Biffa plc
FY23 HALF YEAR RESULTS

15 December 2022

Results for 26 weeks ended 23 September 2022

Biffa plc ('Biffa', 'the Group' or 'the Company') (LSE: BIFF), the UK's leading sustainable waste management company, announces its half year results for the 26 weeks ended 23 September 2022.

Business Highlights

- Trading in the first half of FY23 saw continued growth due to increased selling prices, strong commodity values and an increased contribution from the Viridor business. Inflationary cost increases have been largely offset, demonstrating the resilient nature of the Group's operating model.
- During the period, Biffa acquired the trade and assets of DJB Recycling, a £4.7m revenue waste collection and recycling business for £1.9m. Post the period end, Biffa acquired the entire share capital of Forge Recycling (Holdings) Limited, a £14.9m revenue waste collection and recycling business for an upfront net cash consideration of £15.9m, with a further £5.5m payable subject to the performance of the acquired business through to the end of March 2023.
- Biffa was awarded a flagship 10-year contract to provide logistics, sorting and counting services for the Deposit Return Scheme ('DRS') for drinks containers in Scotland.
- The rPET segment of the Polymers business is improving production yields and continuing to onboard new customers. The third rHDPE line in Redcar is on track for commissioning during H2.
- Company Shop is steadily improving the levels of sourced surplus materials, revenues and profit margins.
- The Energy Recovery Facility at Newhurst commenced commissioning in October, with the Protos facility expected to commission in late FY24.

Financial Highlights

- Group Statutory Revenue of £825.6m is up 23.0% on H1 FY22, with growth split relatively evenly between organic[1] and acquisitions (mainly Viridor). Price increases are the key driver behind the high level of organic growth[1].
- Group Adjusted EBITDA[2] rose 13.0% from £91.3m in H1 FY22 to £103.2m.
- Group Operating Profit improved from a loss of £16.7m in H1 FY22 to a profit of £49.6m while Adjusted Operating Profit[3] grew 9.9% from £45.4m in H1 FY22 to £49.9m.
- Total Adjusting Items sum to a £0.3m charge at Operating Profit level. They include strategy-related and restructuring costs (£9.7m charge) and amortisation of acquisition intangibles (£12.8m charge), offset by the impact of real discount rate changes on landfill provisions (£28.3m income).
- Group leverage[4] improved from 3.0x at H1 FY22 to 2.8x at H1 FY23, driven by the combination of EBITDA growth and stable net debt levels. Note that these ratios are on a post-IFRS 16 covenanted basis.
- There have been no material movements in the period in relation to the previously reported HMRC landfill tax enquiry.
- No interim dividend is proposed due to the terms of the transaction with Energy Capital Partners.

Financial Summary

Statutory Results

	H1 FY23 £m	H1 FY22 £m	Change £m	Change %
Statutory Revenue	**825.6**	671.2	154.4	23.0%
Operating Profit/(Loss)	**49.6**	(16.7)	66.3	n/a
Operating Profit/(Loss) Margin	**6.0%**	(2.5%)	8.5%	n/a
Profit/(Loss) Before Tax	**38.3**	(25.6)	63.9	n/a
Net Cash Flow	**(12.9)**	29.6	(42.5)	n/a
Basic EPS	**9.6p**	(8.9p)	18.5p	n/a
Dividend Per Share	**-**	2.20p	(2.20p)	(100.0%)
Net Cash Flow from Operating Activities	**82.0**	72.1	9.9	13.7%

Adjusted Results

	H1 FY23 £m	H1 FY22 £m	Change £m	Change %
Statutory Revenue	**825.6**	671.2	154.4	23.0%
Net Revenue[5]	**785.5**	632.8	152.7	24.1%
Adjusted EBITDA[2]	**103.2**	91.3	11.9	13.0%
Adjusted EBITDA Margin[6]	**12.5%**	13.6%	(1.1%)	n/a
Adjusted Operating Profit[3]	**49.9**	45.4	4.5	9.9%
Adjusted Operating Profit Margin[7]	**6.0%**	6.8%	(0.8%)	n/a
Adjusted Profit Before Tax[8]	**38.8**	36.5	2.3	6.3%
Adjusted Free Cash Flow[9]	**17.3**	12.8	4.5	35.2%
Group Net Debt[10]	**(588.5)**	(579.3)	(9.2)	(1.6%)
Net Debt:EBITDA (Covenant Basis)[4]	**2.8x**	3.0x	(0.2x)	n/a
Adjusted Basic EPS[11]	**10.0p**	11.0p	(1.0p)	(9.1%)

The technical notes for the tables and the commentary above can be found on page 3.

Cautionary statement regarding forward-looking statements

This announcement contains certain forward-looking statements which are based on current assumptions and estimates by the management of the Company. By their nature, forward-looking statements are subject to numerous risks and uncertainties and actual results may, and often do, differ materially from any forward-looking statements owing to factors beyond the Company's control or within the Company's control. These factors may include, for example, if the Company decides on a change of plan or strategy. Past performance cannot be relied upon as a guide to future performance and should not be taken as a representation that trends or activities underlying past performance will continue in the future.

Accordingly, no reliance may be placed on the figures contained in such forward-looking statements. Biffa provides no guarantee that future development and future results achieved will correspond to the forward-looking statements included here and accepts no liability if they should fail to do so.

The forward-looking statements contained in this document speak only as of the date of this announcement, and Biffa does not undertake the update any forward-looking statement to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

Rule 26.1 disclosure

In accordance with Rule 26.1 of The City Code on Takeovers and Mergers, a copy of this announcement will be available (subject to certain restrictions relating to persons resident in restricted jurisdictions) at www.biffa.co.uk/investors/possible-offer by no later than 12 noon (London time) on the business day following the date of this announcement. The content of the website referred to in this announcement is not incorporated into and does not form part of this announcement

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Please note, there will be no presentation of results.

Technical Notes

1. Organic growth – Revenue growth excluding the impact of acquisitions
2. Adjusted EBITDA – Profit/loss excluding depreciation and amortisation, adjusting items, finance costs and taxation
3. Adjusted Operating Profit – Profit/loss excluding adjusting items, finance costs and taxation
4. Group leverage (Net Debt:EBITDA) (Covenant Basis) – Ratio of Covenant Basis Net Debt[12] to Covenant Basis EBITDA[13]
5. Net Revenue – Statutory Revenue excluding landfill tax
6. Adjusted EBITDA margin – Adjusted EBITDA[2] as a percentage of Statutory Revenue
7. Adjusted Operating Profit margin – Adjusted Operating Profit[3] as a percentage of Statutory Revenue
8. Adjusted Profit Before Tax – Profit/loss excluding adjusting items and taxation
9. Adjusted Free Cash Flow – Net increase/decrease in cash and cash equivalents excluding adjusting items, dividends, acquisitions, movements in borrowings and investments in joint ventures
10. Group Net Debt – Sum of bank loans, lease liabilities and EVP preference liability less cash and cash equivalents
11. Adjusted Basic EPS – Basic earnings per share excluding adjusting items
12. Covenant Basis Net Debt – Group Net Debt less EVP preference liability and other financial assets
13. Covenant Basis EBITDA – Adjusted EBITDA[2] plus the impact of increasing the contribution from acquisitions during the period to a full 12 months

Further information on the alternative performance measures above is available in the appendix to the financial statements.

Chief Executive's Review

Collections

The Collections division comprises the Industrial & Commercial ('I&C') and Municipal businesses. It provides sustainable waste and recycling collections and related services to industrial, commercial, public sector and local authority customers.

I&C

Statutory Revenue increased 20.9% year on year. This is primarily due to the revenue acquired with the Viridor deal, together with price increases implemented to offset inflation.

Like for like volumes have recovered and are trending slightly above pre COVID levels.

Driver shortages together with other inflationary and supply chain issues have largely been mitigated, albeit the price increases lag cost inflation, which is impacting near-term profit margins. Customer churn levels remain at all time low levels demonstrating Biffa's resilience.

In addition, Biffa acquired the trade and assets of DJB Recycling, a £4.7m revenue waste collection and recycling business for £1.9m during the first half. Post the period end, Biffa acquired the entire share capital of Forge Recycling (Holdings) Limited, a £14.9m revenue waste collection and recycling business for an upfront net cash consideration of £15.9m, with a further £5.5m payable subject to the performance of the acquired business through to the end of March 2023.

We anticipate that the second half of the year has the potential to be more challenging as we face into the onset of a likely recession. However, the business is well placed to trade through this environment, and we expect to see opportunities arising that we are well placed to capitalise on.

Municipal

Statutory Revenue increased 16.6% year on year. This is primarily due to the revenue acquired with the Viridor deal, together with ad hoc additional services in certain contracts. These revenue increases have largely mitigated inflationary pressures and as a result, the underlying profitability of the business is broadly flat year on year.

	H1 FY23 £m	**H1 FY22 £m**	**Change £m**	**Change %**
Statutory Revenue	**495.1**	412.7	82.4	20.0%
I&C	**391.0**	323.4	67.6	20.9%
Municipal	**104.1**	89.3	14.8	16.6%
Net Revenue	**495.1**	412.7	82.4	20.0%
Operating Profit	**31.9**	30.3	1.6	5.3%
Operating Profit Margin	**6.4%**	7.3%	n/a	n/a
Adjusted EBITDA	**64.4**	61.1	3.3	5.4%
Adjusted Operating Profit	**35.5**	34.9	0.6	1.7%
Adjusted Operating Profit Margin	**7.2%**	8.5%	(1.3%)	n/a

Specialist Services

The Specialist Services division comprises two distinct businesses – Industrial Services and Company Shop.

Industrial Services helps customers fulfil their sustainability ambitions by providing a unique offering to manufacturers and distributors of household produce, bespoke solutions including surplus redistribution, integrated resource management (IRM) and hazardous waste services.

Company Shop provides an unequalled model to manufacturers and distributors of household produce, enabling surplus products that would otherwise go to waste to be redistributed through a membership-restricted outlet network.

Industrial Services

Statutory Revenue increased 30.8% year on year. This is primarily due to the revenue acquired with the Viridor deal, together with new customer wins.

Both the IRM and Hazardous Waste businesses continue to make marked progress, and this is anticipated to be an ongoing trend.

PRN's reflected in Biffa's revenue are also materially up year on year, which had a negative impact on margins.

Company Shop

Statutory Revenue increased 21.3% year on year. This is due to marked progress in terms of the level of surplus material being sourced and sold.

Weekly revenue for the business started the period at around £1.6m per week and exited the period at around £1.8m per week. We anticipate this improving further in the second half to around £2m per week.

Margins also continue to improve and are trending gradually back towards pre COVID levels.

	H1 FY23 **£m**	H1 FY22 £m	Change £m	Change %
Statutory Revenue	**103.4**	81.5	21.9	26.9%
Industrial Services	**62.4**	47.7	14.7	30.8%
Company Shop Group	**41.0**	33.8	7.2	21.3%
Net Revenue	**103.4**	81.5	21.9	26.9%
Operating Profit	**3.5**	(20.7)	24.2	n/a
Operating Profit Margin	**3.4%**	(25.4%)	n/a	n/a
Adjusted EBITDA	**8.1**	7.3	0.8	11.0%
Adjusted Operating Profit	**4.5**	4.4	0.1	2.3%
Adjusted Operating Profit Margin	**4.4%**	5.4%	(1.0%)	n/a

Resources & 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 Recovery Facilities which are nearing completion in Cheshire and Leicestershire.

Recycling

Statutory Revenue in the Recycling business increased 46.4% year on year. This is primarily due to strong performance from the Materials Recycling Facilities, ongoing strong commodity prices and increased Polymer volumes.

The rHDPE segment of the Polymers business in Redcar continues to perform strongly and the third rHDPE line is on track for commissioning in H2. The rPET operation in Seaham is improving production yields and continuing to onboard new customers.

Organics

Statutory Revenue in the Organics business increased 61.1% year on year. The improvement is entirely attributable to the assets acquired in the Viridor deal and they have benefited from the ongoing strength in commodity prices.

Inerts

Statutory Revenue in the Inerts business increased 3.9% year on year. This is due to slightly lower landfill volumes offset by higher pricing compared to H1 FY22.

Landfill Gas

Statutory Revenue in the Landfill Gas business increased 2.6% year on year. This is primarily due to stronger power prices offsetting the natural volume decline.

	H1 FY23 **£m**	H1 FY22 £m	Change £m	Change %
Statutory Revenue	**227.1**	177.0	50.1	28.3%
Recycling	**87.1**	59.5	27.6	46.4%
Organics	**50.6**	31.4	19.2	61.1%
Inerts	**29.3**	28.2	1.1	3.9%
Landfill Gas	**20.0**	19.5	0.5	2.6%
Net Revenue	**187.0**	138.6	48.4	34.9%
Operating Profit	**40.7**	(9.8)	50.5	n/a
Operating Profit Margin	**17.9%**	(5.5%)	n/a	n/a
Adjusted EBITDA	**43.0**	32.5	10.5	32.3%
Adjusted Operating Profit	**24.3**	17.9	6.4	35.8%
Adjusted Operating Profit Margin	**10.7%**	10.1%	0.6%	n/a

Financial review

Group Performance

Statutory Revenue of £825.6m is up 23.0% on H1 FY22 due to a mix of organic growth and acquisitions, notably the Viridor acquisition that completed on 31 August 2021.

Operating Profit has seen a significant improvement from a loss of £16.7m in H1 FY22 to a profit of £49.6m in H1 FY23. This is largely driven by the fall in asset impairments from £25.0m to £2.1m and a swing in the impact of real discount rate changes on landfill provisions from a charge in H1 FY22 of £16.8m to an income in H1 FY23 of £28.3m.

Excluding the impact of Adjusting Items, Adjusted Operating Profit increased from £45.4m in H1 FY22 to £49.9m in H1 FY23. The Adjusting Operating Profit Margin, however, fell from 6.8% to 6.0% as price increases lag the corresponding cost increases.

The Group remains in a well-funded position at September 2022, with headroom of £350.0m on the rolling credit facility ("RCF") and a Covenant Basis Leverage Ratio of 2.8x, significantly below the 4.25x limit stipulated in the lending covenants.

We anticipate that the second half of the year has the potential to be more challenging as we face into the onset of a likely recession. However, the business is well placed to trade through this environment, and we expect to see opportunities arising that we are well placed to capitalise on.

Group financial performance is summarised in the table below:

£m	**H1 FY23**	**H1 FY22**	**Change £m**	**Change %**
Statutory Revenue	**825.6**	671.2	154.4	23.0%
Adjusted EBITDA	**103.2**	91.3	11.9	13.0%
Operating Profit/(Loss)	**49.6**	(16.7)	66.3	n/a
Adjusted Operating Profit	**49.9**	45.4	4.5	9.9%
Adjusted Operating Profit Margin	**6.0%**	6.8%	(0.8%)	n/a

Statutory Performance and Adjusting Items

To enable a better understanding of business performance, certain items are excluded when calculating the Group's business performance. These Alternative Performance Measures ("APMs") are also 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 Profit Before Tax was a charge of £0.3m (H1 FY22: £62.1m charge). The main items in the period were strategy-related and restructuring costs (£9.7m charge) including costs relating to the systems replacement project and amortisation of acquisition intangible assets (£12.8m charge), offset by the impact of real discount rate changes on landfill provisions (£28.3m credit).

Tax relating to adjusting items was a charge of £0.7m (H1 FY22: £2.1m credit).

The total cash impact of adjusting items in H1 FY23 was an outflow of £12.0m (H1 FY22: £5.5m outflow).

A reconciliation from Adjusted Operating Profit to Statutory Profit/(Loss) After Tax is set out below:

£m	**H1 FY23**	**H1 FY22**	**Change £m**	**Change %**
Adjusted Operating Profit	**49.9**	**45.4**	**4.5**	**9.9%**
Adjusted net finance charges	**(9.8)**	(8.6)	(1.2)	(14.0%)
Share of joint venture	**(1.3)**	(0.3)	(1.0)	(333.3%)
Adjusted Profit Before Tax	**38.8**	**36.5**	**2.3**	**6.3%**
Adjusting items:				

Acquisition-related costs	**(2.0)**	(5.9)	3.9	66.1%
Onerous contracts	**-**	0.1	(0.1)	(100.0%)
Asset impairments	**-**	(25.0)	25.0	100.0%
EVP dispute	**(0.6)**	-	(0.6)	(100.0%)
Provision for HMRC landfill tax enquiry	**(3.0)**	-	(3.0)	(100.0%)
IFRIC 12 depreciation adjustment	**(0.5)**	-	(0.5)	(100.0%)
Strategy-related and restructuring costs/(gain)	**(9.7)**	(1.4)	(8.3)	(592.9%)
Amortisation of acquisition intangibles	**(12.8)**	(13.1)	0.3	2.3%
Impact of real discount rate changes to provisions	**28.3**	(16.8)	45.1	n/a
Other items	**(0.2)**	-	(0.2)	(100.0%)
Statutory Profit/(Loss) Before Tax	**38.3**	**(25.6)**	**63.9**	**n/a**
Tax	**(9.0)**	(1.2)	(7.8)	(650.0%)
Statutory Profit/(Loss) After Tax	**29.3**	**(26.8)**	**56.1**	**n/a**

Finance Income and Charges

Net finance charges increased from £8.6m in H1 FY22 to £10.0m in H1 FY23 due to higher borrowing levels to fund the Viridor acquisition and recent interest rate rises.

A breakdown of net finance charges is provided below:

	H1 FY23	**H1 FY22**	**Change £m**	**Change %**
Interest on net borrowings	**5.9**	3.9	2.0	51.3%
Interest on lease liabilities	**5.1**	4.4	0.7	15.9%
Provision discount unwind (excluding IFRIC 12)	**1.5**	1.0	0.5	50.0%
Interest on forward contracts	**-**	(0.1)	0.1	100.0%
Pensions and other interest	**(2.7)**	(0.6)	(2.1)	(350.0%)
Adjusted net finance charges	**9.8**	**8.6**	**1.2**	**14.0%**
IFRIC 12 provision discount unwind	**0.2**	-	0.2	100.0%
Net finance charges	**10.0**	**8.6**	**1.4**	**16.3%**

Taxation

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

The effective tax rate on Adjusted Profit Before Tax was 21% (H1 FY22: 9%). The statutory effective tax rate was 23% (H1 FY22: 20%). Payments in respect of corporation tax in the year were a net £0.1m inflow (H1 FY22: £0.2m outflow).

Earnings per Share

Statutory basic earnings per share improved from a loss of 8.9 pence in H1 FY22 to earnings of 9.6 pence in H1 FY23. However, adjusted basic earnings per share fell from 11.0 pence to 10.0 pence.

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 23 September 2022, the IAS 19 net retirement benefit surplus was £138.6m compared to a surplus of £139.0m at 24 September 2021.

Return on Capital

Group Adjusted Return on Capital Employed ("ROCE") increased from 6.0% for the 52 weeks ended 24 September 2021 to 7.2% for the 52 weeks ended 23 September 2022. Group Adjusted Return on Operating Assets ("ROOA") increased from 16.1% to 17.1% for the same period.

The improved returns are driven by greater Adjusted Operating Profit due to the Viridor contribution and organic growth, slightly offset by higher levels of capital. This improvement is expected to continue into H2.

Cash Flow

Adjusted Free Cash Flow grew from £12.8m in H1 FY22 to £17.3m in H1 FY23 despite the £8.5m rise in net capital expenditure, driven by an £11.9m increase in Adjusted EBITDA.

£7.5m of the Adjusting cash items relates to the Group-wide IT systems replacement project that was re-launched in FY22.

The Group achieved a net cash outflow of £3.9m excluding movements in borrowings. A summary of the Group's cash flows is shown below:

£m	**H1 FY23**	**H1 FY22**	**Change £m**	**Change %**
Adjusted EBITDA	**103.2**	**91.3**	**11.9**	**13.0%**
Working capital movement (including provisions)	**(5.4)**	(10.0)	4.6	n/a
Net capital expenditure	**(36.8)**	(28.3)	(8.5)	n/a
Net interest paid	**(11.2)**	(7.8)	(3.4)	n/a
Lease principal payments	**(26.9)**	(27.3)	0.4	n/a
Pension deficit payments	**(4.3)**	(4.3)	-	n/a
Employee share scheme purchase	**(1.7)**	(0.6)	(1.1)	n/a
Exercise of share schemes	**0.3**	-	0.3	n/a
Tax paid	**0.1**	(0.2)	0.3	n/a
Adjusted Free Cash Flow	**17.3**	**12.8**	**4.5**	**35.2%**
Adjusting items	**(12.0)**	(5.5)	(6.5)	n/a
EfW JV investment	**(7.4)**	(10.0)	2.6	n/a
Acquisitions (net of cash acquired)	**(1.8)**	(114.7)	112.9	n/a
Changes in borrowings	**(9.0)**	150.5	(159.5)	n/a
Equity raise	**-**	-	-	n/a
Movement in financial assets	**-**	0.8	(0.8)	n/a
Dividends	**-**	-	-	n/a
Net Cash Flow	**(12.9)**	**29.6**	**(42.5)**	**n/a**

Net Debt and Borrowings

Group Net Debt is £588.5m (H1 FY22: £579.3m), representing 2.8x Adjusted EBITDA (H1 FY22: 3.4x). The year-on-year improvement demonstrates continued strong cash performance across the Group.

Covenant Basis Net Debt is £571.7m (H1 FY22: £568.0m), representing 2.8x Covenant Basis EBITDA (H1 FY22: 3.0x). This gives significant headroom against the covenant limit of 4.25x. It should be noted that currently the covenant limit is due to fall to 4.0x in September 2023.

The Group has a target leverage ratio of 3.0-3.5x on a Covenant Basis.

Covenant Basis Interest Cover is 10.1x, a fall from the H1 FY22 level of 12.1x. This also gives satisfactory headroom against the covenant limit of 4.0x.

All lending covenants are on a post-IFRS 16 basis so that they are now closely aligned with current accounting principles. The estimated impact of this is an increase to leverage ratio of approximately 1.0x.

The two private placements that were issued in FY22 remain in place.

Breakdowns of both Group Net Debt and Covenant Basis Net Debt at the Half Years are as follows:

£m	**H1 FY23**	**H1 FY22**	**Change £m**	**Change %**
Cash and cash equivalents	**27.9**	60.4	(32.5)	(53.8%)
Bank loans and private placements	**(345.0)**	(348.4)	3.4	1.0%
Lease liabilities	**(265.1)**	(285.0)	19.9	7.0%
EVP preference liability	**(6.3)**	(6.3)	-	-
Group net debt	**(588.5)**	**(579.3)**	**(9.2)**	**(1.6%)**
EVP preference liability	**6.3**	6.3	-	-
Other finance instruments	**10.5**	7.4	3.1	41.9%
Capitalised loan arrangement fees	**-**	(2.4)	2.4	100.0%
Covenant basis net debt	**(571.7)**	**(568.0)**	**(3.7)**	**(0.7%)**

Landfill Tax Matters

- **Historical EVP/Fluff Case:** The Group has been engaged in a dispute with HMRC concerning historical landfill tax. In May 2022 Biffa was refused leave to appeal by the Supreme Court and therefore the dispute is concluded. £17.8m is owed to pre-IPO shareholders and pre-IPO management in the future, of which £7.8m is payable in respect of unpaid interest and £10.0m is payable as and when tax deductions are obtained by the Group and approved by HMRC.

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

- **HMRC Landfill Tax Enquiry:** Biffa is currently the subject of an HMRC enquiry (the "Enquiry") primarily relating to the interpretation of the qualifying fines regime set out in in the landfill tax guidance. HMRC also raised concerns, based on its analysis of Biffa's data, over the potential conduct of Biffa and specific customers which may have led to the incorrect rate of landfill tax being paid. To date, no formal claim for tax has been received from HMRC and there is no certainty that HMRC will bring a claim in respect of the Enquiry.

  In the accounts for the year ending 25 March 2022, a contingent liability of up to £168m (being the total amount of protective assessments issued by HMRC to Biffa for the period from March 2016 to June 2020) plus penalties and interest was disclosed and a provision of £20.0m was recognised, reflecting Biffa's best estimate of the potential liabilities arising from all specific amounts asserted by HMRC to date.

  £1.8m has been paid to HMRC in the current period, reducing the closing provision to £18.2m. Other than this, no events have occurred since the FY22 results announcement that suggest either the contingent liability or the provision should be adjusted. Biffa has continued to cooperate with HMRC to progress the Enquiry, but the nature and timing of the outcome remain uncertain and are expected to remain uncertain for some time.

Risks & Uncertainties

The principal risks and uncertainties affecting the business activities of Biffa and the industry in which it operates remain those detailed in the Annual Report and Accounts and which are summarised as follows:

- Biffa operates in a highly regulated industry and changing regulatory requirements and standards could have an adverse impact on the Group's operations and results.
- Economic conditions in the United Kingdom may have an adverse impact on Biffa's operating performance, revenues and results.
- Despite pricing flexibility is most areas, Biffa is exposed to risks inherent in certain long-term fixed- price contracts, in particular in its Municipal and related operations.
- Fluctuations in electricity, fuel and other commodity prices could affect Biffa's operating results.
- Competition in the waste management industry could reduce Biffa's revenues and net income.
- Biffa faces risks arising from its acquisition strategy including the successful recovery of CSG's performance.
- A significant disruption to Biffa's information technology system, or delay during its migration to new systems, could adversely affect the Company's performance.
- A cyber security incident could negatively impact Biffa's business and its relationships with customers.
- Biffa may fail to identify strategic developments and may be unsuccessful in developing new technologies, or its current technological capabilities may become obsolete.
- Biffa's operations expose it to the risk of material health and safety liabilities.
- Biffa is subject to risks arising from its bonding and other financial security arrangements.
- Biffa may be subject to litigation, disputes or other legal proceedings.
- Biffa is dependent on the availability of labour.

Statement of Directors' Responsibilities

We confirm that to the best of our knowledge:

- the condensed consolidated interim financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' as issued by the International Accounting Standards Board (IASB), IAS 34 as adopted by the European Union and UK-adopted IAS 34;

- the half-yearly management report gives a true and fair view of the assets, liabilities, financial position and profit or loss of the company;

- the half-yearly management report includes a fair review of the information required by:

    - DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed consolidated interim financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

    - DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the enterprise during that period; and any changes in the related party transactions described in the last annual report that could do so.

The Board of Directors that served during all or part of the 26-week period to 23 September 2022 and their respective responsibilities can be found on the Biffa website.

Approved by the Board and signed on its behalf by:

Richard Pike

Chief Financial Officer

14 December 2022

Consolidated Interim Income Statement

For the half year ended 23 September 2022

	Notes	26 weeks to 23 September 2022 £m	26 weeks to 24 September 2021 £m	52 weeks to 25 March 2022 £m
Revenue		**825.6**	671.2	1,443.2
Cost of Sales		**(735.1)**	(627.5)	(1,351.5)
Gross Profit/(Loss)		**90.5**	**43.7**	**91.7**
Operating Costs		**(38.8)**	(35.4)	(75.0)
Impairments		**(2.1)**	(25.0)	(25.0)
Operating Profit/(Loss)		**49.6**	**(16.7)**	**(8.3)**
Finance Income		**2.5**	1.6	3.2
Finance Charges		**(12.5)**	(10.2)	(22.4)
Share of Results in Joint Venture	*11*	**(1.3)**	(0.3)	(1.1)
Profit/(Loss) Before Taxation		**38.3**	**(25.6)**	**(28.6)**
Taxation	*4*	**(9.0)**	(1.2)	11.0
Profit/(Loss) for the Period		**29.3**	**(26.8)**	**(17.6)**
Profit/(Loss) Attributable to Shareholders of the Parent Company		**29.3**	(26.8)	(17.6)
Basic Earnings/(Loss) Per Share	*5*	**9.6**	(8.9)	(5.8)
Diluted Earnings/(Loss) Per Share	*5*	**9.4**	(8.6)	(5.6)

Consolidated Interim Statement of Comprehensive Income

For the half year ended 23 September 2022

	Notes	**26 weeks to 23 September 2022** **£m**	**26 weeks to 24 September 2021** **£m**	**52 weeks to 25 March 2022** **£m**
Profit/(Loss) for the period		**29.3**	(26.8)	(17.6)
Other comprehensive (expense)/income:				
Actuarial gain/(loss) on defined benefit pension scheme		**(33.5)**	22.1	48.7
Tax relating to items that will not be reclassified subsequently		**8.4**	(8.0)	(15.0)
Items that will not be reclassified subsequently to income		**(25.1)**	**14.1**	**33.7**
Fair value gain/(loss) on hedging instruments arising during the period		**2.8**	2.3	15.0
Fair value gain/(loss) on cash flow hedge in joint venture arising during the period	*11*	**26.7**	(1.8)	3.5
Tax relating to items that may be subsequently reclassified to profit or loss		**(0.2)**	-	(2.2)
Items that may be reclassified subsequently to income		**29.3**	**0.5**	**16.3**
Other comprehensive income/(expense) for the period, net of income tax		**4.2**	**14.6**	**50.0**
Total comprehensive income/(expense) for the period		**33.5**	**(12.2)**	**32.4**
Attributable to shareholders of the parent company		**33.5**	**(12.2)**	**32.4**

Consolidated Interim Statement of Financial Position

As at 23 September 2022

	Notes	**As at 23 September 2022 £m**	**As at 24 September 2021 £m**	**As at 25 March 2022 £m**
Assets				
Non-current Assets				
Goodwill	*6*	267.8	274.7	264.3
Other Intangible Assets		208.6	170.2	222.9
Property, Plant and Equipment	*8*	612.4	613.2	617.2
Investments in Joint Ventures	*11*	60.0	17.5	29.4
Long Term Receivables		2.5	65.8	2.3
Derivative Financial Instruments	*9*	7.7	-	7.7
Deferred Tax Assets		-	-	-
Loans to Joint Ventures		17.1	10.7	14.3
Retirement Benefit Surplus	*13*	138.6	139.0	166.1
		1,314.7	**1,291.1**	**1,324.2**
Current Assets				
Inventories		49.2	32.9	35.2
Trade and Other Receivables		326.5	207.8	207.6
Contract Assets		-	70.5	71.8
Derivative Financial Instruments	*9*	6.7	-	4.0
Financial Assets		15.7	42.8	16.3
Cash and Cash Equivalents		27.9	60.4	40.8
Current Tax Assets		-	0.2	-
		426.0	**414.6**	**375.7**
Current Liabilities				
Borrowings		-	-	-
Lease Liabilities		(51.2)	(56.3)	(53.8)
Derivative Financial Instruments	*9*	-	-	(0.2)
Trade and Other Payables		(392.4)	(346.3)	(340.7)
Deferred and Contingent Consideration		(4.3)	(13.2)	(4.2)
Contract Liabilities		(27.4)	(20.3)	(27.1)
Current Tax Liabilities		-	-	-
Dividend Payable		(14.2)	-	-
Provisions	*10*	(22.3)	(24.6)	(20.3)
		(511.8)	**(460.7)**	**(446.3)**

Net Current Liabilities		**(85.8)**	**(46.1)**	**(70.6)**
Non-current Liabilities				
Borrowings		(359.3)	(396.0)	(368.3)
Lease Liabilities		(213.9)	(228.7)	(222.5)
Derivative Financial Instruments	*9*	-	(1.1)	-
Trade and Other Payables		(6.7)	(22.2)	(6.6)
Deferred and Contingent Consideration		(3.0)	(3.0)	(3.0)
Contract Liabilities		-	-	-
Provisions	*10*	(113.0)	(119.8)	(137.4)
Deferred Tax Liabilities		(30.5)	(27.6)	(32.5)
		(726.4)	**(798.6)**	**(770.3)**
Net Assets		**502.5**	**431.0**	**483.3**
Equity				
Called Up Share Capital		3.1	3.0	3.1
Share Premium		247.9	245.9	247.6
Hedging Reserve		39.2	(8.4)	9.9
Merger Reserve		170.3	170.3	170.3
Retained Earnings		42.0	20.2	52.4
Total Equity Attributable to Shareholders		**502.5**	**431.0**	**483.3**

Consolidated Interim Statement of Changes in Equity

For the half year ended 23 September 2022

£m	*Notes*	**Called Up Share Capital**	**Share Premium**	**Merger Reserve**	**Hedging Reserve**	**Retained Earnings**	**Total Equity**
As at 25 March 2022		**3.1**	**247.6**	**170.3**	**9.9**	**52.4**	**483.3**
Profit/(Loss) for the Period		-	-	-	-	29.3	29.3
Other Comprehensive Income/(Loss)		-	-	-	29.3	(25.1)	4.2
Total Comprehensive Income/(Loss)		**-**	**-**	**-**	**29.3**	**4.2**	**33.5**
Exercise of Share Schemes		-	0.3	-	-	-	0.3
Shares Purchased by Employee Benefits Trust		-	-	-	-	(1.7)	(1.7)
Value of Employee Service in Respect of Share Option Schemes (excluding NICs)		-	-	-	-	1.3	1.3
Dividends Paid		-	-	-	-	(14.2)	(14.2)
As at 23 September 2022		**3.1**	**247.9**	**170.3**	**39.2**	**42.0**	**502.5**

£m	*Notes*	**Called Up Share Capital**	**Share Premium**	**Merger Reserve**	**Hedging Reserve**	**Retained Earnings**	**Total Equity**
As at 26 March 2021		**3.1**	**247.0**	**170.3**	**(6.4)**	**43.9**	**457.9**
Profit/(Loss) for the Period		-	-	-	-	(26.8)	(26.8)
Other Comprehensive Income/(Loss)		-	-	-	0.5	14.1	14.6
Total Comprehensive Income/(Loss)		**-**	**-**	**-**	**0.5**	**(12.7)**	**(12.2)**
Exercise of Share Schemes		-	0.4	-	-	-	0.4
Shares Purchased by Employee Benefits Trust		-	-	-	-	(1.0)	(1.0)
Value of Employee Service in Respect of Share Option Schemes (excluding NICs)		-	-	-	-	1.3	1.3
As at 24 September 2021		**3.1**	**247.4**	**170.3**	**(5.9)**	**31.5**	**446.4**

£m	*Notes*	**Called Up Share Capital**	**Share Premium**	**Merger Reserve**	**Hedging Reserve**	**Retained Earnings**	**Total Equity**
As at 26 March 2021		**3.1**	**247.0**	**170.3**	**(6.4)**	**43.9**	**457.9**
Profit/(Loss) for the Period		-	-	-	-	(17.6)	(17.6)
Other Comprehensive Income/(Loss)		-	-	-	16.3	33.7	50.0
Total Comprehensive Income/(Loss)		**-**	**-**	**-**	**16.3**	**16.1**	**32.4**
Exercise of Share Schemes		-	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		-	-	-	-	(6.7)	(6.7)
As at 25 March 2022		**3.1**	**247.6**	**170.3**	**9.9**	**52.4**	**483.3**

Consolidated Interim Statement of Cash Flows

For the half year ended 23 September 2022

	Notes	**26 weeks to 23 September 2022** **£m**	**26 weeks to 24 September 2021** **£m**	**52 weeks to 25 March 2022** **£m**
Cash Flows From Operating Activities				
Operating Profit/(Loss)		49.6	(16.7)	(8.3)
Share-based Payments		1.7	-	3.7
Amortisation of Intangibles		14.5	13.8	30.7
Depreciation of Property, Plant and Equipment		51.3	45.1	94.9
Impairment of Assets		2.1	25.0	25.0
(Profit)/Loss on Disposal of Fixed Assets		(0.5)	(0.3)	(6.2)
EVP-related Items		-	-	20.8
Pension Deficit Payments		(4.3)	-	(4.2)
(Increase)/Decrease in Inventories		(14.0)	(9.9)	(12.2)
(Increase)/Decrease in Receivables		(42.2)	(63.7)	(72.7)
Increase/(Decrease) in Payables		49.8	63.6	62.8
(Increase)/Decrease in Financial Assets		0.6	0.8	(3.4)
Increase/(Decrease) in Provisions		(26.7)	14.6	13.7
Income Tax Paid		0.1	(0.2)	(0.3)
Net Cash Flow from Operating Activities		**82.0**	**72.1**	**144.3**
Cash Flows from Investing Activities				
Purchases of Property, Plant and Equipment		(37.4)	(27.6)	(67.2)
Purchases of Intangible Assets		(0.6)	(1.5)	(2.1)
Funds on Long-term Deposit		(0.2)	-	-
Business Combinations	*7*	(1.5)	(128.9)	(135.8)
Cash Acquired from Business Combinations	*7*	(0.3)	14.2	14.2
Deferred and Contingent Consideration		-	-	(1.2)
Investments in Joint Ventures	*11*	(5.2)	(10.0)	(17.5)
Proceeds from Sales of Property, Plant and Equipment		0.9	0.8	6.9
Loans to Joint Ventures		(2.2)	(4.3)	(7.5)
Interest Received		0.1	-	-
Net Cash Flow from Investing Activities		**(46.4)**	**(157.3)**	**(210.2)**
Cash Flows from Financing Activities				
Interest Paid		(11.2)	(7.8)	(19.3)

Employee Share Scheme Purchase		(1.7)	(0.6)	(3.6)
Exercise of Share Schemes		0.3	-	0.6
New Loans Raised		-	268.0	345.0
Repayment of Borrowings	*12*	(9.0)	(117.5)	(191.1)
Extension of Borrowing Fees		-	-	-
Cash Flow on Settlement of Derivatives		-	-	4.1
Lease Liabilities Principal Payments		(26.9)	(27.3)	(53.1)
Dividends Paid		-	-	(6.7)
Net Cash Flow from Financing Activities		**(48.5)**	**114.8**	**75.9**
Net Increase/(Decrease)in Cash and Cash Equivalents		**(12.9)**	**29.6**	**10.0**
Cash and Cash Equivalents at the Beginning of the Period		40.8	30.8	30.8
Cash and Cash Equivalents at the End of the Period		**27.9**	**60.4**	**40.8**

Notes to the Consolidated Interim Financial Statements

1. Basis of Preparation

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

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

The consolidated financial statements have been prepared on the following bases:

- In accordance with International Financial Reporting Standards ('IFRS') issued by the International Accounting Standards Board ('IASB'). The comparative financial information has also been prepared on this basis
- On an 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. 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
- For the 26-week period ended 23 September 2022. The comparative period is the 26-week period ended 23 September 2022

The condensed consolidated interim financial information does not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006 and it has been neither reviewed nor audited. It should be read in conjunction with the Annual Report and Accounts for the year ending 25 March 2022, which is available on the Company's website. The independent auditor's report on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain a statement under Section 498(2) or (3) of the Companies Act 2006.

Alternative Performance Measures ('APMs') on the whole do not appear in the financial statements or the notes to the financial statements. Instead they have been identified, explained and reconciled in the Appendix to the financial statements.

H1 FY23 represents the 26-week period ended 23 September 2022. H1 FY22 represents the 26-week period ended 24 September 2021. H1 FY21 represents the 26-week period ended 25 September 2020. FY22 represents the 52-week period ended 25 March 2022.

1.1 Going Concern

The Group has continued its growth trajectory and saw performance in line with forecasts for the 26 weeks ending 23 September 2022, and this is expected to continue over the next 12 months.
The Group had unutilised committed bank facilities available of £350.0m and cash and cash equivalents of £27.9m as at 23 September 2022. This gives a closing leverage ratio (Net Debt / Adjusted EBITDA) of 2.8x on a covenant basis, substantially below the covenant limit of 4.25x. The large headroom on both liquidity and leverage puts the Group in a strong position to manage fluctuations in financial performance over the next 12 months.

The going concern assumption has been assessed by considering a number of the principal risks in the Annual Report and Accounts for the year ending 25 March 2022. Multiple low cases have been tested, one of which involves the combination of events with a negative impact such as a recession and a large one-off cash payment similar in amount to the sum of the protective assessments issued by HMRC on the ongoing landfill tax enquiry. The Group could continue to operate for at least the next 12 months in each of these low cases.

On 7 June 2022, the Group announced it had received an unsolicited offer from Energy Capital Partners to purchase 100% of the share capital in Biffa plc. The Directors have considered this offer in the context of going concern and have decided that this does not affect the conclusion as to whether the going concern basis of accounting should be adopted.

Based on the above, the Directors have concluded the Group is well placed to manage its financing and other business risks satisfactorily and have a reasonable expectation that the Group will have adequate resources to continue in operation for at least 12 months from the signing date of these Consolidated Financial Statements. They therefore consider it appropriate to adopt the going concern basis of accounting in preparing the Consolidated Financial Statements.

1.2 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 23 September 2022. Control is achieved when the Company:

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

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. 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.

2. Accounting Policies

Except as described below, the accounting policies and key assumptions applied are consistent with those as described in the Annual Report and Accounts for the year ending 25 March 2022.

Critical judgements

Legal and tax cases

The Group has provisions in place 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.

The Group is currently the subject of an HMRC enquiry regarding certain aspects of its landfill tax compliance as part of concerns it has regarding possible misclassification of waste across the industry. The potential liability for the relevant period could range from an immaterial amount up to a possible maximum of approximately £168m (being the total amount of protective assessments issued by HMRC to Biffa for the period in question, from March 2016 to March 2020) plus penalties and interest. The protective assessments have been issued 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 Enquiry, is not time-barred. There are a range of possible outcomes to the Enquiry and further speculation at this stage to the potential liability would therefore be misleading. Biffa strongly refutes HMRC's concerns. It is likely that it will be some time before the Enquiry reaches a conclusion.

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. It has been decided at this point that a provision of £18.2m should be recognised.

Acquisition of Viridor

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 in the year ending 25 March 2022, but some additional adjustments have been made in the current period.
The 12-month measurement period expired during the period.

Key sources of estimation uncertainty

Environmental and aftercare commitments

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.

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.

The provisions incorporate our best estimates of the financial effects of these uncertainties, but future changes in any of these estimates could materially impact the calculation of the provision.

The associated outflows are estimated to arise over a period of up to 60 years depending on the date of each site closure. In determining the provision, the estimates for future expenditure required to settle the obligation are inflated using longer-term inflation rates of and discounted using the nominal risk-free discount rates. The rates used reflect the period of the obligation on a site-by-site basis which varies between 10 and 60 years.

Refer to Note 10 for more information.

<u>Retirement benefits</u>

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. Refer to Note 13 for more information.

<u>Onerous contract provisions</u>

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.

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.

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 increases in certain costs as detailed above.

The Group holds onerous contract provisions for three contracts:
- Mid-Kent Partnership
- Leicester City Council
- Epping Forest District Council

Refer to Note 10 for more information.

<u>Acquisition accounting</u>

The accounting relating to the Viridor acquisition involves making a number of estimates that have a significant impact on the financial position at the date of acquisition and subsequent period ends. The key estimation areas are:
- Fair valuations applied to assets and liabilities acquired, in accordance with IFRS 3: *Business Combinations*
- Intangible assets recognised on acquisition. £31.5m of acquisition intangibles have been recognised on acquisition, split as follows:
    - £0.3m Brand
    - £31.2m Customer and contractual relationships
- Intangible asset and provision relating to the West Sussex Recycling contract, in accordance with IFRIC 12: *Service Concession Arrangements*. The balances recognised at 25 March 2022 have been subsequently adjusted in the current period.

The parts of the acquired business allocated to the Collections and Specialist Services operating segments contain pools of commercial customer relationships from which the business realises significant value.

The values are derived by calculating the present value of estimated future cash flows in the areas of the business the intangible assets relate to.

The inherent estimation uncertainty in the valuations of both intangible assets and tangible assets has been mitigated by using external valuation experts.

Refer to Note 7 for more information.

HMRC landfill tax enquiry

In Biffa's view, based on advice received to date, there are a range of possible outcomes to the Enquiry. BWSL's potential liability to Landfill Tax for the relevant period could range from an immaterial amount up to approximately £168m (being the amount raised in protective assessments to date), plus potential penalties and interest. In addition, BWSL will incur further costs in conducting and responding to the Enquiry.

To date the Group has not received any formal claim from HMRC with regard to the matters that are the subject of the Enquiry, and the Enquiry itself is expected to continue into 2023 and potentially beyond.
At 23 September 2022 a provision of £18.2m is held in relation to the Enquiry. This reflects Biffa's best estimate of the potential liabilities arising from all specific amounts asserted by HMRC to date. Further liabilities could however arise, and the cost of settling these liabilities could vary from the provision recognised. Changes to this liability in the future cannot currently be estimated.

Broader concerns 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. No specific amounts have been associated with these issues to date by HMRC. Based on advice received to date for these areas, noting the early stages of HMRC's enquiry, it is considered that 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 £154m (being the total amounts raised in protective assessments less the provision made excluding costs), plus penalties, interest and further costs in responding to the Enquiry.

Based on advice received, the Directors do not consider a liability is likely to arise in respect of these broader concerns, and therefore this item is treated as a contingent liability and no provision arises for these broader concerns.

Corporation tax calculations

Taxes on income in the interim periods are accrued using the full year effective tax rate that would be applicable to expected total annual profit or loss.

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

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

- Amendments to IAS 16: *Property, Plant and Equipment* – Proceeds before intended use
- Amendments to IFRS 3: *Business Combinations* – Reference to the Conceptual Framework
- Amendments to IAS 37: *Provisions, Contingent Liabilities and Contingent Assets* – Onerous contracts

The only amendment to impact the Group is the update to IAS 37. This clarifies that the costs of fulfilling a contract should include an allocation of other costs that relate directly to fulfilling contracts in addition to the incremental costs. The Group's accounting policy previously only included incremental direct costs. The adoption of this amendment has not caused a change in the onerous contract provisions balance at 23 September 2022, and no retrospective adjustments have been made.
At the date of approval of these financial statements there were no new IFRSs or IFRS Interpretation Committee interpretations which were early adopted by the Group.
The new standards and amendments below are effective for reporting periods beginning on or after 1 January 2023 but are not expected to have a significant impact on the Group's reporting:

- IFRS 17: *Insurance Contracts*
- Amendments to IAS 1: *Presentation of Financial Statements* – Classification of liabilities as current or non-current; Disclosure of accounting policies
- Amendments to IAS 12: *Income Taxes* – Deferred tax related to assets and liabilities arising from a single transaction
- Amendments to IAS 8: *Accounting Policies, Changes in Accounting Estimates and Errors* – Definition of accounting estimates

3. Segmental Information

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

- Collections which encompass Municipal and Industrial & Commercial
- Resources & Energy which consists of Inerts, Organics, Recycling and Landfill Gas sub-divisions
- Specialist Services which include 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')) remaining after allocation to operating divisions.

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 operations acquired as part of the Viridor acquisition have been integrated and allocated appropriately across the three operating divisions

The Group's segmental results are as follows:

£m	**26 weeks ended 23 September 2022**	**26 weeks ended 24 September 2021**	**52 weeks ended 25 March 2022**
Revenue			
Collections	495.1	412.7	873.9
Resources & Energy	227.1	177.0	395.2
Specialist Services	103.4	81.5	174.1
Group Business Function	-	-	-
	825.6	**671.2**	**1,443.2**

All revenue is with external third parties. There is no single customer that accounts for more than 10% of Group revenue (26 weeks to 24 September 2021: none, 52 weeks to 25 March 2022: none).

£m	**26 weeks ended 23 September 2022**	**26 weeks ended 24 September 2021**	**52 weeks ended 25 March 2022**
Operating Profit/(Loss)			
Collections	31.9	30.3	65.6
Resources & Energy	40.7	(9.8)	17.5
Specialist Services	3.5	(20.7)	(19.9)
Group Business Function	(26.6)	(16.5)	(71.5)
	49.6	**(16.7)**	**(8.3)**

£m	**26 weeks ended 23 September 2022**	**26 weeks ended 24 September 2021**	**52 weeks ended 25 March 2022**
Tangible Assets Net Book Value			
Collections	324.6	338.4	319.3
Resources & Energy	221.3	209.5	226.6
Specialist Services	48.4	46.2	50.5
Group Business Function	18.1	19.1	20.8
	612.4	**613.2**	**617.2**

£m	**26 weeks ended 23 September 2022**	**26 weeks ended 24 September 2021**	**52 weeks ended 25 March 2022**
Intangible Assets Net Book Value			
Collections	20.9	2.6	21.3
Resources & Energy	110.9	91.1	121.8
Specialist Services	5.2	8.2	5.4

Group Business Function	72.8	68.3	74.4
	209.8	**170.2**	**222.9**

£m	**26 weeks ended 23 September 2022**	**26 weeks ended 24 September 2021**	**52 weeks ended 25 March 2022**
Capital expenditure			
Collections	33.0	19.4	104.1
Resources & Energy	16.9	17.7	96.2
Specialist Services	3.3	3.4	16.4
Group Business Function	1.1	4.5	7.1
	54.3	**45.0**	**223.8**

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

£m	**26 weeks ended 23 September 2022**	**26 weeks ended 24 September 2021**	**52 weeks ended 25 March 2022**
Depreciation			
Collections	28.9	26.2	55.8
Resources & Energy	17.2	14.6	29.7
Specialist Services	3.6	2.8	6.2
Group Business Function	1.7	1.5	3.2
	51.3	**45.1**	**94.9**
Amortisation			
Collections	2.6	2.2	4.5
Resources & Energy	11.2	10.8	25.1
Specialist Services	0.2	0.1	-
Group Business Function	0.5	0.8	1.1
	14.5	**13.9**	**30.7**
Total depreciation and amortisation	**65.8**	**59.0**	**125.6**

Depreciation and amortisation relate to the write down of both intangible and tangible fixed assets over their estimated useful economic lives. Amortisation of acquisition intangibles is disclosed separately in line with the segmental Adjusted Operating Profit.

Included withing the amortisation charge above is £12.8m (2021: £13.1m) of amortisation of acquisition intangibles.

4. Income Tax Recognised in Profit or Loss

	26 weeks ended 23 September 2022 £m	**26 weeks ended 24 September 2021 £m**	**52 weeks ended 25 March 2022 £m**
Current tax:			
In respect of the current period	(0.3)	-	0.2
Adjusted in respect of prior periods	-	0.1	-
	(0.3)	**0.1**	**0.2**
Deferred tax:			
Origination and reversal of temporary differences	?	-	(9.5)
Adjustment in respect of the current period	7.5	0.2	-
Adjustment in respect of prior periods	(0.5)	-	0.3
Adjustments attributable to changes in tax rates and laws	2.3	0.9	(2.0)
	9.3	**1.1**	**(11.2)**

Total tax charge/(credit)	**9.0**	**1.2**	**(11.0)**

Corporation tax is calculated at 19% (26 weeks to 24 September 2021: 19%, 52 weeks to 25 March 2022: 19%) of the estimated assessable profit/(loss) for the period. The charge for the period can be reconciled to the profit/(loss) per the Consolidated Income Statement as follows:

	26 weeks ended 23 September 2022 £m	**26 weeks ended 24 September 2021 £m**	**52 weeks ended 25 March 2022 £m**
Profit/(Loss) before tax	38.3	(25.6)	(28.6)
Profit/(Loss) before tax multiplied by the standard rate of corporation tax in the UK of 19%	7.3	(4.9)	(5.4)
Over provision in respect of prior periods	(0.5)	-	0.3
Expenses not deductible for tax purposes	1.4	5.2	(0.2)
Effect of super deduction	(1.4)	-	(3.6)
Non-taxable income	(0.1)	-	(0.1)
Adjustments attributable to changes in tax rates and laws	2.3	0.9	(2.0)
Total tax charge/(credit)	**9.0**	**1.2**	**(11.0)**

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

5. Earnings per Share

Basic Earnings per Ordinary Share are based on the Group profit for the period and a weighted average of 305,929,247 (H1 FY22: 302,486,465) Ordinary Shares in issue during the period.

	26 weeks ended 23 September 2022	**26 weeks ended 24 September 2021**	**52 weeks ended 25 March 2022**
Earnings (net profit attributable to shareholders) (£m)	29.3	(26.8)	(17.6)
Weighted average number of ordinary shares for the purposes of basic earnings per share	305,929,247	302,486,465	305,323,888
Weighted average number of ordinary shares for the purposes of diluted earnings per share	313,071,089	310,082,314	312,149,725
Basic earnings per share (pence)	9.6	(8.9)	(5.8)
Diluted earnings per share (pence)	9.4	(8.6)	(5.6)

6. Goodwill

	£m
Cost:	
As at 25 March 2022	289.8
Adjustment to prior period acquisitions	2.8
Additions	0.7
As at 23 September 2022	**293.3**
Accumulated impairment:	
As at 25 March 2022	(25.5)
Impairment charge	-
As at 23 September 2022	**(25.5)**
Net book value:	

As at 23 September 2022	**267.8**
As at 25 March 2022	264.3

The adjustment to prior period acquisitions reflects measurement period adjustments in relation to the acquisition of the collections business and certain recycling assets from Viridor ("Syracuse Waste Limited") on 31 August 2021.

The addition relates to the acquisition of certain trade and assets of DJB Recycling Limited, a Sheffield-based waste collection and recycling business, on 30 June 2022.

Refer to Note 7 for further information on the two acquisitions above.

No impairments to goodwill have been recognised during the period.

7. Acquisitions

DJB Recycling Limited

On 30 June 2022 the Group acquired certain trade and assets of DJB Recycling Limited, a waste collection and recycling business, for a consideration of £1.9m. 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 prior to completion.

Transaction-related costs were immaterial and there is no contingent consideration.

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

	£m
Assets and liabilities acquired	
Intangibles (customer lists)	0.8
Property, plant and equipment (including right-of-use assets)	0.9
Inventories	-
Deferred tax liability	(0.2)
Lease liabilities	(0.3)
Net assets acquired	**1.2**
Consideration	
Cash (paid in H1 FY23)	1.5
Deferred consideration	0.4
Total consideration	**1.9**
Goodwill arising on acquisition	**0.7**

Syracuse Waste Limited (Viridor)

On 31 August 2021 the Group acquired 100% of the share capital of Syracuse Waste Limited and its subsidiaries from Viridor. 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 12 month post-acquisition measurement period ended on 31 August 2022. Prior to this, a number of necessary adjustments were identified and recognised, adjusting the opening balance sheet as shown in the following table:

£m	**Acquisition Opening Balance Sheet**		
	As at 25 March 2022	**Adjustments**	**As at 23 September 2022**
Assets and liabilities acquired			
Intangible assets	69.0	(1.2)	67.8
Property, plant and equipment	45.5	(2.1)	43.4
Trade and other receivables	17.5	1.5	19.0
Inventories	0.7	-	0.7

Cash and cash equivalents	14.2	-	14.2
Deferred tax liability	(15.0)	3.7	(11.3)
Current tax liability	(0.4)	-	(0.4)
Provisions	(23.1)	(3.8)	(26.9)
Trade and other payables	(26.0)	(0.9)	(26.9)
Borrowings	(17.0)	-	(17.0)
Net assets acquired	**65.4**	**(2.8)**	**62.6**
Consideration			
Cash	130.2	-	130.2
Corporation tax to be paid through	0.6	-	0.6
Total consideration	**130.8**	**-**	**130.8**
Goodwill arising on acquisition	**65.4**	**2.8**	**68.2**

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 decrease in the net deferred tax liability

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

8. Property, Plant and Equipment

During the period ended 23 September 2022 the Group purchased Property, Plant and Equipment of £52.0m (H1 FY22: £40.1m) in addition to the £0.9m acquired through business combinations (H1 FY22: £52.8m). This includes right-of-use assets.

Assets with a net book value of £0.4m were disposed of during the same period (H1 FY22: £0.4m) resulting in an immaterial net profit (H1 FY22: immaterial).

Impairments of £2.1m have been recognised during the period (H1 FY22: £nil) and are split as follows:

- £0.8m - South Yardley store closure in Company Shop Group
- £1.3m - Closure of Grangemouth site before it is repurposed for the Deposit Return Scheme contract

9. Financial Risk Management and Financial Instruments

The Group's activities expose it to a variety of financial risks: market risk (including capital risk management, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group’s overall risk management programmes focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the Group’s financial performance.

The condensed interim financial statements do not include all financial risk management information and disclosures set out in the latest Biffa Plc Annual Report and Accounts and hence they should be read in conjunction with that report. There have been no significant changes in the Group’s risk management policies since the year end.

Liquidity risk

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:
Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)
Level 3 – Inputs for the asset or liability that are not based on observable market data
There have been no transfers between these categories in either the current or preceding period.

Fair value measurement

In accordance with IFRS 13, disclosure is required for financial instruments that are measured in the Group balance sheet at fair value. The fair value of trade and other receivables, cash and cash equivalents, borrowings and trade and other payables approximates to their carrying amounts.

Valuation techniques and assumptions applied in determining fair values of each class of asset or liability are consistent with those used as at 25 March 2022 and reflect the current economic environment. The fair value measurements of the derivatives are classified as Level 2 in the fair value hierarchy as defined by IFRS 13.

The table below presents the fair value measurements of derivatives:

£m	**As at 23 September 2022**	**As at 24 September 2021**	**As at 25 March 2022**
Forward foreign exchange contracts	0.1	-	(0.2)
Interest rate swaps	-	(0.9)	-
Commodity hedges	14.2	(0.3)	11.7
	14.4	**(1.2)**	**11.5**

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

£m	**Foreign exchange risk**	**Interest rate risk**	**Commodity risk**	**Total**
Balance at start of period	0.2	-	(11.7)	(11.5)
Gain/(loss) arising on changes in fair value of hedging instruments during the period	(0.3)	-	(9.9)	(10.2)
(Gain)/loss reclassified to profit or loss – forecast transaction no longer expected to occur	-	-	-	-
Cumulative (gain)/loss transferred to initial carrying amount of hedged items	-	-	7.4	7.4
Balance at end of period	**(0.1)**	**-**	**(14.2)**	**(14.4)**

Comparatives as at 24 September 2021:

£m	**Foreign exchange risk**	**Interest rate risk**	**Commodity risk**	**Total**
Balance at start of period	0.3	2.7	0.6	3.5
Gain/(loss) arising on changes in fair value of hedging instruments during the period	(0.3)	(1.7)	(1.3)	(3.2)
(Gain)/loss reclassified to profit or loss – forecast transaction no longer expected to occur	-	-	-	-
Cumulative (gain)/loss transferred to initial carrying amount of hedged items	-	-	1.0	1.0
Balance at end of period	**-**	**0.9**	**0.3**	**1.2**

Comparatives as at 25 March 2022:

£m	Foreign exchange risk	Interest rate risk	Commodity risk	Total
Balance at start of period	0.3	2.7	0.6	3.5
Gain/(loss) arising on changes in fair value of hedging instruments during the period	(0.1)	1.4	(16.1)	(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	-	-	3.8	3.8
Balance at end of period	**0.2**	**-**	**(11.7)**	**(11.5)**

10. Provisions

The movement in provisions since 25 March 2022 is shown in the table below:

£m	Landfill restoration and aftercare	Insurance	Onerous Contract Provisions	Dilapidations	IFRIC 12 Provision	HMRC Landfill Tax Enquiry	Other	Total
As at 25 March 2022	73.9	13.0	20.4	13.5	13.1	20.0	3.8	157.7
Utilised	(2.1)	(0.6)	(0.1)	(0.2)	(0.7)	(1.8)	(0.3)	(5.8)
Adjustment within acquisition accounting measurement period	-	-	-	-	3.7	-	-	3.7
Charged/(released) to profit and loss account	2.5	1.5	-	-	-	-	0.4	4.4
Acquired through business combinations	-	-	-	-	-	-	-	-
Impact of change in real discount rate	(28.3)	-	-	-	-	-	-	(28.3)
Unwinding of discount	1.5	-	-	-	0.2	-	-	1.7
Transfers from other balance sheet accounts	1.1	0.8	-	-	-	-	-	1.9
As at 23 September 2022	**48.6**	**14.7**	**20.3**	**13.3**	**16.3**	**18.2**	**3.9**	**135.3**

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

	As at 23 September 2022 £m
Current	22.3
Non-current	113.0
Total provisions	**135.3**

HMRC landfill tax enquiry

Biffa is currently the subject of an enquiry by HMRC regarding certain aspects of its landfill tax compliance. Biffa strongly refutes HMRC's concerns, is fully co-operating with HMRC in relation to the enquiry and is receiving advice from Ernst & Young (EY). To date, no formal claim for tax has been received from HMRC, there is no certainty that HMRC will bring a claim and it is likely that it will be some time before the enquiry reaches a conclusion.

A provision of £20.0m was recognised at 25 March 2022, reflecting Biffa's best estimate of the potential liabilities arising from all specific amounts asserted by HMRC to date. Since then a £1.8m payment has been made to HMRC, reducing the provision to £18.2m at 23 September 2022.

Landfill restoration and aftercare

As part of its normal activities, the Group undertakes to restore its landfill sites and to maintain the sites and control leachate and methane emissions from the sites. 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 provisions incorporate our best estimates of the financial effects of these uncertainties, but future changes in any of these estimates could materially impact the calculation of the provision. Restoration costs are incurred as each site is filled and in the period immediately after its closure. The provision incorporates the best estimate of the financial effect of these uncertainties, but future changes in any of the assumptions could materially impact the calculation of the provision.

Maintenance and leachate and methane control costs are incurred as each site is filled and for a number of years post closure.

After-care costs are incurred as each site is filled and for a number of years post closure. This period can vary significantly from site to site, depending upon the types of waste landfilled and the speed at which it decomposes, the way the site is engineered and the regulatory requirements specific to the site.

Changes in the provision arising from revised estimates or discount rates or changes in the expected timing of expenditures that relate to property, plant and equipment are recorded as adjustments to their carrying value and depreciated prospectively over their remaining useful economic lives; otherwise such changes are recognised within the income statement.

The associated outflows are estimated to arise over a period of up to 60 years depending on the date of each site closure. In determining the provision, the estimates for future expenditure required to settle the obligation are inflated using longer-term inflation rates, and discounted using the nominal discount rate. The rates utilised reflect the period of the obligation on a site-by-site basis which varies between 10 and 60 years.

Long-term aftercare provisions included in landfill restoration and aftercare provisions have been inflated and discounted using the below nominal rates:

	Inflation rate		Discount rate	
Period of obligation	**As at 23 September 2022**	**As at 25 March 2022**	**As at 23 September 2022**	**As at 25 March 2022**
5 years	3.2%	3.6%	5.7%	2.7%
10 years	3.2%	3.6%	5.5%	2.8%
20 years	3.5%	3.6%	5.3%	2.9%
30 years	3.3%	3.4%	5.2%	2.9%
60 years	3.0%	3.3%	4.7%	2.7%

These rates have also been used in onerous contract provision calculations.

Onerous contracts

The Group recognises an onerous contract provision for any unavoidable net loss 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 23 September 2022 the Group held onerous contract provisions on three contracts:

- Mid-Kent
- Epping Forest
- Leicester

The provision on Epping Forest has arisen during the period due to rising costs of fulfilling the contract without the same rate of revenue increase.

IFRIC 12 Provision

The Group holds an IFRIC 12 provision for the future capital expenditure on reverting assets on the West Sussex Recycling contract acquired as part of the Viridor acquisition. The provision is discounted over the duration of the contract term. This provision will be utilised over the period of the West Sussex Recycling contract term until 2033.

The provision has been adjusted in the period as estimated future capital expenditure has risen.

11. Investment in Joint Ventures

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

Name of joint venture	**Principal activity**	**Place of incorporation and principal place of business**	**Proportion of ownership interest and voting rights held by the Group**
Protos Holding Ltd	Energy from waste	England and Wales	25%
Protos ERF Ltd	Energy from waste	England and Wales	25%
Newhurst ERF Holding Ltd	Energy from waste	England and Wales	50%
Newhurst ERF Ltd	Energy from waste	England and Wales	50%

All of the joint ventures above are accounted for using the equity method in these consolidated financial statements.

The opening and closing investment in joint venture balances are reconciled below:

£m	**Newhurst**	**Protos**	**Total**
Interest in joint venture at 26 March 2021	**11.5**	**(1.9)**	**9.6**
Additions	10.8	6.6	17.4
Share of post-tax results	(0.8)	(0.3)	(1.1)
Dividends received from joint ventures	-	-	-
Share of net loss on cash flow hedges in joint ventures	7.1	(3.6)	3.5
Interest in joint venture at 25 March 2022	**28.6**	**0.8**	**29.4**
Additions	2.6	2.6	5.2
Share of post-tax results	(0.4)	(0.9)	(1.3)
Dividends received from joint ventures	-	-	-
Share of net loss on cash flow hedges in joint venture	16.4	10.3	26.7
Interest in joint venture at 23 September 2022	**47.2**	**12.8**	**60.0**

12. Net Debt

Reconciliation of net cash flow to movement in net debt

£m	**26 weeks ended 23 September 2022**	**26 weeks ended 24 September 2021**	**52 weeks ended 25 March 2022**
Net increase/(decrease) in cash and cash equivalents	(12.9)	29.6	10.0
Net (increase)/decrease in bank loans and private placements	9.0	(150.8)	(156.4)
Net (increase)/decrease in lease liabilities	11.2	(1.3)	7.4
Net (increase)/decrease in Group net debt	**7.3**	**(122.5)**	**(139.0)**
Group net debt at the start of the period	(595.8)	(498.1)	(456.8)
Group net debt at the end of the period	**(588.5)**	**(620.6)**	**(595.8)**

Breakdown of net debt

£m	**As at 23 September 2022**	**As at 24 September 2021**	**As at 25 March 2022**
Cash and cash equivalents	27.9	60.4	40.8
Bank loans and private placements	(345.0)	(348.4)	(354.0)
Lease liabilities	(265.1)	(285.0)	(276.3)
EVP preference liability	(6.3)	(6.3)	(6.3)
Group net debt	**(588.5)**	**(579.3)**	**(595.8)**
EVP preference liability	6.3	6.3	6.3
Other finance instruments	10.5	7.4	10.7
Capitalised loan arrangement fees	-	(2.4)	-
Covenant basis net debt	**(571.7)**	**(568.0)**	**(578.8)**

	As at 23 September 2022	**As at 24 September 2021**	**As at 25 March 2022**
Group Leverage Ratio (Group Net Debt: Adjusted EBITDA)	2.8x	3.4x	3.1x
Covenant Basis Leverage Ratio (Covenant Basis Net Debt: Covenant Basis EBITDA)	2.8x	3.0x	2.9x

Of the EVP preference liability, £6.3m has been included within Group Net Debt as it will be payable to EVP preference shareholders as a result of funds initially forgone by those shareholders. The remaining £11.5m of the £17.8m total EVP amounts payable has not been included as it not considered debt-like in nature.

13. Retirement Benefits

The amounts recognised in the balance sheet are determined as follows:

£m	**As at 23 September 2022**	**As at 25 March 2022**
Defined benefit obligation	(306.1)	(470.6)
Fair value of plan assets	454.2	628.3
Effect of asset ceiling	(6.0)	(4.3)
Adjustment in respect of GMPF admission agreement	(3.5)	12.7
Net defined benefit asset/(liability)	**138.6**	**166.1**

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

	As at 23 September 2022 **£m**
Defined benefit obligation at start of period	(470.6)
Service cost	(1.1)
Interest cost	(6.6)
Contributions by plan participants	(0.2)
Net remeasurement gains - financial	173.1
Net remeasurement gains - demographic	(0.8)
Net remeasurement gains - experience	(8.8)
Benefits paid	8.9
Defined benefit obligation at end of period	**(306.1)**

Reconciliation of opening and closing balances of the fair value of plan assets

	As at 23 September 2022 **£m**
Fair value of plan assets at start of period	628.3
Interest income on scheme assets	8.8
Return on assets, excluding interest income	(178.5)
Contributions by employers	5.1
Contributions by plan participants	0.2
Benefits paid	(8.9)
Scheme administrative cost	(0.8)
Fair value of plan assets at end of period	**454.2**

14. Related Party Transactions

There have been no material related party transactions in the 26 weeks ended 23 September 2022 (H1 FY22: none) except for key management compensation. There has been no significant change to key management compensation since the release of the Directors' Remuneration Report in the Annual Report and Accounts for the year ending 25 March 2022.

There have been no related party transactions with any Directors in the reporting period or in the subsequent period.

During the period to 23 September 2022, the Group invested £5.2m (H1 FY22: £10.0m) in Protos ERF Ltd and Newhurst ERF Limited. The Group issued further loan notes of £2.2m (H1 FY22: £4.3m) during the period and accrued unpaid interest income of £0.6m (H1 FY22: £0.3m). As at 23 September 2022 the Group recognised outstanding loan receivable balances due from Protos ERF Ltd and Newhurst ERF Ltd of £17.1m (H1 FY22: £10.7m). 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 23 September 2022. 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 reporting period or the subsequent period.

The Group has made £5.1m of contributions to its defined benefit pension schemes in the reporting period.

There are no additional related party transactions to disclose.

15. Contingent Liabilities

The Group must satisfy the financial security requirements of environmental agencies in order to ensure that it is able to discharge the obligations in the licences or permits that the Group holds for its landfill sites. The Group satisfies these financial security requirements by providing financial security bonds. The amount of financial security which is required is determined in conjunction with the regulatory agencies, as is the method by which assurance is provided. The Group has existing bond arrangements in England and Wales of approximately £87.3m outstanding at 23 September 2022 (H1 FY22: £83.5m) in respect of the Group's permitted waste activities where the Group has obligations under the Environment Agency's fit and proper person test to make adequate financial provision in order to undertake those activities. Additionally, the Group has bonds to a value of £16.2m (H1 FY22: £15.9m) in connection with security for performance of local authority and other contracts. No liability is expected to arise in respect of these bonds. The Group also has four letters of credit in relation to the deferred equity contributions on Newhurst EfW and Protos EfW amounting to £24.5m (H1 FY22: £44.4m).

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 relating to the period 2012 to 2016. The Group received protective assessments of £8.5m from HMRC and paid these monies to HMRC in December 2019. Although the outcome is not certain, the cash payment is held on the balance sheet within prepayments as the Group expects to successfully defend this case.

EVP

The EVP dispute with HMRC in relation to the landfill tax treatment of certain materials used in the engineering of landfill sites from September 2009 to May 2012 came to an end in May 2022.

The amounts held on the balance sheet remain unchanged from 25 March 2022:

- £14.3m financial liability – amounts payable to EVP preference shareholders; £6.3m relates to funds originally foregone by the EVP preference shareholders and £8.0m relates to their share of the deferred tax asset that arose on the write off of the prepayment in the year ending 25 March 2022
- £3.5m accrual – amounts payable to certain members of employee incentive schemes of the Group prior to listing in 2016

HMRC landfill tax enquiry

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 interpretation 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. Biffa strongly refutes HMRC's concerns, is fully co-operating with HMRC in relation to the Enquiry and is receiving advice from Ernst & Young ("EY"). To date, no formal claim for tax has been received from HMRC, there is no certainty that HMRC will bring a claim and it is likely that it will be some time before the Enquiry reaches a conclusion.

While a provision of £18.2m is held at 23 September 2022 relating to specific amounts asserted by HMRC to date, HMRC has also raised broader concerns about certain aspects of 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 broader concerns, 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 £154.0m (being the additional amount raised in protective assessments less the provision made excluding costs), plus penalties, interest and further costs in responding to the Enquiry. The protective assessments have been issued 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 Enquiry, is not time-barred.

This remains unchanged from the contingent liability disclosed in the FY22 Annual Report and Accounts as there have been no significant developments in the period.

16. Post Balance Sheet Events

On 2 November 2022 the Group completed the acquisition of Forge Recycling (Holdings) Limited, a Leeds-based I&C collections business with approximately 100 employees and 3,800 customers, for a cash consideration of £18.6m with a further £5.5m of contingent consideration. Upfront consideration was £15.9m net of cash acquired. The business generated revenue and pre-IFRS 16 EBITDA of c.£15m and c.£3m respectively for the 12 months prior to acquisition.

The opening balance sheet has not been included in the Consolidated Statement of Financial Position as at 23 September 2022 because the acquisition took place after the reporting date and is not considered an adjusting event, in accordance with IAS 10: Events After the Reporting Period.

Appendix

The Group's financial performance is analysed into three components: 'statutory performance', 'adjusted performance' and 'adjusting items'. Adjusted performance is used by management to monitor financial performance as it is considered to aid comparability of the reported financial performance between periods. The Group's income statement and segmental analysis separately identify a number of Alternative Performance Measures ('APMs') in addition to those reported under IFRS. The Directors believe that the presentation of the results in this way, which is not meant to be a substitute for or superior to IFRS measures, is relevant to an understanding of the Group's business performance trends, financial performance and position. These APMs are also used to enhance the comparability of information between both reporting periods and the Group's divisions to aid the user in understanding the performance of the business. Our APMs and Key Performance Indicators ('KPIs') are aligned to our strategy and together form the basis of the performance measures for remuneration. Consequently, APMs are consistent with how the business performance is planned and reported internally to the Board and Operating Committees to aid their decision making.

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 the APMs presented in these financial statements 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 with respect to 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 relate to the write-down of tangible and intangible assets respectively over their estimated useful economic lives. Amortisation of acquisition intangibles is disclosed separately.

The Group's policy is to exclude items that are considered significant in nature and/or value, are not in the normal course of business or are consistent with items that were separately disclosed in prior periods. Treatment as an adjusting item provides users of the accounts with additional useful information to assess the life-for-like trading performance of the Group. Management utilises an exceptional item framework that has been approved by the Board. This follows a three-step process that considers the nature of the event, the financial materiality involved and the particular facts and circumstances.

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

APM	Closest equivalent statutory measure	Definition and reconciliation
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 acquisition. 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	Profit for the Period	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.
Operating Profit	Profit for the Period	Profit before net finance costs and taxation.
Adjusted Operating Profit	Operating Profit	Profit before adjusting items, amortisation 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.
Profit Before Tax	Profit for the Period	Profit Before Taxation.
Adjusted Profit Before Tax	Profit for the Period	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 excluding adjusting items, amortisation of acquisition intangibles and the impact of real discount rate changes to landfill provisions.
Adjusted EPS	EPS	Adjusted Profit for the period divided by the weighted average number of shares in issue during the period.
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. See table in the Chief Financial Officer’s Review for reconciliation.
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 12 for 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 Note 12 for reconciliation.
Covenant Basis Leverage Ratio	Bank and Other Borrowings	Ratio of Covenant Basis Net Debt to Covenant Basis EBITDA (Adjusted EBITDA plus the impact of increasing the contribution from acquisitions during the period to a full 12 months).

Adjusting items

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, costs incurred to carry out acquisitions are excluded from adjusted business performance. The £2.0m (H1 FY22: £5.9m) of acquisition-related expenditure in the 26-week period ended 23 September 2022 relates to professional fees and other costs which are directly attributable to acquisitions.

Asset impairments

No costs have been allocated against the asset impairment adjusting item category in the current period. Refer to the strategy-related and restructuring costs section for two costs that have been allocated to that category but are indeed impairments.

A £25.0m impairment was recognised on goodwill relating to Company Shop Group in the year ending 25 March 2022.

Strategy-related and restructuring costs

Strategy-related costs of £9.7m (H1 FY22: £1.4m) arise from Group-wide initiatives to reduce the ongoing cost base and improve efficiency in the business. These costs are substantial in scope and impact, and do not form part of activities that the Directors would consider part of our operational performance. Adjusting for these charges provides a measure of operating profitability that is comparable over time. Within the strategy-related costs are:

- £7.5m of costs relating to the systems replacement project which does not qualify for capitalisation. This project is expected to continue for the next 3-4 years at similar levels of expenditure to this reporting period
- £1.3m of costs relating to the closure of the Grangemouth plastics sorting facility in preparation for the DRS Scotland contract
- £0.8m of costs relating to the closure of the South Yardley store in the Company Shop business

The Grangemouth and South Yardley costs have been allocated to this category because, while they are predominantly made up of fixed asset impairments, these impairments only exist due to changes in strategy and the consequential restructuring that is taking place. Their nature is therefore more applicable to the strategy-related and restructuring costs category.

Amortisation of acquisition intangibles

This charge of £12.8m (H1 FY22: £13.1m) represents the amounts amortised by the Group in each period in respect of intangibles recognised on historical 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 its divisions to aid the users of the financial statements in understanding the activities taking place across the Group.

Impact of real discount rate changes to long-term provisions

This is the movement in landfill provisions wholly due to the change in discount rate during the period. The corresponding charge/income is not reflective of operational performance and the amounts involved can be significant given the period over which the present obligations are calculated.
Within the current financial period a credit of £28.3m was recognised (H1 FY22: £16.8m charge).

EVP/fluff dispute

The Group has been engaged in a dispute with HMRC concerning historical landfill tax. Biffa was unsuccessful in its Court of Appeal hearing held in March 2021 and was refused leave to appeal by the Supreme Court in May 2022. In addition to the £20.8m charge recognised in the year ending 25 March 2022, a further charge of £0.6m has been recognised to write off an EVP-related prepayment (H1 FY22: £nil).

HMRC landfill tax enquiry

Biffa is currently the subject of an enquiry by HMRC regarding certain aspects of its landfill tax compliance. Biffa strongly refutes HMRC's concerns, is fully co-operating with HMRC in relation to the enquiry and is receiving advice from Ernst & Young (EY). To date, no formal claim for tax has been received from HMRC, there is no certainty that HMRC will bring a claim and it is likely that it will be some time before the enquiry reaches a conclusion.

The provision held at 25 March 2022 was £20.0m. An additional £3.0m provision has been recognised in the current period (H1 FY22: £nil) to replace the £3.0m provision that had not originally been recognised through Adjusting Items and so was reallocated to other obligations. This had nil net impact on the provision balance relating to the HMRC landfill tax enquiry. £1.8m of the provision was utilised through a payment to HMRC, so the closing balance was £18.2m.

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 contracts that are within the scope of this guidance. The affected contracts are:

- Leicester City Council
- West Sussex Recycling

The adjustments to the income statement are treated as adjusting items so that adjusted performance is on a pre-IFRIC 12 basis. The net impact of these adjustments is a £0.5m charge at Operating Profit level (H1 FY22: £nil).

Onerous Contracts

Onerous contract costs reflect the additional profit and loss movements on contracts that have become onerous, i.e. the minimum future costs exceed the future revenue. At 23 September 2022 the Group holds onerous contract provisions on the following contracts:

- Mid-Kent Partnership
- Leicester City Council
- Epping Forest District Council

Charges corresponding to increases in onerous contract provisions are treated as adjusting items because recognising the sum of all future losses in one period distorts the income statement and is not a fair reflection of business performance in the current period.

To be consistent, the Group also classifies income corresponding to decreases in onerous contract provisions as adjusting items.

There is nil net charge/income in the current period relating to onerous contract provisions (H1 FY22: £0.1m credit).

The following table reconciles the Statutory and Adjusted Income Statements:

£m	**Statutory**	Acquisition-related costs	Strategy-related and restructuring costs	EVP dispute	HMRC landfill tax enquiry	IFRIC 12 impact	Amortisation of acquisition intangibles	Landfill provisions real discount rate changes	Tax	**Adjusted**
Revenue	**825.6**	-	-	-	-	(0.4)	-	-		**826.0**
Costs	**(708.1)**	(2.0)	(7.6)	(0.6)	(3.0)	(0.4)	-	28.3		**(722.8)**
EBITDA	**117.5**	**(2.0)**	**(7.6)**	**(0.6)**	**(3.0)**	**(0.8)**	**-**	**28.3**	**-**	**103.2**
Depreciation	**(51.3)**	-	-	-	-	1.9	-	-		**(53.2)**
Amortisation	**(14.5)**	-	-	-	-	(1.6)	(12.8)	-		**(0.1)**
Impairment	**(2.1)**	-	(2.1)	-	-	-	-	-		**-**
Operating Profit	**49.6**	**(2.0)**	**(9.7)**	**(0.6)**	**(3.0)**	**(0.5)**	**(12.8)**	**28.3**	**-**	**49.9**
Interest income	**2.5**	-	-	-	-	-	-	-		**2.5**
Interest charge	**(12.5)**	-	-	-	-	(0.2)	-	-		**(12.3)**
Share of JV profit	**(1.3)**	-	-	-	-	-	-	-		**(1.3)**

Profit Before Tax	**38.3**	**(2.0)**	**(9.7)**	**(0.6)**	**(3.0)**	**(0.7)**	**(12.8)**	**28.3**	**-**	**38.8**
Tax	**(9.0)**								(0.7)	**(8.3)**
Profit for the period	**29.3**	**(2.0)**	**(9.7)**	**(0.6)**	**(3.0)**	**(0.7)**	**(12.8)**	**28.3**	**(0.7)**	**30.5**

The following table shows adjusting items split by category:

£m	**26 weeks ended 23 September 2022**	**26 weeks ended 24 September 2021**	**52 weeks ended 25 March 2022**
Adjusting items:			
Acquisition-related costs	2.0	5.9	9.4
Onerous contracts	-	(0.1)	-
Asset impairments	-	25.0	25.0
EVP dispute	0.6	-	20.8
Provision for HMRC landfill tax enquiry	3.0	-	17.0
IFRIC 12 depreciation adjustment	0.5	-	(1.4)
Strategy-related and restructuring costs/(gain)	9.7	1.4	4.8
	15.8	**32.2**	**75.6**
Other adjusting items:			
Amortisation of acquisition intangibles	12.8	13.1	29.6
Impact of real discount rate changes to provisions	(28.3)	16.8	(0.3)
	0.3	**62.1**	**104.9**
Finance income adjusting items:			
Exceptional net interest income	-	-	(1.1)
Unwind of discounting on IFRIC 12 provision	0.2	-	0.4
	0.2	**-**	**(0.7)**
Total adjusting items before tax	**0.5**	**62.1**	**104.2**
Taxation impact of adjusting items	0.7	(2.1)	(26.4)
Total adjusting items, net of tax	**1.2**	**60.0**	**77.8**

£m	**26 weeks ended 23 September 2022**	**26 weeks ended 24 September 2021**	**52 weeks ended 25 March 2022**
Divisional adjusting items:			
Collections	3.5	4.6	9.4

Resources & Energy	(16.4)	25.1	23.6
Specialist Services	1.0	27.7	25.3
Group Business Function	12.2	4.7	46.6
	0.3	**62.1**	**104.9**

£m	**26 weeks ended 23 September 2022**	**26 weeks ended 24 September 2021**	**52 weeks ended 25 March 2022**
Revenue			
Collections	495.1	412.7	873.9
Resources & Energy	227.1	177.0	395.2
Specialist Services	103.4	81.5	174.1
	825.6	**671.2**	**1,443.2**

£m	**26 weeks ended 23 September 2022**	**26 weeks ended 24 September 2021**	**52 weeks ended 25 March 2022**
Revenue Reconciliation Statutory to Net Revenue			
Statutory Revenue	825.6	671.2	1,443.2
Landfill Tax	(40.1)	(38.4)	(79.3)
Net Revenue	**785.5**	**632.8**	**1,363.9**

£m	**26 weeks ended 23 September 2022**	**26 weeks ended 24 September 2021**	**52 weeks ended 25 March 2022**
Net Revenue split by division			
Collections	495.1	412.7	873.9
Resources & Energy	187.0	138.6	315.9
Specialist Services	103.4	81.5	174.1
Net Revenue	**785.5**	**632.8**	**1,363.9**

	£m	**Growth factor**
Net Revenue for the 26 weeks ended 24 September 2021	**632.8**	
Acquisition revenue growth	72.1	11%
Organic revenue growth	80.6	13%
Net Revenue for the 26 weeks ended 23 September 2022	**785.5**	

	£m	**Growth factor**
Net Revenue for the 26 weeks ended 25 September 2020	**458.8**	
Acquisition revenue growth	56.9	6%
Organic revenue growth	117.1	26%

Net Revenue for the 26 weeks ended 24 September 2021	**632.8**	

	£m	**Growth factor**
Net Revenue for the 52 weeks ended 26 March 2021	**988.1**	
Acquisition revenue growth	179.9	18%
Organic revenue growth	195.9	20%
Net Revenue for the 52 weeks ended 25 March 2022	**1,363.9**	

£m	**26 weeks ended 23 September 2022**	**26 weeks ended 24 September 2021**	**52 weeks ended 25 March 2022**
Adjusted EBITDA			
Collections	64.4	61.1	130.7
Resources & Energy	43.0	32.5	73.4
Specialist Services	8.1	7.3	11.6
Group Business Function	(12.3)	(9.6)	(20.7)
	103.2	**91.3**	**195.0**

£m	**26 weeks ended 23 September 2022**	**26 weeks ended 24 September 2021**	**52 weeks ended 25 March 2022**
Adjusted Operating Profit/(Loss)			
Collections	35.5	34.9	75.0
Resources & Energy	24.3	17.9	41.1
Specialist Services	4.5	4.4	5.4
Group Business Function	(14.4)	(11.8)	(24.9)
	49.9	**45.4**	**96.6**

Other performance measures

In addition to the adjusting items disclosed above, the Group uses Return on Operating Assets and Return on Capital Employed as performance measures. These are aligned to the strategy and are reported internally to the Board and Operating Committees to aid their decision making. These are calculated as shown below:

£m	**52 weeks ended 23 September 2022**	**52 weeks ended 24 September 2021**	**52 weeks ended 25 March 2022**
Adjusted Return on Operating Assets			
Adjusted Operating Profit[1]	101.1	79.9	96.6
Average of property, plant and equipment[2]	612.8	558.5	589.7
Average net working capital[3]	(21.2)	(60.8)	(58.2)
Total average of property, plant and equipment plus net working capital	591.6	497.7	531.5
Adjusted Return on Operating Assets[4]	**17.1%**	**16.1%**	**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 PP&E plus net working capital

£m	**52 weeks ended 23 September 2022**	**52 weeks ended 24 September 2021**	**52 weeks ended 25 March 2022**
Adjusted Return on Capital Employed			
Adjusted Operating Profit	101.1	79.9	96.6
Amortisation of acquisition intangibles	(29.3)	(26.6)	(29.6)
Adjusted Operating Profit less amortisation of acquisition intangibles	**71.8**	**53.3**	**67.0**
Average of shareholders' equity[1]	474.6	438.7	470.6
Average Net Debt[2]	587.6	486.1	547.0
Average retirement benefits[3]	(138.8)	(112.3)	(139.1)
Average environmental provisions[4]	69.5	79.4	72.5
	992.8	**891.9**	**951.0**
Adjusted Return on Capital Employed[5]	**7.2%**	**6.0%**	**7.0%**

1 Average of opening and closing shareholders' equity
2 Average of opening and closing Group net debt
3 Average of opening and closing retirement benefits
4 Average of opening and closing environmental provisions
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.

Adjusted Earnings per Share

Adjusted Earnings per Ordinary Share has been presented to eliminate the effects of adjusting items, amortisation of acquisition intangibles and the impact of the change in the real discount rate to landfill provisions. The presentation shows the trend in Adjusted Earnings per Ordinary Share that is attributable to the trading activities of the Group. The reconciliation between these figures for the Group is as follows:

	26 weeks ended 23 September 2022	**26 weeks ended 24 September 2021**	**52 weeks ended 25 March 2022**
Adjusted earnings (adjusted net profit attributable to shareholders) (£m)	30.5	33.2	60.2
Weighted average number of ordinary shares for the purposes of basic earnings per share	305,929,247	302,486,465	305,323,888
Weighted average number of ordinary shares for the purposes of diluted earnings per share	313,071,089	310,082,314	312,149,725
Adjusted basic earnings per share (pence)	10.0	11.0	19.7
Adjusted diluted earnings per share (pence)	9.7	10.7	19.3