audit Committee supports the Biffa Topco Limited Board in the management of risk and has been delegated with 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 Chief Executive Officer supported by the Group Executive Team who ensure that management provides leadership and direction to our workforce so that our overall risk-taking activity is kept within our risk appetite.

Risk Management Framework

Biffa operates the 'Three Lines Model' to manage the ongoing effectiveness of risk and control, to define the relationship between the various management and oversight functions, and to demonstrate how responsibilities are allocated.

The Internal Audit function assesses our risks and controls independently and objectively. On a quarterly basis, management self-certify that the key controls within their area of responsibility have been operating effectively. The Internal Audit function independently validate these results through sample testing.

Risk Appetite

The Board sets our overarching risk culture and appetite and ensures that we manage risk appropriately across the Group. Health and safety, investment, legal and regulatory risks are our top priority. Biffa dedicates significant resources and focus to managing and monitoring these risks, with other key risks considered and reviewed alongside this.

Management assess the appetite for risk, which the Board has considered and agreed. The Group categorises these risks into various areas, including: interest rate risk; inflation risk; commodity risk; currency risk; disposal risk and energy risk. This assessment includes the exposures and the associated mitigations. This enables Biffa to have informed decision making in line with its risk appetite, ensures confidence in the response to risks, enables transparency over the principal risks faced and how these are managed.

Risk Management Processes

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

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

The Group Executive Team engages with the risk management function to review and update principal risks on a cyclical end-to-end process. Risks are updated individually by Group Executive Team members in conjunction with the risk management function on a regular basis prior to Group Executive Team meetings. The risks are then assessed and reviewed and then further updated as part of the cycle. Ownership of each of these risks are assigned to individual members of the team. They are responsible for ensuring the effectiveness of the internal control systems and for implementing risk mitigation plans. The Audit Committee undertakes periodic reviews of the principal and emerging risks, and mitigations, as identified and evaluated by management through the above process. The Audit Committee also reviews summaries of the work undertaken by the Internal Audit function, which operates a risk-based annual plan of assurance reviews.

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

Emerging Risks

In addition to known risks, we have a horizon scanning review process to consider emerging risks. This entails involving key stakeholders, including members of the Group Executive Team and external third parties, in the identification of emerging risks along set timelines, collating the information, reviewing and considering in-depth analysis and then creating a risk radar to illustrate the relative time horizons and assessments.

This enables us to engage in a systematic examination of information to identify potential threats, risks, emerging issues and opportunities. These risks are reviewed by both the Group Executive Team, the Biffa Topco Limited Board and the Audit Committee, and include risks relating to future environmental, social and governance challenges, funding the transition to a greener environment, technological changes and the use of alternative fuels.

Principal risks and uncertainties

Risk movement		Risk level			
 Increasing	 Stable	 Decreasing	Low	Medium	High
Changes in Government policy and legal and regulatory compliance	<p>The Group operates in a highly regulated industry and any changes to Government policy, requirements with, or failure by our staff or third parties who we do business with to comply with laws or regulations or to uphold our high ethical standards could have an adverse impact on the Group's operations and results.</p> <p>The Group was awarded the logistics contract for the Deposit Return Scheme (DRS) in Scotland. It had originally been planned to commence in August 2023 but this has been cancelled. Management remain optimistic that Biffa can secure equivalent DRS contracts at a later date.</p> <p>A key industry area of risk is landfill tax compliance, in particular the misclassification of waste causing the incorrect rate of landfill tax to be paid. Historically, the Group has made a number of material payments to HMRC due to what HMRC perceive to be non-compliance with landfill tax guidance.</p> <p>The current landfill tax enquiry to arise poses a significant financial risk to the business, given the scale of the protective assessments issued by HMRC.</p> <p>There remains a high level of uncertainty around the final outcome of this enquiry.</p>				
Risk movement and level	 High risk level				
Risk impact Reputational Regulatory Financial	<p>Experienced and qualified teams, supported by external advisers where necessary, that monitor changes and plan appropriate mitigations and set policies and procedures.</p> <p>Representation on the Environmental Services Association and other external bodies; liaison with policy-makers and Regulators at national and local levels; responses to Government/regulatory consultations and sustainability reporting.</p> <p>Environmental compliance strategy in place including annually reviewed targets and actions at local, divisional and Group levels.</p> <p>Established compliance policy and procedures are in place to manage other regulatory compliance risks, such as landfill tax, bribery, data protection, modern slavery, competition and vehicle operating licences.</p> <p>Industry leader in raising awareness of modern slavery risk and founding member of the Slavery Free Alliance.</p> <p>Training for staff on a range of compliance topics including landfill tax procedures, modern slavery, anti-bribery, data protection and competition.</p> <p>The Group has mitigations in place to recover some of the committed expenditure incurred on DRS. An insurance policy is also in place to reimburse the Group for some of the costs not recovered through the mitigating actions above.</p> <p>We are working closely with stakeholders to maintain our presence in the DRS scheme structure and have retained legal advisors to support.</p> <p>We continue to fully co-operate with HMRC in relation to the ongoing landfill tax enquiry and are receiving advice from Ernst & Young.</p>				
Strategic/competitive threat to business model	<p>Market disruption from the application of new technology and the advent of new business models could change the waste supply chain and adversely impact Biffa's established operating asset base of a traditional collection network and processing facilities.</p> <p>Internal business Innovation Special Interest Group focuses on market developments and acts as an incubator for ideas and new business models.</p> <p>Continual competitor analysis to consider threats and changes to the landscape.</p> <p>Annual strategy review to ensure that Biffa business model remains current and competitive.</p> <p>Ongoing investment in and improvement of the customer experience through digitisation, improved processes and management information.</p> <p>The business strategy was updated and approved by the board aligned with the SYP.</p> <p>The Innovation Special Interest Group continued with good representation from the business and covering a large number of disruptive topics.</p> <p>Adoption of the My Biffa digital customer platform has continued alongside the establishment of a dedicated digital team.</p> <p>A number of external events were attended and projects with key partners implemented to extend our innovation network.</p>				
Risk movement and level	 Medium risk level				
Risk impact Reputational Regulatory Financial					

Principal risks and uncertainties

<p>Strategic initiatives</p> <p>Risk movement and level</p> <p> High risk level</p> <p>Risk impact Financial Operational</p>	<p>Failure to deliver strategic initiatives, such as energy recovery facilities and business transformation, acquisition integrations, commercial projects and system implementations. Business transformation is focused on our products and services, how they are sold and delivered, the technology used and the online services offered to customers.</p> <p>The key M&A risks are not being able to find and secure suitable targets and risks and issues that arise post completion, that impact on the investment case.</p> <p>As with any such projects, there are risks that the project fails to deliver the anticipated improvements and/or benefits for the budgeted investment, adversely impacting reputation and operating results.</p>	<p>Board and Group Executive Team sponsorship and leadership.</p> <p>Selected software is a proven 'off the shelf' product.</p> <p>Dedicated programme team and change network in place, with experienced resources</p> <p>Post-investment reviews of all projects.</p> <p>Proven ERF technology, with substantial UK and worldwide reference plants.</p> <p>Limited recourse project structure.</p> <p>Due diligence undertaken for all M&A transactions, including use of external advisers depending on target value and complexity. A standardised approach using an established valuation model is in place with all transaction reviewed/approved by the Investment Committee and (where appropriate) the Board.</p> <p>Dedicated corporate finance expertise in place, who together with experienced Biffa subject matter experts act as senior stakeholders for the acquisition process and help drive opportunities through the pipeline.</p>	<p>The HR and payroll solution has been built and completed functional testing and will be ready to implement in the coming financial year following extensive testing</p> <p>The Finance and Procurement Analysis and Design phase was completed and signed off enabling the build of the solution to commence and the timeline and budget for the solution to be refined.</p> <p>The Sales and Service workstream was mobilised and has now entered an initial discovery phase.</p> <p>At the year end date Newhurst remained on target to reach full operations in line with plan. The site became fully operational in May 2023 and is performing in line with expectations.</p> <p>Protos construction has been impacted by the availability of steel following the Russian invasion of Ukraine – mitigation and contingency measures employed.</p> <p>JV Steerco meetings held monthly to review progress and agree actions.</p> <p>Completed 3 acquisitions in the year; Forge (I&C, share purchase), DJB (I&C, trade and assets) and Total Recycling Services (Industrial Services, share purchase)</p>
<p>Long-term contracts and tendering</p> <p>Risk movement and level</p> <p> Medium risk level</p> <p>Risk impact Financial Reputational Operational</p>	<p>The Group is exposed to risks inherent in long-term fixed-price contracts, in particular in its Municipal business and Resources & Energy division and related operations.</p> <p>Risks include inaccurate long-term cost estimates due to changes in the external operating environment and market dynamics that lead to material deviations from initial underlying assumptions</p>	<p>Group Delegated Authorities Policy for the review/approval of bids by senior management, Investment Committee and the Board.</p> <p>Material bids are compiled by dedicated development teams with significant expertise and experience.</p> <p>Protection from change of law or force majeure for unforeseen circumstances is agreed in contracts, where possible.</p> <p>A contract risk framework is in place to identify key commercial/legal risks and confirm through the governance process that these have been considered and mitigated.</p>	<p>We are moving gradually the risk profile with customers (particularly around labour) as and when contracts come up for re-bid or extension. A more transparent pass-through concept is starting to emerge although this will obviously take time to become fully embedded.</p>


Principal risks and uncertainties

<p>Health & safety</p> <p>Risk movement and level</p> <p> Medium risk level</p> <p>Risk impact Reputational Regulatory</p>	<p>Biffa's operations present inherent H&S risks to our employees, our customers and the wider public.</p> <p>Violations of H&S laws/regulations could have a material adverse effect on Biffa's business and reputation</p>	<p>Group H&S Director reports to the CEO.</p> <p>Active and regular engagement by senior management including weekly reporting and calls with the Group Executive Team.</p> <p>Inclusion of H&S targets and objectives within Group Balanced Business Plans with one of the five pillars being 'Safer Together'.</p> <p>Embedded policies, standards and procedures in place across Biffa for the systematic control of significant H&S risks.</p> <p>Primary authority relationship with Hampshire & Isle of Wight Fire and Rescue Service enables access to advice and counsel on fire risk issues.</p> <p>Maintained management system certification of ISO 45001:2018.</p>	<p>Investment in EcoOnline for incident management, audit & inspection, and risk management.</p> <p>Company-wide adoption of TOPSET methodology for incident investigations generating increasingly useful root cause analysis.</p> <p>Full review of all fire risk assessments for every property in the Biffa portfolio.</p> <p>Restructured H&S leadership team with enhanced assurance and project management focus.</p> <p>Introduction of Deep Dive assurance reviews looking at key risk (Fire, Machinery and Pedestrian safety in FY23).</p> <p>Development of suite of 'learning from incidents' materials including new Group standard and video 'lessons' sharing learning from key incidents.</p> <p>New processes for collection point risk assessments for I&C to minimise risks to drivers and customers.</p> <p>Extensive development programme for H&S team including IIRSM Risk Management and NEBOSH Process Safety.</p>
<p>Business continuity, cyber security and IT resilience</p> <p>Risk movement and level</p> <p> High risk level</p> <p>Risk impact Financial Reputational Operational</p>	<p>A significant disruption to Biffa's infrastructure, including IT systems, could potentially have an impact on the activity of the Group's customers, such as increased billing times, interruptions to collection operations and processing logistics, and additional costs.</p> <p>Additionally, the theft, loss, destruction, misappropriation, or release of sensitive and/or confidential information could result in business disruption, data protection breach, negative publicity or brand damage.</p>	<p>Crisis management and emergency response plans in place for key sites and operations.</p> <p>Server infrastructure supporting key IT services hosted in Microsoft Azure Cloud providing resilience, failover and backup services.</p> <p>ISO 27001 and Cyber Essentials Plus certification in place.</p> <p>Intrusion detection in place and a cloud-based 'always on' security service provided by Microsoft protecting against key cyber threats.</p> <p>Established data protection policy and procedures to ensure compliance.</p>	<p>Regular IT security update provided to the board.</p> <p>IT security dashboard developed and in place.</p> <p>A number of IT security training and interventions delivered.</p> <p>Some additional security measures and features implemented for board and executive members.</p> <p>Microsoft Secure score improved by 27%</p> <p>Transition to more comprehensive Multi Factor Authentication.</p>
<p>Attraction and retention of talent</p> <p>Risk movement and level</p> <p> Medium risk level</p> <p>Risk impact Financial Operational</p>	<p>The inability to source and retain appropriately priced and skilled labour to maintain competitive advantage, could have a material adverse effect on Biffa's business results, operations, financial condition and prospects.</p>	<p>Ongoing review of the recruitment and retention of key workers such as drivers.</p> <p>Benefits appropriate and comparable to market.</p> <p>Talent and management development programmes deployed at senior levels and progressively to other levels going forward.</p>	<p>Foundation Living Wage now minimum pay level in Biffa (excluding CSG).</p> <p>Driver attrition has reduced to pre-pandemic levels, recruitment process improved utilising internal recruitment team for drivers.</p> <p>Job families implemented for staff roles and pay adjustments made to ensure comparable to market.</p> <p>Family friendly benefits improved.</p> <p>Graduate programme introduced.</p> <p>Advanced Leadership Programme (ALP) continues.</p>

Principal risks and uncertainties

<p>Commodities market and pricing volatility</p> <p>Risk movement and level</p> <p> Medium risk level</p> <p>Risk impact Financial Operational</p>	<p>Biffa produces significant volumes of recycled commodities for resale. Commodities produced include various paper grades, card, plastics, and ferrous and non-ferrous metals.</p> <p>In addition, Biffa generates power from renewable sources and changes to electricity export prices impact revenues and profits achieved.</p> <p>Markets for these recycle products have individual supply and demand dynamics impacting both price and availability of off-take.</p>	<p>Ongoing monitoring and improvements to product quality within recycling processes.</p> <p>Off-taker strategy to limit dependency, where able, on non-OECD markets.</p> <p>Commodity price risk sharing within long term commercial contracts.</p> <p>Power price hedging policy in place, which is regularly reviewed.</p> <p>Route to market Power Purchase Agreement with top tier off-taker gives offtake certainty and credit worthiness.</p>	<p>OCC sales in particular moved to OECD markets with Turkey now a major off-taker.</p> <p>We have continued our progress with 75% of LA contracts now on commodity risk share.</p> <p>Power hedging is reviewed monthly by the Energy Working Group.</p> <p>PPAs in place for power supply up to end of FY26</p>
<p>Finance availability/investment</p> <p>Risk movement and level</p> <p> Low risk level</p> <p>Risk impact Financial</p>	<p>If the Group were to not maintain adequate cash balances, the Group would be unable to pay suppliers, payroll and other creditors in a timely manner or on agreed terms. This could result in delays or ceasing of operations, both of which could lead to reputational damage and a deterioration in financial performance.</p> <p>If the Group were to fail to comply with any of the financial or non-financial covenants in its credit facilities (due, for example, to increasing interest rates and a deterioration in financial performance), it could result in a default and the acceleration of the Group's obligations to repay those borrowings, increased borrowing costs or cancellation of certain credit facilities.</p> <p>Underperformance, a large one-off cash outflow or unfavourable interest rate movements would all increase the risk of a covenant breach.</p>	<p>Significant and flexible bank funding facility with substantial headroom to enable the Group to progress strategic priorities and accommodate any downside performance risk. As at the end of the year, the Group held a cash balance of £40.8m.</p> <p>£225m revolving credit facility ('RCF') expiring in March 2026 held by the Company's immediate parent. As at the end of the year, £102m of the facility was undrawn. Drawdowns can be requested and processed at short notice if the need arises.</p> <p>In addition to the bank funding facility, the Group has over £50m of undrawn asset financing facilities, although these are uncommitted.</p> <p>Ongoing monitoring of financial and non-financial covenants with regular updates to the Board.</p> <p>Incorporate cash performance and funding requirement considerations into budgeting and forecasting processes.</p> <p>Consider the impact on covenants when making key strategic decisions on acquisitions, disposals and capital expenditure.</p> <p>Ongoing monitoring of the status of the HMRC landfill tax enquiry with regular updates to the Biffa Topco Limited Board.</p> <p>The Group has significant headroom on the lending covenants and intends to maintain high levels of headroom going forward. This, combined with the flexibility in the business model, enables the Group to mitigate any financial risks that materialise.</p>	<p>The Company's debt was partially restructured when ECP's takeover was completed. With regards to flexible facilities, the existing £350m RCF held by the Company was replaced with a £225m RCF held by its immediate parent. On 23 May 2023 the facility was increased again to £325m. Refer to Note 23 and Note 34 for more information on the wider debt restructure.</p> <p>Increased debt levels and rising interest rates have reduced the headroom on the Group's lending covenants, particularly interest cover.</p>

Principal risks and uncertainties

<p>Economic environment</p> <p>Risk movement and level</p> <p> High risk level</p> <p>Risk impact Financial</p>	<p>Economic conditions in the UK may have an adverse impact on the Group's operational and financial performance.</p> <p>The Group exposure includes:</p> <ul style="list-style-type: none"> • Political, social and macroeconomic risks relating to the UK's exit from the EU. • Any economic weakness that leads to reduced volumes of waste and recycle. • A deterioration in macroeconomic conditions resulting in increased pricing pressure and customer turnover • Rising interest rates resulting in increased cost of borrowing, reducing the headroom on the Group's lending covenants, particularly interest cover • Supply chain disruption, longer lead times and price inflation. 	<p>The Group has revenues and costs that are impacted by the value of <i>Sterling</i> relative to key currencies such as the US Dollar or the Euro. This provides some degree of offset and natural hedge.</p> <p>To improve short-term earnings visibility and reduce the susceptibility of financial performance to price fluctuations, the Group enters into forward contracts for:</p> <ul style="list-style-type: none"> • The sale of electricity • Short-term currency exposures • The purchase of fuel <p>Biffa provides services to customers in the public and private sectors right across the UK economy. The breadth of customers offers a degree of protection against economic pressures that may affect specific markets and industries.</p> <p>The Group has access to a Revolving Credit Facility with a number of relationship banks which provides additional sources of funding. Cash and liquidity levels are regularly monitored to ensure the Group can meet its obligations and strategic objectives.</p>	<p>The Group continues to monitor this risk, specifically the impact of increasing interest rates, inflationary pressures and supply chain constraints, and remains confident that existing mitigations enable the impact of any weakening conditions to be minimised.</p>
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Non-Financial Information Statement

The Non-Financial Reporting Requirements set out in the Act are addressed in the statement below.

Main policies and standards which govern our approach

How we monitor the effectiveness of the policies

Environmental information

Environment, sustainability and carbon policy

Protection of the environment and the climate is a cornerstone of Biffa's business. It is underpinned by our Vision and Purpose to be the leader in UK sustainable waste management and to change the way people think about waste. It is delivered by our sustainability and operational environmental compliance strategies. Biffa is committed to its compliance obligations as well as promoting high standards of environmental, sustainability, carbon and energy management at all our workplaces, and in all our activities.

- **Colleagues**
- **Whistleblowing policy**

The Group has a long-established whistleblowing policy by which all employees may, in confidence, report any concerns that the interests of the Company or others are at risk.

Diversity and inclusion policy

Our Diversity Policy is designed to provide equal opportunities in employment and to avoid unlawful discrimination.

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

Health, safety and wellbeing policy

- Health, safety and wellbeing is the highest priority within the business and Biffa is committed to monitoring and reviewing performance on a regular and ongoing basis. Our goal is to keep our people, our customers and the public safe through effective leadership and risk management, promoting high standards of health, safety & wellbeing in the workplace and in all our activities.

Social matters

Sustainable procurement policy

- Biffa is a significant purchaser of goods and services. This requires us to ensure our procurement practices are not only responsible, but also environmentally, economically, and ethically sound.

- Responsibility for environmental compliance sits with the Board.
- Our Environmental, Sustainability and H&S teams work together across the business ensuring we meet our compliance obligations by monitoring, evaluating, auditing, coaching and training.
- We report on our progress against our sustainability strategy targets annually in our Sustainability Report.

- All whistleblowing reports are entered in the Group Whistleblowing Register and are thoroughly investigated.
- The output of an investigation is typically reviewed by the Group HR Director, General Counsel and Company Secretary and other senior leaders as appropriate, dependent on the nature of the complaint.
- The Audit Committee monitors the Group's whistleblowing policy and arrangements.

- Every employee is required to assist us to meet our commitment to provide equal opportunities in employment and avoid unlawful discrimination.
- We have manager guidelines for diversity, helping them to consider diversity/equal opportunity obligations. Managers are also advised to make reasonable adjustments to our standard working practices to overcome barriers caused by disability and we have a Flexible Working Policy in place to support requests for variations to standard working practices.

- Employees are expected to report and discuss health, safety and wellbeing matters with their managers, and Group Health & Safety business partners who will offer or obtain further expert advice, where necessary.
- Employees are encouraged to contribute good ideas and improvements and report any shortfalls so management can make informed decisions and improve standards across the business.
- We monitor performance through our LTI rate and have a target in place to reduce lost time injuries by 50% by 2030 from our 2019 baseline.

- Biffa works with key stakeholders both within the business and externally in order to share best practice, identify new opportunities and deliver programmes that promote our aims for sustainable procurement.
- Performance is monitored and recorded, and key performance measures such as carbon emissions reductions are regularly reported.

Non-Financial Information Statement

Social matters continued

Suppliers – social responsibility and ethical standards

Our suppliers of goods and services must comply with all relevant legislation and international standards including trading policy, child and forced labour, health and safety of workers, non-discrimination, employment law, human rights, bribery and corruption. We procure under the Code of Ethics of the Chartered Institute of Purchasing and Supply.

• Corporate responsibility policy

Our corporate responsibility framework encompasses our people, health, safety & wellbeing, communities, the environment, marketplace, relationships with stakeholders and commitment to business ethics and conduct.

Employee volunteering policy and procedure

Biffa recognises that facilitating the voluntary involvement of our employees in community-based projects can result in a range of positive outcomes.

Biffa will grant one day's paid leave per annum, in line with an employee's contracted hours, to eligible employees to get involved in team volunteering opportunities within our local communities and environmental-based projects.

• Human rights

• Modern slavery and human trafficking policy

The policy sets out the measures, systems and procedures which Biffa employs to minimise the opportunity for modern slavery and human trafficking taking place within the Group and within our supply chain.

• Anti-corruption and anti-bribery

• Anti-bribery and gifts and hospitality policies

Our policies set out the standards that are expected of anyone working at Biffa, and third parties working with Biffa. They include the requirements on giving and receiving business gifts and hospitality.

- We have a social responsibility to our suppliers. When problems arise with a supplier's performance, we work with the company concerned to help them to meet requirements.
- We will be fair and lawful in our dealings but avoid any conduct which could be counteractive to our corporate social responsibility and ethical standards. We reserve the right to discontinue business with suppliers who do not comply with our requirements in this area.
- Our standard trading terms with suppliers are 60 days. This has been the policy since May 2008 and is applicable to all existing and new suppliers alike.

- We are committed to complying with our permits as well as promoting high standards on all of our sites, premises, and in all of our activities.
- Our Group Executive Team is responsible for the delivery of the policy at a business level, with oversight and direction from the Biffa Topco Limited Board. Its success is measured through our sustainability KPIs, which track our performance across three key areas (building a circular economy, tackling climate change and caring for our people, supporting our communities), enabling us to deliver against our responsible business objectives.

- Managers are responsible for assessing local operational needs and proposed volunteering activity, taking into account the benefits to both the employee and to Biffa.
- Managers will also consider personal development and where appropriate, volunteering may be offered as one of the methods of meeting development needs.

- Biffa conducts risk assessments across its activities and supply chain in order to identify any area of its operations that might represent higher potential risks for slavery or human trafficking to occur.
- Biffa works with specific recruitment agencies and labour resourcing partners who are equally committed to ensuring the work environment is free of slavery and human trafficking.
- All Biffa colleagues and managed service providers have regular meetings with onsite account managers where we discuss their actions regarding the prevention of modern slavery. It is a standing item on monthly business meeting agendas and quarterly business reviews. Labour providers also give biweekly updates on any activity of concern.
- We produce an annual modern slavery statement, which the Biffa Topco Limited Board reviews and approves.

- Biffa enforces a strict prohibition against the giving, receiving, offer, acceptance, payment or authorisation of any bribes, and also against any other form of corruption.
- We also demand transparency and integrity in all our business dealings, to avoid any improper advantage, or the appearance of questionable conduct by our employees or third parties with whom we do business.
- Any instances of potential or actual non-compliance with these policies are fully investigated and reported to the Audit Committee.

Directors' Report

The Directors present their report and the consolidated financial statements for the 53 weeks ended 31 March 2023.

This Directors' Report sets out the information required to be disclosed by the Company in compliance with the Companies Act 2006 ('the Act').

Directors

The Directors who served during the period and up to the date of signing were:

M Topham

S Parsons (appointed on 31 March 2023)

R Pike (resigned on 31 March 2023)

C Chesney (resigned on 26 January 2023)

K Lever (resigned on 26 January 2023)

D Martin (resigned on 26 January 2023)

C Miles (resigned on 26 January 2023)

L Morant (resigned on 26 January 2023)

Directors' Indemnities and Insurance

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

Branches

The Company does not have any branches outside the UK.

Company Registration

Biffa Limited is a private company limited by shares and is incorporated in England and Wales with company number 10336040 and registered address Coronation Road, Cressex, High Wycombe, Buckinghamshire, HP12 3TZ.

Engagement with employees

The Company puts employee engagement at the heart of its people strategy and plans, as detailed in the Strategic Report.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the 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 with 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.

Dividend

The Board recommends that there will be no dividends for the year ended 31 March 2023 (2022: 6.89p).

External Auditor

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

The auditors, Deloitte LLP, will be proposed for reappointment in accordance with section 485 of the Act.

Streamlined Energy and Carbon Reporting

The Group reports its UK Greenhouse gas ('GHG') Emissions and Energy Use Data, Energy Consumption in the UK and Energy Generation data within Streamlined Energy and Carbon Reporting section on pages 19 to 20.

Financial Risk Management

The Group's activities expose it to a variety of financial risks: market risk (including capital risk management, cash flow interest rate risk, currency risk and price risk), credit risk and liquidity risk. The Group's overall risk management programmes focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the Group's financial performance. Financial risk management in the above areas is carried out under a policy approved by the Board of Directors.

Directors' Report

Post Balance Sheet Events

In April 2023 the Group acquired the entire issued share capital of Esterpet Limited and 49.9% of the issued share capital of Esterform Packaging Limited. These businesses will form part of the Polymers business in the Resources & Energy division.

A restructure of the Group's debt became effective on 23 May 2023, with the following changes:

- Term loans increased from £100m on 31 March 2023 to £235m
- Rolling credit facility increased from £225m on 31 March 2023 to £325m
- Private placements decreased from £345m on 31 March 2023 to £260m

On 7 June 2023 the Scottish government announced that, while they remain committed to the Deposit Return Scheme in Scotland, it would be delayed until October 2025 at the earliest. An announcement had been made previously on 18 April 2023 that the start date of the scheme would be delayed from August 2023 to March 2024. Circularity Scotland Limited ('CSL'), the scheme administrator, entered administration on 20 June 2023 as its funding was withdrawn and was therefore unable to meet its contractual obligations to Biffa and other parties. The Joint Administrators' Proposals were released on 28 July 2023, indicating that at best Biffa would receive an immaterial portion of the total amount due from CSL.

In May and June 2023, £7.8m was paid to EVP preference shareholders and ex-management in relation to the EVP dispute disclosed in Note 29. At 31 March 2023, the total liability was £17.8m. The remaining £10.0m is expected to be paid in the year ending 28 March 2025.

Refer to Note 34 to the financial statements for more information.

Looking to the future

We have a well defined and ambitious investment plan that will see us continue to grow the business over the coming years. The foundations are in place to enable us to do so, whilst retaining the balance between changing the way people think about waste, sustainability and delivering strong financial performance. The UK Government's ambition to move to a circular economy is also expected to provide further opportunities to support our growth.

On behalf of the Board.



Michael Topham

Director

Biffa Limited

Registered in England and Wales No. 10336040

11 September 2023

Statement of Directors' Responsibilities

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the Group and Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors are required to prepare the Group financial statements in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRSs). The financial statements also comply with the IFRSs as issued by the IASB and as adopted by the UK.

The Directors have also chosen to prepare the parent company financial statements in accordance with the Financial Reporting Standard 101 Reduced Disclosure Framework. Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of their profit or loss for that period.

In preparing the parent company financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently.
 - Make judgements and accounting estimates that are reasonable and prudent.
 - State whether the Financial Reporting Standard 101 Reduced Disclosure Framework has 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.*
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- In preparing the Group financial statements, International Accounting Standard 1 requires that Directors:
 - Properly select and apply accounting policies.
 - Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information.
 - Provide additional disclosures when compliance with the specific requirements in IFRS Standards are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.
 - Make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that their financial statements comply with the Act. They are also responsible for safeguarding the assets of the Group and 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 Limited

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements of Biffa Limited (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31/03/2023 and of the group's loss for the year then ended;
 - the group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
 - the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
 - the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.
-
- We have audited the financial statements which comprise:
 - the consolidated income statement;
 - the consolidated statement of comprehensive income;
 - the consolidated and parent company statement of financial position;
 - the consolidated and parent company statements of changes in equity;
 - the consolidated statement of cash flows; and
 - the related notes 1 to 34.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law, United Kingdom adopted international accounting standards and IFRSs as issued by the IASB. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, 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.

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

- held discussions with management to understand the Group's process in respect of its going concern assessment;
- reviewed the reasonableness of assumptions applied by management in preparing its FY24 budget and 5-year plan;
- performed an analysis on the Group's results against budget to assess historical accuracy;
- assessed the level of headroom available to the Group from its loan facilities and evaluated the risk of breaching covenants;
- challenged management's reasonable worst-case analysis and whether it is appropriately plausible but severe, and performed sensitivity analysis on key variables;
- assessed the appropriateness of considerations and assumptions regarding the impact of the HMRC landfill tax enquiry and the Group's ability to settle a potential liability in the going concern period;
- evaluated the additional external funding facilities accessible to the Group;
- obtained and performed analysis on post year end results and benchmarked this against management's forecasts;
- assessed the disclosure in Note 1 to the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements; and
- assessed the going concern impact of the debt restructure disclosed in the post balance sheet events Note 34.

Independent auditor's report to the members of Biffa Limited

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

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.

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

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 group's industry and its control environment, and reviewed the group's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management, internal audit, those charged with Governance and the directors about their own identification and assessment of the risks of irregularities, including those that are specific to the group's business sector.

We obtained an understanding of the legal and regulatory framework that the group 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 in all relevant jurisdictions where the Group operates; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. These included the landfill tax regulations and the Environment Act 2021.

We discussed among the audit engagement team including relevant internal specialists such as tax, pensions, IT and valuation 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 Limited

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

- *Impairment of Company Shop Group Goodwill:* We considered the reasonableness of the model (drawing on input from specialists in FY22 as the model was unchanged), involved valuation specialists in determining reasonable ranges for discount rate and long term growth rate, evaluated revenue growth and gross margin, as well as assessing the relevant disclosures in Notes 1 & 9;
- *Completeness of Municipal Onerous contracts:* We obtained an understanding of relevant controls in place to identify contracts which may be onerous and determine whether the potential liability is appropriately accounted for and disclosed in the financial statements. We also assessed the contract terms for contracts with lower margins, assessed forecast assumptions around inflation & wages, and analysed forecast future performance against historical contract results, and where appropriate, bridged any expected improvement in performance to specific one-off events in the year and considered whether they would reoccur. Finally, we assessed the disclosures in Note 18 to evaluate whether it is in accordance with the requirements of IAS 37 "Provisions, Contingent Liabilities, and Contingent Assets";
- *Landfill Accounting:* We pinpointed the fraud risk to certain gross cost estimates on higher risk sites, therefore our response focused on assessing and challenging the underlying data and key judgements used in determining the provision. Specific considerations were paid to long-term energy prices, included as part of our assessment of gross cost estimates for higher risk sites. Furthermore, we performed an assessment of the reasonableness of the gross cost estimates used by management, by performing a retrospective review of the costs incurred in comparison to those originally estimated.
- *HMRC landfill tax inquiry:* We obtained an understanding of the assumptions and the estimation process for tax provisioning. We engaged internal forensic specialists to evaluate the scope and findings of the Group's internal analysis which was itself supported by legal and forensic advisers. We also involved internal tax specialists in understanding the requirements of LFT1, the application by the Group, analogous legal precedent and potential exposure. We assessed the competence, capabilities and objectivity of the legal and forensic advisers used in the Group's investigation;

For completeness, we reviewed correspondence between the Group, HMRC and the Group's external legal advisers and obtained direct correspondence from and made direct inquiries of the Group's external legal adviser with regard to the status of claims to date and their views. When making direct inquiries of HMRC, we sought to understand the status of their investigation and to corroborate areas of inquiry as the investigation progresses. Additionally, we brought additional resource onto the team, including at partner and director level, who supported in challenging the findings arising from the Group's investigation, in particular in relation to the completeness and accuracy of provisions and contingent liabilities arising from the Group's internal analysis. We evaluated the completeness of the provisions and contingent liabilities through review of board minutes and board correspondence, internal audit reports and other supporting and contradictory evidence. Lastly, we also challenged the appropriateness of the disclosures included in the financial statements relating to the investigation and challenged management and the directors on the impact on the completeness of their going concern assessment and disclosure relating to this matter.

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 external 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, reviewing internal audit reports and reviewing correspondence with HMRC

Independent auditor's report to the members of Biffa Limited

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.

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

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; 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:
Peter Gallimore
72AF-A05F393B47A

Peter Gallimore, FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Birmingham, United Kingdom

11 September 2023

Consolidated Financial Statements

Consolidated Income Statement

	Notes	53 weeks ended 31 March 2023 £m	52 weeks ended 25 March 2022 £m
Continuing operations			
Revenue	2	1,680.4	1,443.2
Cost of sales		(1,574.6)	(1,351.5)
Gross profit		105.8	91.7
Operating costs	4	(90.0)	(75.0)
Impairments	11	(9.1)	(25.0)
Operating profit / (loss)		6.7	(8.3)
Finance income	3	6.7	3.2
Finance costs	3	(29.5)	(22.4)
Share of results in joint ventures and associates	28	1.0	(1.1)
Loss before taxation		(15.1)	(28.6)
Taxation	7	(1.6)	11.0
Loss for the period		(16.7)	(17.6)
Attributable to shareholders of the Parent Company		(16.7)	(17.6)

Consolidated Statement of Other Comprehensive Income

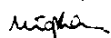
	Notes	53 weeks ended 31 March 2023 £m	52 weeks ended 25 March 2022 £m
Loss for the period		(16.7)	(17.6)
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Actuarial (loss) / gain on defined benefit pension scheme	25	(82.5)	48.7
Tax relating to items that will not be reclassified subsequently to profit or loss	7	20.6	(15.0)
		(61.9)	33.7
Items that may be reclassified subsequently to profit or loss:			
Gain on fair value of cash flow hedges:			
Fair value (loss) / gain arising on hedging instruments	16	(10.9)	15.0
Tax relating to items that may be reclassified subsequently to profit or loss	7	2.4	(2.2)
Net gain on cash flow hedges in joint ventures and associates (net of tax)	28	19.8	3.5
		11.3	16.3
Other comprehensive (loss) / income for the period, net of income tax		(50.6)	50.0
Total comprehensive (loss) / income for the period		(67.3)	32.4
Attributable to shareholders of the Parent Company		(67.3)	32.4

Consolidated Financial Statements

Consolidated Statement of Financial Position

	Notes	As at 31 March 2023 £m	As at 25 March 2022 £m
Non-current assets			
Goodwill	9	291.8	264.3
Investments in joint ventures and associates	28	61.9	29.4
Other intangible assets	10	206.6	222.9
Property, plant and equipment	11	654.6	617.2
Long-term receivables	13	2.5	2.3
Loans to joint ventures	16	20.2	14.3
Derivative financial instruments	16	0.9	7.7
Retirement benefit surplus	25	95.1	166.1
		1,333.6	1,324.2
Current assets			
Inventories	12	43.5	35.2
Contract assets	14	62.5	71.8
Trade and other receivables	13	217.9	207.6
Financial assets	16	14.4	16.3
Derivative financial instruments	16	-	4.0
Cash and cash equivalents	15	41.3	40.8
		379.6	357.7
Current liabilities			
Lease liabilities	24	(55.1)	(53.8)
Borrowings	16	(351.3)	-
Trade and other payables	17	(349.2)	(340.7)
Deferred and contingent consideration	16	(3.1)	(4.2)
Contract liabilities	14	(27.9)	(27.1)
Derivative financial instruments	16	(0.4)	(0.2)
Provisions	18	(20.0)	(20.3)
		(807.0)	(446.3)
Net current liabilities		(427.4)	(70.6)
Non-current liabilities			
Borrowings	16	(81.5)	(368.3)
Lease liabilities	24	(228.4)	(222.5)
Trade and other payables	17	(5.6)	(6.6)
Deferred consideration	16	(2.8)	(3.0)
Provisions	18	(164.5)	(137.4)
Deferred tax liability	19	(12.4)	(32.5)
		(495.2)	(770.3)
Net assets		411.0	483.3
Equity	21		
Called up share capital		3.1	3.1
Share premium		252.2	247.6
Hedging reserve		21.2	9.9
Merger reserve		170.3	170.3
Retained earnings	22	(35.8)	52.4
Total equity attributable to shareholders		411.0	483.3

The financial statements were approved by the Board of Directors and authorised for issue on 11 September 2023. They were signed on its behalf by:



Michael Topham

Director

Company no. 13436345

Consolidated Financial Statements

Consolidated Statement of Changes in Equity

	Called up share capital (Note 21) £m	Share premium (Note 21) £m	Hedging reserve (Note 21) £m	Merger reserve (Note 21) £m	Retained earnings (Note 22) £m	Total equity £m
As at 26 March 2021	3.1	247.0	(6.4)	170.3	43.9	457.9
Loss for the period	-	-	-	-	(17.6)	(17.6)
Other comprehensive income	-	-	16.3	-	33.7	50.0
Total comprehensive income for the period	-	-	16.3	-	16.1	32.4
Exercise of share options	-	0.6	-	-	-	0.6
Shares purchased by employee benefits trust	-	-	-	-	(3.6)	(3.6)
Value of employee service in respect of share option schemes (excluding NICs)	-	-	-	-	2.7	2.7
Dividends paid (Note 33)	-	-	-	-	(6.7)	(6.7)
As at 25 March 2022	3.1	247.6	9.9	170.3	52.4	483.3
Loss for the period	-	-	-	-	(16.7)	(16.7)
Other comprehensive income / (loss)	-	-	11.3	-	(61.9)	(50.6)
Total comprehensive income / (loss) for the period	-	-	11.3	-	(78.6)	(67.3)
Exercise of share options	-	4.6	-	-	-	4.6
Shares purchased by employee benefits trust	-	-	-	-	(1.5)	(1.5)
Value of employee service in respect of share option schemes (excluding NICs)	-	-	-	-	6.2	6.2
Dividends paid (Note 33)	-	-	-	-	(14.3)	(14.3)
As at 31 March 2023	3.1	252.2	21.2	170.3	(35.8)	411.0

Consolidated Financial Statements

Consolidated Statement of Cash Flows

	Notes	53 weeks ended 31 March 2023 £m	52 weeks ended 25 March 2022 £m
Cash flows from operating activities			
Operating profit / (loss)		6.7	(8.3)
Share-based payments	20	4.7	3.7
Amortisation of intangibles	10	29.3	30.7
Depreciation of property, plant and equipment	11	108.0	94.9
Impairment of assets	9, 11	9.1	25.0
Profit on disposal of fixed assets	4	(2.3)	(6.2)
EVP related items		-	20.8
Pension deficit payments		(8.6)	(4.2)
Increase in inventories		(8.3)	(12.2)
Decrease / (increase) in receivables		8.8	(72.7)
(Decrease) / increase in payables		(4.7)	62.8
Decrease / (increase) in financial assets		0.9	(3.4)
(Decrease) / increase in provisions		23.1	13.7
Net cash from operating activities		166.7	144.6
Income tax received / (paid)		0.4	(0.3)
Net cash flows from operating activities		167.1	144.3
Cash flows from investing activities			
Purchases of property, plant and equipment		(79.3)	(67.2)
Purchases of intangible assets		(1.7)	(2.1)
Funds on long-term deposit		(0.2)	-
Business combinations	8	(37.5)	(135.8)
Cash acquired from business combinations	8	4.3	14.2
Deferred consideration		(3.6)	(1.2)
Investment in joint ventures and associates		(11.7)	(17.5)
Proceeds from the sale of property, plant and equipment		5.2	6.9
Loan to joint venture		(4.6)	(7.5)
Interest received		0.5	-
Net cash flows from investing activities		(128.6)	(210.2)
Cash flows from financing activities			
Interest paid		(24.1)	(19.3)
Employee share scheme purchase		(1.5)	(3.6)
Exercise of share options		4.6	0.6
New loans raised	23	72.5	345.0
Repayment of borrowings	23	(13.4)	(191.1)
Cash flow on settlement of derivatives		-	4.1
Lease liabilities principal payments	23	(61.8)	(53.1)
Dividends paid	23	(14.3)	(6.7)
Net cash flows from financing activities		(38.0)	75.9
		0.5	10.0
Net (decrease) / increase in cash and cash equivalents			
Cash and cash equivalents at the beginning of the period		40.8	30.8
Cash and cash equivalents at the end of the period	15	41.3	40.8

Notes to the Consolidated Financial Statements

1. Accounting policies

General Information

Biffa Limited (the 'Company') is a private company limited by shares incorporated and registered in the UK and is the parent company of the Biffa Group (the 'Group'). The address of the Company's registered office is Coronation Road, Cressex, High Wycombe, Buckinghamshire, HP12 3TZ. The principal activity of the Group is the provision of waste management services in the United Kingdom.

Basis of accounting

The consolidated financial statements have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Act and International Financial Reporting Standards (IFRSs). The financial statements also comply with the IFRSs as issued by the IASB and as adopted by the UK. The comparative financial information has also been prepared on this basis.

The consolidated financial statements have been prepared on a historical cost basis, except for the recording of pension assets and liabilities, share-based payments and the revaluation of certain derivative financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for 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.

These financial statements are presented in Pound Sterling ('GBP') and are rounded to the nearest £0.1m. The financial statements for 2023 have been prepared for the 53-week period ended 31 March 2023. The prior year was a 52-week period, to 25 March 2022. The upcoming year will be a 52-week period, to 29 March 2024.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed at the end of this Note.

Going concern

In assessing whether it is appropriate for the Group to adopt the going concern basis of accounting, management have considered the Group's ability to continue for a period of at least 12 months from the date of approval of the consolidated financial statements. In doing so, management have challenged future cash and debt levels and lending covenant headroom using a number of downside scenarios to assess the resilience of the Group's financial position.

During the year, the Group was delisted from the London Stock Exchange having been acquired by Energy Capital Partners ('ECP'), a US-based private equity firm. It is not expected that the ECP takeover will drastically change the Group's business model and management have maintained a focus on sustainable growth, demonstrated by the completion of three acquisitions since the takeover. The Board recognise the medium and long-term sustainability risks arising from climate change, including cessation of Renewable Obligation Certificates held by the landfill gas business in 2027. Short term impacts in relation to climate change are not considered to have a significant impact on the Group's business model within the going concern period.

The Group has performed strongly again throughout FY23, growing Revenue and Adjusted EBITDA despite continued headwinds in the form of inflationary pressures, supply chain disruption and a challenging economic outlook. At the year end the Group had unutilised committed bank facilities available of £102.0m and cash and cash equivalents of £40.8m. The closing leverage ratio (Net Debt:Adjusted EBITDA) of 3.4x on a covenant basis compares against the covenant limit of 4.5x corresponding to the new debt facilities effective from 23 May 2023. The headroom on the 4.0x interest cover covenant limit was significantly greater than the headroom on the leverage covenant at this date due to the lower interest rates in the FY23 year.

Since the year end, the Group has restructured its debt by increasing its rolling credit facility by £150m, increasing its term loans by £135m and replacing its existing £345m of private placements with £260m of new private placements. The net impact of these changes is an increase in total liquidity of £200m but under the new facilities the Group is required to comply with revised leverage and interest cover covenants. In modelling its forecast cash flows and covenants, the Group has considered the impact of a possible settlement of the HMRC Landfill Tax Enquiry in line with the provision recognised in the financial statements in the first half of FY25. Cash flow forecasts indicate that the Group will maintain net available liquidity levels above £200m throughout the next 12 months, so the Group would have sufficient liquidity to fund a large one-off cash payment.

Management have also applied reverse stress tests to determine the extent to which key financial measures could worsen over the next 12 months before covenant limits are breached. Interest cover headroom is expected to be noticeably lower than previous periods due to increased floating rate exposure and a sharp rise in interest rates, so certain downside scenarios could cause a breach of interest cover. However sufficient headroom is expected over the next 12 months so that a breach of either covenant would still require a worsening in EBITDA and cash flow alongside a rise in interest rates.

Interest cover headroom is expected to reduce further at September 2024, making a potential breach due to a worsening of performance or a rise in interest rate expectations more likely than at September 2023 or March 2024. It is management's expectation that an amendment to the covenant will be requested from lenders but if required we consider we could meet our existing covenants by carrying out a number of cash improvement initiatives such as delaying capital expenditure, cancelling non-essential costs, utilising additional funding from owners and working capital management. It may also be possible to enter into an interest rate swap to reduce the exposure to any further adverse interest rate movements. On this basis we consider the likelihood of a future covenant breach at September 2024 to be remote.

Based on the above, management have concluded the Group is well placed to manage its financing and other business risks satisfactorily and have a reasonable expectation that the Group will have adequate resources to continue in operation for at least 12 months from the signing date of these consolidated financial statements. It is therefore considered appropriate to adopt the going concern basis of accounting in preparing the consolidated financial statements.

Notes to the Consolidated Financial Statements

1. Accounting policies continued

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 March 2023. Control is achieved when the Company:

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

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. When the Company has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies.

All intra-Group transactions are eliminated as part of the consolidation process.

Changes in accounting policies and disclosures

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

At the date of authorisation of these financial statements, the below Standards and amendments are effective for reporting periods beginning after 1 January 2022, but have not impacted on the Group's reporting:

- Annual Improvements to IFRS Standard 2018-2020 Cycle: Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture
- Amendments to IFRS 3 Business Combinations: References to the Conceptual Framework
- Amendments to IAS 16 Property, Plant and Equipment: Proceeds before intended use
- Amendments to IAS 37 Onerous Contracts: Cost of Fulfilling a Contract

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

New standards and interpretations not yet effective

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

- IFRS 17 Insurance Contracts
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current
- Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies
- Amendments to IAS 1: Noncurrent Liabilities with Covenants
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- Amendments to IFRS 16: Lease Liability in a Sale and Leaseback
- Amendments to IFRS 17: Initial Application of IFRS 17 and IFRS 9 – Comparative Information

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in any future period.

Notes to the Consolidated Financial Statements

1. Accounting policies continued

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 Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

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

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

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

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition date fair value and included as part of the consideration transferred in a business combination.

Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete.

Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Goodwill

Goodwill is initially recognised and measured as set out in the 'Business combinations' section above.

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

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the business combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount (higher of value in use and fair value less costs of disposal) 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. An impairment loss recognised for goodwill is not reversed in a subsequent period.

The key assumptions when calculating the value in use are forecast revenue and costs. Management's calculation of value in use has been developed from forecast five-year cash flows which are prepared on the basis of past performance, expectation of future performance including climate change related matters such as the potential cessation of Renewable Obligation Certificate ('ROC') schemes in 2027, implications from possible carbon tax regulation and the Deposit Return Scheme coming into effect. The value in use is also determined after considering market information and a consistent growth rate thereafter, based on the underlying assets of each division.

On disposal of a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Notes to the Consolidated Financial Statements

1. Accounting policies continued

Investments in joint ventures and associates

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. An associate is an entity over which an investor has significant influence, but not control or joint control.

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

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

The requirements of IAS 36 Impairment of Assets are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is allocated to the investment as a whole and not to the underlying assets of the investee that make up the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a Group entity transacts with a joint venture of the Group, profits and losses resulting from the transactions with the joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the joint venture that are not related to the Group.

Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker. The Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group Executive Team. The Group's operating segments are split into four divisions:

- Collections which encompasses Municipal and Industrial & Commercial ('I&C')
- Resources & Energy ('R&E') which consists of Inerts, Organics, Recycling and Landfill Gas
- Specialist Services which includes Company Shop Group ('CSG'), Hazardous Waste, Integrated Resource Management ('IRM'), and Biffpack
- Group Business Function ('GBF')

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 requirements of IFRS 15 Revenue from Contracts with Customers are applied to determine when services are deemed to have been delivered and when the Group has met its obligations under its service contracts. Payments received in advance of performance are held as contract liabilities and recognised as revenue when the related service is delivered.

Collections division

Waste collection revenue

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

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

Notes to the Consolidated Financial Statements

1. Accounting policies continued

Revenue recognition continued

Resources & Energy ('R&E') division

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 is recognised at 'a point in time'.

Revenue from sale of recyclate materials

The Group collects various waste materials, some of which are general waste and some of which are recyclable materials. The recyclable materials are generally commingled 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. This is at the point of collection by the customer.

Energy revenue

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

Specialist Services division

Revenue from redistribution of surplus food and household products

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

Trade discounts

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

The Material Recycling Facilities ('MRFs') have contracts with local authorities which contain a 'risk-sharing mechanism'. Local authorities are charged a gate fee per tonne of waste delivered, at the point the waste enters the site. In addition, once the commingled waste recyclate streams have been sorted and sold, the local authorities are then entitled to a rebate based upon a pre-agreed percentage of the recyclate value achieved. The calculations and terms of the rebates are set out in the respective contracts with local authorities. The rebates are accrued by netting this amount off revenue every reporting period. The calculation is shared with the customer and a credit note raised (or the customer raises an invoice). There is no element of estimation within the calculation.

Leases

The Group assesses whether a contract is or contains a lease at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, unless the Group decides to exercise the exemptions available under IFRS 16: Leases for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets (defined by management to not exceed £5,000). The applicability of these exemptions is considered on a lease-by-lease basis. If the Group exercises these exemptions on certain leases, the payments corresponding to these leases are recognised as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

The Group's incremental borrowing rate is defined as the rate of interest that the Group would have to pay to borrow, over a similar term and with a similar security, the funds necessary to obtain an asset of a similar value in a similar economic environment.

Notes to the Consolidated Financial Statements

1. Accounting policies continued

Leases continued

Lease payments included in the measurement of the liability comprise:

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

The lease liability is presented as a separate line item in the consolidated statement of financial position.

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

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

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

Right-of-use assets

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

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

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

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, plant and equipment' policy.

Foreign currencies

In preparing the financial information of each individual Group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are re-translated at the rates prevailing at the date when the fair value was determined.

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

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

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purposes of presenting these consolidated financial statements, the Group's foreign currency denominated assets and liabilities are translated into Sterling using the exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used.

Notes to the Consolidated Financial Statements

1. Accounting policies continued

Foreign currencies continued

Exchange differences arising on the difference between translating net assets at closing rate and translating P&L items at the average rate, if any, are recognised in other comprehensive income and accumulated in equity.

Borrowing costs

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

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Employee benefits

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur.

Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

- Service cost (including current service cost, past service cost as well as gains and losses on curtailments and settlements)
- Net interest expense or income
- Remeasurement

The Group presents service costs in operating costs and net interest expense or income is included in finance income. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

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

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

A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

The accounting policy for the Group is to recognise the net surplus/deficit for defined benefit plans upon acquisition through Other Comprehensive Income, as opposed to an adjustment to goodwill, pursuant to IFRS 3 Business Combinations and IAS 19 Employee Benefits.

Notes to the Consolidated Financial Statements

1. Accounting policies continued

Share-based payment plans

The Group's management awards employee share options, from time to time, on a discretionary basis which are subject to vesting conditions. The economic cost of awarding the share options to its employees is recognised as an employee benefit expense in the income statement equivalent to the fair value of the benefit awarded. The fair value is determined by reference to the stochastic pricing model. The charge is recognised over the vesting period of the award.

Cash flow

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

Taxation

Tax represents the sum of the tax currently payable and deferred tax. This facilitates comparison with prior periods to assess trends in financial performance more readily.

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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits generated in subsequent reporting periods will be available to allow all or part of the asset to be recovered.

The Group has considered impacts of climate change in assessing the probability of sufficient taxable profits (loss of revenue from cessation of Renewable Obligation Certificates ('ROCs') in 2027, potential legislation of Deposit Return Scheme ('DRS') in England and operating costs due to increased carbon taxes in subsequent reporting periods for the recoverability of the tax asset. The overall impact from the cessation of ROCs has been considered in the future forecasts, however given the low financial impact of the DRS legislation and increased carbon taxes, the Group does not consider it to have a material impact on the recoverability of the deferred tax asset.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current or deferred tax arises from the initial accounting of a business combination, the tax effect is included in accounting for the business combination.

Property, plant and equipment

Landfill sites are recorded at cost less accumulated depreciation and accumulated impairment losses. The cost of landfill sites includes the cost of acquiring, developing and engineering sites. There are no directly attributable borrowing costs. Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and depreciation 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.

The following useful lives have been applied to property, plant and equipment during the period:

- Buildings – length of lease straight-line method
- Plant, vehicles and equipment – 4 to 15 years straight-line method
- Landfill sites – on a void-consumed basis, ranging from 2 to 51 years

Land and Assets under Construction ('AUC') are not depreciated. AUC is depreciated when the asset is deemed to be complete, and in line with the above classifications.

Notes to the Consolidated Financial Statements

1. Accounting policies continued

Property, plant and equipment continued

Where the obligation to restore a landfill site is an integral part of its future economic benefits, a non-current asset within property, plant and equipment is recognised. Changes to the obligation are recorded as adjustments to the carrying value of the asset. The asset recognised is depreciated based on energy production and void used.

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

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

Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Intangible assets acquired in business combinations and recognised separately from goodwill are recognised initially at their fair value at the acquisition date (which is regarded as their cost). Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

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

- Brand – indefinite life
- Customer contracts – 3 to 20 years
- IT development – 3 to 5 years
- Service concession arrangements – over the life of the contract
- Landfill gas rights – length of projected profitable gas extraction based on the life of the site's associated ROCs

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the criteria listed above. When no internally generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred. Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

The Group has a number of contracts for Software as a Service ('SaaS') arrangements. These contracts permit the Group to access vendor-hosted software and platform services over the term of the arrangement. The Group does not control the underlying assets in these arrangements and costs are therefore expensed as incurred.

The Group also incurs implementation costs in respect of these contracts. Implementation costs are capitalised as intangible assets where they meet the definition and recognition criteria of an intangible asset under IAS 38 Intangible Assets. Such costs typically relate to software coding which can provide a benefit to the Group on a standalone basis.

Other implementation costs, primarily relating to the configuration and customization of the SaaS solution, are assessed to determine whether the implementation activity relating to these costs is distinct from the SaaS solution, in which case costs are expensed as the activity occurs. If the configuration and customisation costs relate to activity which is integral to the SaaS solution such that the activity is received over the term of the solution, costs are recognised as a prepayment and expensed over that term.

Notes to the Consolidated Financial Statements

1. Accounting policies continued

Impairment of tangible and intangible assets other than goodwill

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

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

In assessing value in use ('VIU'), 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 which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease and to the extent that the impairment loss is greater than the related revaluation surplus, the excess impairment loss is recognised in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years. A reversal of an impairment loss is recognised immediately in profit or loss to the extent that it eliminates the impairment loss which has been recognised for the asset in prior years. Any increase in excess of this amount is treated as a revaluation increase.

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

- Forecast energy prices including the impact of climate change to these prices
- The ROCs recycle benefit rights (which is dependent on the ROC scheme being in place)
- Forecast gate fees, tonnage prices and gas yield projections;
- Long term growth rates; and
- Discount rates.

The above have been considered in determining the VIU of other intangible assets.

Inventories

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

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material). The effects of inflation and unwinding of the discount element on existing provisions are reflected in the financial statements as a finance charge.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Provisions for the cost of restoring landfill sites and after-care costs are made as the obligation to restore the site arises. Costs are charged to the profit or loss over the operational life on the basis of the usage of void space for each landfill site. The restoration obligation is typically fulfilled within two years of the landfill site being closed to waste.

Provisions for after-care costs are made as the void usage increases, which results in the recognition of an asset representing the future economic benefits expected to arise from future gas generation from the landfill site. Costs are charged to the profit or loss over the operational life of each landfill site on the basis of usage of void space. When the obligation recognised as a provision gives access to future economic benefits, an asset in property, plant and equipment is recognised. Changes in the provision arising from revised estimates that relate to the asset are recorded as adjustments to the carrying value of the asset.

Notes to the Consolidated Financial Statements

1. Accounting policies continued

Provisions continued

The asset is depreciated over the period of gas generation which commences during the active phase of landfill and extends beyond the closure date, producing commercial volumes of gas for up to 16 years. After-care costs are provided for based on the Directors' expectation that the obligation will have been fulfilled 60 years post closure of the site.

Onerous contracts

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

Service concession arrangements

Service concession arrangements typically involve a private sector entity constructing infrastructure and using that infrastructure to provide a public service on behalf of a government or local authority for a limited period of time before handing ownership of the infrastructure back to the government or local authority.

The Group applies the financial asset model when the concession grantor contractually guarantees the payment of amounts specified in the contract or the shortfall, if any, between amounts received from users of the public service and amounts specified. This financial asset accrues finance income and is reduced as the financial payments are received. This approach has been adopted on the Leicester City Council contract.

The Group applies the intangible asset model when it has a right or a licence to charge users or the local authority based on usage of the public service. This approach has been adopted on the West Sussex Recycling contract that was acquired as part of the Viridor acquisition in the year ended 25 March 2022.

Financial assets and intangible assets resulting from the application of IFRIC 12: Service Concession Arrangements are recorded in the Consolidated Statement of Financial Position. Refer to Note 30 for further information.

Financial instruments

Financial assets and financial liabilities are recognised when a Group entity becomes a party to the contractual provisions of the instruments. Financial instruments are derecognised when they are discharged or when the contractual terms expire. The financial instruments recognised by the Group are set out below.

Trade receivables

Trade receivables are recognised initially at fair value and subsequently at amortised cost using the effective interest method, less expected credit losses.

Expected credit losses are updated at each reporting date to reflect changes in credit risk since initial recognition. Expected credit losses are estimated based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast future conditions at the reporting date. For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

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

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

The Group derecognises a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

Trade payables

Trade payables are recognised initially at fair value and subsequently at amortised cost using the effective interest method.

Borrowings and equity instruments

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements.

Borrowings are recognised initially at fair value, net of transaction costs. Any difference between the amount initially recognised and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as non-current liabilities where the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Notes to the Consolidated Financial Statements

1. Accounting policies continued

Financial instruments continued

Financial assets arising from service concession arrangements

As detailed above, the Group applies the financial asset model to service concession arrangements where there is a guaranteed right to receive payments. The financial asset accrues finance income and is reduced as the financial payments are received. This approach has been adopted on the Leicester City Council contract.

Derivative financial instruments and hedging activities

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

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

The Group documents the transaction relationship between the hedging instruments and hedged items at inception.

At inception and at each reporting date the Group assesses whether the derivatives used have been effective in offsetting changes in the fair value of hedged items.

The fair values of derivative instruments used for hedging are shown in Note 16. Movements in the hedging reserve are shown in the statement of changes in equity. At the reporting date the Group has no fair value hedges or net investment hedges.

Hedge accounting

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking the hedge transactions. At the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- There is an economic relationship between the hedged item and the hedging instrument;
- The effect of credit risk does not dominate the value changes that result from that economic relationship; and
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

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

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated as cash flow hedges are recognised in equity. The Group's cash flow hedges in respect of forward foreign exchange contracts result in recognition in either the income statement or in the hedging reserve.

When a hedging instrument expires or is sold, any cumulative gain or loss in equity at that time remains in equity and is recognised when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity will be transferred to the income statement.

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

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

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income. Furthermore, if the Group expects that some or all of the loss accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

Notes to the Consolidated Financial Statements

1. Accounting policies continued

Cash flow hedge continued

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognised in other comprehensive income and accumulated in cash flow hedge reserve at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs.

Share capital

Ordinary Shares are classified as equity and recorded at par value of proceeds received. Where shares are issued above par value, the proceeds in excess of par value are recorded in the share premium account net of direct issue costs.

Dividend distribution

The final dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved. Interim dividends are recognised when paid.

Areas of judgement and key sources of estimation uncertainty

The preparation of IFRS compliant financial statements requires the use of accounting estimates and assumptions and also requires management to exercise its judgement in the process of applying Group accounting policies. The Group continually evaluates its estimates, assumptions and judgements based on available information and experience. As the use of estimates is inherent in financial reporting, actual results could differ from these estimates.

Critical Judgements

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

HMRC Landfill Tax Enquiry

The Group operates a number of landfill sites in the UK. Operators of landfill sites are responsible for collecting landfill tax and paying it to HMRC. Excise Notice LFT1: a general guide to landfill tax ('LFT1') sets out guidance published by HMRC on the application of landfill tax legislation to the activities of landfill site operators such as Biffa.

The Group is the subject of an HMRC enquiry ('the Enquiry') regarding landfill tax compliance as part of HMRC concerns regarding possible misclassification of waste across the industry. To date approximately £377m (2022 – £168m) of protective assessments have been issued by HMRC to Biffa. The growth in the level of protective assessments reflects both an extension of the time period covered by the assessments and increase in the scope of matters being investigated by HMRC.

In February 2020, Biffa Waste Services Limited ('BWSL') was notified by HMRC that it had concerns regarding certain aspects of landfill tax compliance that may have led to an underpayment of landfill tax and was conducting an enquiry primarily relating to the interpretation of the qualifying fines regime set out in LFT1. HMRC also raised concerns, based on its analysis of BWSL's data, over the potential conduct of BWSL and specific customers which may have led to the incorrect rate of Landfill Tax being paid.

Fines are particles produced by a waste treatment process that involves an element of mechanical treatment. For a landfill site operator to treat fines as qualifying fines (meaning that landfill tax on such material is payable at a lower rate), it must be satisfied that the conditions set out in LFT1 have been met. These include pre-acceptance checks on customers, visual inspections of materials deposited at the landfill site and compliant loss on ignition ('LOI') tests conducted at the specified frequency (which is dependent on whether a customer is classified as low or high risk). LOI tests are laboratory tests on samples of waste to establish the amount of organic content in the waste.

In response to the concerns raised by HMRC, Biffa appointed Ernst & Young ('EY') to conduct an extensive review. In May 2020, an interim report was submitted by EY and BWSL to HMRC addressing a number of the concerns raised by HMRC and outlining some immediate changes to processes at landfill sites operated by Biffa, which were made on a without prejudice basis, to mitigate the risk of any ongoing potential liability.

In March 2021, a disclosure report and supporting data (the 'Disclosure Report'), prepared by EY and BWSL, was submitted to HMRC. This challenged HMRC's findings and assumptions used.

In February 2022, BWSL received a further letter from HMRC which responded to a number of specific findings in the Disclosure Report, asserted specific amounts that they considered were due and indicated that HMRC would be carrying out further work on other aspects of the Disclosure Report. Following receipt of this letter, further detailed work was carried out by Biffa and its advisors.

In the period since the release of the 2022 Annual Report and Accounts, the Enquiry has continued with Biffa and its advisors carrying out further detailed work and communications with HMRC.

Management has applied judgement in concluding on the different potential outcomes and their respective probabilities in accordance with IAS 37: *Provisions, Contingent Liabilities and Contingent Assets*. A provision of £64m has been recognised at March 2023 (March 2022: £20.0m) as this represents management's best estimate of the amount required to settle the present obligation at that date.

Notes to the Consolidated Financial Statements

1. Accounting policies continued

Critical Judgements continued

Legal and tax cases

The Group has provisions for ongoing litigation. Management exercises judgement in determining the amount of provision required. This provision is calculated using information provided by external professionals where applicable or management's best estimate.

The Group is engaged in a dispute with HMRC in relation to the landfill tax treatment of sub-soils with low levels of contamination from asbestos. The Group has received a protective assessment of £8.5m, which has been paid. As the Group is currently disputing this assessment, and management believe it likely that they will win the dispute, the £8.5m payment is included in prepayments in the current year (2022: £8.5m).

Going concern

This is considered an area of critical judgement due to the Group's recent debt restructure and interest rate rises. Refer to the going concern section earlier in this Note.

Key sources of estimation uncertainty

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

<p>Environmental and after-care commitments of £53.6m (see Note 18)</p>	<p>The Group operates a number of landfill sites in the UK. A significant cost of owning and operating a landfill site in the UK arises after the land-filling operation ceases due to the constructive and legal obligation to restore sites and then to care for them until it can be demonstrated that they present no ongoing risk to the environment.</p> <p>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 factors create estimation uncertainty, including the impact of regulation, transportation costs, inflation and changes in the real discount rate. Due to recent volatility, the impact in the change of energy and chemical prices on after-care costs are a particularly source of estimation uncertainty. 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. An increase of 5% in assumed energy and chemical costs, which impact energy consumed and leachate treatment costs, would result in an increase in the environmental provision of £1.2m.</p> <p>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 of 3.1%, and discounted using the nominal risk free discount rate of 4.4%. The rates reflect the period of the obligation on a site-by-site basis which varies between 10 and 60 years. Future energy prices are estimated using reliable external sources.</p> <p>An increase of 1% in the nominal discount rate (at current cost) would result in a decrease of environmental provisions of approximately £8.0m (2022: £16.0m). A 10% increase in forecast cash outflows would result in an increased environmental provision of £5.2m (2022: £7.8m). Long-term after-care provisions included in landfill restoration and after-care provisions have been inflated at a rate of 3.1% (2022: 3.3%). An increase of 1% in the rate of inflation would result in an increase of environmental provisions of approximately £11.2m (2022: £23.1m).</p>
<p>Retirement Benefit Accounting relating to surplus of 95.1m (see Note 25)</p>	<p>The Group operates several defined benefit pension schemes which are accounted for under IAS 19 Employment Benefits. Pension accounting is a specialist area requiring the exercise of significant management judgement and the use of technical expertise to determine the surplus or deficit of the scheme in accordance with generally accepted actuarial practices. The assumptions used in valuing the defined benefit pension liabilities including the discount rate, mortality assumption and inflation level are complex and changes to the assumptions can have a material impact on the value of pension liabilities. As at the end of the financial year the Group recognised a retirement benefit surplus of £95.1m (2022: £166.1m).</p> <p>If the discount rate is 1% lower the defined benefit asset would decrease by £52.4m (2022: £104.6m). If the inflation assumption increases by 1% the defined benefit asset would decrease by £47.8m (2022: 100.0m). If the life expectancy increases by one year for both men and women, the defined benefit asset would decrease by £9.6m (2022: £14.9m).</p> <p>All pension valuations are performed as at the year end reporting date.</p>

Notes to the Consolidated Financial Statements

1. Accounting policies continued

Key sources of estimation uncertainty continued

<p>Onerous Contract Provision of £20.3m (see Note 18)</p>	<p>Certain contracts held by the Group are considered onerous and long-term in nature. These contracts can be complex and contain key performance indicator clauses where penalties may be incurred in the event of non-compliance. The Group is therefore required to make operational and financial assumptions to estimate future losses over periods that can extend beyond seven years.</p> <p>Variability of contract penalties, underlying delivery costs, inflation rates, commodity prices applied and customer claims or disputes can put additional pressure on margins and on future contract profitability, giving rise to onerous contract provisions. The Group mitigates against the risk of price movements by entering into fuel hedging arrangements. Management continue to monitor potential cost impacts on services and seek to discuss those with customers as appropriate, on a case-by-case basis.</p> <p>The prediction of future events over extended periods contains inherent risk and the outcome of customer and subcontractor claims is uncertain and involves a high degree of management estimation. Management recognise the risk of future onerous contract provisions being recognised due to significant cost increases as detailed above.</p> <p>The Group holds three onerous contract provisions relating to contracts on Epping Forest, South Oxfordshire & Vale and Leicester. The future cash inflow from the remaining onerous contracts are highly predictable as they are fixed, based on the terms of the contract. However, the costs associated with delivering the contract can vary and assumptions on future cash outflows is considered a significant estimate when modelling the future net cash outflows on onerous contract provisions. On the Epping Forest and South Oxfordshire & Vale provision, a 5% increase in future cash outflows would increase the provision by £1.5m. On the Leicester provision a 5% increase in future cash outflows would increase the provision by £2.3m.</p> <p>In arriving at the onerous contract provision for the Epping Forest and South Oxfordshire & Vale contracts, the Group has discounted the future cash flows using a risk-free rate of 4.6%. If this rate increased by 500 basis points the provision charge would decrease by £0.2m. In arriving at the onerous contract provision for the Leicester contract, the Group has discounted the future cash flows using a risk-free rate of 4.5%. If this rate increased by 500 basis points the provision charge would decrease by £1.5m.</p>
<p>Goodwill Impairment in Company Shop Group ('CSG') (see Note 9)</p>	<p>The Group recognised goodwill on completion of the acquisition of CSG in February 2021. The carrying value of the goodwill is dependent on future cashflows and, if these cashflows do not meet the Group's expectations, there is a risk that the assets will be impaired. The impairment review performed by the Group contains a number of significant estimates:</p> <ul style="list-style-type: none"> • Revenue in both the short and long term • Gross margin in both the short and long term • Discount rate <p>Changes in these assumptions can have a significant impact on the estimated value in use. An impairment assessment was performed by the Group in the prior year, with the outcome being the recognition of a £25.0m impairment to goodwill due to trading under performance, in accordance with IAS 36: Impairment of Assets. The annual impairment assessment was performed again in the current year, with the value in use exceeding the goodwill carrying amount and the outcome being no further impairment. This is due to improved trading in the year. The value in use excludes any additional value which may be generated by future store roll-outs.</p> <p>The key assumptions when calculating the value in use are detailed above. Management's calculation of value in use has been developed from forecast five-year cash flows which are prepared on the basis of past performance and expectations of future performance which considers climate change, market information and a consistent growth rate.</p> <p>The valuation of the goodwill allocated to CSG has headroom of £29.4m at the end of the financial year. The pre-tax discount rate used in the value in use calculation was 10.75%. An increase in the pre-tax discount rate of 390 basis points would reduce headroom to nil. The average short term annual growth rate used was 3.00%. A reduction of 167 basis points in the average short term annual growth rate would reduce headroom to nil. The long term compounded annual growth rate used was 3.25%. A reduction of 587 basis points in the long term compounded annual growth rate would reduce headroom to nil. The average gross profit margin used was 56.2%. A reduction of 210 basis points in gross profit margin would reduce headroom to nil.</p>

Notes to the Consolidated Financial Statements

1. Accounting policies continued

Key sources of estimation uncertainty continued

HMRC Landfill Tax Enquiry	<p>Protective assessments</p> <p>HMRC has issued protective assessments totalling approximately £377m to BWSL in respect of the period from March 2016 to September 2021. Consistent with their usual practice when conducting an enquiry that may result in additional liability to tax, the protective assessments have been issued by HMRC before the conclusion of the Enquiry to ensure that any claim for payment of landfill tax that may be made by HMRC as a result of the findings of the Enquiry is not time-barred.</p> <p>These protective assessments are not necessarily an indication of what liability may ultimately arise and may be amended or withdrawn by HMRC at the conclusion of the Enquiry. BWSL is not currently required to make payment to HMRC or reserve or ringfence funds for a possible payment as a result of these protective assessments, however it has made payments on account of £2.2m to date.</p> <p>Potential outcomes and liabilities</p> <p>In Biffa's view, based on advice received to date, there are a range of possible outcomes to the Enquiry, including an agreed settlement. To date Biffa has received approximately £377m of protective assessments from HMRC. HMRC has also shared further estimates of liability in the context of without prejudice settlement discussions. In addition, BWSL will incur further costs in conducting and responding to the Enquiry.</p> <p>At the end of the Enquiry, HMRC will be required to confirm the amount of the protective assessments. If no settlement is agreed and BWSL does not accept HMRC's decision, BWSL will be entitled to request a formal statutory review by HMRC. Assuming HMRC upholds its decision in respect of all or part of the assessments, BWSL will have 30 days from the date of HMRC's review decision to submit an appeal to the First-tier Tax Tribunal ('FTT') to challenge HMRC and formally protect BWSL's position. To bring the appeal, BWSL would be required to pay the assessed landfill tax to HMRC at that stage, although BWSL could make a hardship application to HMRC to secure their agreement to the deferral of the payment of the assessed tax, failing which BWSL could apply to the FTT directly on grounds of hardship. If the Enquiry resulted in BWSL being liable to pay additional landfill tax, such amounts should be tax deductible.</p> <p>Provision (see Note 18)</p> <p>A provision of £20.0m was recognised at 25 March 2022, based on Biffa's best estimate of the liabilities at that point in time, recognising the fact that the Enquiry was at an early stage. This reflected the information that had been shared with Biffa at that time and the Directors' expectations of how the matter would be resolved.</p> <p>Following the receipt of further correspondence and protective assessments from HMRC since then, the provision at 31 March 2023 has been increased to £64m.</p> <p>This reflects Biffa's best estimate of the specific amounts asserted by HMRC in their estimates of liability that have been notified to Biffa in the context of without prejudice settlement discussions and addresses the range of matters arising from the protective assessments and the further estimates of liability excluding the element we consider to be a contingent liability.</p> <p>The estimate assumes that any possible penalty that could be levied would be suspended subject to certain conditions and accordingly has not been recognised. A suspended penalty will not need to be paid providing we meet the relevant conditions during the suspension period and do not incur a further penalty within the suspension period.</p> <p>Further liabilities could arise in relation to general issues raised by HMRC about Biffa's compliance with the qualifying fines regime set out in LFT1. These have been disclosed as a contingent liability.</p> <p>The ultimate manner of settlement of the liability remains uncertain but we do not believe payment will be due before 31 March 2024 and accordingly we have disclosed the liability as non-current.</p> <p>Contingent Liability (see Note 27)</p> <p>A provision has been recognised in respect of specific amounts asserted by HMRC to date. However, general issues have also been raised by HMRC about how certain requirements within the qualifying fines regime set out in LFT1 were intended to be applied in practice, and the extent to which Biffa has complied with these requirements.</p> <p>Based on advice received to date for these areas, a present obligation does not exist and a liability is not probable. BWSL's potential additional liability for landfill tax for the relevant period could be up to approximately £114m based on information provided by HMRC, plus interest and further costs in responding to the Enquiry.</p> <p>Based on advice received, the Directors do not consider a liability is likely to arise in respect of such general issues, nor can a cost be reliably estimated, and therefore this item is treated as a contingent liability and no provision arises for these general issues.</p>
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In order to illustrate the impact that changes in assumptions could have on the Group's results and financial position, further sensitivity analysis has been included within the Notes.

Notes to the Consolidated Financial Statements

2. Segmental information

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

- Collections which encompasses Municipal and Industrial & Commercial
- Resources & Energy which consists of Inerts, Organics, Recycling and Landfill Gas.
- Specialist Services which includes Company Shop Group and Industrial Services.

These operating divisions represent the business segments in which the Group reports its primary segment information and are consistent with the internal reporting provided to the chief operating decision maker. Head office costs are recorded within the Group Business Function ('GBF') division, however for operating and business decisions only three divisions are considered. Group Business Function costs represent shared services and corporate costs (including, *inter alia*, Board and corporate costs, finance, HR, IT, legal and insurance, external affairs and Safety, Health, Environment and Quality Management ('SHEQ')). The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating divisions, has been identified as the Group Executive Team

The Group's segmental results are as follows:

	2023	2022
Revenue	£m	£m
Collections	1,006.1	875.9
Resources & Energy	439.6	595.2
Specialist Services	234.7	174.1
Total	1,680.4	1,445.2

Revenue within divisions is eliminated upon consolidation. Sales between operating divisions are carried out at arm's length. There have been no material amounts of revenue recognised in the year that relate to performance obligations satisfied or partially satisfied in previous years. Revenue received where the performance obligation will be fulfilled in the future is classified as deferred income or contract liabilities and disclosed in Note 14.

All trading activity and operations are in the United Kingdom and there is therefore no secondary reporting format by geographical segment. There is no single customer that accounts for more than 10% of the Group's revenue (2022: none)

	2023	2022
Operating profit / (loss)	£m	£m
Collections	75.4	65.6
Resources & Energy	35.5	17.5
Specialist Services	12.7	(19.9)
Group Business Function	(117.2)	(71.5)
Total	6.7	(8.3)

	2023			2022		
	Depreciation	Amortisation	Total	Depreciation	Amortisation	Total
Depreciation and Amortisation	£m	£m	£m	£m	£m	£m
Collections	63.6	5.2	68.8	55.8	4.5	60.3
Resources & Energy	32.3	22.7	55.0	29.7	25.1	54.8
Specialist Services	8.0	0.4	8.4	6.2	-	6.2
Group Business Function	4.1	1.0	5.1	3.2	1.1	4.3
Total	108.0	29.3	137.3	94.9	30.7	125.6

	2023	2022
Property, plant and equipment - net book value	£m	£m
Collections	360.3	319.3
Resources & Energy	208.9	226.6
Specialist Services	50.4	50.5
Group Business Function	35.0	20.8
Total	654.6	617.2

Notes to the Consolidated Financial Statements

2. Segmental information continued

	2023 £m	2022 £m
Other intangible assets – net book value		
Collections	45.2	21.3
Resources & Energy	62.6	121.8
Specialist Services	-	5.4
Group Business Function	98.8	74.4
Total	206.6	222.9

	2023 £m	2022 £m
Capital expenditure		
Collections	123.4	104.1
Resources & Energy	27.5	96.2
Specialist Services	1.8	16.4
Group Business Function	21.7	7.1
Total	174.4	223.8

Capital expenditure comprises additions to intangible assets and property, plant and equipment including leased assets and acquisitions.

3. Finance income and charges

	2023 £m	2022 £m
Interest on bank overdrafts, bonds and loans	(15.8)	(9.7)
Interest on lease liabilities (Note 24)	(10.3)	(9.8)
Interest unwind on discounted provisions (Note 18)	(3.3)	(2.8)
Interest on forward contracts	(0.1)	(0.1)
Total finance charges	(29.5)	(22.4)
Interest income	1.9	0.9
Net interest on the net defined benefit surplus (Note 25)	4.8	2.3
Total finance income	6.7	3.2
Net finance charges	(22.8)	(19.2)

Notes to the Consolidated Financial Statements

4. Profit before taxation

The following costs / (income) have been included in arriving at the profit before taxation:

	Notes	2023 £m	2022 £m
Employee costs	5	430.9	361.0
Cost of inventories recognised in expense	12	87.6	68.3
EVP tax dispute		1.2	20.8
Provision for HMRC landfill tax enquiry		50.7	17.0
Net defined benefit surplus (income) / expense	25	(1.3)	0.5
Depreciation of property, plant and equipment:	11		
• Owned assets		52.2	42.8
• Right-of-use assets		55.8	52.1
• Amortisation of intangible assets:	10		
• Acquisition intangibles		25.2	29.6
• Other intangibles		4.1	1.1
• Expense / (income) relating to short-term leases and leases of low-value assets:			
• Plant and machinery		23.8	21.0
• Other		(2.2)	4.5
Impairments	8,9	9.1	25.0
Income from sub-leasing right-of-use assets		(3.3)	(3.3)
Profit on disposal of property, plant and equipment, and intangible assets		(2.3)	(6.2)
Income from grants		(0.2)	(0.4)
Expected credit loss recognised		0.5	1.2

During the current financial period an impairment of £8.7m was recognised in relation to the Poplars anaerobic digestion plant, in addition to a £0.4m impairment for the closure of the Grangemouth site. In the prior period an impairment of £25.0m was recognised in relation to the goodwill arising from the CSG acquisition.

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

	2023 £m	2022 £m
Distribution costs	29.2	26.1
Administrative expenses	60.8	48.9
Operating costs	90.0	75.0

5. Employees and Directors

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

	2023 Number	2022 Number
Collections	7,391	6,749
Resources & Energy	1,246	1,105
Specialist Services	1,709	1,454
Group Business Function	490	436
Total	10,836	9,744

Their aggregate remuneration comprised:

	2023 £m	2022 £m
Wages and salaries	379.5	314.7
Social security costs	37.3	30.4
Other pension costs	12.2	13.2
Redundancy and termination payments	1.9	2.7
Total	430.9	361.0

Notes to the Consolidated Financial Statements

5. Employees and Directors continued

Directors' remuneration

During the year, the emoluments of the 7 (2022: 9) Directors of the Group were as follows:

	2023 £m	2022 £m
Aggregate emoluments	1.9	2.3
Company contributions to money purchase pension schemes	0.2	0.2
Compensation for loss of office	0.1	-
Total	2.2	2.5

The number of Directors who:	2023 Number	2022 Number
Are members of a money purchase pension scheme	2	2
Exercised options over shares in the Company	2	-
Had awards receivable in the form of shares under a long-term incentive scheme	2	2

Highest paid Director	2023 £m	2022 £m
Aggregate emoluments	1.1	1.1
Company contributions to money purchase pension schemes	0.1	0.1
Total	1.2	1.2

In addition to the above, the highest paid Director exercised share options in the year and had shares receivable under long-term incentive schemes.

6. Auditor's remuneration

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

	2023 £m	2022 £m
Fees payable to the Company's auditor for the audit of the Company's consolidated annual financial statements	1.0	1.0
Fees payable to the Company's auditor for the audit of the Company's subsidiaries	0.5	0.5
Increase in fees paid to the Company's auditor related to the audit in the prior period	0.7	-
Total audit fees	2.2	1.5
Audit-related assurance services	0.1	0.1
Total audit and non-audit fees	2.3	1.6

Subsequent to the release of the Annual Report and Accounts 2022, a remuneration increase of £0.7m was agreed with the auditors for the audit work performed on the accounts for the year ended 25 March 2022.

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

Notes to the Consolidated Financial Statements

7. Taxation recognised in profit or loss

	2023 £m	2022 £m
Current tax		
Current period	0.1	0.2
Adjustments in respect of prior years	(1.0)	-
	(0.9)	0.2
Deferred tax		
Origination and reversal of temporary differences	(2.9)	(9.5)
Adjustment in respect of prior years	0.6	0.3
Adjustment attributable to changes in tax rates and laws	4.8	(2.0)
	2.5	(11.2)
Total tax charge / (credit)	1.6	(11.0)

Corporation tax is calculated at 19% (2022: 19%) of the estimated assessable profit for the period. The charge for the period can be reconciled to the profit per the consolidated income statement as follows:

	2023 £m	2022 £m
Loss before taxation	(15.1)	(28.6)
Loss multiplied by the standard rate of corporation tax in the UK of 19% (2022: 19%)	2.9	(5.4)
Effects of:		
Adjustments in respect of prior years	3.8	0.3
Expenses not deductible for tax purposes	4.4	(0.2)
Super deduction	(4.1)	(3.6)
Change in rate	0.6	(2.0)
Non-taxable income	(0.2)	(0.1)
Total tax charge / (credit)	1.6	(11.0)

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

	2023 £m	2022 £m
Deferred tax (credit) / charge arising on:		
Actuarial gains / losses	(20.6)	15.0
Hedging	(2.4)	2.2
Share-based payments	(1.5)	-
Total deferred tax (credited) / charged directly to equity	(24.5)	17.2

The Finance Act 2021, which provides for an increase in the main rate of corporation tax from 19% to 25% effective from 1 April 2023, was enacted on 24 May 2021. As deferred tax assets and liabilities are measured at the rates that are expected to apply in the periods of 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.

8. Acquisitions

53-week period ended 31 March 2023

DJB Recycling Limited

On 1 July 2022, the Group acquired the trade and assets of DJB Recycling Limited, a waste collection and recycling business for consideration of £1.7m. The business generated revenue of c.£4.7m in the 12 months prior to acquisition, employed 31 people, had a fleet of 13 vehicles and operated from 2 sites in Sheffield. Goodwill arising on the acquisition was £0.6m.

Since acquisition to the end of the financial year, DJB Recycling has generated revenues of £2.9m and a profit before tax of £0.4m. If the acquisition had been completed on the first day of the financial year, Group revenues for the year would have been £1,684.3m and operating profit for the year would have been £29.2m.

Notes to the Consolidated Financial Statements

8. Acquisitions continued

53-week period ended 31 March 2023 continued

Forge Recycling (Holdings) Limited

On 2 November 2022, the Group acquired 100% of the share capital of Forge Recycling (Holdings) Limited and its subsidiaries. Forge Recycling is a Leeds-based I&C collections business with 100 employees and 3,800 customers. Upfront net cash consideration was £14.7m, with a further contingent sum due post year-end, calculated by reference to the performance of the acquired business through to the end of March 2023. The final contingent sum payable was £2.3m. Goodwill arising on the acquisition was £12.1m.

Since acquisition to the end of the financial year Forge has generated revenues of £5.9m and a profit before tax of £0.7m. If the acquisition had been completed on the first day of the financial year, Group revenues for the year would have been £1,694.5m and operating profit for the year would have been £30.4m.

As at 31 March 2023, the opening balance sheet for the Forge acquisition remains within the 12 month measurement period post-acquisition and should therefore be considered provisional.

Total Recycling Services Limited

On 21 March 2023, the Group acquired 100% of the share capital of Total Recycling Services Limited. Total Recycling is an industrial waste management business with 3 sites across the North East of England, approximately 100 employees and 200 customers. Upfront net cash consideration was £17.1m and Goodwill arising on the acquisition was £12.0m.

In addition to net cash consideration paid above, acquired borrowings of £4.0m included within net assets were repaid by the Group.

Given the timing of the acquisition the business' contribution to the revenue and profit before tax was immaterial. The business generated revenue of c.£15m in the 12 months prior to acquisition. If the acquisition had been completed on the first day of the financial year, Group revenues for the year would have been £1,695.2m and operating profit for the year would have been £29.8m.

As at 31 March 2023, the opening balance sheet for the Total Recycling Services acquisition remains within the 12 month measurement period post-acquisition and should therefore be considered provisional.

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

	DJB Recycling £m	Forge Recycling £m	Total Recycling Services £m	Total £m
Intangible assets	0.8	6.4	5.3	12.5
Property, plant and equipment	0.8	2.6	8.4	11.8
Trade and other receivables	-	1.9	2.9	4.8
Inventory	-	-	0.1	0.1
Cash and cash equivalents	-	3.4	0.9	4.3
Deferred tax liability	(0.2)	(2.2)	(3.2)	(5.6)
Trade and other payables	-	(2.0)	(3.9)	(5.9)
Lease liabilities	(0.3)	(1.4)	(0.5)	(2.2)
Borrowings	-	(0.4)	(4.0)	(4.4)
Total net assets	1.1	8.3	6.0	15.4
Goodwill	0.6	12.1	12.0	24.7
Total consideration	1.7	20.4	18.0	40.1
Satisfied by:				
Cash	1.4	18.1	18.0	37.5
Deferred and contingent consideration	0.3	2.3	-	2.6
Total consideration transferred	1.7	20.4	18.0	40.1
Cash consideration	1.4	18.1	18.0	37.5
Deferred and contingent consideration paid	0.3	-	-	0.3
Less: cash and cash equivalents acquired	-	(3.4)	(0.9)	(4.3)
Net cash flow arising on acquisition	1.7	14.7	17.1	33.5

Acquisition-related costs included in adjusting items amount to £2.0m (2022: £9.4m). See the Appendix for further details.

Notes to the Consolidated Financial Statements

8. Acquisitions continued

52-week period ended 25 March 2022

On 31 August 2021, the Group acquired 100% of the share capital of Syracuse Waste Limited and its subsidiaries from the Viridor Group. Syracuse Waste Limited is a specially created entity into which Viridor hived down its collections business and certain recycling assets in order to enable the sale. The deal involved the transfer of approximately 21,000 existing Viridor business waste customers alongside a network of 15 depots across the UK. The acquisition is in line with the Group's growth strategy and complements the current operations across the Collections and Resources & Energy divisions. The accounting on the Viridor acquisition, in accordance with IFRS 3, Business Combinations, involves a number of key judgements. The majority of these judgements were made during the year ending 25 March 2022, but some additional adjustments have been made in the current period, as set out below.

The adjustments are grouped as follows

- £2.1m of assets within Property, plant and equipment have been impaired to £nil
- Expected future capital expenditure obligations on the West Sussex Recycling contract have increased, increasing the IFRIC 12 provision by £3.8m and reducing the IFRIC 12 intangible asset by £1.2m
- Receivables and Payables have been updated, with a net £0.6m increase to working capital
- Deferred tax calculations have been updated, resulting in a £3.7m reduction in the net deferred tax liability

These adjustments have caused an increase of £2.8m to the goodwill arising on acquisition.

On 25 June 2021, the Group acquired the trade and assets of Green Circle (Polymers) Limited in exchange for cash consideration of £5.6m and deferred cash consideration of £3.7m payable over a period of 15 years. The deferred consideration had an acquisition date fair value of £3.3m. Goodwill of £6.0m was recognised on acquisition. During the current period, outstanding deferred consideration of £0.3m was settled.

9. Goodwill

	2022
	£m
Cost	
As at 25 March 2022	289.8
Additions (Note 8)	24.7
Adjustments to prior period acquisitions (Note 8)	2.8
As at 31 March 2023	317.3
Accumulated impairment losses	
As at 25 March 2022	(25.5)
As at 31 March 2023	(25.5)
Net book value	
As at 25 March 2022	264.3
As at 31 March 2023	291.8

	2023	2022
	£m	£m
Collections	171.2	158.5
Resources & Energy	59.5	56.7
Specialist Services	61.1	49.1
Total	291.8	264.3

Notes to the Consolidated Financial Statements

9. Goodwill continued

Operating divisions

At each reporting period the Group reviews whether there are any indicators of impairment in accordance with IAS 36: Impairment of Assets. An annual impairment review is completed by comparing the carrying amount of the goodwill for each operating division to its recoverable amount. The recoverable amount is the higher of its fair value less costs of disposal and its value in use. If the recoverable amount is less than the carrying amount, an impairment loss is allocated first to reduce the carrying amount of the goodwill and then to the assets of the operating division.

The key assumptions when calculating the value in use are forecast revenue and costs. Management's calculation of value in use has been developed from forecast five-year cash flows which are prepared based on past performance and expectations of future performance. The value in use is also determined after considering market information and a consistent growth rate thereafter.

The pre-tax discount rates used in the value in use calculations at year end are as follows:

- Collections 11.00%
- Resources & Energy 10.00%
- Specialist Services 10.00% (excluding Company Shop Group, for which see below)

The annual growth rate assumption for the Group's operating divisions beyond the five-year plan period, based on market trends, after adjustment for assumed inflation, is 3.25% (2022: 2.0%). This is considered appropriate due to the long-term nature of the business. No reasonably foreseeable change in the assumptions used in the value in use calculations would cause an impairment to any of the operating divisions.

Company Shop Group

Specialist Services goodwill includes £40.6m (2022: £40.6m) attributable to CSG. The valuation of the goodwill allocated to CSG has headroom of £29.4m at the end of the financial year. The pre-tax discount rate used in the value in use calculation was 10.75%. An increase in the pre-tax discount rate of 390 basis points would reduce headroom to nil. The long term compounded annual growth rate used was 3.25%. A reduction of 587 basis points in the long term compounded annual growth rate would reduce headroom to nil. The average gross profit margin used was 56.2%. A reduction of 210 basis points in gross profit margin would reduce headroom to nil.

10. Other intangible assets

	Landfill gas rights £m	IT development £m	Brands £m	Customer contracts £m	Service concession agreements £m	Total £m
Cost						
As at 26 March 2021	190.2	8.3	45.2	82.4	–	326.1
Acquired through business combination	–	–	0.3	31.2	37.5	69.0
Additions	–	2.1	–	–	–	2.1
Disposals	–	(1.6)	–	–	–	(1.6)
As at 25 March 2022	190.2	8.8	45.5	113.6	37.5	395.6
Acquired through business combination	–	–	–	12.5	–	12.5
Adjustments to prior period acquisitions (Note 8)	–	–	–	–	(1.2)	(1.2)
Additions	–	1.7	–	–	–	1.7
Disposals	–	(4.0)	(1.3)	(45.7)	–	(51.0)
As at 31 March 2023	190.2	6.5	44.2	80.4	36.3	357.6
Accumulated amortisation and impairment						
As at 26 March 2021	(89.8)	(3.7)	(1.2)	(48.9)	–	(143.6)
Amortisation charge for the period	(20.1)	(1.1)	(0.3)	(7.2)	(2.0)	(30.7)
Disposals	–	1.6	–	–	–	1.6
As at 25 March 2022	(109.9)	(3.2)	(1.5)	(56.1)	(2.0)	(172.7)
Amortisation charge for the period	(18.8)	(1.0)	–	(6.4)	(3.1)	(29.3)
Disposals	–	4.0	1.3	45.7	–	51.0
As at 31 March 2023	(128.7)	(0.2)	(0.2)	(16.8)	(5.1)	(151.0)
Net book value						
As at 31 March 2023	61.5	6.3	44.0	63.6	31.2	206.6
As at 25 March 2022	80.3	5.6	44.0	57.5	35.5	222.9

Notes to the Consolidated Financial Statements

10. Other intangible assets continued

During the year, the Group undertook a review of our fixed asset register to determine assets that are no longer in use by the business. Disposals of intangible assets in the current year with a gross cost and accumulated amortisation and impairment of £51.0m relate to this review.

The Group holds intangible assets relating to the Landfill Gas ('LFG') business. The LFG business generates some of its income via the production of Renewable Obligation Certificates ('ROCs'). These are "green energy certificates" which are issued to operators of accredited renewable generating stations for the eligible renewable electricity that they generate. ROCs are then sold on to energy providers for which the Group recognises revenue on sales. The ROCs scheme lasts for 20 years and the majority of landfill gas sites will see their ROCs scheme terminate in financial year 2027. At this point, the revenue and profit profile of the LFG division will change significantly. The Group recognised amortisation of £18.8m on LFG sites during the financial year (2022: £20.1m).

All amortisation charges are recognised in profit or loss. Included within IT development costs are internally generated assets with a net book value of £3.2m (2022: £3.4m). The amortisation charge in relation to these assets was £0.6m (2022: £0.6m).

Given the significant investment in technology and IT development, the Group undertakes a review of the remaining useful lives of assets each year and impairs where necessary those that are superseded by new technology. The key estimate underpinning the value in use for IT projects is forecast costs.

IFRS 3 requires that on acquisition, intangible assets are recorded at fair value. The Biffa brand was first created in the early 20th century and has been used throughout the Group since then. It remains a highly recognisable brand. Given the longevity of the brand, the Directors consider the asset to have an indefinite life. The Directors reconsider the valuation of the brand at each reporting date. The recognition of brand and landfill gas rights as intangible assets initially arose during the fair value exercise undertaken following the acquisition of the Biffa Group by Wasteholdco 1 in 2008. The values were subsequently remeasured following the restructuring of the Group in 2013.

11. Property, plant and equipment

	Land and buildings £m	Landfill Sites ¹ £m	Plant, vehicles and equipment £m	Assets under construction £m	Total £m
Cost					
As at 26 March 2021	267.7	93.4	418.3	26.2	805.6
Acquired through business combination	19.8	-	29.2	-	49.0
Adjustment to prior period acquisitions	1.4	-	-	-	1.4
Additions	12.5	5.1	76.4	8.3	102.3
Disposals	(9.5)	(0.1)	(36.4)	-	(46.0)
Transfers ¹	-	1.1	28.3	(28.3)	1.1
As at 25 March 2022	291.9	99.5	515.8	6.2	913.4
Acquired through business combination	3.9	-	7.9	-	11.8
Adjustments to prior period acquisitions (Note 8)	-	-	(2.1)	-	(2.1)
Additions	17.5	2.9	61.1	70.2	151.7
Disposals	(47.5)	-	(244.3)	-	(291.8)
Transfers	(0.6)	(2.2)	37.1	(36.5)	(2.2)
As at 31 March 2023	265.2	100.2	375.5	39.9	780.8

¹ Landfill sites includes £5.9m (2022: £8.8m) in relation to future economic benefit to be derived as a result of actively fulfilling after-care obligations that results in gas generation. Landfill site transfers include £2.2m (2022: £1.1m) in relation to the future economic benefit to be derived as a result of actively fulfilling after-care obligations that results in gas generation. When the obligation recognised as a provision gives access to future economic benefits, an asset in property, plant and equipment is recognised. Changes in the provision arising from revised estimates that relate to the asset are recorded as adjustments to the carrying value of the asset. When the carrying value of the asset is negative, these are classified to provisions.

Notes to the Consolidated Financial Statements

11. Property, plant and equipment continued

	Land and buildings £m	Landfill Sites ¹ £m	Plant, vehicles and equipment £m	Assets under construction £m	Total £m
Accumulated depreciation and impairment					
As at 26 March 2021	(53.3)	(56.3)	(132.8)	(1.0)	(243.4)
Depreciation charge for the period	(20.4)	(4.7)	(69.8)	-	(94.9)
Disposals	6.0	-	36.1	-	42.1
As at 25 March 2022	(67.7)	(61.0)	(166.5)	(1.0)	(296.2)
Depreciation charge for the period	(19.9)	(4.6)	(83.5)	-	(108.0)
Impairment charge for the period	-	-	(9.1)	-	(9.1)
Disposals	45.2	-	241.9	-	287.1
As at 31 March 2023	(42.4)	(65.6)	(17.2)	(1.0)	(126.2)
Net book value					
As at 31 March 2023	222.8	34.6	358.3	38.9	654.6
As at 25 March 2022	224.2	38.5	349.3	5.2	617.2

1. Landfill sites includes £5.9m (2022: £8.8m) in relation to future economic benefit to be derived as a result of actively fulfilling after-care obligations that results in gas generation. Landfill site transfers include £2.2m (2022: £1.1m) in relation to the future economic benefit to be derived as a result of actively fulfilling after-care obligations that results in gas generation. When the obligation recognised as a provision gives access to future economic benefits, an asset in property, plant and equipment is recognised. Changes in the provision arising from revised estimates that relate to the asset are recorded as adjustments to the carrying value of the asset. When the carrying value of the asset is negative, these are classified to provisions.

Assets corresponding to the Poplars Anaerobic Digestion Plant with a total net book value of £9.1m were impaired to £nil during the year due to its performance being weaker than expected.

During the year, the Group undertook a review of our fixed asset register to determine assets that are no longer in use by the business. Disposals of property, plant and equipment in the current year with a gross cost and accumulated depreciation and impairment of £281.8m relate to this review.

In addition, further assets were disposed of in return for consideration. These consisted of Land and Buildings with a net book value of £2.3m and vehicles and equipment with a net book value of £2.4m. Total proceeds of £7.0m were received (2022: £6.9m), of which £5.2m was cash, leading to the recognition of a gain on disposal of fixed assets of £2.3m (2022: £6.2m).

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

	2023		2022	
	Land and buildings £m	Landfill sites £m	Land and buildings £m	Landfill sites £m
Freehold	42.0	12.5	42.8	13.5
Long leasehold	65.2	14.3	58.7	16.0
Short leasehold	115.6	7.8	122.7	9.0
	222.8	34.6	224.2	38.5

As at 31 March 2023 the Group had entered into contractual commitments for the acquisition of plant, property and equipment amounting to £49.6m (2022: £12.5m).

Notes to the Consolidated Financial Statements

11. Property, plant and equipment continued

Right-of-use assets

The Group records its right-of-use assets within property, plant and equipment. The Group leases assets including buildings and plant and equipment.

The average lease term is 14.8 years (2022: 12.8 years). The Group has options to purchase certain plant and equipment for a nominal amount at the end of the lease term. The Group's obligations are secured by the lessors' title to the leased assets for such leases.

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

	Land and buildings £m	Plant, vehicles and equipment £m	Total £m
Carrying amount			
As at 26 March 2021	172.6	123.4	296.0
Acquired through business combination	13.7	3.6	17.3
Additions	8.2	20.3	28.5
Depreciation charge for the period	(17.9)	(34.0)	(51.9)
Disposals	1.8	0.2	2.0
Lease modifications	0.7	–	0.7
As at 25 March 2022	179.1	113.5	292.6
Acquired through business combination	0.1	2.1	2.2
Additions	11.0	52.1	63.1
Depreciation charge for the period	(17.6)	(38.2)	(55.8)
Disposals	(0.9)	(0.6)	(1.5)
Lease modifications	5.6	–	5.6
Transferred to owned assets	(20.7)	3.6	(17.1)
As at 31 March 2023	156.6	132.5	289.1
Net book value			
As at 31 March 2023	156.6	132.5	289.1
As at 25 March 2022	179.1	113.5	292.6

12. Inventories

	2023 £m	2022 £m
Raw materials and consumables	3.2	2.3
Finished goods	40.3	32.9
	43.5	35.2

Inventories are stated at the lower of cost and net realisable value. Inventories consumed in the period ended 31 March 2023 were £87.6m (2022: £68.3m). Inventory written down in the period totalled £nil (2022: £nil). Reversals of inventory previously written down in the period were £nil (2022: £nil).

At the end of the financial year £3.8m (2022: £4.2m) of inventory held by the Group related to CSG.

Notes to the Consolidated Financial Statements

13. Trade and other receivables

	2023	2022
	£m	£m
Amounts falling due within one year		
Trade receivables	183.5	178.0
Less expected credit loss allowance	(6.3)	(5.8)
Trade receivables - net	177.2	172.2
Other debtors	11.5	5.3
Prepayments	25.9	30.0
Prepaid landfill provision expenditure	3.3	0.1
	217.9	207.6

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

All amounts included within other debtors and prepayments are due within one year. Trade receivables are non-interest bearing. Due to their short maturities, the fair value of trade and other receivables approximates to their book value. The average credit period taken on invoices was 38 days (2022: 35 days).

Included within Other debtors is £6.1m related to the Deposit Return Scheme in Scotland. Refer to Note 34 for further information.

Included in the Group's trade receivables balances are debts with a carrying amount of £32.5m (2022: £16.2m) which are past due at the reporting date, representing 18% of the total balance (2022: 9%).

Credit limits for new customers are assigned based on the customer's credit quality. An external credit scoring system is used before assigning any credit limit over £500. Management monitors the utilisation of credit limits regularly. The trade receivables balance consists of a large number of customer balances, in excess of 87,000, represented largely by local account customers, and there is no significant concentration of credit risk.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, for example when a customer enters liquidation. The following table details the risk profile of trade receivables. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not distinguished between type of customer.

	2023		2022	
	Expected credit loss rate	Lifetime expected credit loss	Expected credit loss rate	Lifetime expected credit loss
	%	£m	%	£m
Trade receivables - days past due				
1 to 30 days	1.0%	3.4	1.0%	2.7
31 to 60 days	1.0%	0.3	1.0%	0.5
61 to 90 days	1.0%	0.3	1.0%	0.3
Over 90 days	50.0%	2.3	50.0%	2.3
		6.3		5.8

The allowance for expected credit loss ('ECL') includes individually impaired trade receivables which are in excess of 120 days overdue, in liquidation or are the subject of legal action. The ECL recognised represents the difference between the carrying amount of these trade receivables and the present value of any expected recoveries. Expected credit losses are recognised in accordance with the simplified approach set out in IFRS 9.

	2023	2022
	£m	£m
Movement in expected credit loss		
Balance at the beginning of the period	5.8	4.6
Impairment losses recognised in the period	5.4	1.4
Amounts recovered during the period	(3.9)	1.0
Amounts written off as uncollectable	(1.0)	(1.2)
Balance at the end of the period	6.3	5.8

Long-term receivables

	2023	2022
	£m	£m
Amounts falling due after more than one year		
Funds on long-term deposit	2.5	2.3
	2.5	2.3

No expected credit loss has been recognised for long-term receivables on the basis that the counterparties are A-rated financial institutions.

Notes to the Consolidated Financial Statements

14. Assets and Liabilities related to Contracts with Customers

Contract assets

	2023	2022
	£m	£m
Current contract assets	62.5	71.8
	62.5	71.8

Contract assets primarily relate to the Group's right to consideration for work completed but not invoiced at the balance sheet date. Contract assets are transferred to trade receivables when the amounts are agreed by the customer. On most contracts, certificates and agreement is by the customer on a monthly basis. All contract assets held at 31 March 2023 is expected to be invoiced and transferred to trade receivables within the next 12 months.

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

Contract liabilities

	2023	2022
	£m	£m
Current contract liabilities	(27.9)	(27.1)
	(27.9)	(27.1)

The timing of payments received from customers, relative to the recording of revenue, can have a significant impact on the liabilities recorded on the Group's Statement of Financial Position.

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 cash 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 31 March 2023 are expected to satisfy performance obligations in the next 12 months.

15. Cash and cash equivalents

	2023	2022
	£m	£m
Cash at bank and in hand	41.2	40.2
Short-term deposits	0.1	0.6
	41.3	40.8

Deposits comprise of an insurance deposit of £0.1m (2022: £0.6m) which represents cash held as security for self-insurance obligations.

16. Financial instruments

	2023	2022
	£m	£m
Assets held at amortised cost		
Liquidity fund ¹	9.5	10.7
	9.5	10.7

1. Current investments held by Bray Insurance Company Limited, the Group's captive insurance company.

Notes to the Consolidated Financial Statements

16. Financial instruments continued

Derivative financial instruments

The derivatives that the Group has entered into qualify for hedge designation as cash flow hedges under IFRS 9. All cash flow hedges were deemed to be fully effective and therefore movements in fair value were all recognised within the hedge reserve.

The Group has entered into forward foreign exchange rate contracts which all mature within one year; these forwards will be used by the Group to hedge Euro currency payments for the export of Refuse Derived Fuel ('RDF'). The forward foreign exchange contracts have resulted in the recognition of a derivative liability of £nil (2022: £0.2m).

The Group enters into commodity swaps to hedge against future movements in fuel prices. At the end of the financial year these hedges were in an asset position of £0.5m (2022: £11.7m).

The fair value measurements of derivatives are classified as Level 2 in the fair value hierarchy as defined by IFRS 13 Fair Value Measurement, as they are derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

	2023		2022	
	Fair value £m	Notional £m	Fair value £m	Notional £m
Forward foreign exchange contracts	-	5.3	(0.2)	6.3
Commodity hedges	0.5	34.8	11.7	23.9
	0.5	40.1	11.5	30.2

The table below represents the cumulative amount of gains and losses on the Group's derivative financial instruments.

	Foreign exchange risk		Interest rate risk		Commodity risk		Total	
	2023 £m	2022 £m	2023 £m	2022 £m	2023 £m	2022 £m	2023 £m	2022 £m
Balance at the beginning of the period	0.2	0.3	-	2.7	(11.7)	0.6	(11.5)	3.6
Gain / (loss) arising on changes in fair value of hedging instruments during the period	(0.2)	(0.1)	-	1.4	(0.2)	(16.1)	(0.4)	(14.8)
(Gain) / loss reclassified to profit or loss - forecast transaction no longer expected to occur	-	-	-	(4.1)	-	-	-	(4.1)
Cumulative (gain) / loss transferred to initial carrying amount of hedged items	-	-	-	-	11.4	3.8	11.4	3.8
Balance at the end of the period	-	0.2	-	-	(0.5)	(11.7)	(0.5)	(11.5)

Borrowings

	2023 £m	2022 £m
Private placements and bank loans	418.5	630.3
EVP preference liability	14.3	14.3
	432.8	644.6

	2023		2022	
	Book value £m	Average interest rate %	Book value £m	Average interest rate %
Current				
Private placements and bank loans	345.0	2.6%	-	-
EVP preference instrument	6.3	-	-	-
	351.3		-	
Non-current				
Private placements and bank loans	-	-	354.0	2.8%
Parent company loan	73.5	8.3%	-	-
EVP preference instrument	8.0	-	14.3	-
	81.5		368.3	
Total borrowings	432.8		368.3	

Notes to the Consolidated Financial Statements

16. Financial instruments continued

Borrowings continued

Refer to Note 23 for the cashflow movement on borrowings during the current and prior financial periods.

The Group repaid its Revolving Credit Facility ('RCF') during the year, using funds loaned from its parent company, Biffa Bidco Limited.

The private placements have been classified as current because they were terminated on 23 May 2023.

In the year ended 24 March 2017 certain pre-IPO lenders were issued with preference share capital in Wasteholdco 1 Limited in exchange for settlement of amounts due to them. The associated liability is £14.3m.

Borrowings are measured at amortised cost and the EVP preference liability is measured at fair value. All financial assets and financial liabilities have been classified as Level 2 in the fair value hierarchy as defined by IFRS 13 Fair Value Measurement.

Interest rates on borrowings

	2023		2022	
	Principal amount	Average interest rate	Principal amount	Average interest rate
	£m	%	£m	%
Term facility	-	-	9.0	3.2%
Parent company loan	73.5	8.3%	-	-
Private placement - £150.0m	150.0	2.7%	150.0	2.7%
Private placement - £195.0m	195.0	2.5%	195.0	2.5%
	418.5		354.0	

Fair value of financial assets and liabilities

	Notes	2023		2022	
		Book value	Fair value	Book value	Fair value
		£m	£m	£m	£m
Financial assets					
Trade and other receivables ¹	13	177.2	177.2	172.2	172.2
Financial asset arising on liquidity fund		9.5	9.5	10.7	10.7
Financial asset arising from IFRIC 12	29	4.3	4.3	4.0	4.0
Financial asset arising from capitalisation of borrowing fees ²		-	-	1.0	1.0
Financial asset arising from investment in Lovejunk Limited		0.6	0.6	0.6	0.6
Funds on long-term deposit	13	2.5	2.5	2.3	2.3
Loans to joint ventures and associates		20.2	20.2	14.3	14.3
Derivative financial instrument		0.9	0.9	11.7	11.7
Cash and cash equivalents	15	41.3	41.3	40.8	40.8
		256.5	256.5	257.6	257.6
Financial liabilities					
Private placements and bank loans ³		(345.0)	(306.0)	(354.0)	(337.4)
Parent company loan		(73.5)	(73.5)	-	-
Lease liabilities	24	(283.5)	(283.5)	(276.3)	(276.3)
EVP preference liability	29	(14.3)	(14.3)	(14.3)	(14.3)
Trade and other payables ⁴	17	(305.6)	(305.6)	(286.7)	(286.7)
Deferred and contingent consideration		(5.9)	(5.9)	(7.2)	(7.2)
Derivative financial instrument		(0.4)	(0.4)	(0.2)	(0.2)
		(1,028.2)	(989.2)	(938.7)	(922.1)
Net financial liabilities		(771.7)	(732.7)	(681.1)	(664.5)

1. Trade and other receivables excludes prepayments and other debtors.

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

3. Private placements and bank loans includes £195.0m green loan following the launch of its Sustainability-Linked Finance Framework in the year ended 25 March 2022. The fund is linked to two key performance targets: reducing scope 1 and 2 GHG emissions by 50% by 2030; and tripling Biffa Polymers plastics recycling capacity by 2025.

4. Unamortised transaction costs of £1.0m incurred in the origination of the private placements have been written off during the year.

The fair values of non-derivative financial assets and liabilities are determined based on discounted cash flow analysis using current market rates for similar instruments.

Notes to the Consolidated Financial Statements

16. Financial instruments continued

Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including capital risk management, cash flow interest rate risk, currency risk and price risk), credit risk and liquidity risk. The Group's overall risk management programmes focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the Group's financial performance. Financial risk management in the above areas is carried out under a policy approved by the Board of Directors.

Capital risk management

The Group manages its capital structure using a number of measures and taking into account its future strategic plans. Such measures include its net interest cover, liquidity and leverage ratios. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position plus Net Debt. Net Debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated statement of financial position) less cash and cash equivalents. The Directors are satisfied that the current risk management strategy is appropriate and effective.

Cash flow interest rate risk

The Group's interest-bearing assets include cash and cash equivalents which earn interest at floating rates. The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Group policy is to maintain an appropriate proportion of its borrowings at fixed rate using interest rate swaps to achieve this when necessary.

The interest rate risk profile of the Group's financial assets and liabilities was as follows:

	2023 £m	2022 £m
Financial liabilities (excluding derivatives)		
Interest bearing		
Floating rate	-	9.0
Fixed rate	702.0	621.3
Non-interest bearing		
EVP preference instrument	14.3	14.3
Other financial liabilities	311.5	293.9
	1,027.8	938.5

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

	2023 £m	2022 £m
Financial assets (excluding derivatives)		
Interest bearing		
Floating rate – cash and cash equivalents	41.3	40.8
Floating rate – other	2.5	2.3
Fixed rate	20.2	-
Non-interest bearing		
Liquidity fund	9.5	6.9
Other financial assets	182.1	192.1
	255.6	245.9

The interest on fixed rate financial instruments is fixed until the maturity of the investment. The interest on floating rate financial instruments is reset at intervals of less than one year. The other financial assets and liabilities of the Group that are not included in the above tables are non-interest bearing and therefore not subject to interest rate risk.

Fixed rate and non-interest bearing financial assets and liabilities are exposed to fair value interest rate risk and floating rate financial assets and liabilities to cash flow interest rate risk.

Currency risk

The Group is exposed to currency risk arising from currency exposures primarily related to the disposal of RDF via export to Europe. The Group enters into forward contracts to purchase Euros based upon expected costs. These derivatives are classified as cash flow hedges.

Price risk

The Group is not materially exposed to any equity securities price risk, but is exposed to commodity price risks on its outputs. The commodities that the Group is exposed to are fuel, electricity, paper, glass, cardboard, steel, aluminium and plastics (including HDPE and PET). The price risk associated with commodities is considered to be in the ordinary course of business for the Group.

Notes to the Consolidated Financial Statements

16. Financial instruments continued

Credit risk

Credit risk is managed on a Group basis as appropriate. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables. For banks and financial institutions, only independently rated parties with a minimum rating of A are accepted.

Management does not expect any significant losses of receivables that have not been provided for as shown in Note 13.

The carrying amount of financial assets recorded in the financial information, which is net of impairment losses, represents the Group's maximum exposure to credit risk. These amounts include receivable balances from local authority clients, hence are not exposed to significant credit risk. Given the above factors, the Board does not consider it necessary to present a detailed analysis of credit risk.

Liquidity risk

The Group ensures that there are sufficient committed loan facilities to meet short-term business requirements, after taking into account the cash flows from operations and its holding of cash and cash equivalents. The expected undiscounted cash flow of the Group's financial assets and liabilities (including derivatives), by remaining contractual maturity, at the balance sheet date is shown below:

	2023				
	Due within one year £m	Due between one and two years £m	Due between two and five years £m	Due five years and beyond £m	Total £m
Non-derivative financial liabilities					
Borrowings ¹	(345.0)	–	–	(73.5)	(418.5)
Lease liabilities	(55.1)	(41.6)	(74.9)	(111.9)	(283.5)
Trade and other payables	(300.0)	(4.1)	(1.2)	(0.3)	(305.6)
Deferred and contingent consideration	(3.1)	(0.3)	(0.9)	(1.6)	(5.9)
EVP liability	(6.3)	(8.0)	–	–	(14.3)
Non-derivative financial assets					
Cash and cash equivalents	41.3	–	–	–	41.3
Liquidity fund	9.5	–	–	–	9.5
Trade and other receivables	177.2	–	–	–	177.2
	(481.5)	(54.0)	(77.0)	(187.3)	(799.8)

1. A restructure of the Group's debt became effective in May 2023, as part of which the private placements were refinanced. See Note 34 for further details.

	2022				
	Due within one year £m	Due between one and two years £m	Due between two and five years £m	Due five years and beyond £m	Total £m
Non-derivative financial liabilities					
Borrowings	–	–	(9.0)	(345.0)	(354.0)
Lease liabilities	(53.8)	(43.1)	(69.4)	(110.0)	(276.3)
Trade and other payables	(286.7)	–	–	–	(286.7)
Deferred and contingent consideration	(4.2)	(0.3)	(0.8)	(1.9)	(7.2)
EVP liability	–	–	(14.3)	–	(14.3)
Non-derivative financial assets					
Cash and cash equivalents	40.8	–	–	–	40.8
Liquidity fund	10.7	–	–	–	10.7
Trade and other receivables	172.2	–	–	–	172.2
	(121.0)	(43.4)	(93.5)	(456.9)	(714.8)

Notes to the Consolidated Financial Statements

17. Trade and other payables

	2023 £m	2022 £m
Current		
Trade payables	224.9	208.7
Taxation and social security	49.2	54.0
Interest payable	1.5	1.8
Accruals	71.8	75.6
Other payables	1.8	0.6
	349.2	340.7
Non-current		
Trade and other payables	5.6	6.6
	5.6	6.6
	354.8	347.3

Included within trade and other payables is £2.0m (2022: £2.3m) in relation to government grants.

The taxation and social security figure of £49.2m (2022: £54.0m) includes £0.1m (2022: £0.3m) in relation to the corporation tax creditor.

18. Provisions

	Landfill restoration and after- care £m	Insurance £m	Onerous contracts £m	Dilapidations £m	IFRIC 12 £m	HMRC Landfill Tax enquiry £m	Other £m	Total £m
As at 26 March 2021	71.0	16.1	20.5	8.8	-	-	1.0	117.4
Utilised during the period	(4.7)	(5.8)	(6.3)	(0.2)	-	-	(3.5)	(20.5)
Acquired through business combination	-	-	2.0	3.4	12.7	-	5.0	23.1
Charged to the income statement during the period	4.6	2.7	4.2	1.5	-	17.0	1.3	31.3
Impact of real discount rate changes to profit or loss	(0.3)	-	-	-	-	-	-	(0.3)
Unwind of discount	2.4	-	-	-	0.4	-	-	2.8
Transfers from fixed assets (Note 11)	0.9	-	-	-	-	-	-	0.9
Transfers from trade and other payables	-	-	-	-	-	3.0	-	3.0
As at 25 March 2022	73.9	13.0	20.4	13.5	13.1	20.0	3.8	157.7
Utilised during the period	(4.4)	(0.4)	(6.2)	(0.2)	(1.4)	(3.7)	(2.2)	(18.5)
Adjustments to prior period acquisitions (Note 8)	-	-	-	-	3.8	-	-	3.8
Charged to the income statement during the period	4.9	1.9	6.1	0.1	-	50.7	0.9	64.6
Impact of real discount rate changes to profit or loss	(24.8)	-	-	-	-	-	-	(24.8)
Unwind of discount	2.9	-	-	-	0.4	-	-	3.3
Transfers to fixed assets (Note 11)	(2.2)	-	-	-	-	-	-	(2.2)
Transfers from trade and other receivables	3.3	-	-	-	-	-	-	3.3
Transfers from /(to) trade and other payables	-	0.3	-	-	-	(3.0)	-	(2.7)
As at 31 March 2023	53.6	14.8	20.3	13.4	15.9	64.0	2.5	184.5

Notes to the Consolidated Financial Statements

18. Provisions continued

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

	2023	2022
	£m	£m
Current	20.0	20.5
Non-current	164.5	157.4
	184.5	157.7

Landfill restoration and after-care

As part of its normal activities, the Group undertakes to restore its landfill sites and to maintain the sites and control leachate and methane emissions from the sites. A provision is made for these anticipated costs. A number of estimate uncertainties affect the calculation, including the impact of regulation, climate change, accuracy of site surveys, transportation costs, and changes in the real discount rate. The provision incorporates our best estimates of the financial effects of these uncertainties, but future changes in any of these estimates could materially impact the calculation of the provision. Restoration costs are incurred as each site is filled and in the period immediately after its closure. Maintenance and leachate and methane control costs are incurred as each site is filled and for a number of years post closure. After-care costs are incurred for a number of years post closure. This period can vary significantly from site to site, depending upon the types of waste landfilled, the speed at which it decomposes, the way the site is engineered and the regulatory requirements specific to the site.

Changes in the provision arising from revised estimates or discount rates or changes in the expected timing of expenditures that relate to property, plant and equipment are recognised within the income statement. The associated outflows are estimated to arise over a period of up to 60 years depending on the date of each site closure. In determining the provision, the estimates for future expenditure required to settle the obligation are inflated using longer-term inflation rates, and discounted using the nominal discount rate as explained in the 'discounting of provisions' section below.

Insurance

The associated outflows are estimated to arise over a period of up to six years from the balance sheet date. The Insurance provision includes self insurance by the Group on both low and high value items.

Onerous contracts

The Group recognises onerous contract provisions for any unavoidable net losses arising from contracts. The Group reviews its onerous contract provisions at each reporting date and whenever there is a material change in management's expectations of the contract. At the end of the financial year the Group held onerous contract provisions in relation to the following contracts:

- Epping Forest District Council (<2 years remaining)
- South Oxfordshire & Vale (<2 years remaining)
- Leicester City Council (<6 years remaining)

The future cash inflows from these onerous contracts are relatively predictable as they are fixed and based on the terms of the contract. However, the costs associated with delivering the contract can vary and assumptions on future cash outflows is considered a significant estimate when modelling the future net cash outflows on onerous contract provisions.

Dilapidations

Dilapidations arise on leased items where the Group has an obligation to return these items to their original condition as at the lease inception.

IFRIC 12

The IFRIC 12 provision represents the future capital expenditure on reverting assets on the West Sussex Recycling contract. This contract was acquired as part of the Viridor acquisition and a provision of £12.7m was initially recognised on the acquisition opening balance sheet in the prior period. A subsequent remeasurement exercise resulted in the provision on the opening balance sheet being increased by £3.8m in the current year. The provision is discounted over the duration of the contract term.

HMRC Landfill Tax Enquiry

As set out in Note 1, Biffa Waste Services Limited ('BWSL') is currently the subject of an enquiry by HMRC regarding certain aspects of its Landfill Tax compliance ('the Enquiry'), as part of concerns HMRC has primarily relating to the interpretation of the qualifying fines regime set out in LF11. HMRC also raised concerns, based on its analysis of BWSL's data, over the potential conduct of BWSL and specific customers, which may have led to the incorrect rate of Landfill Tax being paid.

In Biffa's view, and based on advice received to date, there are a range of possible outcomes to the Enquiry and it is difficult to accurately ascertain the quantum or timing of any potential liability with certainty or precision. Whilst Biffa believes it has a strong case, there remains significant uncertainty in the ultimate outcome and a provision has been recognised for £64m, including associated costs and interest, which addresses the range of matters arising from the £377m of protective assessments received to date and the further estimates of liability shared by HMRC in the context of without prejudice settlement discussions disclosed in Note 1 excluding the element we consider to be a contingent liability disclosed in Note 27.

The estimate assumes that any possible penalty that could be levied would be suspended and accordingly has not been recognised. Payment would not be required at the end of the suspension period providing the relevant conditions are met.

Notes to the Consolidated Financial Statements

18. Provisions continued

Other

Other provisions relate to legal fees and life assurance.

Discounting of provisions

Long-term provisions included in landfill restoration and after-care have been inflated and discounted using the below nominal rates. The rates reflect the period of the obligation on a site-by-site basis which varies between 10 and 60 years.

Long-term provisions included in onerous contracts have been discounted using the below nominal rates.

Period of obligation	Inflation rate		Discount rate	
	2023	2022	2023	2022
5 years	2.4%	3.6%	4.9%	2.7%
10 years	2.9%	3.6%	4.8%	2.8%
20 years	3.3%	3.6%	4.9%	2.9%
30 years	3.2%	3.4%	4.6%	2.9%
60 years	3.1%	3.3%	4.4%	2.7%

An increase of 1% in the real discount rate (at current cost) would result in a decrease of environmental provisions of approximately £8.0m (2022: £16.0m). A 10% increase in cash outflows would result in an increased environmental provision of £5.2m (2022: £7.8m). Long-term after-care provisions included in landfill restoration and after-care provisions have been inflated at a rate of 3.1% (2022: 3.3%). An increase of 1% in the rate of inflation would result in an increase of environmental provisions of approximately £11.2m (2022: £23.1m).

In arriving at the onerous contract provision for the Epping Forest and South Oxfordshire & Vale contracts, the Group has discounted the future cash flows using a risk-free rate of 4.6%. If this rate increased by 500 basis points the provision charge would decrease by £0.2m. In arriving at the onerous contract provision for the Leicester contract, the Group has discounted the future cash flows using a risk-free rate of 4.5%. If this rate increased by 500 basis points the provision charge would decrease by £1.5m.

Notes to the Consolidated Financial Statements

19. Deferred taxation

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

	Temporary difference arising on property, plant and equipment	Share- based payments	Provisions	Hedging	Retirement benefit surplus	Goodwill	Other intangible assets	Recognised tax losses carried forward	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m
As at 26 March 2021	25.6	2.3	0.8	-	(21.3)	6.8	(33.7)	8.4	(11.1)
Acquired through business combination	(5.5)	-	-	-	(0.3)	-	(9.6)	-	(15.4)
Credit / (charge) to the income statement during the period	6.6	0.4	0.5	0.1	(4.9)	0.8	(3.3)	11.0	11.2
Charge to other comprehensive income during the period	-	-	-	(2.2)	(15.0)	-	-	-	(17.2)
As at 25 March 2022	26.7	2.7	1.3	(2.1)	(41.5)	7.6	(46.6)	19.4	(32.5)
Acquired through business combination	(2.5)	-	-	-	-	-	(3.1)	-	(5.6)
Adjustments to prior period acquisitions (Note 8)	3.4	-	-	-	-	-	0.3	-	3.7
(Charge) / credit to the income statement during the period	(12.9)	(4.2)	16.2	-	(2.9)	(1.3)	(0.5)	3.1	(2.5)
Credit to other comprehensive income during the period	-	1.5	-	2.4	20.6	-	-	-	24.5
As at 31 March 2023	14.7	-	17.5	0.3	(23.8)	6.3	(49.9)	22.5	(12.4)

A deferred tax liability of £24.5m (2022: £32.5m) has been recognised in the current year using the tax rate of 25% (2022: 25%). Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities.

As at 31 March 2023 the Group had unused tax losses of £106.9m (2022: £94.6m) available for offset against future profits. A deferred tax asset has been recognised in respect of £89.7m (2022: £77.4m) of these losses. No deferred tax asset has been recognised in respect of the remaining £17.2m (2022: £17.2m) as it is not considered probable that there will be future taxable profits available in the statutory entity in which these losses are being carried forward.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits generated in subsequent reporting periods will be available to allow all or part of the asset to be recovered.

The Group has considered the impact of climate change in assessing the probability of sufficient taxable profits (including loss of revenue from cessation of ROCs in 2027, the potential Deposit Return Scheme ('DRS') in England and increased carbon taxes) in subsequent reporting periods for the recoverability of the tax asset. The overall impact from the cessation of ROCs has been considered in forecasts, however given the low financial impact of the DRS legislation and increased carbon taxes, the Group does not consider it to have a material impact on the recoverability of the deferred tax asset.

Notes to the Consolidated Financial Statements

20. Share-based payments

Share-based payments charges of £7.7m (2022: £3.7m) have been charged to administrative expenses. The increased charge during the year is due to the acquisition of the Biffa Group by ECP. On acquisition, all schemes either vested early or were cancelled, resulting in an accelerated charge.

During the year the Group had one conditional share-based payment arrangement granted to Directors and employees. The arrangement lapsed in full on completion of the ECP acquisition. The likelihood of lapse was reflected in the reduced fair value on grant, as detailed in the following table.

Performance Share Plan

Date of grant	Number of options originally granted	Contractual life (years)	Share price at date of grant (pence)	Number of employees at grant	Expected volatility	Expected life (years)	Risk-free rate	Fair value per option (pence)
2 July 2018	1,014,880	2.9	251.0	36	24%	2.93	0.71%	173.2
1 October 2018	218,359	2.9	253.0	2	24%	2.93	0.89%	173.8
11 December 2018	18,819	2.9	192.2	1	24%	2.93	0.90%	114.1
1 July 2019	1,773,988	3.0	211.0	37	25%	3.0	0.54%	112.8
1 July 2020	2,354,948	3.0	201.0	77	27%	2.93	(0.07)%	107.7
1 June 2021	29,792	3.0	300.5	1	30%	2.09	0.09%	174.4
14 June 2021	1,855,274	3.0	293.5	41	29%	3.01	0.14%	187.6
4 October 2022	1,051,065	3.0	409.2	26	39%	3.0	4.05%	34.5

The Group uses the following fair value models to value its share awards namely stochastic, black-scholes and chaffe model.

The expected volatility is a measure of the amount by which a share price is expected to fluctuate during the period. It is calculated based on statistical analysis of daily share prices over the length of the award period. A reconciliation of movements in the number of share awards can be summarized as follows:

Date of grant	Number of options originally granted	Vested	Lapsed / forfeited	Outstanding as at 31 March 2023
2 July 2018	1,014,880	(820,319)	(194,561)	-
1 October 2018	218,359	(218,359)	-	-
11 December 2018	18,819	(18,819)	-	-
1 July 2019	1,773,988	(800,561)	(973,427)	-
1 July 2020	2,354,948	(2,058,878)	(296,070)	-
1 June 2021	29,792	(29,792)	-	-
14 June 2021	1,855,274	(1,066,675)	(788,599)	-
4 October 2022	1,051,065	-	(1,051,065)	-

The Performance Share Plan ('PSP') provides for the grant of awards in the form of conditional free shares or nil-cost options. The July 2019, July 2020 and June 2021 awards vested during the year ended 31 March 2023, with the latter two vesting early due to the sale to ECP. The 14 June 2021 award was reduced by one third for time pro-rata to reflect the early vest. The October 2022 award lapsed in full on completion of the sale to ECP. Given the acquisition of the Biffa Group by ECP and subsequent delisting, there are expected to be no future PSP awards.

Sharesave Plan

In the financial year 2017 the Biffa Group launched the Biffa Sharesave Plan to all employees with six months or more continuous employment at the date of the scheme launch. The scheme is subject to HMRC rules which limit the monthly contributions to £500. The scheme term is for three years and options may be exercised during the six months after completion of the Save As You Earn contract.

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

There were no new options granted during the year. All Sharesave Plans ended on acquisition of the Biffa Group by ECP.

Notes to the Consolidated Financial Statements

21. Reserves

Share capital

	Number	£
As at 25 March 2022	305,908,483	3,059,085
Share issues	3,389,261	33,892
As at 31 March 2023	309,297,744	3,092,977

Share premium

The share premium represents amounts received in excess of the nominal value of shares issued since IPO, net of the direct costs associated with issuing those shares.

	£m
As at 25 March 2022	247.6
Share issues	4.6
As at 31 March 2023	252.2

Merger reserve

The opening merger reserve of £170.3m arose on both the acquisition of Wasteholdco 1 Limited in 2008 and a Jersey registered 'cash box' company that facilitated an equity raise in 2020.

	£m
As at 25 March 2022	170.3
As at 31 March 2023	170.3

Hedging reserve

	2023 £m	2022 £m
Balance at the beginning of the period	9.9	(6.4)
Fair value (loss) / gain arising on hedging instruments during the period	(10.9)	15.0
Tax relating to items that may be reclassified subsequently to profit or loss	2.4	(2.2)
Net gain on cash flow hedges in joint ventures and associates (net of tax)	19.8	3.5
Balance at the end of the period	21.2	9.9

22. Retained earnings

	2023 £m	2022 £m
Balance at the beginning of the period	52.4	43.9
Loss for the period	(16.7)	(17.6)
Other comprehensive (loss) / income for the period	(61.9)	33.7
Value of employee service in respect of share option schemes (excluding NICs)	4.7	2.7
Purchase of shares in EBT	(1.5)	(3.6)
Deferred tax movement in share option schemes	1.5	-
Dividends paid	(14.3)	(6.7)
Balance at the end of the period	(35.8)	52.4

Notes to the Consolidated Financial Statements

23. Reconciliation of Net cash flow to Movement in net debt

	2023 £m	2022 £m
Net increase in cash and cash equivalents	0.5	10.0
Net increase in private placements and bank loans	(64.5)	(156.4)
Net (increase) / decrease in lease liabilities	(7.2)	7.4
Movement in Group Net Debt in the period	(71.2)	(139.0)
Group Net Debt at the beginning of the period	(595.8)	(456.8)
Group Net Debt at the end of the period	(667.0)	(595.8)

Analysis of Group Net Debt

	2023 £m	2022 £m
Cash and cash equivalents	41.3	40.8
Lease liabilities	(283.5)	(276.3)
Private placements and loans	(418.5)	(354.0)
EVP preference liability	(6.3)	(6.3)
Group Net Debt	(667.0)	(595.8)
EVP preference liability	6.3	6.3
Other finance instruments	9.5	10.7
Covenant basis Net Debt	(651.2)	(578.8)

The £6.3m EVP preference liability has been included within Group Net Debt as it is payable to EVP preference shareholders. The remaining £8.0m liability payable to EVP preference shareholders will be funded by reduced tax payments on future earnings.

The Group's leverage is calculated on Group Net Debt as follows:

	2023	2022
Group leverage ratio (Net Debt: Adjusted EBITDA)	3.0x	3.1x

Adjusted EBITDA is defined and reconciled to Operating Profit in the Appendix to the financial statements.

Changes in liabilities arising from financing activities

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

	As at 25 March 2022 £m	Financing cash flows £m	Acquired loans £m	Acquisition of subsidiary £m	New leases £m	Other Changes ¹ £m	As at 31 March 2023 £m
Lease liabilities	(276.3)	72.2	–	(2.2)	(68.7)	(8.5)	(283.5)
Private placements and loans	(354.0)	13.4	(72.5)	(4.4)	–	(1.0)	(418.5)
EVP preference liability	(14.3)	–	–	–	–	–	(14.3)
	(644.6)	85.6	(72.5)	(6.6)	(68.7)	(9.5)	(716.3)

¹ Other changes includes interest expense recognised on lease liabilities, disposals of lease liabilities; and interest accrued on loans and private placements.

Notes to the Consolidated Financial Statements

23. Reconciliation of Net cash flow to Movement in net debt continued

Changes in liabilities arising from financing activities continued

	As at 26 March 2021 £m	Financing cash flows £m	Acquired loans £m	Acquisition of subsidiary £m	New leases £m	Other Changes ¹ £m	As at 25 March 2022 £m
Lease liabilities	(283.7)	62.8	-	(17.3)	(31.9)	(6.2)	(276.3)
Private placements and loans	(197.6)	191.1	(345.0)	-	-	(2.5)	(354.0)
EVP preference liability	(47.6)	-	-	-	-	33.3	(14.3)
	(528.9)	253.9	(345.0)	(17.3)	(31.9)	24.6	(644.6)

1. Other changes includes interest expense recognised on lease liabilities, disposals of lease liabilities, and interest accrued on loans and private placements.

24. Lease liabilities

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

	2023 £m	2022 £m
Current	55.1	53.8
Non-current	228.4	222.5
	283.5	276.3

	Undiscounted payments		Present value	
	2023 £m	2022 £m	2023 £m	2022 £m
Lease liability maturity analysis				
Within one year	65.3	62.2	55.1	53.8
More than one year but less than two years	55.0	49.0	41.6	43.1
More than two years but less than five years	100.0	79.5	74.9	69.4
After five years	178.6	257.1	111.9	110.0
	398.9	447.8	283.5	276.3
Less future finance charges	(115.4)	(171.5)	-	-
	283.5	276.3	283.5	276.3

The average lease term is 14.8 years (2022: 12.8 years). For the period ended 31 March 2023, the effective borrowing rate was 4.0% (2022: 3.1%).

Costs / (income) recognised in the income statement relating to leases and right-of-use assets are as follows:

	Notes	2023 £m	2022 £m
Depreciation expense on right-of-use assets	11	55.8	51.9
Interest expense on lease liabilities	3	10.3	9.8
Income from sub-leasing right-of-use assets	4	(3.3)	(3.3)
Expense relating to short-term and low-value assets	4	21.6	25.5

Cash repayments of £72.2m (2022: £62.8m) on leases have been made in the year.

Notes to the Consolidated Financial Statements

25. Pension and post-retirement benefits

Defined contribution schemes

During the period the Group incurred a £13.3m charge (2022: £11.5m) in relation to defined contributions schemes.

Defined benefit schemes

The Group operates a number of defined benefit schemes: Biffa Pension Scheme ('BPS'), an Unfunded Unapproved Retirement Benefits Scheme ('UURBS'), the Federated Pension Plan ('FPP'), Prudential Platinum ('Platinum'), the Kent County Council Pension Fund (the 'Kent Fund'), The Citrus Pension Plan- Biffa Waste Services Limited Section (previously named the Viridor Somerset Section) ('Citrus'), the Devon County Council Pension Fund ('Devon'), the Staffordshire Pension Fund (the 'Staffordshire Fund') and the Greater Manchester Pension Fund ('GMPF') (collectively, the 'Schemes').

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

The Schemes offer both pensions in retirement and death benefits to members. All the Schemes are closed to new members. The BPS, Platinum, Cornwall Fund, Kent Fund and Staffordshire Fund are open to accrual although the BPS is closed for the majority of members and only a few employees with statutory protections remain in active service. The BPS makes up around 95% of the total liability across the Schemes.

The Schemes expose the Group to actuarial risks such as market (investment) risk, interest rate risk, inflation risk, currency risk and longevity risk.

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

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

The Schemes have an accounting surplus that is fully recognised on the basis that future economic benefits are unconditionally available in the form of a reduction in the future cash contributions or as a cash refund. Where a surplus of a defined benefit Scheme arises or there is potential for a surplus to arise from committed future contributions, the right of the Trustees to prevent the Group obtaining a refund of that surplus is considered in determining whether it is necessary to restrict the amount of the surplus that is recognised.

A full actuarial valuation of the Schemes was carried out as at 31 March 2021 which revealed a funding surplus of £19.3m on the technical provisions basis, a deficit of £106.9m against the solvency estimate, and a deficit of £86.2m against the low dependency estimate.

The Group will contribute as follows until the earlier of: i. 30 June 2025; and ii. the date on which Biffa Corporate Holdings Limited ('BCHL') and the participating employers are notified by the Trustees that the Scheme has achieved its long-term target of reaching full funding on the Low Dependency Basis for three consecutive quarter ends;

- the first payment was made during the year ended 31 March 2022 equal to £4.3m;
- the second payment was made during the year ended 31 March 2023 equal to £4.3m;
- the third payment will be made on or before 31 March 2024 equal to £4.3m; and
- thereafter, payments will be made in monthly instalments of £358,333 payable on or before the last day of the month in which they are due.

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

Investment risk

The present values of the Schemes' liabilities are calculated using a discount rate determined by reference to yields available on high-quality AA-rated corporate bonds; in other words, from the position of being fully funded then if the return on the Schemes' assets were below this rate, it would create a deficit in the Schemes.

In addition to the natural interest rate hedging provided by its investment in bonds, the Trustees also purchase derivatives to ensure that the funding position of the Schemes are, overall, hedged against 85% of movements in long-term risk-free interest rates and 85% of movements in inflation expectations. No annuities or specific mortality hedging products have been purchased by the Schemes.

Notes to the Consolidated Financial Statements

25. Pension and post-retirement benefits continued

Interest risk

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

Longevity risk

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

Inflation risk

The present values of the Schemes' liabilities are calculated by reference to the future expected pension indexation (both indexation in deferment and pension increases in payment), which will depend on future inflation expectations. As such, an increase in the expectation of future inflation will increase the Schemes' liabilities.

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

Actuarial valuation

A full actuarial valuation of the Schemes was carried out as at 31 March 2021 and has been updated to 31 March 2023 by a qualified independent actuary. The major assumptions used by the actuary were (in nominal terms) as follows:

	2023	2022
Discount rate	4.9%	2.9%
Rate of salary increase	3.2%	3.9%
Rate of inflation - RPI	3.1%	4.2%
Rate of inflation - CPI	2.7%	3.4%
Rate of pension increases ¹ - RPI with floor of 0% cap of 2.5% p.a. (pensioners / non pensioners)	2.0%	2.2% / 1.9%
Rate of pension increases ¹ - RPI with floor of 0% cap of 5.0% p.a. (pensioners / non-pensioners)	2.9%	3.3% / 2.8%
Rate of pension increases ¹ - RPI with floor of 0% cap of 6.0% p.a. (pensioners / non-pensioners)	3.0%	3.5% / 3.0%
Rate of pension increases ¹ - CPI with floor of 0% cap of 3.0% p.a. (pensioners / non-pensioners)	2.7%	2.3% / 2.1%
Rate of pension increases ¹ - CPI uncapped (pensioners / non-pensioners)	2.8%	3.3% / 3.0%
Longevity (years)		
Expected future lifetime of a male pensioner currently aged 65	20.8	21.2
Expected future lifetime of a female pensioner currently aged 65	22.9	23.3
Expected future lifetime from age 65 of a male member currently aged 45	22.1	22.5
Expected future lifetime from age 65 of a female member currently aged 45	24.5	24.9

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

The assets in the Schemes were:

	2023		2022	
	£m	%	£m	%
Equity	82.4	18.5%	107.4	17.1%
Bonds	8.0	1.8%	10.8	1.7%
Properties and infrastructure	18.0	4.1%	22.5	3.6%
Hedge funds	72.1	16.2%	72.0	11.5%
LDI investments - BPS	164.2	37.0%	301.4	47.9%
Other	99.6	22.4%	114.2	18.2%
	444.3		628.3	
Actual return on plan assets	(176.3)		9.4	

The fair value 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 under IFRS 13 Fair Value Measurement. It is the policy of the Schemes to use hedge funds and liability driven investments to hedge some of their exposure to interest rate and inflation risks. This policy has been implemented during the current and prior years.

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

An increase in the property valuation of 10% would increase pension assets by £1.8m. An increase in the valuation of traded assets of 10% would increase pension assets by £16.2m.

Notes to the Consolidated Financial Statements

25. Pension and post-retirement benefits continued

Actuarial valuation continued

Reconciliation of movements in the present value of the defined benefit obligation

	2023 £m	2022 £m
Benefit obligation at the beginning of the period	470.6	525.8
Service cost	2.4	2.5
Interest cost	13.5	10.4
Contributions by scheme participants	0.4	0.3
Net remeasurement gains – financial	(142.2)	(56.2)
Net remeasurement gains – demographic	(4.2)	(4.3)
Net remeasurement losses – experience	17.6	1.0
Newly recognised schemes	–	7.8
Benefits paid	(18.2)	(16.8)
Past service costs	–	0.1
Benefit obligation at the end of the period	339.9	470.6

Reconciliation of movements in the fair value of Schemes' assets

	2023 £m	2022 £m
Fair value of Scheme's assets at the beginning of the period	628.3	621.6
Interest income on Scheme's assets	18.1	12.4
Return on assets, excluding interest income	(194.3)	(3.0)
Other experience	1.7	–
Contributions by employers	10.2	5.7
Contributions by Scheme's participants	0.4	0.3
Newly recognised schemes	–	9.3
Benefits paid	(18.2)	(16.8)
Scheme administrative cost	(2.0)	(1.2)
Fair value of Scheme's assets at the end of the period	444.2	628.3

Amounts recognised in comprehensive income in the period

	2023 £m	2022 £m
Current service cost	2.4	2.6
Past service cost	–	0.1
Administrative cost	1.9	1.2
Service cost adjustment in respect of Greater Manchester Pension Fund	(0.8)	(1.1)
Net interest on the defined benefit surplus	(4.8)	(2.3)
Components of defined benefit (gain) / cost recognised in the income statement	(1.3)	0.5
Return on Scheme's assets (excluding amounts in net interest expense)	194.2	3.0
Actuarial gain/loss from changes in financial assumptions	(142.2)	(56.2)
Actuarial gain/loss from changes in demographic assumptions	(4.2)	(4.3)
Actuarial loss from changes in experience assumptions	15.9	1.0
Movement in asset ceiling	(0.4)	3.1
Newly recognised schemes	–	(1.3)
GMPF Admission agreement	19.2	6.0
Components of defined benefit cost / (gain) recognised in other comprehensive income	82.5	(48.7)
Total defined benefit cost / (gain) recognised in total comprehensive income	81.2	(48.2)

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

Notes to the Consolidated Financial Statements

25. Pension and post-retirement benefits continued

Actuarial valuation continued

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

	2023 £m	2022 £m
Present value of funded defined benefit obligation	(339.9)	(470.6)
Fair value of funded Scheme's assets	444.2	628.3
Adjustment for the restriction in asset benefit	(4.0)	(4.3)
Adjustment in respect of GMPF agreement	(5.2)	12.7
Net asset arising from defined benefit obligation	95.1	166.1

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 in the assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

If the discount rate is 1% lower the defined benefit asset would decrease by £52.4m (2022: £104.6m).

If the inflation assumption increases by 1% the defined benefit asset would decrease by £47.8m (2022: 100.0m).

If the life expectancy increases by one year for both men and women, the defined benefit asset would decrease by £9.6m (2022: £14.9m).

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the statement of financial position.

The Schemes' participating employers are Biffa Waste Services Limited, Biffa Municipal Limited, Biffa Environmental Municipal Services Limited, Biffa Leicester Limited and Biffa West Sussex Limited. These subsidiaries fund the cost of any protected members' future accrual (to the extent that any protected members remain working for each of these companies) earned on a yearly basis.

Protected members pay a range of fixed contributions of pensionable salary depending on what section of the Schemes they are in. These contributions range from 3% to 6% of pensionable salary. The residual contribution (including past service augmentations) is paid by the above entities of the Group. These contributions are agreed between BCHL (the Principal Employer) and the Trustees of the Schemes following each triennial valuation of the Schemes.

In accordance with the Pensions Act 2004, the Schemes' liabilities are measured using a prudent discount rate at the triennial valuation, but some asset out performance is allowed for when calculating the deficit recovery contributions paid for by the participating employers. Additional liabilities stemming from past service due to augmentation of benefits are added to the Schemes' deficit.

The average duration of the benefit obligation at 31 March 2023 is approximately 18 years (2022: 19 years).

The Group expects to make a contribution of £6.0m to the Schemes during the financial year to 29 March 2024.

26. Related party transactions

There have been no material related party transactions with any Directors in the 53 weeks ended 31 March 2023 (2022: nil) except for key management compensation as set out in Note 5.

During the year to 31 March 2023, the Group invested £11.7m (2022: £17.4m) in Protos ERF Ltd and Newhurst ERF Limited. The Group issued further loan notes of £4.7m (2022: £7.5m) during the period and accrued unpaid interest income of £1.2m (2022: £0.8m). As at 31 March 2023 the Group recognised outstanding loan receivable balances due from Protos ERF Ltd and Newhurst ERF Ltd of £20.2m (2022: £14.3m). Both parties can redeem the notes at any time. The annual rate of interest on the notes is 8%. This whole balance remained outstanding at year end. *None of the amount is deemed to be uncollectable and no expenses have been recognised during the period in respect of bad or doubtful debts in this regard.*

No Directors held any material interest in any contract with the Company or the Group in the year to 31 March 2023 or subsequent period. The Group has made £10.2m (2022: £5.7m) of contributions to the defined benefit pension schemes.

During the year to 31 March 2023, the Group received loans of £73.5m from its parent company, Biffa Bidco Limited. The loan proceeds were used to repay the Group RCF. Interest accrues on the outstanding loan balance at 8.3%.

There are no additional related party transactions to disclose.

Notes to the Consolidated Financial Statements

27. Contingent liabilities

Bonds

The Group must satisfy environmental agency financial security requirements in order to ensure that it is able to discharge the obligations in landfill site licences and permits. The Group meets these financial security requirements by providing financial security bonds. The amount of financial security which is required is determined in conjunction with the regulatory agencies, as is the method by which assurance is provided. The Group has outstanding bond arrangements in England and Wales of approximately £96.3m (2022: £86.7m) for permitted waste activities where the Group has obligations under the Environment Agency's fit and proper person test to make adequate financial provision. Additionally, the Group has bonds to a value of £18.5m (2022: £16.1m) for performance of local authority and other contracts. No liability is expected to arise in respect of these bonds. The Group also has three letters of credit in relation to the deferred equity contributions on Newhurst EfW and Protos EfW amounting to £17.2m (2022: £32.2m).

Hazardous soils

The Group is 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 as the Group is disputing this assessment.

HMRC Landfill Tax Enquiry

As set out in Note 1, Biffa Waste Services Limited ("BWSL") is currently the subject of an enquiry by HMRC regarding certain aspects of its Landfill Tax compliance ('the Enquiry'), as part of concerns HMRC has primarily relating to the interpretation of the qualifying fines regime set out in LFT1. HMRC also raised concerns, based on its analysis of BWSL's data, over the potential conduct of BWSL and specific customers, which may have led to the incorrect rate of Landfill Tax being paid.

A provision has been recognised for £64.0m (2022: £20.0m) including associated costs and interest based on specific amounts asserted by HMRC to date. In addition, HMRC has raised general issues about Biffa's compliance with the qualifying fines regime set out in LFT1. The Directors do not consider that a liability is likely to arise for those general matters, and therefore this is treated as a contingent liability.

BWSL's potential additional liability for Landfill Tax for the relevant period could be up to approximately £114m, based on information provided by HMRC, plus interest and further costs in responding to the Enquiry.

For further information, please refer to the key source of estimation uncertainty disclosure relating to this matter in Note 1 and the related provision disclosure in Note 18.

28. Investments in joint ventures and associates

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

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

Summarised financial information for each of the Group's joint ventures and associates is set out below. Amounts presented are prepared in accordance with IFRS Standards.

	2023		2022	
	Newhurst £m	Protos £m	Newhurst £m	Protos £m
Statement of Financial Position				
Current assets	19.8	102.1	7.0	52.9
Non-current assets	338.1	263.3	255.3	185.8
Current liabilities	(9.7)	(8.4)	(7.4)	(22.1)
Non-current liabilities	(254.3)	(297.1)	(197.7)	(213.1)
Net assets	93.9	59.9	57.2	3.5
Net assets includes:				
Cash and cash equivalents	9.2	93.0	5.1	50.0
Current financial liabilities ¹	(9.9)	(7.9)	(5.7)	(14.8)
Non-current financial liabilities ¹	(254.3)	(297.1)	(197.7)	(213.1)

1. Financial liabilities excludes trade and other payables and provisions

Notes to the Consolidated Financial Statements

28. Investments in joint ventures and associates continued

	2023		2022	
	Newhurst £m	Protos £m	Newhurst £m	Protos £m
Statement of Comprehensive Income				
Revenue	6.6	-	-	-
Profit / (loss) for the period	2.6	(1.1)	(1.8)	(1.2)
Other comprehensive income / (loss) for the period	25.2	28.9	14.1	(14.4)
Total comprehensive income / (loss)	34.4	27.8	12.3	(15.6)

Reconciliation of the above summarised financial information to the carrying amount of the Group's interest in the joint venture or associate:

	2023		2022	
	Newhurst £m	Protos £m	Newhurst £m	Protos £m
Net assets	93.9	59.9	57.2	3.5
Group percentage ownership interest	50%	25%	50%	25%
Carrying amount of the Group's interest	47.0	15.0	28.6	0.8
Interest in joint venture or associate at the start of the period	28.6	0.8	11.5	(1.9)
Additions	4.4	7.3	10.8	6.6
Share of post-tax results	1.3	(0.3)	(0.8)	(0.3)
Share of net gain / (loss) on cash flow hedge	12.6	7.2	7.1	(3.6)
Interest in joint venture or associate at the end of the period	46.9	15.0	28.6	0.8

29. EVP-related items

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

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

The matter was heard by the First Tier Tax Tribunal which found in HMRC's favour, before Biffa won the Upper Tax Tribunal for the EVP case. HMRC however requested a further hearing from the Court of Appeal which took place in March 2021. Biffa was unsuccessful in the hearing with the Court of Appeal and the Directors sought leave to appeal the decision to the Supreme Court. In May 2022 the Group's request of leave to appeal was refused by the Supreme Court.

The contested amount was paid to HMRC following the refinancing of the Group upon its IPO in October 2016. In addition to the payment of £61.9m, the Group paid £1.7m in interest in the period ended 24 March 2017. The Directors, having taken appropriate advice, did not believe that a liability to tax exists and accordingly treated the payment of the tax and associated interest as a prepayment.

As part of the IPO of the Group, arrangements were put in place to make certain payments to the shareholders and certain members of employee incentive schemes of the Group immediately prior to its Listing, subject to and in respect of the outcome of the dispute. A financial liability of £47.6m was recognised in borrowings and an accrual of £13.0m was recognised in non-current liabilities.

With the negative outcome confirmed, in the year ended 25 March 2022; the £63.6m prepayment was impaired to £nil and a corresponding deferred tax asset of £15.5m was recognised; the £47.6m financial liability was reduced to £14.3m; and the accrual was reduced to £3.5m. These outstanding balances reflect the amounts payable to the shareholders and certain members of employee incentive schemes of the Group respectively, immediately prior to its Listing. The net impact of these transactions is a loss after tax of £5.4m in the prior period.

No payments were made in the year ended 31 March 2023. Subsequent to the year end date, £7.8m was paid to EVP preference shareholders and ex-management as explained in Note 34.

Of the outstanding liability at the year end date of £17.8m, £6.3m has been included within Group Net Debt, as explained in Note 23.

Notes to the Consolidated Financial Statements

30. Service concession arrangements

The Group has two integrated waste management contracts that are considered to fall within the scope of IFRIC 12: Service Concession Arrangements. These are the West Sussex County Council recycling contract (length of 29 years – awarded in 2004 and acquired by the Group as part of the Viridor acquisition in the year ended 25 March 2022) and the Leicester City Council contract (25 years – awarded in 2003).

The concessions vary as to the extent of their obligations, but typically require the construction and operation of an asset during the concession period including scheduled maintenance and capital expenditure. The operation of the assets includes the provision of waste management services such as collection, recycling and disposal. Typically at the end of concession periods the assets are returned to the concession owner. There have not been any significant changes to these arrangements in the period.

The West Sussex County Council recycling contract involves the construction and maintenance of recycling assets that will be returned to the council at the end of the contract. This arrangement is therefore considered to be within the scope of IFRIC12. An intangible asset of £31.2m is held at the year end date (2022: £35.5m) and is being amortised over the remaining life of the contract. A provision for future capital expenditure on reverting assets of £15.9m (2022: £13.1m) has been recognised in relation to this contract as described in Note 18.

The Leicester City Council contract also falls within the scope of IFRIC 12, and a financial asset of £4.3m (2022: £4.0m) has been recognised. The contract is loss making and a return to profitability is not expected, and as such an onerous contract provision has been recognised as described in Note 18.

These contracts generated revenue of £56.7m in the 53 weeks ended 31 March 2023 (2022: £21.9m).

31. Subsidiary undertakings

The following entities are 100% owned subsidiaries of the Company as at 31 March 2023. All subsidiary undertakings have a financial year end coterminous with Biffa Limited unless otherwise noted.

Name of subsidiary	Place of incorporation	Principal activity	Name of subsidiary	Place of incorporation	Principal activity
Amber Engineering Limited ¹	England and Wales	Waste management	Biffa Group Holdings (UK) Limited ¹	England and Wales	Holding company
Borge Waste Management Limited ¹	England and Wales	Waste management	Biffa Group Holdings Limited ²	Jersey	Holding company
Biffa (Corby) Limited ¹	England and Wales	Dormant	Biffa Group Limited ¹	England and Wales	Holding company
Biffa (Earls Barton) Limited ¹	England and Wales	Dormant	Biffa GS (FC) Limited ¹	England and Wales	Waste management
Biffa (Jersey) Limited ²	Jersey	Holding company	Biffa GS (LPP) Limited ¹	England and Wales	Waste management
Biffa (Land) Limited ³	Guernsey	Waste management	Biffa GS (M&B) Limited ¹	England and Wales	Waste management
Biffa (Roxby) Limited ¹	England and Wales	Dormant	Biffa GS Environmental Limited ¹	England and Wales	Waste management
Biffa (UK) Holdings Limited ¹	England and Wales	Dormant	Biffa GS Environmental Recycling Limited ¹	England and Wales	Waste management
Biffa (WES) Limited ¹	England and Wales	Dormant	Biffa GS Holdings Limited ¹	England and Wales	Holding company
Biffa (West Sussex) Recycling Limited ¹	England and Wales	Waste management	Biffa GS UK Holdings Limited ¹	England and Wales	Holding company
Biffa Corporate Holdings Limited ¹	England and Wales	Holding company	Biffa Holdings (Jersey) Limited ²	Jersey	Dormant
Biffa Corporate Services Limited ¹	England and Wales	Dormant	Biffa Holdings Limited ¹	England and Wales	Holding company
Biffa Environmental Municipal Services Limited ¹	England and Wales	Waste management	Biffa Leicester Limited ¹	England and Wales	Waste management

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

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

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

Notes to the Consolidated Financial Statements

31. Subsidiary undertakings continued

Name of subsidiary	Place of incorporation	Principal activity	Name of subsidiary	Place of incorporation	Principal activity
Biffa Municipal Limited ¹	England and Wales	Waste management	Material Recovery Nominees Limited ¹	England and Wales	Dormant
Biffa Netherlands B.V. ²	Netherlands	Holding company	New Star Environmental Limited ¹	England and Wales	Waste management
Biffa Pension Scheme Trustees Limited ¹	England and Wales	Dormant	Norwaste Limited ¹	England and Wales	Dormant
Biffa UK Group Limited ¹	England and Wales	Dormant	O'Brien Waste Recycling Solutions Holdings Limited ¹	England and Wales	Dormant
Biffa UK Limited ¹	England and Wales	Dormant	O'Brien Waste Recycling Solutions Limited ¹	England and Wales	Dormant
Biffa Waste Limited ¹	England and Wales	Dormant	Poplars Resource Management Company Limited ¹	England and Wales	Waste management
Biffa Waste Management Limited ¹	England and Wales	Waste management	Reclamation & Disposal Limited ¹	England and Wales	Dormant
Biffa Waste Services Limited ¹	England and Wales	Waste management	Richard Biffa (Reclamation) Limited ¹	England and Wales	Dormant
Biffa West Sussex Holdco Limited ¹	England and Wales	Dormant	RUR3 Environmental Limited ¹	England and Wales	Waste management
Biffa West Sussex Limited ¹	England and Wales	Waste management	Simply Waste Solutions Limited ¹	England and Wales	Dormant
Bray Insurance Company Limited ³	Gibraltar	Insurance services	Specialist Waste Recycling Limited ⁴	Scotland	Waste management
CAMO Limited ¹	England and Wales	Dormant	SWR Smash & Grab Limited ¹	England and Wales	Waste management
Community Shop C.I.C. ⁵	England and Wales	Other retail non-specialist	SWRNewstar Limited ¹	England and Wales	Dormant
Company Shop Holdco Limited ¹	England and Wales	Waste management	Syracuse Waste Limited ¹	England and Wales	Waste management
Company Shop Limited ⁶	England and Wales	Other retail non-specialist	The Withnell Brick and Terra Cotta Company (1912) Ltd ¹	England and Wales	Dormant
Cressex Insurance Services Limited ¹	England and Wales	Dormant	Total Recycling Services Limited ^{***1}	England and Wales	Waste management
Forge Recycling (Holdings) Limited ^{**1}	England and Wales	Holding company	UK Waste Management Holdings Limited ¹	England and Wales	Dormant
Forge Recycling (UK) Limited ^{**1}	England and Wales	Waste management	UK Waste Management Limited ¹	England and Wales	Waste management
Forge Waste Limited ¹	England and Wales	Dormant	Wastedrive (Manchester) Limited ¹	England and Wales	Waste management
GS Acquisitions Limited ¹	England and Wales	Holding company	Wastedrive Limited ¹	England and Wales	Dormant
GS Equity Co ⁷	Cayman Islands	Holding company	Wasteholdco 1 Limited ¹	Jersey	Holding company
Island Waste Services Limited ¹	England and Wales	Waste management	Wasteholdco 2 Limited ¹	Jersey	Holding company
Lavelle & Sons Limited ¹	England and Wales	Dormant	Weir Recycling Services Limited ¹	England and Wales	Dormant
Laristan Services Limited ¹	England and Wales	Dormant	Weir Waste Services Limited ¹	England and Wales	Dormant
M Joseph & Son (Birmingham) Limited ¹	England and Wales	Dormant	White Cross Limited ¹	England and Wales	Dormant

* Financial year ended 2 April 2023

** Financial year ended 27 March 2023

*** Financial year ended 31 October 2022

¹ Directly held by Biffa Limited

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

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

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

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

5. Registered at Fiduciary Management Limited, Suite 25 Portland House, Glacis Road, Gibraltar, GX11 1AA

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

7. Registered at Intertrust Corporate Services (Cayman) Limited, 190 Egin Avenue, George Town, Grand Cayman KY19005

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

Subsequent to the reporting date, Laristan Services Limited was dissolved on 18 April 2023 and Esterpet Limited was acquired on 25 April as disclosed in Note 34.

Notes to the Consolidated Financial Statements

32. Controlling party

Biffa Limited is a 100% owned subsidiary of Biffa Bidco Limited (formerly Bears Bidco Limited), a Company incorporated in the United Kingdom, whose registered office is Coronation Road, Crassex, High Wycombe, Bucks, HP12 3TZ. Biffa Limited is the parent company of the smallest and largest group in which the Company's results are consolidated

On 10 July 2023, Bears Bidco Limited changed its name to Biffa Bidco Limited.

The ultimate controlling party is ECP ControlCo, LLC, registered in Delaware, United States.

33. Dividends

The Board recommends that there will be no dividends for the year ended 31 March 2023 (2022: 6.89p). A final dividend of 4.69 pence per share for the year ended 25 March 2022 was paid during the year.

34. Post balance sheet events

Acquisitions

On 25 April 2023 the Group acquired the entire issued share capital of Esterpet Limited ('Esterpet'), a recycler of Polyethylene Terephthalate ('PET') plastic, for consideration of £0.7m. From its state-of-the-art recycling facility in North Yorkshire, Esterpet converts 25,000 tonnes of plastic flakes each year, generated from recycled bottles, into high-purity plastic pellets. These pellets are made into new plastic bottles for beverages, cosmetics and household goods, with the company's customers including some of the largest brands in the UK and Europe.

Alongside the acquisition of Esterpet, the Group acquired 49.9% of the issued share capital of its sister company Esterform Packaging Limited, a leading manufacturer of plastic bottles and Esterpet's largest customer, for a consideration of £5.5m. Both investments will form part of the Polymers business in the Resources & Energy division.

Debt Restructure

On 23 May 2023, the Group restructured its existing debt as follows:

- The Group repaid its private placements of £345.0m. These were replaced by £260.0m of private placements held within Biffa Limited.
- The new notes are a mixture of 5- and 7-year notes with a weighted average borrowing rate of 6.2%.
- Term loans and RCF held by Biffa Bidco Limited, to which the Group has access, were increased. Term loans of £100.0m were increased to £235.0m and RCF of £225.0m was increased to £325.0m. Interest is charged at a floating rate and other terms remain unchanged.

EVP Payments

In May and June 2023, £7.8m was paid to EVP preference shareholders and ex-management in relation to the EVP dispute disclosed in Note 29. At 31 March 2023, the total liability was £17.8m. The remaining £10.0m is expected to be paid in the year ending 28 March 2025.

DRS

On 7 June 2023 the Scottish government announced that, while they remain committed to the Deposit Return Scheme in Scotland, it would be delayed until October 2025 at the earliest. An announcement had been made previously on 18 April 2023 that the start date of the scheme would be delayed from August 2023 to March 2024. Circularity Scotland Limited ('CSL'), the scheme administrator, entered administration on 20 June 2023 as its funding was withdrawn and was therefore unable to meet its contractual obligations to Biffa and other parties. The Joint Administrators' Proposals were released on 28 July 2023, indicating that at best Biffa would receive an immaterial portion of the total amount due from CSL.

In the year ended 31 March 2023 the scheme made no contribution to operating profit but the following material amounts were held on the balance sheet at the year end date:

- Accrued income – £6.1m
- Property, Plant and Equipment – £9.8m
- Right-of-use assets – £8.1m
- Lease liabilities – £8.5m

In addition to the amounts recorded at 31 March 2023 the Group had further capital commitments of approximately £39m, of which a proportion are expected to be leased. It is likely that impairments will be recognised on a number of assets, with the impact on FY24 Operating Profit within the range £nil to £64m. The Group has various options available to mitigate the committed cash outflows and latest estimates indicate that up to £40m can be recovered.

The announcement on 7 June 2023 is judged to be a non-adjusting event in accordance with IAS 10: Events after the Reporting Period because it is not considered to provide evidence of conditions that existed at 31 March 2023. In other words there were no reliable indications before 31 March 2023 that this postponement would occur. Therefore no adjustments corresponding to this announcement have been made to the 31 March 2023 financial statements and instead the appropriate accounting entries will be posted in the year ending 29 March 2024 once mitigation plans are finalised and enacted.

Parent Company Financial Statements

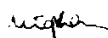
Parent Company Statement of Financial Position

The parent company statements are prepared under FRS 101 and relate to the Company and not to the Group. The financial statements are prepared under the historical cost convention.

		As at 31 March 2023	As at 25 March 2022
	Notes	£m	£m
Non-current assets			
Investments	3	255.1	257.9
Trade and other receivables	4	420.0	434.0
		675.1	691.9
Current assets			
Financial assets	5	-	1.0
		-	1.0
Current liabilities			
Trade and other payables	7	(1.5)	(1.8)
Borrowings	8	(345.0)	-
		(346.5)	(1.8)
Net current liabilities		(346.5)	(0.8)
Non-current liabilities			
Borrowings	8	-	(345.0)
		-	(345.0)
Net assets		328.6	346.1
Equity			
Called up share capital	9	3.1	3.1
Share premium	9	252.2	247.6
Merger reserve		95.8	95.8
Retained earnings		(22.5)	(0.4)
Total equity attributable to shareholders		328.6	346.1

As permitted by section 408 of the Companies Act 2006, the Company has not presented its own income statement or statement of comprehensive income. The loss of the Company for the year attributable to shareholders was £11.0m (2022: £8.9m loss).

The financial statements were approved by the Board of Directors and authorised for issue on 11 September 2023. They were signed on its behalf by:



Michael Topham
Director
Company no: 10336040

Parent Company Financial Statements

Parent Company Statement of Changes in Equity

	Called up share capital £m	Share premium £m	Hedging reserve £m	Merger reserve £m	Retained earnings £m	Total equity £m
As at 26 March 2021	3.1	247.0	(2.9)	95.8	16.1	359.1
Loss for the period	-	-	-	-	(8.9)	(8.9)
Other comprehensive income	-	-	2.9	-	-	2.9
Total comprehensive income / (loss) for the period	-	-	2.9	-	(8.9)	(6.0)
Exercise of share options	-	0.6	-	-	-	(3.6)
Shares purchased by employee benefits trust	-	-	-	-	(3.6)	2.7
Value of employee service in respect of share option schemes (excluding NICs)	-	-	-	-	2.7	0.6
Dividends paid	-	-	-	-	(6.7)	(6.7)
As at 25 March 2022	3.1	247.6	-	95.8	(0.4)	346.1
Loss for the period	-	-	-	-	(11.0)	(11.0)
Other comprehensive income / (loss)	-	-	-	-	-	-
Total comprehensive income / (loss) for the period	-	-	-	-	(11.0)	(11.0)
Exercise of share options	-	4.6	-	-	-	4.6
Shares purchased by employee benefits trust	-	-	-	-	(1.5)	(1.5)
Value of employee service in respect of share option schemes (excluding NICs)	-	-	-	-	4.7	4.7
Dividends paid	-	-	-	-	(14.3)	(14.3)
As at 31 March 2023	3.1	252.2	-	95.8	(22.5)	328.6

In May 2020, the Company incorporated a Jersey registered "cash box" company in order to facilitate an equity raise. The transaction satisfied all required conditions to obtain merger relief in accordance with section 612 of the UK Companies Act 2006. The amount within the merger reserve relating to this equity raise is now a distributable reserve.

Notes to the Parent Company Financial Statements

1. Accounting policies

General Information

The Company is a private company limited by shares incorporated and registered in the UK and is the parent company of the Group. The address of the Company's registered office is Coronation Road, Cressex, High Wycombe, Buckinghamshire, HP12 3TZ. The principal activity of the Company is as holding company for the Group. The principal activity of the Group is the provision of waste management services in the United Kingdom.

The Company was a public company limited by shares until 26 January 2023 when its entire share capital was acquired by Bears Bidco Limited, a private company limited by shares incorporated and registered in the UK. The Company name changed from Biffa plc to Biffa Limited upon delisting from the London Stock Exchange on 27 January 2023.

Basis of preparation

These financial statements present the results of the Company as an individual entity and are prepared on the going concern basis, in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ('FRS 101') and the Companies Act 2006.

The Company meets the definition of a qualifying entity under FRS 100 Application of Financial Reporting Requirements issued by the FRC. Accordingly, these financial statements are prepared in accordance with FRS 101. The financial statements have been prepared in accordance with the accounting policies set out below, which have been consistently applied to all the years presented except where the Company has elected to take the following exemptions as allowed under FRS 101.

- The requirements of IAS 7 'Statement of Cash Flows'.
- The requirements of paragraph 17 of IAS 24 'Related Party Disclosures' in respect of key management personnel.
- Requirements of IAS 24 'Related Party Disclosures' to disclose transactions between wholly owned members of the Group.
- The requirements of IFRS 7 'Financial Instruments: Disclosures', as equivalent disclosures are provided in the consolidated financial statements of the Group to which the Company belongs.
- The requirements of IFRS 2 'Share-based Payments'.
- The requirements of paragraphs 91 to 99 of IFRS 13 'Fair Value Measurements', as equivalent disclosures are presented in the consolidated financial statements.

These financial statements are presented in Pound Sterling ('GBP') and are rounded to the nearest £0.1m.

The Company participates in the Group's centralised treasury and banking arrangements. The Company is expected to generate positive cash flows to continue to operate in the foreseeable future.

The Company has not presented its own income statement or statement of comprehensive income as permitted by section 408 of the Companies Act 2006.

Critical accounting judgements and key sources of estimation uncertainty

The Company does not consider there to be any there to be any critical accounting judgements or key sources of estimation uncertainty.

Investments

Investments are initially stated at cost. Investments are tested for impairment when an event that might affect asset value has occurred.

An impairment loss is recognised to the extent that the carrying amounts cannot be recovered either by selling the asset or by the discounted future cash flows from the investment.

Dividend distribution

The final dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved. Interim dividends are recognised when paid.

Other receivables

Other receivables are recognised initially at fair value less any provision for expected credit loss. They are subsequently held at amortised cost less any provision for expected credit loss.

Notes to the Parent Company Financial Statements

1. Accounting policies continued

Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instruments. Financial instruments are derecognised when they are discharged or when the contractual terms expire. The financial instruments recognised by the Company are set out below.

Trade receivables

Trade receivables are recognised initially at fair value and subsequently at amortised cost using the effective interest method, less expected credit losses.

Trade payables

Trade payables are recognised initially at fair value and subsequently at amortised cost using the effective interest method.

Borrowings and equity instruments

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements.

Borrowings are recognised initially at fair value, net of transaction costs. Any difference between the amount initially recognised and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as non-current liabilities where the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and subsequently remeasured at fair value at each balance sheet date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged.

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

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

The fair values of derivative instruments used for hedging are shown in Note 5. Movements in the hedging reserve are shown in the statement of changes in equity.

At the reporting date the Company has no fair value hedges or net investment hedges.

Share capital

Ordinary shares are classified as equity and are recorded at par value of proceeds received. Where shares are issued above par value, the proceeds in excess of par value are recorded in the share premium account net of direct issue costs.

Share-based payment plans

The Group's management awards employee share options, from time to time, on a discretionary basis which are subject to vesting conditions. The economic cost of awarding the share options to its employees is recognised as an employee benefit expense in the income statement equivalent to the fair value of the benefit awarded. The fair value is determined by reference to the stochastic pricing model. The charge is recognised over the vesting period of the award.

2. Employees and Directors

Biffa Limited had 2 employees during the year (2022: 2), being the Chief Executive Officer and Chief Financial Officer. Their emoluments were as follows:

	2023 £m	2022 £m
Aggregate emoluments	1.5	1.8
Company contributions to money purchase pension schemes	0.2	0.2
Total	1.7	2.0

Notes to the Parent Company Financial Statements

2. Employees and Directors continued

	2023 Number	2022 Number
The number of Directors who:		
Are members of a money purchase pension scheme	2	2
Exercised options over shares in the Company	2	-
Had awards receivable in the form of shares under a long-term incentive scheme	2	2

	2023 £m	2022 £m
Highest paid Director		
Aggregate emoluments	1.1	1.1
Company contributions to money purchase pension schemes	0.1	0.1
Total	1.2	1.2

In addition to the above, the highest paid Director exercised share options in the year and had shares receivable under long-term incentive schemes.

3. Investments

	£m
As at 26 March 2021	256.4
Movements relating to share options granted on behalf of subsidiary employees	1.5
As at 25 March 2022	257.9
Movements relating to share options granted on behalf of subsidiary employees	(2.8)
As at 31 March 2023	255.1

There have been no indicators of impairment during the year and no requirement for impairment. The Directors believe that the carrying value of the investments is supported by their underlying net assets.

Disclosure of the Company's joint ventures and associates and subsidiaries is given in Notes 28 and 30 of the Group financial statements.

4. Trade and other receivables

	2023 £m	2022 £m
Amounts falling due after more than one year		
Amounts due from subsidiary undertakings	420.0	434.0
	420.0	434.0

The Directors consider that the carrying amount of trade receivables approximates their fair value. The balance due from subsidiary undertakings is unsecured, non-interest bearing and repayable on demand. An expected credit loss provision of £4.2m has been recognised as at the close of the current period (2022: £4.4m) in relation to the balance due from subsidiary undertakings.

5. Financial assets

	2023 £m	2022 £m
Financial assets	-	1.0

During the previous financial period the Company undertook two private placements and capitalised associated borrowing costs of £1.0m. The private placements were refinanced in May 2023 and the capitalised costs have therefore been written off during the year ended 31 March 2023.

Notes to the Parent Company Financial Statements

6. Fair value of financial assets and liabilities

	2023		2022	
	Book value £m	Fair value £m	Book value £m	Fair value £m
Financial assets				
Trade and other receivables	420.0	420.0	434.0	434.0
Financial assets	-	-	1.0	1.0
Financial liabilities				
Trade and other payables	(1.5)	(1.5)	(1.8)	(1.8)
Private placements	(345.0)	(345.0)	(345.0)	(345.0)
Total financial assets and liabilities	73.5	73.5	88.2	88.2

7. Trade and other payables

	2023 £m	2022 £m
Amounts falling due in under one year		
Other creditors	-	0.5
Interest payable	1.5	1.3
	1.5	1.8

All creditors are unsecured.

8. Borrowings

	2023 £m	2022 £m
Amounts falling due in under one year		
Private placements	345.0	-
	345.0	-
Amounts falling due after more than one year		
Private placements	-	345.0
	-	345.0

The £345m private placements were terminated on 23 May 2023 as part of the debt restructure. They were replaced with £260m of private placement notes held by Bears Bidco Limited, maturing in May 2028.

9. Reserves

Refer to Note 21 of the Group financial statements for details.

10. Related party transactions

There have been no material related party transactions in the 53 weeks ended 31 March 2023 (2022: £nil) except for key management compensation as set out in Note 5 of the Group financial statements.

Notes to the Parent Company Financial Statements

11. UK registered subsidiaries exempt from audit

Biffa Limited is the parent company of the Group. The following UK subsidiaries will take advantage of the audit exemption set out within Section 479A of the Companies Act 2006 for the period ended 31 March 2023. The undertakings listed below are 100% indirectly owned by Biffa Limited. In accordance with Section 479C of the Companies Act, the Company will guarantee the debts and liabilities of the below UK subsidiary undertakings.

Name	Company Number	Name	Company Number
Amber Engineering Limited	1067283	Forge Recycling (Holdings) Ltd	11062914
Barge Waste Management Limited	2849409	Forge Recycling (UK) Ltd	07383076
Biffa (Corby) Limited	3216850	Forge Waste Limited	4594882
Biffa (Earls Barton) Limited	748129	GS Acquisitions Limited	7255980
Biffa (Roxby) Limited	2031961	Island Waste Services Limited	1552791
Biffa (UK) Holdings Limited	3249158	Lavelle & Sons Limited	1312867
Biffa (WES) Limited	2729607	M Joseph & Son (Birmingham) Limited	440100
Biffa Corporate Holdings Limited	5656364	Material Recovery Nominees Limited	5186581
Biffa Corporate Services Limited	7155949	New Star Environmental Limited	7306131
Biffa Environmental Municipal Services Limited	905800	Norwaste Limited	1041912
Biffa Group Holdings (UK) Limited	4081901	O'Brien Waste Recycling Solutions Holdings Limited	9560589
Biffa GS (FC) Limited	4800628	O'Brien Waste Recycling Solutions Limited	9362987
Biffa GS (LPP) Limited	2276396	Poplars Resource Management Company Limited	2630491
Biffa GS (M&B) Limited	1173504	Reclamation & Disposal Limited	879315
Biffa GS Environmental Limited	3446693	Richard Biffa (Reclamation) Limited	929000
Biffa GS Environmental Recycling Limited	4786413	RUR3 Environmental Limited	6304761
Biffa GS Holdings Limited	4602885	Simply Waste Solutions Limited	12155099
Biffa GS UK Holdings Limited	4631832	Specialist Waste Recycling Limited	SC324466
Biffa Holdings Limited	1032104	SWR Smash & Grab Limited	5667032
Biffa Pension Scheme Trustees Limited	2694166	SWRNewstar Limited	11098385
Biffa UK Group Limited	3650457	Syracuse Waste Limited	13269384
Biffa UK Limited	3650459	UK Waste Management Holdings Limited	2536345
Biffa Waste Limited	4084432	UK Waste Management Limited	1362615
Biffa Waste Management Limited	1138022	Wastedrive (Manchester) Limited	1517244
Biffa West Sussex Holdco Limited	7001231	Wastedrive Limited	1396771
CAMO Limited	6524298	Weir Recycling Services Limited	9390664
Company Shop Holdco Limited	12215502	Weir Waste Services Limited	3777183
Company Shop Limited	192743	White Cross Limited	1537610
Cressex Insurance Services Limited	6848093		

12. Controlling party

Biffa Limited is a 100% owned subsidiary of Biffa Bidco Limited (formerly Bears Bidco Limited), a company incorporated in the United Kingdom, whose registered office is Coronation Road, Cressex, High Wycombe, Bucks, HP12 3TZ. Biffa Limited is the parent company of the smallest and largest group in which the Company's results are consolidated.

On 10 July 2023, Bears Bidco Limited changed its name to Biffa Bidco Limited.

The ultimate controlling party is ECP ControlCo, LLC, registered in Delaware, United States.

13. Post balance sheet events

On 23 May 2023, the Company repaid £345.0m of private placements. Refer to Note 34 of the Group financial statements for details.

Appendix

Alternative Performance Measures ('APMs')

The Group's financial performance is analysed into three components: 'Statutory Performance', 'Adjusted Performance' and 'Adjusting Items'. Adjusted performance is used as it aids comparability of the reported financial performance year to year and between divisions. Management identify a number of Alternative Performance Measures ('APMs') in order to separately disclose an adjusted performance for the Group. 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 performance trends, financial performance and position. Our APMs and KPIs are aligned to our strategy and together form the basis of the performance measures for remuneration. Consequently, APMs are consistent with how the performance is planned and reported internally to the Board and Operating Committees to aid their decision making.

APMs have been presented in this Appendix to provide a useful tool in understanding the performance of the business. It should be noted, however, that these APMs may not be comparable with similarly titled measures presented by other companies. It is recommended that APMs are viewed as supplementary information alongside the equivalent statutory measures.

This Appendix has been presented to help users of the financial statements understand the rationale behind our use of APMs, our methodology for identifying adjusting items and the impact of these adjusting items on the APMs. The Group income statement does not disclose any adjusting items and has been presented as a single column showing the statutory results only. The same approach has been adopted for the Group statement of cash flows.

Depreciation and amortisation relates to the write-down of both intangible and tangible fixed assets over their estimated useful economic lives. Amortisation of acquisition intangibles is disclosed separately in line with divisional Adjusted Operating Profit.

The Group's policy is to exclude items that are considered significant in nature and/or value, not in the normal course of business or are consistent with items that were separately disclosed in prior periods. Management utilises an exceptional item framework that has been approved by the Board. This follows a three-step process which considers the nature of the event, the financial materiality involved and the particular facts and circumstances. Items of income and expense that are considered for designation as adjusting items include significant acquisition-related costs, write-downs or impairments of non-current assets, movements on onerous contract provisions and strategy-related and restructuring costs.

APM	Closest equivalent statutory measure	Definition
Net revenue	Revenue	Statutory revenue excluding landfill tax. Unless stated otherwise, 'revenue' refers to statutory revenue. Landfill tax is excluded as the rate is outside the Group's control. See table below for reconciliation
Organic Net revenue growth	Revenue	The increase/(decrease) in Net Revenue in the period excluding Net Revenue from acquisitions completed in the period and Net Revenue from acquisitions completed in the prior period up to the anniversary of the relevant acquisition date, to the extent such Net Revenue falls in the current period. Where comparative periods differ in duration, the KPI is adjusted on a pro-rata basis. Organic Net Revenue Growth can be expressed both as an absolute financial value and as a percentage of prior period revenue. Organic Net Revenue Growth is presented to demonstrate to users of the financial statements the growth attributed to organic growth rather than as a result of acquisitions. See table below for reconciliation
Acquisition Net revenue growth	Revenue	Acquisition Net Revenue Growth in any period represents the Net Revenue Growth in the relevant period from (i) acquisitions completed in the relevant period and (ii) any acquisitions completed in the 12 months prior to the relevant period up to the 12-month anniversary of the relevant acquisition date (to the extent such Net Revenue falls in the current period). Acquisition Revenue Growth is calculated on the same basis, using revenue in place of Net Revenue. Acquisition Net Revenue Growth is presented to demonstrate the level of growth achieved as a direct result of the Group's acquisition strategy. See table below for reconciliation
EBITDA	Operating profit	Profit before depreciation, amortisation, net finance costs and taxation.
Adjusted EBITDA	Operating profit	Profit before depreciation and amortisation, adjusting items, changes to landfill provisions, net finance costs and taxation. Adjusted Divisional EBITDA is stated after allocation of shared service costs. Adjusted EBITDA is presented because it is widely used by analysts and investors to evaluate the profitability of companies. EBITDA eliminates potential differences in performance caused by variations in capital structures, tax positions, the cost and age of tangible assets and the extent to which intangible assets are identifiable. See table below for reconciliation

Appendix

Alternative Performance Measures ('APMs') continued

APM	Closest equivalent statutory measure	Definition
Adjusted Operating profit	Operating profit	Profit before adjusting items, amortization of acquisition intangibles, impact of real discount rate changes to landfill provisions, net finance costs and taxation. Adjusted divisional operating profit is stated after allocation of shared service costs. See table below for reconciliation.
Adjusted Profit before tax	Profit before tax	Profit before tax excluding adjusting items, amortisation of acquisition intangibles and the impact of real discount rate changes to landfill provisions.
Adjusted Profit for the period	Profit for the period	Profit after tax excluding adjusting items, amortisation of acquisition intangibles and the impact of real discount rate changes to landfill provisions.
Adjusted Free cash flow	Net cash from operating activities	Net increase/(decrease) in cash and cash equivalents excluding dividends, restructuring costs, adjusting items, acquisitions, movement in financial assets and movements in borrowings or share capital (but including finance lease principal payments). This measure reflects the cash generated in the period excluding adjusting items and forms part of management incentives.
Adjusted Return on operating assets	n/a	Adjusted Operating Profit divided by the sum of average of opening and closing Property, Plant & Equipment, plus average of opening and closing net working capital. See table below for reconciliation.
Adjusted Return on Capital Employed ('ROCE')	n/a	Adjusted Operating Profit less amortisation of acquisition intangibles divided by the average of opening and closing shareholders' equity, Net Debt (including lease liabilities), pensions and environmental provisions. See table below for reconciliation.
Group Net Debt	Bank and Other Borrowings	Bank and other borrowings plus lease liabilities and EVP preference liability, less cash and cash equivalents. See Note 23 to the consolidated financial statements for a reconciliation.
Covenant Basis Net Debt	Bank and Other Borrowings	Bank and other borrowings plus lease liabilities, less relevant financial assets and cash and cash equivalents. This is the measurement that our lenders use when assessing covenant compliance. See table below for reconciliation.
Group Leverage Ratio	Bank and Other Borrowings	Ratio of Group Net Debt to Adjusted EBITDA. See Note 23 to the consolidated financial statements for a reconciliation.

Reconciliation from Adjusted profit to Statutory profit measures by adjusting item

53 weeks ended 31 March 2023	Adjusted £m	Share of results in joint ventures and associates £m	Acquisition costs £m	Asset impairment and onerous contracts £m	Strategy related and restructuring costs £m	EVP dispute £m	HMRC Landfill Tax enquiry £m	IFRIC 12 £m	Amortisation of acquisition intangibles £m	Landfill provisions real discount rate changes £m	Statutory £m
Revenue	1,680.2	-	-	-	-	-	-	0.2	-	-	1,680.4
Costs	(1,456.0)	-	(24.8)	-	(18.0)	(1.2)	(50.7)	(1.4)	-	24.8	(1527.3)
Share of results in joint ventures and associates	1.3	(1.3)	-	-	-	-	-	-	-	-	-
EBITDA	225.5	(1.3)	(24.8)	-	(18.0)	(1.2)	(50.7)	(1.2)	-	24.8	153.1
Depreciation	(111.7)	-	-	-	-	-	-	3.7	-	-	(108.0)
Amortisation	(1.0)	-	-	-	-	-	-	(3.1)	(25.2)	-	(29.3)
Impairments	-	-	-	(9.1)	-	-	-	-	-	-	(9.1)
Operating profit	112.8	(1.3)	(24.8)	(9.1)	(18.0)	(1.2)	(50.7)	(0.6)	(25.2)	24.8	6.7
Finance income	6.7	-	-	-	-	-	-	-	-	-	6.7
Finance costs	(29.2)	-	-	-	-	-	-	(0.3)	-	-	(29.5)
Share of results in joint ventures and associates	(0.3)	1.3	-	-	-	-	-	-	-	-	1.0
Profit/ (loss) before taxation	90.0	-	(24.8)	(9.1)	(18.0)	(1.2)	(50.7)	(0.9)	(25.2)	24.8	(15.1)

Appendix

Alternative Performance Measures ('APMs') continued

Reconciliation from Adjusted profit to Statutory profit measures by adjusting item continued

52 weeks ended	Adjusted	Acquisition costs	Asset impairment and onerous contracts	Strategy related and restructuring costs	EVP dispute	HMRC Landfill Tax enquiry	IFRIC 12	Amortisation of acquisition intangibles	Landfill provisions real discount rate changes	Exceptional net interest income	Statutory
25 March 2022	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Revenue	1,443.2	-	-	-	-	-	-	-	-	-	1,443.2
Costs	(1,248.2)	(9.4)	-	(4.8)	(20.8)	(17.0)	(1.0)	-	0.3	-	(1,300.9)
EBITDA	195.0	(9.4)	-	(4.8)	(20.8)	(17.0)	(1.0)	-	0.3	-	142.3
Depreciation	(97.3)	-	-	-	-	-	2.4	-	-	-	(94.9)
Amortisation	(1.1)	-	-	-	-	-	-	(29.6)	-	-	(30.7)
Impairments	-	-	(25.0)	-	-	-	-	-	-	-	(25.0)
Operating profit / (loss)	96.6	(9.4)	(25.0)	(4.8)	(20.8)	(17.0)	1.4	(29.6)	0.3	-	(8.3)
Finance income	2.1	-	-	-	-	-	-	-	-	1.1	3.2
Finance costs	(22.0)	-	-	-	-	-	(0.4)	-	-	-	(22.4)
Share of results in joint ventures and associates	(1.1)	-	-	-	-	-	-	-	-	-	(1.1)
Profit / (loss) before taxation	75.6	(9.4)	(25.0)	(4.8)	(20.8)	(17.0)	1.0	(29.6)	0.3	1.1	(28.6)

Adjusted profit measures by division

	2023	2022
	£m	£m
Adjusted Operating profit		
Collections	82.5	75.0
Resources & Energy	42.3	41.1
Specialist Services	13.8	5.4
Group Business Function	(25.8)	(24.9)
Total	112.8	96.6
Adjusted EBITDA		
	£m	£m
Collections	146.1	130.7
Resources & Energy	78.3	73.4
Specialist Services	21.6	11.6
Group Business Function	(20.5)	(20.7)
Total	225.5	195.0

Adjusting items

Group Business Function costs represent shared services and corporate costs (including, inter alia, Board and corporate costs, finance, HR, IT, legal and insurance, external affairs and SHEQ) remaining after allocation to operating divisions. Adjusted EBITDA represents the profit earned by each division without allocation of depreciation and amortisation, adjusting items, finance costs, material impacts of changes in real discount rate applied to the Group's long-term provisions and income tax expense. Adjusted Operating Profit recognises the impact of depreciation and amortisation excluding the amortisation of acquisition intangibles. These measures are both reported to the Group Executive Team for the purpose of resource allocation and assessment of divisional performance.

Share of results of joint ventures

In a joint venture with Encyclis, the Group has invested in the construction of two energy recovery facilities ('ERFs'): Newhurst and Protos. The Newhurst ERF entered commercial operation during the year to 31 March 2023. The Group's share of the results of this joint venture have therefore been recognised in Adjusted Operating Profit (£1.3m).

Appendix

Alternative Performance Measures ('APMs') continued

Acquisition-related costs

Delivery of the Group's strategy includes investment in acquisitions that enhance the quality of its operations. The exclusion of significant items arising from M&A activity is designed by the Board to align short-term operational decisions with this longer-term strategy. Accordingly, amounts arising on acquisitions are excluded from adjusted performance. The £2.0m (2022: £9.4m) of acquisition-related expenditure in the 53-week period ended 31 March 2023 relates to professional fees and other costs which are directly attributable to acquisitions.

Also included in Acquisition-related costs are £22.8m of costs relating to the acquisition of the Group by ECP in January 2023.

Asset impairments

During the current financial period an impairment of £8.7m was recognised in relation to the Poplars anaerobic digestion plant, in addition to a £0.4m impairment for the closure of the Grangemouth site. The prior financial period saw a £25.0m one-off cost for the impairment of the goodwill that had been recognised on CSG, which was acquired in February 2021.

Strategy-related and restructuring costs

Strategy-related costs of £18.0m (2022: £4.8m) 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 our operational performance. Adjusting for these charges provides a measure of operating profitability that is comparable over time. Within the strategy-related costs is £16.2m relating to the Transformation Project which does not qualify for capitalisation (2022: £4.6m).

Amortisation of acquisition intangibles

This charge of £25.2m (2022: £29.6m) represents the amounts amortised by the Group in each period in respect of intangibles from prior acquisitions, which are reported separately from the Group's depreciation and amortisation charges. The performance of the acquired business is assessed as part of the Group's adjusted operational results. The Group uses this adjusting item to improve the comparability of information between reporting periods and divisions.

Impact of real discount rate changes on landfill provisions

The impact of real discount rate changes on landfill provisions reflects the provision movement which arises wholly due to the change in discount rate. Within the current financial period a credit of £24.8m was recognised (2022: £0.3m credit). This is not reflective of operational performance.

HMRC Landfill Tax Enquiry

As set out in Note 27, BWSL is currently the subject of an enquiry by HMRC regarding certain aspects of its Landfill Tax compliance.

A provision of £20.0m was recognised in the prior year. In the current year, the provision has been increased to £64.0m with a charge of £50.7m recognised within adjusting items. Further information is provided in Note 18.

IFRIC 12 adjustments

The adoption of IFRIC 12: Service Concession Arrangements, results in large accounting adjustments that are not reflective of the operational performance of the underlying contracts. The purpose of these adjustments is to reverse the impact of IFRIC 12 in Adjusted Performance.

Under IFRIC 12 depreciation on reverting PPE items is reversed out. The IFRIC 12 adjustment reinstates this depreciation.

Also under IFRIC 12 the cost of future capital expenditure that must be incurred in order to fulfil the contract is captured upfront and recognised as a provision, with the corresponding discount unwind being recognised within net finance costs. The IFRIC 12 adjustment reverses this charge from the Adjusted Performance.

The net impact of these IFRIC 12 adjustments is a £0.3m credit to the Income Statement, which is treated as an adjusting item.

Onerous contracts

Onerous contract provisions reflect the future unavoidable losses expected on the Group's existing contract portfolio. At the year end date the Group held onerous contract provisions for the Leicester City Council, Epping Forest District Council and South Oxfordshire & Vale contracts.

When onerous contract provisions are recognised or increased, the corresponding P&L charge is treated as an adjusting item because recognising multiple years of losses in one financial year skews the financial performance in that year. Onerous contract provision releases are also treated as adjusting items because the inflated profit they cause does not represent the in-year performance of the business. This approach ensures that Adjusted Operating Profit for any given period presents the contract losses incurred in that period.

Appendix

Alternative Performance Measures ('APMs') continued

Reconciliation of adjusting items to profit after tax

	2023 £m	2022 £m
Adjusting items		
HMRC Landfill Tax enquiry	50.7	17.0
Share of results of joint ventures	1.5	-
Acquisition related costs	24.8	9.4
Strategy related and restructuring costs	18.0	4.8
Asset impairments	9.1	25.0
EVP dispute	1.2	20.8
IFRIC 12 depreciation adjustment	0.6	(1.4)
	105.7	75.6
Other adjusting items		
Amortisation of acquisition intangibles	25.2	29.6
Impact of real discount rate changes on landfill provisions	(24.8)	(0.3)
Impact on Operating profit	106.1	104.9
Finance income adjusting items		
Exceptional net interest income	-	(1.1)
Unwind of discounting on IFRIC 12 provision	0.3	0.4
	0.3	(0.7)
Share of results of joint ventures	(1.3)	-
Impact on Profit before tax	105.1	104.2
Taxation on adjusting items	(7.4)	(26.4)
Impact on Loss for the period	97.7	77.8

	2023 £m	2022 £m
Adjusting items impacting Operating profit by division		
Collections	6.6	9.4
Resources & Energy	7.0	23.6
Specialist Services	1.1	25.3
Group Business Function	91.4	46.6
Total	106.1	104.9

Reconciliation of Statutory Revenue to Net Revenue

	2023 £m	2022 £m
Statutory Revenue	1,680.4	1,433.2
Landfill Tax	(75.7)	(79.3)
Net Revenue	1,604.7	1,363.9

	2023 £m	2022 £m
Net Revenue by division		
Collections	1,006.1	873.9
Resources & Energy	363.9	315.9
Specialist Services	234.7	174.1
Total	1,604.7	1,363.9

Appendix

Alternative Performance Measures ('APMs') continued

Reconciliation of Statutory Revenue to Net Revenue continued

	2023		2022	
Revenue growth	£m	Growth factor	£m	Growth factor
Net revenue for the prior period	1,363.9		988.1	
Acquisition revenue growth	83.6	6%	179.9	18%
Organic revenue growth	157.2	12%	195.9	20%
Net revenue for the current period	1,604.7		1,363.9	

Other performance measures

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

	2023	2022
	£m	£m
Adjusted Operating profit ¹	112.8	96.6
Average of property, plant and equipment ²	634.3	589.7
Average net working capital ³	(12.9)	(58.2)
	621.4	531.5
Adjusted Return on Operating Assets⁴	18.2%	18.2%

1. Operating Profit/(loss) before finance costs, adjusting items and taxation
2. Average of opening and closing net book value of property, plant and equipment
3. Average of the opening and closing net of inventories, trade and other receivables, trade and other payables and contract liabilities
4. Adjusted Operating Profit/(loss) divided by the average of opening and closing PPE plus net working capital

	2023	2022
	£m	£m
Adjusted Operating profit	112.8	96.6
Amortisation of Acquisition Intangibles	(25.2)	(29.6)
Adjusted Operating profit less Amortisation of Acquisition Intangibles	87.6	67.0
Average of shareholders' equity ¹	466.2	470.6
Average Net Debt ²	631.4	547.0
Average retirement benefits ³	(130.6)	(139.0)
Average environmental provisions ⁴	63.7	72.5
	1,030.7	951.0
Adjusted Return on Capital Employed⁵	8.5%	7.0%

1. Average of opening and closing shareholders' equity in 2023 and 2022.
2. Average of opening and closing Net Debt in 2023 and 2022.
3. Average of opening and closing retirement benefits in 2023 and 2022 (Note 25).
4. Average of opening and closing environmental provisions in 2023 and 2022 (Note 18).
5. Adjusted Operating Profit less amortisation of acquisition intangibles divided by the average of opening and closing shareholders' equity, net debt (including lease liabilities), pensions and environmental provisions.

Corporate Information

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Auditor

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Forward-looking Statements

Certain statements made in this Annual Report are forward-looking and are based on current expectations. The statements are subject to assumptions, inherent risks and uncertainties, many of which are beyond the Company's control and which could cause actual results to differ significantly from those expected. Unless required by law, regulations or accounting standards, the Company does not undertake to update or revise any forward-looking statement, whether as a result of new information or future developments. Any forward-looking statements made by or on behalf of the Group speak only as of the date that they are made and are based on knowledge and information available to the Directors on the date of this Annual Report.

Website

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



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