

Shanks

Making more from waste

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**ANNUAL
REPORT 2015**

MAKING MORE FROM WASTE

SHANKS GROUP PLC

“Shanks Group plc is a leading international waste-to-product business”

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Forward-looking statements

Certain statements in this Shanks Group plc Annual Report and Accounts 2015 constitute "forward-looking statements". Forward-looking statements may sometimes, but not always, be identified by words such as "will", "may", "should", "continue", "believes", "expects", "intends" or similar expressions. These forward-looking statements are subject to risks, uncertainties and other factors which, as a result, could cause Shanks Group plc's actual future financial condition, performance and results to differ materially from the plans, goals and expectations set out in the forward-looking statements. Such statements are made only as at the date of this Report and, except to the extent legally required, Shanks Group plc undertakes no obligation to revise or update such forward-looking statements.

WASTE-TO-PRODUCT

Recycle commodities Produce recovered fuel

Produce green energy

Reduce greenhouse gas emissions

Treat hazardous waste

Provide highly specialised industrial cleaning

Reduce untreatable waste residues to a minimum

WHERE WE OPERATE

BENELUX

63
operating sites

Our operations in the Benelux comprise the Solid Waste, Hazardous and Organics Divisions

UK

20
operating sites

Our UK Municipal Division provides recycling and waste management services to local authorities, creating fuel for green energy production

CANADA

2
operating sites

We process organic waste using tunnel composting

OUR PEOPLE

The average monthly number of people by segment employed by the Group during the year was:

2,062
Solid Waste Benelux

789
Hazardous Waste

92
Organics

543
UK Municipal

82

% recycling and recovery rate

39

% reduction in our reportable accident rate¹ over the past five years

1.41

million tonnes of carbon avoided

70+

years of waste experience from industry leaders within our Group Executive Committee

FINANCIAL HIGHLIGHTS

REVENUE £m

2015
2014
2013
2012
2011

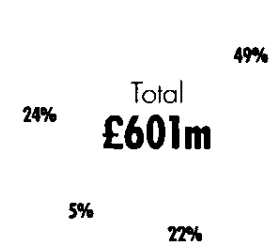
601
633
612
672
633

UNDERLYING PROFIT BEFORE TAX £m

2015
2014
2013
2012
2011

601
633
612
672
633

REVENUE BY DIVISION



Solid Waste UK Municipal
Hazardous Waste Organics

“We have continued to invest through the cycle to build a business that is well positioned to benefit from market recovery and deliver long-term earnings growth”

Adrian Auer
Group Chairman

CHAIRMAN'S STATEMENT

Our core waste-to-product business model is increasingly well supported by long-term legislative and environmental drivers.

Shanks is a leading international waste-to-product business. During the course of the year the Group has continued to invest for sustainable growth from its core divisions and, despite the continuing difficult market conditions, to protect margins and reduce cost in its Solid Waste Division. The core waste-to-product business model is increasingly well supported by long-term legislative and environmental drivers, and we are uniquely positioned to deliver cost-effective alternatives to environmentally harmful landfill sites or capital-intensive incineration plants.

Review of the year

The waste industry, in particular the solid waste market segment, has continued to experience very challenging market

conditions, especially in the first half of the year. Volumes and prices remained under pressure and there has been further decline in the value of recycle products. These factors led to a difficult first half, but slight improvement in the markets combined with further benefits from our cost and investment programmes delivered a stronger underlying second half.

Investment plans underpin our growth strategy

As a Board, we continue to balance the short-term demands of cost reduction and tight cash management, with a relentless focus on our strategy to deliver longer term sustainable growth opportunities. We have significantly increased our investment in our Hazardous Waste Division, where we are increasing capacity in both soil and

water treatment. We have also made good progress with our UK Municipal portfolio, with major construction programmes nearing completion at Barnsley, Doncaster and Rotherham (BDR) and Wakefield and construction now underway following financial close at Derby. We were also delighted to win an important long-term contract to process organic waste in the City of Surrey, Canada. At the year end we reorganised our divisional structure to exploit more effectively market opportunities, particularly in Canada.

Market conditions looking more promising for consolidation

In response to the structural overcapacity in certain waste markets, notably in Benelux Solid Waste, there are encouraging signs of increased M&A activity which may lead to a beneficial reduction in market capacity. We remain alert to opportunities which will strengthen our market positions, but in current markets we will continue to exercise appropriate caution, consistent with our determination to improve our return on capital.

Financial position

We have worked hard to build a reputation for capital discipline and for good management of our cash and we have delivered another year of well controlled underlying free cash flow (UFCF). UFCF was £23.4m (2014: £56.5m) and the UFCF% was 69% (2014: 137%). Core net debt at the year end was £155m, better than expectations. Net debt to EBITDA increased to 2.3 times, reflecting our reduced EBITDA in the first half.

Earnings per share and dividend

Underlying basic earnings per share for the year reduced to 5.0 pence (2014: 5.7 pence). Based on the Board's confidence in the Group's future earnings potential, I am pleased to confirm that we will be recommending an unchanged final dividend of 2.35 pence per share, payable on 31 July 2015 to shareholders on the register on 3 July 2015. The Board is committed to maintaining this level of dividend until earnings recover, such that the dividend is back within the range of 2.0 to 2.5 times cover, and a progressive dividend policy can then be resumed.

Corporate governance

The Board is committed to the highest standards of corporate governance. Details of our processes and approach, including those relating to the role and effectiveness of the Board, and compliance with the Governance Code, are set out in the Governance section on pages 71 to 76.

At last year's AGM shareholders overwhelmingly approved our Directors' Remuneration policy. Our policy continues to be to recruit, retain and motivate high calibre senior management, and to provide a competitive remuneration package linked to performance and the interests of shareholders.

Corporate responsibility

I am pleased to report that we have achieved the ambitious five year targets we set ourselves in 2010 for carbon avoidance, health and safety, and recycling and recovery rates. We have therefore set ourselves a new series of equally challenging and broader targets for the next five years, designed to support our vision of becoming the most respected waste-to-product company. Further details are given on pages 32 and 33 of this report, and in our Corporate Responsibility Report which is available on our website. Our ongoing focus in these areas has once again been recognised by Shanks' inclusion in the independently assessed FTSE4Good Index.

Shanks continues to have one of the lowest reported accident figures in the waste industry. However, we will not be satisfied until we have zero accidents, and this remains our goal. Our Group-wide initiative over the past year has concerned the reduction of injuries on our sites arising from traffic incidents. After ten such accidents in the previous two years, we were delighted to record none in the last year.

Following the serious fire at the ELWA facility, we have undertaken programmes to further enhance our systems for the prevention, detection and fighting of fires, in order to mitigate what is a critical risk factor in the waste industry.

Summary and outlook

Although we remain cautious in predicting favourable movements in volumes, gate fees and recycle prices, some of our end markets have stabilised and are showing signs of improvement, consistent with a slow recovery in the Eurozone economies in which we operate. The fundamentals

of our industry remain attractive, and we are well positioned to benefit from a cyclical recovery.

We will nevertheless continue to improve the underlying quality of our business through the commercial effectiveness and cost reduction programmes, and through selective investments in growth opportunities in our Commercial, Hazardous and Municipal Divisions, which are expected to deliver benefits ahead of any enduring market recovery.

On behalf of the Board, I would like once again to thank all the employees of Shanks for their continuing passion and commitment for what is a unique company.

Finally, to our shareholders, I would like to thank you for your continuing support.



Adrian Auer
Group Chairman

We have achieved the ambitious five year targets we set ourselves in 2010 for carbon avoidance, health and safety, and recycling and recovery rates.

AT A
GLANCE

OUR VISION

“Our new vision reflects
our unique competitive position
and future direction”

Peter Dilnot *Group Chief Executive*

“To be the most
respected waste-to-product
company”

Most respected

We seek to be the most respected waste-to-product company by all our key stakeholders: customers, employees, communities and, of course, our shareholders.

OUR VISION

Waste-to-product

We focus on making valuable products from waste, rather than on its disposal through mass burn incineration or landfill. We believe our business meets the growing need to deal with waste sustainably and cost effectively.

Our business creates valuable products from material that is otherwise thrown away.

There is a growing need for cost-effective and sustainable waste-to-product technologies, which Shanks is uniquely placed to meet.

We have leading positions in our target markets and a unique portfolio of businesses, capabilities and technologies.

BUSINESS MODEL

OUR CORE ACTIVITIES



OUR
DIVISIONS

HOW OUR DIVISIONS HAVE CHANGED

THE PAST

**HAZARDOUS
WASTE**

SOLID WASTE

ORGANICS

UK MUNICIPAL

We have implemented a new divisional structure to align our businesses more closely with our customers, deliver synergies and accelerate growth. The Group will now be reorganised into the following three divisions: Hazardous, Commercial and Municipal.

THE FUTURE

HAZARDOUS

Defensible scale and technology leadership in attractive symbiotic niche markets.

22%

PERCENTAGE OF
GROUP REVENUE

Go to page 18 for further information

COMMERCIAL

Market leadership and integrated growth platform in recovering markets.

52%

PERCENTAGE OF
GROUP REVENUE

Go to page 20 for further information

NETHERLANDS

The Group's new divisional structure will align our businesses more closely with our customers, deliver synergies and accelerate growth.

CANADA

Peter Dilnot
Group Chief Executive

MUNICIPAL

Clear UK and Canadian market leadership in sustainable municipal waste treatment.

26%

PERCENTAGE OF
GROUP REVENUE

Go to page 22 for further information

Revenue percentage based on 2015 Revenue before intra-segment elimination

“Our business improvement programmes have resulted in a stronger underlying second half and have given us momentum going into 2015/16”

Peter Dilnot
Group Chief Executive

GROUP CHIEF EXECUTIVE'S REVIEW

Our vision, strategy and divisional structure has been refined to accelerate growth, align more closely with our customers and harness our unique competitive position.

After a successful 2013/14, the 2014/15 financial year proved more challenging. A further downturn in our core Benelux Solid Waste markets, coupled with one-off operational issues in Hazardous Waste resulted in a disappointing first half performance. However, our business improvement programmes have resulted in a stronger underlying second half in line with our expectations as at September 2014, and have given us momentum going into 2015/16.

During the year we continued to execute our key strategic and operational plans. These included delivering targeted structural cost reductions, investing for growth where we are advantaged, building new infrastructure underpinned by long-term contracts, and maintaining capital discipline.

With the backdrop of solid waste markets that are beginning to improve, I am confident we are well positioned to deliver profitable growth and improving returns in the years ahead.

Review of the Year

Group Performance

Despite challenging market conditions, our revenues from continuing businesses grew by 1% at constant currency to £601m, although they fell by 5% in reported currency (2014: £633m). Trading profit before non-trading and exceptional items fell by 19% (25% at actual rates) to £34.3m and underlying earnings per share reduced by 7% at constant currency to 5.0p (2014: 5.7p). Exceptional items in this year of transformation amounted to £42.2m of which £7.8m was cash.

GROUP STRATEGIC PRIORITIES

REFINED STRATEGY

The core pillars of our strategy reflect our new organisation and incorporate our three cross-divisional strategies.

DRIVING MARGIN EXPANSION

Using advantaged capabilities and productivity to drive operational performance.

INVESTING IN INFRASTRUCTURE

Expanding the footprint with investment in new infrastructure where advantaged.

MANAGING THE PORTFOLIO

Continuing to actively manage the business portfolio to improve returns.

OUR DIVISIONS

HAZARDOUS

Industrial cleaning and treatment of hazardous waste.

COMMERCIAL

Collection and treatment of commercial waste.

MUNICIPAL

Operating long-term municipal contracts.

**PROFITABLE
GROWTH**

**INCREASED
RETURNS**



GROUP CHIEF EXECUTIVE'S REVIEW CONTINUED

Our Commercial Waste operations in the Netherlands

At a divisional level, our Solid Waste Benelux Division experienced a particularly challenging year as a result of a further deterioration in its end markets during the first half. Revenues fell by 1% at constant currency to €379m, with trading profit declining by 35% at constant currency to €15.2m. Hazardous Waste trading profit fell by 11% at constant currency on broadly flat revenue, due to a weaker mix and operational issues in the first half. The Organics Division performed in line with our expectations, with revenue falling by 5% to €38.6m and trading profit by 8% to €4.4m due to the anticipated lower pricing from long-term contracts renewals and by increased North American bidding costs. The UK Municipal Division again performed well, with a 5% increase in revenues to £145m and a 9% increase in trading profit to £10.0m.

Strong cash management and capital discipline continued in 2014/15. Our net debt at 31 March 2015 was lower than expected at £155m, representing a multiple of 2.3 times EBITDA, comfortably within our covenant level. This strong cash position reflects a strict control of capital expenditure as well as a positive currency effect.

Core Solid Waste Markets Challenging but Recently Stabilised

Underlying market conditions continued to worsen in the first half of the financial year before stabilising towards the end of the second half. During 2014, the Netherlands GDP grew by just 0.8%, while Belgium GDP increased by 1.0%.

Dutch construction, our largest single end market, remained broadly flat in 2014, following a 12% fall in the previous two years. However, a particularly weak summer period impacted our first half performance. Many of the leading Dutch construction companies have also continued to report weaker financial results despite a small recovery in residential housing activity. In Belgium, we saw a contraction in the market for our Solid Recovered Fuel (SRF), which is mainly sold to local cement manufacturers. This was driven in part by the subdued economy, but also by the impact of strikes, extended maintenance shutdowns and a fire at one major customer.

Against this backdrop, many of our competitors continued to struggle to maintain profitability, which resulted in further price pressure on our incoming gate fees as waste operators competed aggressively to fill their processing capacity. Recyclate prices have also continued to fall, directly impacting our revenues by £2m year on year.

Notwithstanding this, certain key underlying market drivers began to improve in the second half. These indicators include better prospects for the Dutch construction market and increasing capacity utilisation at the Dutch incinerators. Increasing spot prices, and in some cases the incinerators being unable to take in additional waste, are expected to increase the demand and gate fees for recycling services such as those offered by Shanks. This trend has been reinforced by the introduction in the Netherlands of a new €13 per tonne tax on domestic waste taken to incineration effective from 1 January 2015.

Business Improvement Programmes Contributed to Stronger Second Half

Our response to the prevailing market conditions has been decisive, allowing us to deliver a stronger underlying second half. We have focused on improving core business performance and on the rapid progression of our investment plans to position ourselves for sustained future growth.

In our Solid Waste Benelux Division, we have been able to stabilise and then slightly increase profits in the second half as a result of delivery of a wide range of cost and margin improvement programmes.

These have included:

- Further structural cost reduction of around €1.6m per annum to reflect market conditions, including reductions of over 40 heads at Icova, Vliko, Gent and Kortemark;
- Use of lean manufacturing projects to improve performance by over €1m per annum at Icova and Van Vliet Groep;
- Progress towards completion of the three year structural cost programme with implementation of the two new Shared Service Centres and over €1m of annual procurement savings;
- Roll out across the Netherlands of a commercial effectiveness project to increase margins and to assist in the pass-through of the new incinerator tax; and
- Installation of a state-of-the-art high volume waste sorting line at Wateringen in the Netherlands to replace two decommissioned old sorting lines and one that was destroyed in a fire in 2013.

In our Hazardous Waste Division, we commissioned important new equipment to improve operational performance and capacity in the second half, and made good progress with our longer term investment activities. Highlights included:

- New state-of-the-art emissions equipment for the ATM thermal soil treatment process, which was fully commissioned in late 2014, following which we have processed record tonnages of contaminated soil as anticipated;
- Water storage tanks for the ATM water treatment process, which are due for completion during May 2015, doubling our storage capacity for contaminated water; and
- Shanks Total Care treatment centre and depot at Theemsweg, Rotterdam; with the building entering operation in March 2015 and the treatment facility will be operational by the end of the first half of 2015/16.

The Organics Division delivered a blend of performance improvement projects and investment for long-term growth, primarily through the winning of long-term municipal contracts in North America. In February 2015 we announced that we had been awarded a 25 year contract to design, build, own and operate a dry anaerobic digestion (AD) and composting site for the City of Surrey in British Columbia. This advanced facility, the first of its kind in Canada, will produce bio-fuels to operate the City's fleet of waste collection vehicles. Other important progress in the year included the renewal of key long-term contracts in the Netherlands, albeit at the lower prices expected, and cost reduction programmes amounting to annualised savings of over €1m.

Our UK Municipal Division performed well through the year by exceeding our customers' diversion targets, despite an increasingly challenging operating environment as a result of government austerity programmes. The Division was able to overcome the impact of a major fire in August 2014 at the Frog Island facility (part of ELWA) and is on track for full reinstatement of the damage caused. We have also made significant progress with our funnel of major PFI/PPP investments to support long-term contracts for UK Municipal customers. Our Barnsley, Doncaster and Rotherham (BDR) facility completed its construction phase on schedule in February 2015 and is now in commissioning. We have also started supplying the first fuel into the new Ferrybridge incinerator that will take all of the fuels that our BDR facility produces. Our Wakefield facility has largely completed construction and will enter into commissioning shortly. Both plants will enter full service over the next financial year. Finally in August 2014, we were delighted to secure financial close on the Derby PPP contract, with construction of the gasification plant now underway.

As a result of these actions, we have delivered an underlying second half performance in line with that of the first half, in a business that is seasonally first half weighted. This has given us encouraging momentum as we enter 2015/16.

In February 2015 we announced that we had been awarded a 25 year contract to design, build and operate a dry anaerobic digestion and composting site for the City of Surrey in British Columbia.

We have continued to manage our portfolio of businesses. The last year has seen further minor portfolio management action, including the:

- Acquisition of the order book and certain assets of Marcellis, a small recycling company based in The Hague;
- €3.8m acquisition of a fully permitted and operational site at Farmsum in the northern Netherlands to be used as a Shanks Total Care treatment site for the Hazardous Waste Division;
- Sale of Enviro+, a non-core provider of environmental advisory services in Belgium; and
- Closure of soil washing operations at our Jaartsveld facility in the Netherlands.



GROUP CHIEF EXECUTIVE'S REVIEW CONTINUED

Ship degassing
avoids potentially
harmful emissions
and is a growth
market at our
ATM facility in
the Netherlands

Positioning the Group for Long-Term Sustainable Growth

Long-Term Market Growth Drivers Remain Attractive

Despite the market challenges, important legislative developments have continued in the last 12 months that support our long-term growth prospects. Governments have continued to promote and stimulate efficient resource and energy management, including increased recycling and power generation from renewable sources such as waste.

The most important of these was the introduction in January 2015 of a €13 per tonne tax on incineration in the Netherlands. This tax on domestic incineration is expected to be extended to apply to exported waste from July 2015. This is intended to increase recycling rates by halving the amount of municipal waste going to landfill and mass burn incineration. It is too early to observe a material change in recycling volumes as a result of the new tax, but we believe that it will enhance recycling volumes and the demand for our services over the longer term.

In the UK, the Zero Waste Scotland initiative has also demonstrated the impact

of government action in promoting waste diversion, with an increase in organic waste tonnages delivered to our joint venture Cumbernauld AD facility. In Canada, we are also now seeing an increase in municipal procurement activity as a result of national and regional policies to divert organic waste from landfill.

Shanks is uniquely placed to meet the increasing need for sustainable waste management solutions, so will benefit from legislative and other long-term drivers that will phase out landfill and reduce incineration in the Benelux over time. Our sustainable solutions reduce greenhouse gas emissions, recycle natural resources and limit fossil fuel dependence. Critically they do this in a cost-effective and capital efficient way in comparison to other waste management alternatives.

Sustainability is at our core which is reflected by our inclusion in the FTSE4Good Index. Our business enables customers to meet their sustainability objectives in a way that makes good financial sense. We do this by using our recycling and product technology to deliver value for customers and attractive returns to our

shareholders. We were pleased to achieve a recycling rate of 82% during the year.

We are increasingly focusing our efforts on target markets that have strong sustainable growth drivers and characteristics that enable Shanks to gain competitive advantage. This aspiration reflects opportunities in our growth markets, such as European industrial waste water treatment and long-term UK and North American municipal contracts. This focus is also consistent with our commitment to be highly selective about where we deploy further capital in the future.

New Vision, Updated Strategy and New Divisional Structure for Accelerated Growth

Shanks' over-arching purpose remains to 'make more from waste'. This social and environmental goal engages and resonates with our people throughout the business. It is also clear that this goal cannot succeed unless it delivers sustainable financial value to all our stakeholders. Over the last year, we have refreshed our vision, strategy and organisational structure in order to ensure that they remain sharp, focused and relevant to our evolving markets.

Our vision is to be the most respected waste-to-product company

In September 2014 we announced our vision to be the most respected waste-to-product company. This emphasis on the term 'waste-to-product' highlights our unique business model and what differentiates us. We exclusively focus on extracting value from waste, rather than on its disposal through mass burn incineration or landfill. We believe that our unique focus not only addresses social and regulatory trends, but also offers the most capital-efficient solution to the effective recycling and management of waste.

We seek to be the most respected waste-to-product company by all our key stakeholders: customers, employees, communities and, of course, our shareholders. This broad based approach is reflected in our wide ranging and ambitious new five year corporate responsibility targets.

New Divisional structure to accelerate growth

As announced on 31 March 2015, the Group has implemented a new divisional structure to align our businesses more closely with our customers, deliver synergies and accelerate growth. The Group has now been reorganised into the following three divisions: Commercial, Municipal and Hazardous.

The Organics Division will no longer be a standalone business and will be incorporated within the Commercial and Municipal divisions:

- Our Canadian Organics business and the Orgaworld technical team will combine with the UK Municipal Division to create a new Municipal Division. In Canada, our business is centred on winning long-term contracts with municipalities in North America. This model is similar to the focus of our UK division, and there are synergies which will both accelerate growth and improve returns; and
- Our Benelux Solid Waste Division will combine with the Netherlands and Belgium Organics business units to create a new Commercial Division, renamed to reflect its broader offering. The Commercial Division will be managed by two operational teams, one for the Netherlands and one for Belgium.

Our Hazardous Waste Division is unaffected by the new structure.

The new organisation will have a number of strategic and operational benefits:

- Combining our technical expertise in organics with our expertise in bidding for and managing complex municipal contracts within one Municipal Division to better support our North American growth plans;
- Combining our organics assets in the Netherlands with our existing industrial and commercial business to create a Commercial Division which can provide a broader offering to Dutch A-brand customers at a lower cost; and
- Creating separate operational teams for Commercial Netherlands and Belgium to meet the different strategic and operational needs of the two countries with a more focused span of control, while retaining many of the synergies in terms of shared platforms and procurement.

The Group Executive Committee (Excom) has been amended to reflect the new divisional structure. Michael van Hulst is Managing Director, Commercial Netherlands, and Patrick Laevers joins the Excom as Managing Director, Commercial Belgium. Peter Eglinton is Managing Director of Municipal Division, while Jonny Kappen remains Managing Director of Hazardous Waste. George Slade has also been appointed to the Excom as Group Information Director to drive the ongoing programmes to modernise the Group's processes and systems, while Toby Woolrych and Michelle Cummins have unchanged roles in finance and HR respectively. Henk Kaskens has stepped down from his executive role as Managing Director of Organics Division after eight years with Shanks. We thank him for his dedicated service to the business and are delighted that he will continue to work with us in an advisory role going forward.

We are reporting the results for the year ended 31 March 2015 under the previous organisational structure and will then report under the new structure going forward. The necessary historic financial information will be made available in both formats to ensure both transparency and clarity.

Updated Group strategy

The core pillars of our strategy have evolved in the light of the new organisation to incorporate three core divisional strategies

and three cross-divisional strategies. Our core divisional strategies are:

1. Improve the profitability of

Commercial Waste. Our Commercial Waste business is focused on the Benelux region where it is a clear market leader with the scale and position to win. Our strategy is focused on driving this business to attractive profitability and asset return levels. We continue to improve efficiency through the structural cost programme, increasing route density and plant productivity, and delivering new procurement and continuous improvement initiatives. We are investing in optimising our commercial effectiveness to take advantage of market opportunities and have also streamlined the portfolio to increase returns.

2. Broaden the scope of Hazardous

Waste. Our Hazardous Waste business delivers superior returns through its symbiotic range of treatments and operational excellence. We are building on this profitable base by investing in more treatment capacity and further environmental protection capability. In parallel, we will expand the range of waste inputs that we treat with our existing assets and will broaden our commercial coverage in international markets.

3. Grow the Municipal long-term contract business in the UK and North America.

We have strong expertise in long-term project-financed municipal contracts. This includes successfully bidding for such opportunities, designing and building the associated plants, and then operating them in partnership with local authorities. This is supported by market leadership in organic waste treatment and residual waste treatment by Mechanical Biological Treatment (MBT). We will deliver growth initially from building and commissioning new assets from long-term contracts already won in the UK and Canada. Given the increasing need for diversion from landfill in North America, we also plan to win more new contracts by selective and disciplined contract bidding.

While we are clear about the actions needed to deliver growth in each division, we will continue to deliver value by leveraging our Group capabilities and scale.

MEASURING FUTURE PERFORMANCE

THE FUTURE

OUR NEW DIVISIONAL STRUCTURE

HAZARDOUS

Hazardous Waste will grow profits while maintaining attractive returns, primarily through investment in expanded capacity and capabilities in its core markets.

GOALS 2015/16

- Complete investment in new waterside capacity
- Complete commissioning of new Theemsweg facility
- Integrate new acquisition in Farmsum, the Netherlands
- ATM to achieve Seveso III
- Continue to deliver environmental excellence

COMMERCIAL

Commercial Waste will deliver improved profitability and returns through implementation of commercial effectiveness and continuous improvement programmes.

GOALS 2015/16

- Optimise performance of the shared service centres and complete structural cost programme
- Ensure margin expansion through commercial effectiveness
- Deliver growth through new sorting line at Van Vliet Contrans and Vliko relocation
- Implement lean conversion at target sites

MUNICIPAL

Municipal will focus on growth from new assets and further contract wins.

GOALS 2015/16

- Deliver performance improvement projects in core operating contracts
- Achieve successful ramp-up at BDR and Wakefield
- Successful build programme at Surrey Organics facility

GROUP STRATEGIC PRIORITIES

DRIVING MARGIN EXPANSION

GOALS 2015/16

- Complete lean pilot project in two Commercial sites and commence roll-out
- Complete lean pilot project in UK MBT
- Deliver commercial effectiveness programme in Belgium Commercial and embed programme in Netherlands Commercial

INVESTING IN INFRASTRUCTURE

GOALS 2015/16

- Commission BDR and Wakefield on time and progress Surrey on schedule in Municipal
- Commission water storage tanks, new Theemsweg facility and jetty extension in Hazardous
- Commission new depot for Vliko business and commission sorting line at Van Vliet Contrans in Commercial

MANAGING THE PORTFOLIO

GOALS 2015/16

- Complete disposal of non-core assets with low returns
- Actively explore options for accretive market consolidation
- Actively explore options to expand in adjacent geographies or technologies for Hazardous Waste

GROUP CHIEF EXECUTIVE'S REVIEW CONTINUED

Our three divisional strategies therefore remain underpinned by three key Group strategies that span all our businesses.

4. Increase operating margins. We are focusing on improving profitability through market-leading productivity and by more insightful customer segmentation. To do this we are introducing enhanced capabilities (often brought from outside the waste management industry) such as commercial effectiveness and continuous improvement. In parallel, we are leveraging our established skills and knowledge both within and between the divisions. Overall, we aim to create defensible competitive advantage through the combination of our strong market positions and a highly capable organisation. Our proactive actions will also lead to strong operational gearing gains from any market recovery.

5. Invest in infrastructure to deliver high quality earnings growth. We have continued to invest through this challenged economic cycle in order to deliver attractive returns and high quality earnings growth. Our focus on capital discipline means that we deploy capital where we are strategically advantaged or where we can secure long-term contracts. We are well placed to grow in the UK PFI/PPP market with established contracts, together with over £300m of capital committed to projects in construction for completion in the coming two years.

6. Actively manage the Group's portfolio. We are actively managing our portfolio to improve the quality of our earnings and to increase the return on capital employed. We have sold underperforming assets that we do not believe will be able to generate attractive returns. In parallel, we seek to deploy our capital to deliver growth in areas where we are confident of sustainable advantage, attractive returns and higher growth. We are increasingly active in reviewing the market for appropriate acquisition opportunities, particularly given potential market consolidation in the Benelux market.

Sustainability at our Core with Delivery of Corporate Responsibility Objectives

In 2010 the Board set an ambitious range of Corporate Responsibility objectives which, once achieved, would position Shanks as a leader in the industry in terms of sustainability and safety. We have achieved all three of the main goals in this financial year, with a recycling rate of 82%, carbon avoidance of 1.41 million tonnes and a reduction in serious accidents over the period of 39% against a target of 25%.

The Board has now approved a new and stretching five year programme which is fully aligned with our vision of being the most respected waste-to-product company. The programme will comprise a range of targeted programmes to further improve safety performance and to increase recycling rates, community engagement and employee satisfaction. Our new goals are explained in this Annual Report and in our online Corporate Responsibility Report.

Investment plans in 2015/16 to drive growth

During 2015/16 the Group will be entering a period of increased investment in a number of value-enhancing infrastructure projects that are already well advanced and will generate future growth. The projects include:

- €7m in Hazardous Waste Division including to complete the Theemsweg depot and treatment site and to extend the jetty at ATM;
- CAD\$30m in Municipal Division as construction starts on the CAD\$50m Surrey bio-fuels facility;
- £3m in Municipal Division for the completion and commissioning of the BDR and Wakefield facilities in excess of sums funded through non-recourse bank loans;
- £35m in Municipal Division in subordinated debt earning around 13% coupon in the BDR and Wakefield special purpose vehicles on full service commencement; and

- €6m net funding for the construction of a new solid waste depot in the Netherlands to relocate away from a site badly damaged by fire in 2013.

This investment will result in a short-term increase in our net debt: EBITDA ratio which will be managed through continuing tight capital discipline, efficient working capital and, where appropriate, the disposal of non-core assets in line with the Group's strategy. Our lending banks are fully supportive of our strategy and have amended our key financial covenants to provide the Group with the appropriate headroom during this period.

Outlook

The Board's expectations for 2015/16 remain unchanged excluding the impact of a fluctuating Euro/Sterling exchange rate on our reported results. We expect our Hazardous Waste and Commercial Divisions to make progress in the coming year in constant currency. In our Municipal Division the early benefits of newly commissioned assets will be offset by contract changes with regard to diversion targets and the residual operational impact of the fire at ELWA. We will also see a period of increased investment in our Municipal and Hazardous Waste divisions as we progress value-creating opportunities.

Longer term, the growth drivers in our business remain attractive. Our vision, strategy and organisation have been refined to accelerate growth, increase customer focus and improve operational performance. Market conditions for the Commercial Division have started to show signs of improvement and new infrastructure will come online in our Hazardous and Municipal Divisions. In addition, we will continue to actively manage our business portfolio, to take advantage of potential opportunities.



Peter Dilnot
Group Chief Executive

WHAT IS 'WASTE-TO-PRODUCT'?

Why it is different to 'waste management'

WASTE-TO-
PRODUCT

INPUT

In September 2014 we announced our vision to be the most respected waste-to-product company. This emphasis on the term 'waste-to-product' highlights our unique business model and what differentiates us. We exclusively focus on extracting value from waste, rather than on

its disposal through mass burn incineration or landfill. We believe that our unique focus not only addresses social and regulatory trends, but also offers the most capital-efficient solution to the effective recycling and management of waste.

OUTPUT

AGGREGATES

PLASTIC RECYCLATE

COMPOST

MIXED RECYCLATES

WOOD PRODUCTS

FUEL

PRODUCT

CONSTRUCTION INDUSTRY

ENERGY PRODUCTION

SOIL CONDITIONER, ANIMAL BEDDING

GLASS, PAPER & CARDBOARD

CHIPBOARD & MDF

ENERGY PRODUCTION

BENEFITS

82%
RECYCLING AND
RECOVERY RATE

7.8
MILLION TONNES
WASTE HANDLED

6.4
MILLION TONNES
MATERIALS
RECOVERED

61
OPERATING CENTRES
WITH RECYCLING
OR RECOVERY

HAZARDOUS

**T H E
F U T U R E
I S
B R I G H T**

FROM THE GROUND UP

We are making contaminated soil fit for construction and habitation again

Utilising brownfield sites for construction and housebuilding has become a popular planning policy, but it comes with complications. Brownfield sites are often contaminated by their industrial past, and cleaning up contaminated soil has proved a challenge.

At our flagship ATM facility in the Netherlands, Shanks has Europe's largest thermal soil cleaner, which provides an advanced cleaning solution for even the most contaminated soil.

ATM's giant rotary kiln treats approximately one million tonnes of soil a year. Around 99% of that soil emerges from the kiln clean and ready to be reused in the construction industry. This contrasts with the alternative soil-washing process, which is unsuitable for very contaminated sites and even in less severe cases results in more than a quarter of the soil still being sent to landfill.

The business opportunity for soil treatment over the coming years is significant.

Our soil customers are from across Europe, ranging from construction contractors to municipal projects. Old asphalt from road surfacing is another important material which the Dutch government requires to be treated once it is dug up, as it contains the carcinogen, tar.

"The business opportunity for the soil treatment facility over the coming years is significant," says Fred Muller, Sales Director at ATM. "As construction activity in Europe recovers, many more contaminated sites will need clearing. There are thousands of brownfield sites around Europe still awaiting clean-up and we are well placed to serve this growing market."

HAZARDOUS BUSINESS MODEL

Industrial cleaning and treatment of hazardous waste.

REYM

CLEANING GENERATES CONTAMINATED WATER

ATM
BIO WATER AND SOIL TREATMENT

CLEANED
WATER

CLEAN
SOIL

INERT ASH

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COMMERCIAL

A

B E T T E R

W A Y

RISING FROM THE FLAMES

How a fire at our Vliko site presented an exciting opportunity

Taking waste and turning it into valuable products is at the heart of our vision. Our new advanced sorting line in the Netherlands is an excellent example of how we can use technology to efficiently and economically produce high quality product and benefit the environment.

After a fire damaged a sorting facility at our Vliko site in 2013, we decided to build a new, state of the art sorting line at our Van Vliet Contrans (VVC) facility in Wateringen. The new €4.5m line will process approximately 135,000 tonnes of construction and demolition (C&D) waste each year and replaces three old and inefficient sorting lines, including the destroyed line at Vliko. It began operations in March 2015.

The VVC sorting line is one of the most advanced C&D waste sorting lines in Europe. It is faster and more efficient than

We can now extract far more value from the waste which we put in, while doing so more quickly and efficiently than in the past.

its predecessors, enabling more material to be sorted at a lower cost. It is also able to achieve a far higher grade of separation, resulting in more valuable recycled material. For example, brick and stone is separated even more effectively, making each component more valuable for re-sale. Paper, instead of all being recycled and made into low value products, can be separated into different grades, enabling white paper to be recycled as more valuable office stationery.

"In the Netherlands, where government standards on recycling are world-leading, the VVC sorting line gives us a real competitive advantage," says Marc van Buijtene, Region Director Shanks South-West. "We can now extract far more value from the waste which we put in, while doing so more quickly and efficiently than in the past."

COMMERCIAL BUSINESS MODEL

Collection and treatment of commercial waste.

SORT

PRODUCE

Solid recovered fuel Compost

Wood chips Aggregate Icopower pellets

Green electricity

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MUNICIPAL

R O C K

S O L I D

BUSINESS

BUILDING A BRIGHTER FUTURE

Household waste used to
make construction materials,
ready to build more houses

Household waste is now being used in the making of construction materials for large scale infrastructure projects such as the new Cross-rail railway for London and the South East of England.

Solid Recovered Fuel (SRF) is supplied as a fuel which can be used in energy-hungry processes such as making cement. By using SRF, the cement manufacturers can reduce their use of fossil fuels and replace them with this more cost effective and greener alternative.

Our Mechanical Biological Treatment (MBT) facilities firstly extract the recyclable materials from the household waste. The residual mix of non-recyclable materials are then dried and shredded to produce a carbon-neutral fuel called SRF.

For local authorities and other refuse generators, the production of SRF provides another way to reduce the amount of waste that goes to landfill, helping to meet environmental targets. For our shareholders, SRF is another example of

how we create a valuable product from waste that would otherwise only constitute a cost to the business.

"SRF embodies our waste-to-product goal," says Peter Eglinton, Managing Director of Shanks' Municipal Division.

"It brings economic benefits to our customers and our shareholders, and environmental benefits to the whole community."

**For local authorities
and other refuse
generators, the
production of SRF
provides another
way to reduce the
amount of waste that
goes into landfill.**

MUNICIPAL BUSINESS MODEL

Operating long-term municipal
contracts.

LOCAL AUTHORITY

SORT

SOLID RECOVERED
FUEL

RECYCLATES

GREEN
ELECTRICITY

COMPOST

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INVESTING IN
INFRASTRUCTUREPOWER TO
THE PEOPLE

The City of Surrey in Canada
will soon be using waste to make
biofuel for its transport systems

Shanks has a clear and stated strategy to expand our footprint with investment in new infrastructure, where advantaged. In February 2015, we expanded this footprint by securing a 25 year contract to build an Organics Biofuel Processing Facility for the City of Surrey in Canada.

The new infrastructure consists of a facility which will process 115,000 tonnes of kitchen and garden waste from the City each year, creating a renewable natural gas which can then be used to power the City's waste collection trucks. The facility will also produce a compost product that can be used for gardening and agricultural use. Once operational, it will be the first closed-loop fully-integrated organics waste management system in North America. It will have the capacity to process all of the City's organic waste along with commercial organic waste and will enable Metro Vancouver, the regional district of which the City of Surrey is a part, to achieve a regional 70% waste diversion target.

The contract fits well with our strategy of expanding our business in North America through long-term municipal contracts. More than that, though, it demonstrates our selective investments in new infrastructure.

Overseeing the Surrey bid was Lindert Verhagen, Finance Director for Shanks' Organics Division who explains: "We were delighted to win this high profile contract with the City of Surrey: an example of investing

in large-scale infrastructure, underpinned by long-term contracts. We now look forward to continuing to work with the City of Surrey to begin construction of the first closed-loop integrated organics waste management system in North America."

**We were
delighted to win
this high profile
contract with
the City of Surrey:
investing in large-
scale infrastructure,
underpinned
by long-term
contracts.**

An artist's impression of the Organics Biofuel Processing Facility for the City of Surrey in Canada

DRIVING
MARGIN
EXPANSION

ICONIC ICOVA

Icova, part of our Solid Waste Division, has been making great gains

At Icova, driving margin expansion was a key lever to improving performance. "We looked at both sides of the equation in seeking margin expansion," says Dieter Avonds, Director Shanks Region North. "How to increase our top line sales and how to reduce our costs."

Icova built a culture of continuous improvement by empowering the team, building capabilities and managing the key drivers that impact margin. The change was successfully embedded by using continuous improvement tools such as visual management.

To improve the efficiency of Icova's sales force, a commercial effectiveness programme was implemented which enabled the sales force to segment its client base more accurately and focus on where we can deliver most value to customers and win with better margins. Improved training, assessment and the introduction of dashboards all contributed to enhanced performance.

At Icova's Icopower plant, which produces fuel pellets from commercial waste, the focus was on driving operational efficiency. After an analysis of the production process, three main improvement projects were implemented. The first reduced the cost of disposing of waste, the second reduced logistics costs and the third involved improving production efficiency by eliminating process bottlenecks.

These measures increased the plant's run rate and reduced the cost of production per tonne. Cost savings will amount to approximately €300,000 a year on an

annualised basis.

The programme also focused on Icova's transport activities to strengthen the team's ability to run the business more cost efficiently. A fuel efficiency programme gives drivers a tool that enables them to measure the fuel efficiency of their driving, while a route optimisation programme enables those drivers and their trucks to be deployed in the most efficient way possible.

"Driving margin expansion must be part of the operating model and at the core of the organisation in order to create competitive advantages," says Dieter Avonds.

We increased the plant's run rate and reduced the cost of production.

WELCOMING OUR NEWEST ACQUISITION

A new facility in
Farmsum creates a
platform for growth

**Acquisition that
will deliver both
short-term and
long-term value.**

After previously focusing our portfolio by disposing of businesses that did not fit our investment criteria, in early 2015 Shanks took advantage of an acquisition opportunity that will deliver both short-term and long-term value in the Hazardous Waste Division.

The facility in Farmsum, in the north of the Netherlands was a perfect fit. It is close to the regional headquarters of our Reym industrial cleaning business in Veendam and to its satellite locations that serve the onshore industrial cleaning market. The plant occupies a six hectare site and has high quality operational assets, including water and waste storage tanks, a production hall and a distillation tower as well as all necessary permits for handling hazardous waste. It also has laboratories, offices, warehousing and railway access with indoor loading for trucks and trains along with a further three undeveloped hectares of land.

MANAGING THE PORTFOLIO

The desirable purchase price of €3.8m and the location of the plant means there are immediate opportunities for savings through cost reductions across the Group. Acquiring the Farmsum facility also gives us the opportunity to grow our business further as it mirrors the strategy for the new Shanks Total Care facility under construction at Theemsweg, Rotterdam, and will also be branded as a Shanks Total Care facility. Shanks Total Care is a service providing a complete range of industrial cleaning, transport and waste management expertise through a single contact.

"We already have a strong position in the north of the Netherlands," says Jonny Kappen, Managing Director of Shanks' Hazardous Division. "But the acquisition of this new Total Care facility will increase volumes, leverage our infrastructure and expand our market offering."

W A S T E

T O

P R O D U C T

DELIVERING SUSTAINABILITY

We make more from waste by creating
valuable products from what is thrown away

Shanks' over-arching purpose remains to 'make more from waste'. This social and environmental necessity is a goal which engages and resonates with our people throughout the business. In September 2014 we announced our new vision to be the most respected waste-to-product company. This emphasis on the term waste-to-product highlights the key differentiating feature of Shanks, particularly among its larger peers, in that our focus is on extracting value from the waste we receive, rather than on disposal through mass burn incineration or landfill. We believe that this unique positioning in the market not only fits with both social and regulatory trends, but also offers the most capital-efficient solution to the effective recycling and management of waste.

We seek to be the most respected waste-to-product company by all our key stakeholders: customers, employees, communities and of course our shareholders. This broad based approach is reflected in our wide ranging and ambitious new five year corporate responsibility agenda, the highlights of which are on page 33.

Recycling and recovery of waste reduces the use of non-renewable resources and provides more sustainable alternatives to waste disposal. It also avoids greenhouse gas emissions associated with landfill sites, reduces virgin raw material use and displaces non-renewable energy production. By achieving our vision, we not only improve our own environmental footprint, we allow our customers and society to improve theirs.

To achieve our sustainability strategy, we take waste that would have gone to landfill or mass burn incineration and convert it into usable products, using the latest technology across our facilities:

- **Sorting centres and recycling facilities** take mixed or partially separated waste and sort it into individual components such as paper, card, plastics and metals for use in product manufacture.
- **Mechanical biological treatment (MBT) facilities** remove recyclable material and process the remaining residual material to produce a waste-derived fuel, such as solid recovered fuel (SRF) which can be used in power production and industrial processes.

- **Anaerobic digestion (AD) and in-vessel composting (IVC) facilities** take organic waste, such as food waste, and turn it into fertilisers. AD plants also generate green electricity from the resulting gases.

- **Our main hazardous waste treatment facility**, located in the Netherlands, uses thermal and other treatments to destroy the hazardous components of waste such as paints and contaminated soil and water.

Our delivery of waste-to-product strategy and sustainability is demonstrated by our recycling and recovery rate. In 2014/15 82% of the waste received by our sites was recycled or recovered.

Our new Wakefield and BDR (Barnsley, Doncaster and Rotherham) facilities will come on line during 2015/16 and will boost our recycling and recovery rates. Our planned Surrey project in Canada will provide bio-gas from AD, which will be used directly as a fuel in waste collection vehicles. These are examples of our waste-to-product strategy in action.

82%

RECYCLING AND
RECOVERY RATE
UP FROM 74%
FIVE YEARS AGO

39%

REDUCTION IN
SERIOUS ACCIDENT
RATE OVER THE
PAST FIVE YEARS

1.41

MILLION TONNES OF
CARBON AVOIDED: 91%
UP FROM 0.74 MILLION
FIVE YEARS AGO

CORPORATE SOCIAL RESPONSIBILITY

CONTINUED

EMISSIONS FROM OUR ACTIVITIES

SOURCE	CO ₂ EQUIVALENT (‘000 TONNES) 2015	CO ₂ EQUIVALENT (‘000 TONNES) 2014
PROCESS BASED EMISSIONS		
Emissions from anaerobic digestion and composting	79	64
Emissions from hazardous waste treatment	225	255
Emissions from landfill ²	73	115
Emissions from mechanical biological treatment (MBT)	17	22
TRANSPORT BASED EMISSIONS		
Fuel used by waste transport vehicles and business travel	65	65
ENERGY USE EMISSIONS		
Electricity used on sites and in offices	61	64
Gas and other fuels used	27	29
Total emissions from significant sources	546	614
CARBON AVOIDED AS A RESULT OF OUR ACTIVITIES		
Renewable energy generated	38	36
Waste derived fuels produced and sold ³	891	750
Materials separated for re-use/recycling (some re-used directly, others undergo re-processing by 3rd parties)	482	474
Total potential avoided emissions	1,411	1,260

1 Figures rounded to nearest 1,000 tonnes. Figures may not total as a result of rounding.

2 Reduction in landfill emissions largely the result of sale of Pectidfield landfill in the UK and engineering works.

3 Increase largely the result of improved sales of waste derived fuels

CARBON EMISSION AND AVOIDANCE INTENSITY RATIOS

GHG emissions/revenue		GHG avoidance/revenue	
0.96	1.13	0.99	1.65
		0.81	1.71
		0.87	1.81
		0.91	1.86
		0.91	2.35
2010	2010	2011	2011
		2012	2012
		2013	2013
		2014	2014
		2015	2015

1 Data is carbon emissions or avoidance (expressed as CO₂ equivalent)
‘000 tonnes / revenue expressed in £ millions

KEY PERFORMANCE INDICATORS

RECYCLING AND RECOVERY RATE

%	2010	2011	2012	2013	2014	2015	2015 TARGET
	74	77	78	78	82	82	80

CARBON AVOIDANCE BENEFIT

CARBON AVOIDED (MILLION TONNES)

	2010	2011	2012	2013	2014	2015	2015 TARGET
	0.74	1.18	1.28	1.21	1.26	1.41	1.3

MORE THAN THREE DAY ACCIDENT RATE

>3 DAY ACCIDENT RATE PER 100,000 EMPLOYEES

	2010	2011	2012	2013	2014	2015	2015 TARGET
	3,100	3,000	2,600	2,400	1,950	1,890	2,300

**More than
260 safety
leadership
visits were
carried out by
Shanks' senior
leaders and
executives in
2014/15.**

DOWNLOAD OUR
FULL CORPORATE
RESPONSIBILITY
REPORT AT
[SHANKSPLC.COM/
CR_REPORT](http://SHANKSPLC.COM/CR_REPORT)

Our commitment to sustainability is also confirmed by external and independent measures. We are listed in the FTSE4Good Index and take part in high-profile sustainability assessments such as the Carbon Disclosure Project.

Waste-to-product and delivering carbon savings

By making more from waste we provide carbon savings for society

By being a waste-to-product company we deliver sustainability for our customers, partners and for the wider community. Our unique range of technologies and high recycling and recovery rates allow our customers to achieve their sustainability goals. Through a combination of sustainable waste management and green electricity production, Shanks is committed to helping reduce society's carbon emissions.

Our recycling facilities produce recyclate products, lifting the carbon burden associated with virgin raw materials. The waste-derived fuels we produce and the green electricity we generate displace fossil fuels, providing a carbon benefit. We measure how much carbon is avoided as a result of the recyclate materials we produce, the green electricity we generate and the waste-derived fuels we supply. In addition, we are also finding ways to become more energy efficient. Our Group carbon footprint and carbon intensity ratios clearly show the positive impact our activities have had.

Corporate responsibility objectives

Our first five-year targets and achievements

We have been reporting publicly on our environmental and health and safety performance for more than 25 years. In 2010 the Board adopted an ambitious range of corporate responsibility objectives which, once achieved, would position us as a leader in the industry in terms of sustainability and safety. We are delighted to report that we have achieved all three of the main goals.

Health and safety is at the top of our agenda. We work in a high risk industry, but we are minimising the risk of accidents by giving our people the support, training and equipment they need to work safely. In 2010 we set ourselves the target of reducing our employee more serious accident rate by 25% over a five-year period. We have more than achieved this objective, and between 2010 and 2015, our accident rate reduced by 39%.

Our recycling and recovery rate is a critical measure of how successful we are as a waste-to-product company. We have consistently invested in sustainable waste management technologies, while reducing our reliance on landfill and other less sustainable methods. In 2010 we set ourselves the target of increasing our recycling and recovery rate over a five-year period to at least 80%. We have more than achieved this objective, and in 2014/15 82% of the waste accepted by our sites was recycled or recovered.

The carbon benefit of our waste-to-product activities is demonstrated by our carbon footprint and the amount of carbon avoidance we achieve through our operations. In 2010 we set ourselves the target of increasing our carbon avoidance benefit over a five-year period to at least 1.3 million tonnes a year. We have more than achieved our target. In 2014/15 our activities provided more than 1.4 million tonnes of carbon avoidance.

We will continue to report on our sustainability and corporate responsibility performance. We will also continue to set ourselves challenging targets in key areas to ensure we deliver on our vision and our corporate responsibility ambitions.

CORPORATE SOCIAL RESPONSIBILITY CONTINUED

WASTE-TO-PRODUCT AT WAKEFIELD

Our new Wakefield facility in the UK will use five distinct waste-to-product technologies to provide sustainability benefits to the area's local residents. This makes Wakefield one of our most advanced projects to date, both in terms of its build and operation.

Waste from local domestic recycling collections will be sorted in a high-technology recycling plant, green waste from gardens will go to an in-vessel composting facility, and residual domestic waste will be treated through an automated recycling system, then passed via an autoclave pre-treatment process to a wet anaerobic digestion plant. All of these various systems will be on one single site, saving waste collection lorries the need to travel to multiple facilities.

When the plant is fully operational it is estimated that our new Wakefield facility will produce nearly 60,000 tonnes of recycled materials, 14,000 tonnes of compost and 47,000 tonnes of waste-derived fuels a year. Plus, it will generate nearly three million kilo-watt hours of green electricity annually. In total it is predicted that our Wakefield venture will provide an annual carbon avoidance benefit to society of more than 100,000 tonnes carbon equivalent.

Local communities and authorities are an important client stakeholder group for us. The long-term contracts we share with our local authority clients provide the capital and stability to maximise the sustainability benefits of complex operations such as Wakefield.

Our new
multi-technology
waste treatment
facility in Wakefield

Corporate responsibility objectives

Future five-year targets to 2020

Our achievements over the past five years do not mean an end to our corporate responsibility ambitions. The Board has now approved a new and stretching five year programme which is intended to support our vision of being the most respected waste-to-product company through targeted programmes to further improve safety performance and to increase recycling rates, community engagement and employee satisfaction.

Our new five-year objectives are wider in scope and more sophisticated than our older targets. Their development has involved our Corporate Responsibility and Health and Safety Committees, our Group Executive Committee and the Board. An extensive assessment of what issues are important to our stakeholders helped to create these objectives.

We have chosen four overarching areas for our key corporate responsibility business objectives:

- **Health and safety** is a key issue for our employees and we must continue to drive improvement in this area.
- **Sustainability** is core to our vision to be the most respected waste-to-product company.
- **Community relations** are critical to us as good neighbours, and for the maintenance of our environmental permits.
- **Our people** are our most valued resource and their continued enthusiasm and commitment are key to our success.

For each of these four key areas we have also developed a series of supporting corporate responsibility measures. These underpin our objectives. We will measure ourselves against both our key objectives and supporting measures, and will report publicly each year on our progress.

OUR FIVE YEAR CORPORATE RESPONSIBILITY OBJECTIVES

SAFETY		SUSTAINABILITY		ENVIRONMENT		EMPLOYEES	
M		A		Q		A	
>3 DAY ACCIDENT RATE		RECYCLING AND RECOVERY RATE		IMPROVE COMMUNITY FEEDBACK		EMPLOYEE ENGAGEMENT SCORE	
-25%		85%		+25%		+10%	
M	MAJOR/FATAL ACCIDENTS	A	CARBON AVOIDANCE	A	MAJOR ENVIRONMENT AND PERMIT BREACHES	A	EMPLOYEE TRAINING AND DEVELOPMENT
ZERO		+10%		ZERO		NEW*	
M	LOST TIME ACCIDENT RATE	A	GREEN ENERGY PRODUCTION	A	COMMUNITY ENGAGEMENT SCHEMES AND INITIATIVES	M	SHORT-TERM SICKNESS RATE
-25%		+60%		NEW*		NEW*	
M	NEAR-MISSES & RATE CLOSED-OUT	A	% OPERATING CENTRES WITH ISO14001			A	EMPLOYEE COMMUNICATION SCORE
75% CLOSE-OUT		100%				+20%	
Q	SENIOR LEADERSHIP HEALTH & SAFETY VISITS CONDUCTED						
2 PER QUARTER							

* New – measures and objectives to be developed and set during 2015

Key: In the graphic above the capitals in smaller hexagons indicate internal reporting cycles:

A Annual Q Quarterly M Monthly

Further details of our corporate responsibility (CR) performance and our objectives can be found in our annual CR Reports available at www.shanksplc.com/our-responsibilities

“In a challenging year, we have delivered well on controllable factors, including our cash performance”

Toby Woolrych
Group Finance Director

GROUP FINANCE DIRECTOR'S REVIEW

Our programmes to drive long-term margin expansion have made good progress, and our strong cash management has supported our ongoing investment programme for future growth.

Revenue and trading profit

Constant currency revenue in 2014/15 from continuing activities increased by 1% to £601.4m (5% reduction at actual rates), with growth primarily from UK Municipal.

Trading profit on continuing businesses, before non-trading and exceptional items, decreased by 19% at constant currency to £34.3m (25% decrease at actual rates). The biggest reduction was in Solid Waste Benelux, with a smaller reduction in Hazardous Waste and Organics, offset by growth in UK Municipal. Group central services, which comprise the Group's head office functions, remained broadly flat on prior year.

TRADING PROFIT MARGIN¹ %

2015	5.7
2014	7.2
2013	6.2
2012	7.1
2011	6.9

RETURN ON OPERATING ASSETS¹ %

2015	12.2
2014	15.1
2013	11.4
2012	15.2
2011	14.3

¹ Early year numbers are as previously reported and include discontinued operations.

Other profit and loss items

Non-trading and exceptional items excluded from pre-tax underlying profits

To enable a better understanding of underlying performance, certain items are excluded from trading profit and underlying profit due to their size, nature or incidence.

The challenging macroeconomic and industry conditions continued to result in significant non-trading and exceptional items. The specific market challenges in Benelux solid waste markets and the UK merchant anaerobic digestion market have resulted in non-cash impairments to historic goodwill balances and to some operating assets. Likewise, the sharp fall in European bond yields has resulted in lower discount rates for certain long-term provisions and hence an increase in the book values of these provisions as at 31 March 2015; this has no impact on short to medium term cash flows. Finally, our own restructuring actions have resulted in associated costs.

Total non-trading and exceptional items from continuing operations amounted to £42.2m, as previously disclosed in our pre-close trading update in March (2014: £22.5m). Cash costs are £7.8m (2014: £4.5m). These items are further explained in note 4 to the financial statements and include:

- Impairment of assets of £12.4m (2014: £3.1m) principally plant and equipment at the Gent site in Belgium and the Westcott Park organics facility in the UK;
- Goodwill impairment charge of £11.1m (2014: £15.3m) relating to Solid Waste Netherlands;
- Increased charge of £7.1m (2014: £nil) relating to long-term provisions as a result of the decrease in the discount rate due to decline in long-term government bond yields;
- Restructuring charges and associated costs of £6.5m (2014: £8.7m) relating to the structural cost reduction programme including the introduction of shared service centres in the Netherlands and Belgium;
- Contractual issues in Organics Canada, including the write off of trade receivables and associated operating and legal costs relating to the arbitration ruling in Ottawa of £3.0m (2014: £nil);
- A total charge of £2.3m (2014: £nil) for a one-off adjustment relating to lifecycle expenditure in UK Municipal contracts;
- Onerous contract provisions charge of £2.1m (2014: credit of £5.5m) following the reassessment of our best estimate of the required provisions;
- Amortisation of intangible assets acquired in business combinations of £1.9m (2014: £2.3m);
- £1.0m (2014: £nil) relating to the costs associated with fires principally at the Gent site in Belgium;
- Costs of £1.0m (2014: £nil) as a result of various portfolio activities including the exit from loss-making Jaartsveld soil washing activities in the Netherlands and the disposal of environmental services consultancy in Belgium;
- Acquisition costs of £0.6m (2014: £nil);
- A release of £0.1m following the completion of the disposal of excess unprocessed waste at the Gent site in Belgium (2014: charge of £1.7m);
- A release of £0.8m (2014: £1.0m) following the final reassessment of the contingent consideration payable on a previous acquisition in Netherlands Solid Waste;
- £1.4m benefit following the final negotiated exit from the loss-making Hygea contract (2014: credit of £2.2m);
- A one-off profit of £4.4m for UK associates to recognise profits that ought to have been recognised in the past (2014: £nil); and
- Financing fair value measurements credit of £0.1m (2014: £0.3m).

GROUP SUMMARY

CONTINUING OPERATIONS	REVENUE				TRADING PROFIT			
	YEAR ENDED				YEAR ENDED			
	MARCH 15 £m	MARCH 14 £m	CHANGE REPORTED %	CHANGE CER %	MARCH 15 £m	MARCH 14 £m	CHANGE REPORTED %	CHANGE CER %
Solid Waste Benelux	297.2	323.2	-8%	-1%	11.9	19.7	-40%	-35%
Hazardous Waste	138.0	148.2	-7%	0%	16.4	19.9	-18%	-11%
Organics	30.0	34.2	-12%	-5%	3.4	4.1	-17%	-8%
UK Municipal	144.6	137.5	5%	5%	10.0	9.2	9%	9%
Group central services	—	—	—	—	(7.4)	(7.3)	-1%	-1%
Inter-segment revenue	(8.4)	(9.7)	—	—	—	—	—	—
Total	601.4	633.4	-5%	1%	34.3	45.6	-25%	-19%

CER = at constant exchange rate. Comparatives for 2014 have been restated following the adoption of IFRS 11 and the associated requirement to equity account for joint ventures.



GROUP FINANCE DIRECTOR'S REVIEW CONTINUED

Our Klok Commercial
Waste operation in
the Netherlands

The operating loss on a statutory basis, after taking account of all non-trading and exceptional items, was £12.4m (2014: profit of £23.1m).

Looking forward, the structural cost programme will complete in the first six months of 2015/16 and no further restructuring costs will be taken to non-trading items thereafter unless announced as part of a new and material change programme. We further anticipate a significant reduction in other non-trading and exceptional items assuming that the economy and our core markets are now stabilised.

Net finance costs

Net finance costs, excluding the change in the fair value of derivatives, decreased by £2.4m in the year. On core borrowings there were decreases in interest rates with the full impact of the second Belgian retail bond, lower loan amortisation costs and lower discount unwind charges. The higher level of finance income is due to an increase in interest receivable on financial assets relating to PFI/PPP contracts as the build programme for the BDR and Wakefield

contracts progresses and this is mirrored by an increase in interest payable on non-recourse PFI/PPP debt.

Profit before tax from continuing operations on a statutory basis including the impact of non-trading and exceptional items was a loss of £20.5m compared to a profit of £7.6m last year.

Taxation

The taxation charge for the year on continuing operations was a credit of £2.3m (2014: charge of £5.8m). The underlying tax charge of £1.7m includes a £3.0m credit from additional recognition of tax losses in the UK business as a result of greater visibility of future profits under the long-term UK Municipal contracts. Excluding this additional deferred tax credit, the underlying effective rate was 21.7%, down from 24.2% last year. There is a tax credit of £4.0m on the non-trading and exceptional items of £42.2m as a significant proportion of these are non-taxable.

The Group statutory loss after tax and including all discontinued and exceptional items was therefore £16.9m (2014: £28.2m).

Earnings per Share (EPS)

Underlying EPS from continuing operations, which excludes the effect of non-trading and exceptional items, decreased by 7% at constant currency (12% at actual rates) to 5.0p per share (2014: 5.7p). Basic EPS from continuing operations decreased from a profit of 0.4p per share to a loss of 4.6p per share.

Dividend

The Board is recommending an unchanged final dividend per share of 2.35p. The final dividend will be paid on 31 July 2015 to shareholders on the register on 3 July 2015. Total dividend cover, based on earnings before non-trading and exceptional items from continuing operations, is 1.4 times (2014: 1.7 times).

Cash flow performance

A summary of the total cash flows in relation to core funding is shown in the table below.

The free cash flow conversion has reduced year on year, principally as a result of the higher level of replacement capital spend. The ratio of replacement capital spend to depreciation increased from 48% last year to 75% this year in line with previous guidance. There have been a number of investments across the Divisions including a truck replacement programme in Benelux Solid Waste and operational improvements at ATM, including the replacement of the ESP flue gas cleaner. The working capital movement in the prior year was boosted by a favourable unwind following the exit from UK Solid Waste. The increase in cash interest and tax spend in the year was due to higher tax payments as a result of timing in the Netherlands. Interest payments are slightly lower this year as the first annual payment for the 2013 retail bond is compensated by non-repeat of £2.4m of arrangement and adviser fees as a result of the 2014 refinancing activity.

Growth capital spend of £12.8m was principally in Hazardous Waste Division and included a proportion of the ESP flue gas cleaner and the initial spend on the Theemsweg Total Care centre and additional storage tanks at ATM. In the current year the acquisitions and disposal spend included the Hazardous Waste purchase in Farmsum in the north of the Netherlands and a small tuck-in acquisition in Solid Waste Netherlands net of proceeds from other portfolio activities. The value in the prior year included the proceeds net of costs from the sale and closure of UK Solid Waste activities and other disposals in Solid Waste Benelux. In the prior year PFI funding included the subordinated debt investment made in April 2013 in relation to the Cumbria PPP contract following full service delivery. Similar injections into the BDR and Wakefield contracts are due to be paid by September 2015. The other category includes the deficit funding on the closed UK defined benefit pension scheme along with other non-trading cash flows.

Investment activities and performance

Investment programme

The Group has had a stated strategy of investing in sustainable waste management infrastructure, with a target pre-tax return of 15-20% on fully operational assets (post-tax return of 12-15%). As at 31 March 2015, £182m has been invested and allocated. The divisional split of the investment and allocated to date has been: Organics £112m (61%), Hazardous Waste £36m (20%) and Solid Waste Benelux £34m (19%).

At 31 March 2015, £93m (2014: £90m) of the investment portfolio was considered fully operational and it delivered a pre-tax return of 18.1% (2014: 18.6%). The portfolio as a whole delivered a pre-tax return of 14.9% (2014: 15.2%). As previously identified, the pre-tax return has varied according to division, with strong returns from the Hazardous Waste investments and lower returns from the Organics portfolio as assets ramp up and are affected by market volatility.

CASH FLOW	MARCH 15 £m	MARCH 14 £m
EBITDA	72.8	82.9
Working capital movement and other	(1.7)	9.3
Net replacement capital expenditure	(29.3)	(20.9)
Interest and tax	(18.4)	(14.8)
Underlying free cash flow	23.4	56.5
Growth capital expenditure	(12.8)	(18.6)
Acquisitions and disposals	(1.5)	12.1
Restructuring spend	(7.6)	(9.3)
Dividend paid	(13.7)	(13.7)
PFI funding	(7.3)	(19.3)
Other	(5.2)	2.5
NET CORE CASH FLOW	(24.7)	10.2
Free cash flow conversion	69%	137%

GROUP FINANCE DIRECTOR'S REVIEW CONTINUED

UK Municipal programme

To support growth of the UK Municipal division's PFI and PPP contracts, the Group is currently undertaking a large investment programme. In the year ended 31 March 2015 our PFI financial assets increased by £82.6m to £278.2m as a result of construction at BDR and Wakefield. The asset increases are broadly matched by increases in non-recourse debt that is lent directly to the PFI funding entities with no recourse to the Group as a whole. We expect our PFI financial assets to increase by a further £15m and peak as the construction on these projects is finalised ready to enter full service delivery. The asset value will then start to fall as principle is repaid in full service. The build on the Derby contract will not be reflected in financial assets as we hold our interest in this contract in a joint venture.

Group return on assets

The Group return on operating assets (excluding debt, tax and goodwill) from continuing operations has decreased from 15.1% at 31 March 2014 to 12.2% at 31 March 2015 in line with the downturn in Benelux Solid Waste and the lower performance in Hazardous Waste in the first half. The total Group post-tax return on capital employed remained unchanged at 6.0%.

Treasury and cash management

Core net debt and gearing ratios

The net core cash outflow of £24.7m has been reduced by a positive exchange effect of £23.5m on the translation into Sterling of the Group's Euro and Canadian Dollar denominated debt which resulted in core debt at £155.0m compared with £152.9m at 31 March 2014. This represents a covenant ratio of 2.3 times EBITDA which is well within the amended banking limits of 3.5 times. The value of non-recourse debt lent directly to the PFI funding entities was £222.6m (2014: £151.2m).

Debt structure and strategy

Core borrowings, excluding PFI/PPP non-recourse borrowings, are almost all long term with the exception of the 2010 Retail Bond which is due for repayment in October 2015. At 31 March 2015, the Group's bank financing comprised a €180m multicurrency revolving credit facility with seven major banks entered into on 31 January 2014 and expiring in January 2019. At 31 March 2015, €51m equivalent of the facility was drawn. The margin varies on a ratchet fixed by the Net Debt:EBITDA ratio. The financial covenants of this facility were amended in March 2015 to de-risk the impact on leverage and total net worth of rapidly moving exchange rates in a period of higher than usual investment. The principal covenants are the ratio of Net Debt:EBITDA of less than 3.5:1, interest cover of not less than 3.0:1 and a minimum net worth of £200m. The five year retail bonds of €100m, issued in October 2010 to investors in Belgium and Luxembourg have an annual coupon of 5.0%, are quoted on the London Stock Exchange and are due for repayment in October. The further €100m six year retail bonds issued in July 2013 have an annual coupon of 4.23%. The senior notes issued under the Group's Priscoa private placement were €40m of seven year senior notes issued in April 2011 at a fixed interest rate of 5.025%.

The Group also has access to £26.8m of undrawn uncommitted working capital facilities with various banks. Cash flows are pooled at a country level and each operation is tasked with operating within the limits of the locally available working capital facilities.

Each of the Group's PFI/PPP projects has separate senior debt facilities which contribute approximately 85% of the capital funding required. These facilities are secured on the future cash flows of the PFI/PPP companies with no recourse to the Group as a whole. Repayment of these facilities, and any equity bridge facility in respect of the


remaining capital funding, commences when construction is complete and concludes one to two years prior to the expiry of the PFI/PPP contract period. The maximum which could be drawn down under these facilities at 31 March 2015 was £30.4m. Interest rates are fixed by means of interest rate swaps at the time of contract inception. While PFI assets are under construction, there are periods when the timing of draw downs from the non-recourse debt differs from the outflows required and the Group may temporarily fund any difference.

Directors' valuation of PFI portfolio

The Directors' valuation of the PFI portfolio is based on the net present value of the future cash flows of the PFI contracts and has remained constant at £110m. The Directors' valuation is not recorded in the Group's balance sheet.

Retirement benefits

The Group operates a defined benefit pension scheme for certain UK employees which is closed to new entrants. At 31 March 2015, the net retirement benefit deficit relating to the UK scheme was £13.1m compared with £10.5m at 31 March 2014. The increase in the deficit was due primarily to a decrease in the discount rate being used to value the liabilities. The last actuarial valuation of the scheme was at 5 April 2012 and a funding plan of £3.1m per annum over seven years was agreed with the trustees. This payment profile will be reconsidered following the next actuarial valuation that will be assessed on the position as at 5 April 2015.



Toby Woolrych
Group Finance Director

MEASURING OUR PERFORMANCE

2014/15

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STRATEGIC REPORT

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FINANCIAL STATEMENTS

ADDITIONAL INFORMATION

	TOTAL COST REDUCTION		SOLID WASTE TRADING MARGIN	
	£m		%	
SOLID WASTE Improve the profitability of our Solid Waste business	2015	1.5 1.3	2015	4.0
	2014	3.7 2.8	2014	6.1
	2013	3.2 5.9	2013	4.9
	2012	4.4	2012	6.8
	2011	11.6	2011	7.8
	Operational cost savings			
	Structural cost savings			
	PROJECT HOURS AT REYM		ATM SOIL VOLUMES	
	HOURS M		TONNES M	
HAZARDOUS WASTE Broaden the scope of Hazardous Waste	2015	1.6	2015	1.8
	2014	1.6	2014	1.7
	2013	1.5	2013	1.5
	2012	1.4	2012	1.7
	2011	1.3	2011	1.7
	ENERGY PRODUCED*		TRADING PROFIT FROM ORGANICS*	
	MWh		£m	
ORGANICS Expand the Organics footprint	2015	72.9	2015	
	2014	69.9	2014	
	2013	66.7	2013	
	2012	59.4	2012	
	2011	34.1	2011	3.2
	* Including energy from our joint venture in Cumbernauld.		* Including results from our joint venture in Cumbernauld.	
	REVENUE		MARGIN	
	£m		%	
UK MUNICIPAL Grow UK Municipal long-term contracts	2015	144.6	2015	6.9
	2014	137.5	2014	6.7
	2013	115.3	2013	8.3
	2012	110.7	2012	5.1
	2011	90.6	2011	-0.7

OPERATING
REVIEW

SOLID WASTE BENELUX

**RESTORING THE
PROFITABILITY OF THE
DIVISION IN THE FACE
OF INCREASINGLY
CHALLENGING MARKETS**

Solid Waste Benelux is a market leader in the collection and treatment of solid waste across Belgium and the Netherlands. We have particular strength in the Randstad in the Netherlands, and in the Construction and Demolition waste sectors.

Business model

The solid waste market covers the collection, sorting, treatment and ultimate disposal of solid waste materials from a range of sources. The market can be divided into three main sources of waste: Construction and Demolition (C&D), Industrial and Commercial (I&C), and Municipal (where the latter has not been tied up in a long-term PFI-type contract).

Shanks' unique business model in this market is to focus primarily on the sorting and treatment phases of the cycle. We generally collect where necessary to secure waste volumes, and we dispose only of the residues that we are unable to convert into a reusable product or recycle. In this way, we 'make more from waste' both environmentally and economically. Our general business model is set out in the graphic opposite.

We operate Solid Waste businesses in the Netherlands and Belgium. Each has a different profile in terms of the source of waste, which affects its current financial performance and competitive strategy as outlined in the following sections.

Market overview

After a successful 2013/14, the 2014/15 financial year proved more challenging with a further downturn in our core Benelux Solid Waste markets, as covered in our Chief Executive's review. The long-term market drivers for companies like Shanks that

can deliver market leading recycling rates remain good. Legislation and regulation continue to promote increased recycling rates and to support our 'waste-to-product' model. In particular, a new €13 per tonne incineration tax in the Netherlands was introduced on 1 January 2015. It is too early to observe a material change in recycling volumes as a result of the new tax, but we believe that it will enhance recycling volumes and the demand for our services over the longer term. The short-term market conditions remain affected by continuing overcapacity, low recycle prices and competition from both public and private waste management operations. The stabilisation of the Benelux economies and the return of some activity to the Dutch housing market are encouraging indicators of a future improvement in the market, but we do not expect a surge in waste volumes arising.

Products and technologies

The Benelux Solid Waste Division operates a number of technologies in order to recycle the waste it sources into usable products. Waste may be delivered to a transfer station, where it is collected and subjected to a rough sort before being sent on for further treatment. The core technology is the material recycling facility (MRF) which combines automated sorting technologies (such as magnets, eddy current separators and optical sorters to remove recyclates)

Michael van Hulst,
Managing Director, Solid Waste Benelux

STRATEGIC HIGHLIGHTS

- Commercial Effectiveness
- Continuous Improvement at Icovia and Van Tuijl
- Netherlands incinerator tax
- Good progress with refining portfolio in Belgium

along with manual sorting lines. In Gent, solid recovered fuel (SRF) is being produced to create a clean fuel for incinerators or cement kilns. C&D waste passes through heavier duty processes, including stone crushers to produce rubble. Our Icova site further processes specifically collected (dry) commercial waste into high calorific Icopower pellets which can be used in power stations or cement plants. Shanks also operates businesses that focus on mono-streams, such as glass (Van Tuijl), wood (Shanks Wood Products) and paper, or cardboard (Kluivers). The Hook of Holland facility serves the local horticultural market with composting of green waste and the treatment of rockwool, in which flowers and vegetables are grown. The division also operates a small Hazardous Waste business in Belgium, one landfill in each country and a sand quarry in Belgium. The key products are as follows:

- Recyclates (commodities): ferrous and non-ferrous metals, glass, plastics, cardboard, paper, wood chips.
- Industrial products: rubble, aggregate, compost, building materials.
- Power: gas from the landfills, Icopower pellets, SRF for cement kilns or high energy generating incineration.

Recycling rates for the division are over 75% and over 95% for the C&D businesses. The Benelux Division also has a minority share, along with other leading waste companies, in an incinerator in Wallonia.

Strategy

The core strategy of the Benelux Solid Waste Division was to:

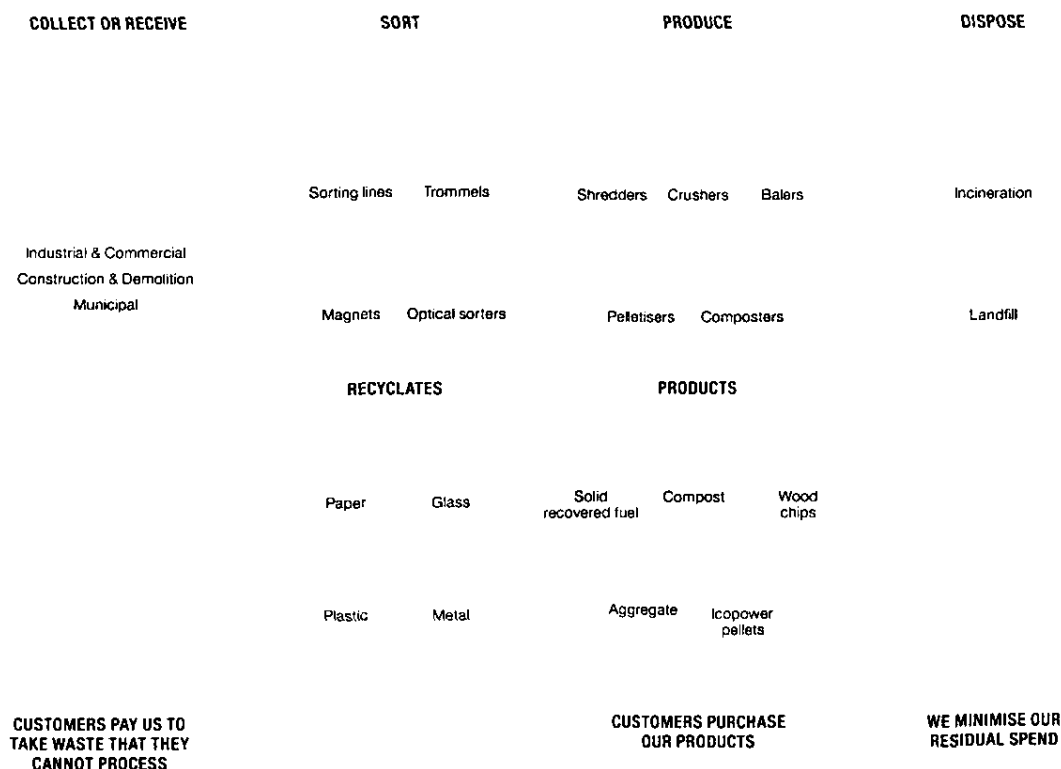
- Return the division to attractive profitability levels;

- Drive cost efficiency through the completion of the structural cost programme together with procurement and continuous improvement initiatives;
- Invest in optimising our commercial effectiveness to take advantage of market opportunities; and
- Streamline the portfolio to increase returns.

These aims will continue under the new organisation structure and will be enhanced by the addition of our organics assets in the Netherlands to create the new Commercial Division.

Our businesses will be managed separately in Belgium and the Netherlands, but will work together closely to preserve synergies. The new organisation will also provide a fuller range of products to its customers at lower cost.

SOLID WASTE BUSINESS MODEL



OPERATING REVIEW

SOLID WASTE BENELUX

The new incinerator tax reinforces the need for recycling.

Financial performance

Following the successful return to growth in trading profit in 2013/14 due to our structural cost programme, a further deterioration in trading conditions in the first half of 2014/15 impacted profitability. Revenues were broadly flat at constant currency at €379m (down by 8% at actual rates), driven by a competitive retention of volumes where possible and the impact in the last quarter of the passing through of the new Dutch incinerator tax. Trading profit fell by 35% at constant currency to €15.2m, with margins falling across the Division to 4.0%.

Total Dutch Solid Waste volumes were flat on prior year, but there was an adverse mix of products processed. Underlying pricing fell across most segments in the first half, but stabilised in the second half partly as a result of the incinerator tax-related increases. Recyclate revenues fell by €2.5m, with reduced volumes and prices, particularly in glass. Solid waste volumes in Belgium were stable except at Gent

where they reduced due to lack of SRF outlets and weak soil markets. Pricing on commercial waste streams was impacted by ongoing price erosion due to the competitive environment and the renewal of contracts at lower prevailing market prices. Profitability of the Cetem landfill in Belgium declined as expected, as intake of certain waste streams ceased in anticipation of closure in 2016. Costs of central services increased as costs were transferred from the operating units to the new Shared Service Centres and as a result of lower inter-company recharges.

Operational review

The focus of the Solid Waste Benelux Division in 2014/15 continued to be to restore profitability in the face of an increasingly challenging market, especially in the first half of the year. Our focus on margins involved both commercial effectiveness programmes and an intensification of our cost reduction activities.

FINANCIAL PERFORMANCE

	REVENUE				TRADING PROFIT			
	YEAR ENDED				YEAR ENDED			
	MARCH 15 €m	MARCH 14 €m	CHANGE €m	CHANGE %	MARCH 15 €m	MARCH 14 €m	CHANGE €m	CHANGE %
Netherlands Solid Waste	224.8	223.3	1.5	1%	12.0	14.2	(2.2)	-15%
Belgium Solid Waste	105.6	108.7	(3.1)	-3%	5.0	6.7	(1.7)	-25%
Belgium Others	64.9	69.7	(4.8)	-7%	9.9	11.5	(1.6)	-14%
Divisional central services	—	—	—	—	(11.7)	(9.1)	(2.6)	—
Intra-segment revenue	(16.0)	(18.3)	2.3	—	—	—	—	—
Total €m	379.3	383.4	(4.1)	-1%	15.2	23.3	(8.1)	-35%
Total €m (at average rate)	297.2	323.2	(26.0)	-8%	11.9	19.7	(7.8)	-40%

	TRADING MARGIN		RETURN ON OPERATING ASSETS	
	MARCH 15	MARCH 14	MARCH 15	MARCH 14
Netherlands Solid Waste	5.3%	6.4%	5.0%	6.5%
Belgium Solid Waste	4.7%	6.2%	30.3%	47.3%
Belgium Other	15.3%	16.5%	—	—
Total	4.0%	6.1%	8.3%	11.3%

Comparatives for 2014 have been restated following the adoption of IFRS 11 and the associated requirement to equity account for joint ventures.

The goal of the commercial effectiveness programme is to focus on the most profitable market segments where we have a sustainable and strong competitive position. The programme additionally used in depth data analysis tools to identify pricing anomalies and to refine our product costing and pricing methodologies. The benefits of the programme were particularly felt as we managed the pass through of the new incinerator tax in the Netherlands from 1 January 2015, ensuring that the full additional costs were passed on to waste producers without a material loss of business to date. In the Netherlands we renewed our national contract with Unilever, won a three year contract with ZorgService XL and were selected as the preferred supplier by Koninklijke Horeca Nederland (KH-N), the largest hospitality industry organisation in the Netherlands.

On the offtake side, we were pleased in January 2015 to sign a new five year contract with Heidelberg Cement Group in Sweden for our Icopellet fuel. In Belgium, we renewed our strategic long-term

municipal collection contract with the City of Liege, albeit on materially lower terms. We also won sorting and waste treatment contracts with the municipalities of Anderlecht and Molenbeek, and renewed total waste management contracts with Caterpillar and Exxon.

Overall, our structural cost programme approached its final phases on track. The two new shared service centres are performing well and are both reducing cost and improving financial controls. We delivered procurement savings totalling around €1m and reduced headcount in Icovia, Vliko, Kortemark and Gent with an annual benefit of €1.6m. As previously announced, we have also begun to introduce continuous improvement as a core tool to the business. In 2014/15 we completed specific projects at the sorting line in Van Vliet Groep and also in logistics and Icopellet manufacture at Icovia. Going into the new financial year we are initiating our first complete conversion to lean manufacturing processes of two sites: Van Vliet Groep and Gent.

The focus of the Division remains primarily on improving profitability and returns and we have deployed capital where it will drive improved margins or lower costs. In February 2015 we commissioned a new high volume sorting line for construction and demolition (C&D) waste at our Wateringen plant in the Netherlands. This €5m facility can process 135,000 tonnes of waste per annum, replacing three smaller and older lines (one of which was destroyed by fire in 2013 at Vliko). The new line will improve the quality of the products we sort and will reduce costs significantly.

In Belgium, we have also made good progress in refining the portfolio. We successfully exited our municipal contract with Hygea in December 2014, releasing the related onerous contract provision. We sold a non-core environmental advisory services business, Enviro+. We were also able to deliver increased green bio-gas production at our Cetem landfill as a result of a technology collaboration with local Universities, called Project Minerve.

OPERATING
REVIEW

HAZARDOUS WASTE

**INVESTING FOR
GROWTH WITH
ATTRACTIVE RETURNS**

We are a European leader in the treatment of contaminated soil and water and a leader in industrial cleaning in the Netherlands.

Business model

The Hazardous Waste Division is made up of two businesses: Reym and ATM. Reym is a leading industrial cleaning company in the Netherlands, also taking the leading role in promoting the Shanks Total Care solution (cleaning, transport and waste management) for heavy industry, petrochemical sites, oil and gas production (both on and offshore) and the food industry. ATM is one of Europe's largest sites for the treatment of contaminated soil and water, as well as for the disposal of a broad range of hazardous waste such as waste paints and solvents. The business model is shown in the graphic opposite.

Reym's highly experienced and trained cleaning teams use specialist equipment to deliver a reliable and safe cleaning process in a market where the cost of safety and quality is of paramount importance. ATM is a leader in water and soil treatment because of: the cost advantages provided by its fully integrated plant processes; its waterside location for the cleaning of ships; and its excellent record of compliance with the many environmental controls and permits required in the hazardous waste market.

Market overview

The core market drivers for the Hazardous Waste Division are industrial activity in the Benelux, particularly in the Rotterdam region, coupled with construction and site remediation activity across Europe.

Industrial activity in the Benelux has stabilised in the last year, and we have seen continuing robust activity in Rotterdam, which we believe is set for steady growth in the future. This has resulted in good demand for industrial cleaning services and growth in waterside waste volumes arising. However, this is somewhat offset by margin pressure as the falling oil price has put pressure on our customers in the oil and petrochemical sectors. A sustained slump in oil price is likely to impact volumes and prices going forward. New legislation coming into force in 2015 to forbid the degassing of fumes from ships' tanks to air has driven volume growth through our newly commissioned degassing unit at ATM.

The volume of contaminated soil available for treatment in Europe has been affected by the budgetary constraints of governments. This results in a continued downward pressure on pricing. However, the long-term pipeline remains sound, with many sites earmarked for brownfield redevelopment. Short-term decreases in the volume of soil available are offset by increased volumes of tar containing asphalt grit as a result of a successful industry lobbying campaign to have this material, produced during road surface replacement, treated within the Netherlands, albeit at lower pricing. We have also opened up new market opportunities and technologies, such as the use of ultrasonic cleaning.

Jonny Kappen, *Managing Director,
Hazardous Waste*

STRATEGIC HIGHLIGHTS

- Commissioning of new flue gas cleaning equipment
- Construction of three new 10,000m³ water tanks
- Development of new Theemsweg Total Care facility
- Acquisition of operational site in northern Netherlands

Products and technologies

The Reym business operates bespoke and specialised cleaning equipment in order to serve its clients. These include trucks for onshore work and specialist transportable units for offshore work. Our solutions use ultrasonic cleaning, high pressure cleaning, vacuum cleaning, chemical cleaning and decontamination. Liquid waste streams (including those created by the cleaning process) can be collected and transported to one of our waste treatment facilities. Reym operates a fleet of around 250 vehicles and units from sites across the Netherlands. Most of these sites are also equipped and licensed for treating hazardous waste.

Contaminated soil can be cleaned by washing or treated thermally (depending

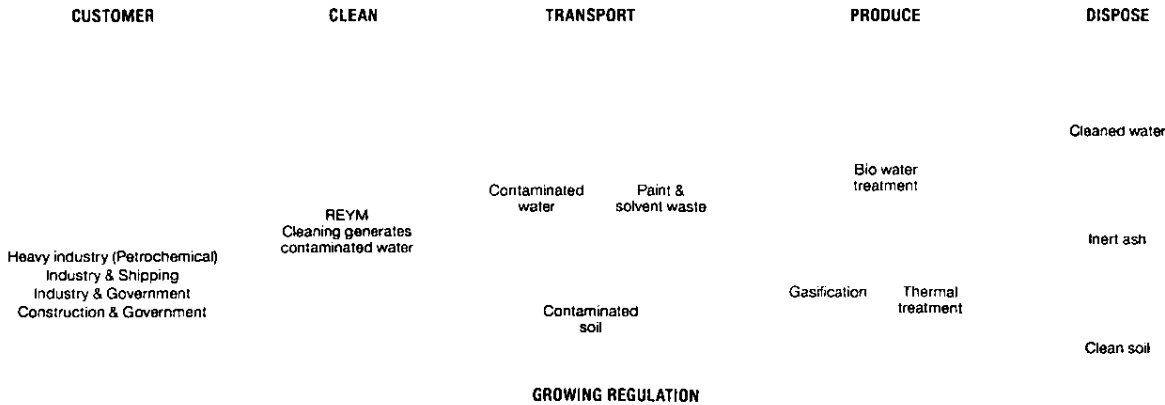
on contamination levels). We operate a principal thermal treatment facility with one million tonnes of capacity. The ATM unit passes contaminated soil through a kiln in order to produce clean and reusable soil, with the effluent gases being carefully scrubbed of all contaminants.

Contaminated water is removed from ships at our jetty at ATM or received from trucks, which can themselves then be cleaned on site. The water is put through a decanter to remove solids and oils; it is then treated in five biological treatment tanks in which bacteria cleans the contaminants and produces clean water.

Paint and solvent waste, along with sludges removed from the contaminated water, is treated in a gasification process to produce largely inert ash.

We have opened up new market opportunities such as ship degassing.

HAZARDOUS WASTE BUSINESS MODEL



OPERATING REVIEW

HAZARDOUS WASTE

Strategy

The strategy of the Hazardous Waste Division is to continue to grow in target markets through capacity expansion, particularly in water treatment. Specifically, the strategy is to:

- Invest in environmental excellence and increasing treatment capacity;
- Expand the range of inputs requiring thermal treatment;
- Broaden commercial coverage and geographic footprint; and
- Drive further synergies and productivity gains.

Financial performance

Hazardous Waste experienced a more challenging year in 2014/15 after several years of underlying growth. This was caused by operational challenges at ATM in the first half, and market pressures at Reym in the second half due to the lower oil price. Revenues were broadly flat at constant

currency at €176m. Growth in volumes at Reym and in soil processing at ATM was offset by lower pricing across the Division and increased costs in the first half due to the operational challenges associated with the commissioning of new equipment. Trading profit fell by 11% to €21.0m.

As forecast, ATM recovered strongly in the second half of the year following its operational challenges. Record soil volumes were processed along with broadly similar levels of waste water, although lower prices were experienced across all product lines in competitive market conditions.

Reym delivered a competitive response to challenging markets where our customers in the oil and petrochemical markets are reducing activity or seeking to lower the cost of their cleaning and waste management as a result of the collapse in oil price. Despite ongoing and intense price pressure, Reym increased revenues and in 2014/15 revenues exceeded €100m for the first time.

Record soil volumes were processed along with broadly similar levels of waste water.

FINANCIAL PERFORMANCE

	REVENUE				TRADING PROFIT			
	YEAR ENDED				YEAR ENDED			
	MARCH 15 €m	MARCH 14 €m	CHANGE €m	CHANGE %	MARCH 15 €m	MARCH 14 €m	CHANGE €m	CHANGE %
Hazardous Waste	176.2	175.8	0.4	0%	22.6	25.7	(3.1)	-12%
Divisional central services	-	-	-	-	(1.6)	(2.2)	0.6	-
Total €m	176.2	175.8	0.4	0%	21.0	23.5	(2.5)	-11%
Total £m (at average rate)	138.0	148.2	(10.2)	-7%	16.4	19.9	(3.5)	-18%
	TRADING MARGIN		RETURN ON OPERATING ASSETS					
Total	11.9%	13.4%			25.7%	34.7%		

Operational review

ATM, our hazardous waste treatment site, has an advantaged location and cost position with regard to its soil and water treatment processes, which are therefore the focus of investment to increase capacity and capability. End markets were competitive throughout the year, with ongoing price pressure in both soil and water treatment segments. However, our advantaged position allowed us to continue to secure good quantities of contaminated soil for treatment.

During the year we commissioned new equipment on the soil line to reduce emissions significantly and thereby increase

potential capacity. As a result, we processed record quantities of contaminated soil in the final quarter of the year, after reduced throughput in the first half due to operational issues. We will also complete, in May 2015, the construction of three 10,000m³ water storage tanks, which will double storage capacity and thereby increase potential output and operational efficiency. In March, we reduced processing of packed chemical waste through our pyrolysis line in order to mitigate potential uncontrolled contamination from the waste, at a cost of around €0.4m: we will reintroduce packed chemical waste processing in a planned way through the first half of 2015/16.

Other investments have included installing a new boiler for ship cleaning and a first ship degassing line in anticipation of new regulations to limit ship degassing to air that will come into effect in January 2016. We are also investing in our people and organisation to meet Seveso III criteria.

Reym, our high end industrial cleaning business, continued to focus on expanding its range of services in order to offset price and volume declines in industrial cleaning activities. This has included further roll-out of the Shanks Total Care solution in which industrial cleaning and the transport and treatment of both hazardous and non-hazardous waste can be managed under a single contract. We are investing €10m to support this initiative in Rotterdam, with the development of our new Theemsweg site on time and on budget. At year-end, the new depot was complete and being occupied, with the waste reception and storage facility on track for commissioning in the first half of 2015/16. We additionally purchased an operational site in Farmsum, in the northern Netherlands, for €3.8m in January 2015. This site already has permits to allow a number of storage and treatment processes to take place. Our Reym technology centre, located nearby at Veendam, has developed and launched a new ultrasonic cleaning unit which will be initially installed at Farmsum.

Recently installed equipment on the thermal soil treatment line at ATM, which operates with reduced emissions and increased capacity

OPERATING
REVIEW

ORGANICS

**EXPANDING OUR
FOOTPRINT OF
ADVANCED ORGANIC
TREATMENT ASSETS**

The Organics Division renewed key contacts in the Netherlands, won a major 25-year contract in Canada and saw significant performance improvements in Belgium and Scotland.

Business model

Organic waste is the most environmentally damaging form of waste to be sent to landfill, because it decomposes to create methane which is a harmful greenhouse gas (21 times worse than carbon dioxide). The Organics Division offers a sustainable alternative by treating organic waste, turning it into green energy, compost and fertiliser.

The division receives green waste (for example, garden waste) and food waste from both municipalities and commercial businesses. It receives a gate fee for treating the waste, and income from the electricity and heat produced and associated subsidies in some territories. The remaining output is used as fertiliser and generates a nominal income or cost on disposal, depending upon quality and territory. The business model is shown in the graphic opposite.

Our principal organic technologies and assets were purchased in 2007 with the acquisition of Orgaworld, a leading Dutch organic waste treatment company. Orgaworld employs a design, build, own and operate model, unusual in the sector, which we believe offers a significant competitive advantage. This business model enables us to design facilities based on our deep operational experience and this tight linkage

leads to continuous improvement in facility productivity and gas yields. Each project is different, depending upon its feedstock. Orgaworld's technology is secondary to its adaptability: it provides bespoke customer solutions based on accumulated operational expertise and design capability.

Market overview

The increased diversion of organic waste from landfill is a key regulatory target for governments across the world, with volume increases forecast over the medium to long-term in order to meet these goals.

The response of providers to these needs can create overcapacity in certain regions, leading to local challenges with securing of volumes or appropriate pricing. This is the primary reason we increasingly seek long-term municipal contracts to support the decision to build any new facilities and why part of our Organics Division has been incorporated within our new Municipal Division going forward.

In the Netherlands, we expect steady growth in composting volumes available. However, some overcapacity means that contract renewals are generally at lower prices than previously, especially when the expiring contract was entered into a long

Henk Kaskens,
Managing Director, Organics

STRATEGIC HIGHLIGHTS

- Reaching financial close on a 25 year PPP contract with the City of Surrey in Canada
- Strong performance improvement from Belgian AD facility
- Construction underway to double capacity at Scottish joint venture AD facility
- Renewal of key Flevoland contract in the Netherlands

We are supporting the successful implementation of the Zero Waste Scotland initiative.

time ago. The wet AD market is more challenged, with strong competition for those waste streams that create the largest quantities of gas resulting in negative gate fees for the waste. Growth opportunities remain for innovative partnerships with major A-brand customers such as those that we have entered into with Albert Heijn and Friesland Campina.

In Canada, we are seeing accelerated progress in a number of municipal opportunities across all major provinces. With relatively low current diversion rates, there is a good prospect of strong growth in this market segment in the coming decade. In the UK, the Zero Waste Scotland initiative has demonstrated the impact of government action in promoting waste diversion, with an increase in organic waste tonnages delivered to our joint venture Cumbernauld AD facility.

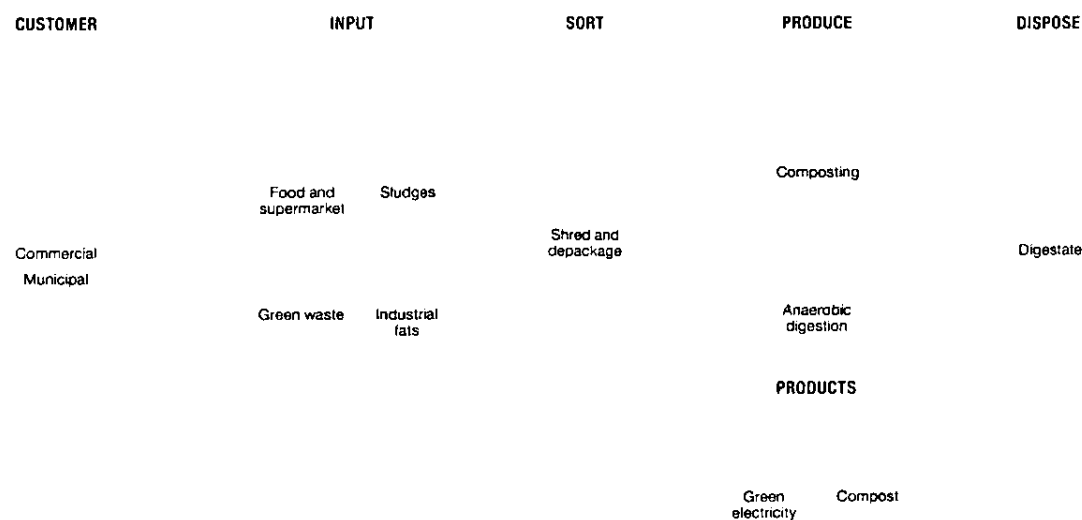
Products and technologies

We operate two main technologies for the treatment of organic waste: AD and tunnel composting.

AD can be performed in a wet or dry process. In the wet AD process, AD operates in a similar process to a digestive tract. Depackaged food slurry is fed into large steel digester tanks full of bacteria, which break down the organic waste to produce methane and digestate. The methane is used as fuel in engines that produce electricity (and heat, where the latter has an economic use). The digestate is dewatered where possible and treated to become a fertiliser, while the water is cleaned and discharged. Dry AD likewise produces green electricity from the same biological process but in a dry state and without the subsequent need to dewater.

Tunnel composting is an accelerated composting technology which uses forced aeration to process food, garden waste and other types of waste into compost.

ORGANICS BUSINESS MODEL



OPERATING REVIEW

ORGANICS

Strategy

The core strategy of the Organics Division was to:

- Maximise returns from existing assets by delivering excellent operating performance and securing long-term contracts;
- Develop the North American opportunity;
- Maintain a leading position with ongoing organic treatment technology developments; and
- Develop co-processing with key A-brand customers.

These aims will continue under the new organisation structure, with enhanced North American bidding capabilities from the new Municipal Division and better customer support from the integrated Commercial Division in the Netherlands.

Financial performance

Revenues fell by 5% to €38.6m and trading profit by 8% to €4.4m in line with expectations. The Netherlands delivered broadly flat revenues with increased waste water treatment and record performance from the CHP engines at Amsterdam offsetting the impact of material price reductions with the renewal of the Flevoland contract in June. However, the price impact with the latter, combined with technical support for the bids in Canada, resulted in a €1.3m fall in profit. In Canada, volumes were broadly flat, with some weakness in municipal intake, but strong cost action drove a 12% increase in trading profit. Other Organics showed strong profit growth of €0.9m primarily as a result of improved performance in Belgium. We also saw good revenue and profit growth from our joint venture Cumbernauld plant in Scotland, which is now equity reported following the adoption of IFRS11.

The long-term extension to the Flevoland contract has enabled a project to upgrade the Biocel facility.

FINANCIAL PERFORMANCE

	REVENUE				TRADING PROFIT			
	YEAR ENDED				YEAR ENDED			
	MARCH 15 €m	MARCH 14 €m	CHANGE €m	CHANGE %	MARCH 15 €m	MARCH 14 €m	CHANGE €m	CHANGE %
Netherlands	18.7	18.9	(0.2)	-1%	1.6	2.9	(1.3)	-45%
Canada	15.6	16.0	(0.4)	-3%	3.7	3.3	0.4	12%
Other Organics	4.3	5.7	(1.4)	-25%	0.8	(0.1)	0.9	n/a
Divisional central services	—	—	—	—	(1.7)	(1.2)	(0.5)	—
Total €m	38.6	40.6	(2.0)	-5%	4.4	4.9	(0.5)	-8%
Total £m (at average rate)	30.0	34.2	(4.2)	-12%	3.4	4.1	(0.7)	-17%
UK Joint Venture (£m)	2.6	2.0	0.6	30%	0.7	0.3	0.4	124%

	TRADING MARGIN	
Netherlands	8.6%	15.3%
Canada	23.7%	20.6%
Other Organics	18.6%	-1.8%
Total	11.4%	12.1%

	RETURN ON OPERATING ASSETS	
Netherlands	-0.1%	5.1%
Canada	10.1%	8.3%
Other Organics	2.2%	-0.3%
Total	4.2%	5.0%

Results for Canada shown at constant currency. Comparatives for 2014 have been restated following the adoption of IFRS 11 and the associated requirement to equity account for joint ventures.

Operational review

The Organics Division delivered a robust performance with key contracts being renewed, albeit at lower pricing, and the securing of a 25 year PPP contract with the City of Surrey in Canada.

In the Netherlands, the business performed well operationally, but profits were adversely affected as expected by the renewal of two long-term contracts at materially lower prices. The successful long-term extension to the 25,000 tonne per annum Flevoland contract has underpinned a project to refurbish and upgrade the associated Biocel facility in Lelystad, with a new depackaging line and new CHP engines being ordered for commissioning over the summer of 2015. We were also pleased to win contracts during the year with the municipality of Noordenveld and Beneluxvet.

In Canada, the two current municipal sites delivered an ongoing solid performance. In Ottawa, we were very disappointed in July when a long-running

arbitration with the client was awarded against us and also failed to give clarity on key contractual issues under debate. We have appealed the arbitration but have meanwhile initiated constructive discussions with the client in order to continue to deliver a high quality of service going forward. Our London plant performed well, although volumes from the City of Toronto were weak in the second half, impacting profitability. The losses in revenues arising from our market challenges were more than offset by a successful series of continuous improvement and cost reduction initiatives.

The highlight of the year was in February 2015 when we secured a 25 year PPP contract to design, build, own and operate a 115,000 tonne composting and dry AD facility for the City of Surrey in British Columbia. This facility, the first of its kind in Canada, will use the City's organic waste to generate green bio-gas to fuel its waste collection fleet as well as producing high grade compost. Construction of the CAD\$ 50m facility

will start this summer for commissioning at the end of 2016. We continue to work actively to identify other appropriate expansion opportunities on which to bid in North America that will leverage our unique capabilities both in organic waste treatment technologies and in the management and delivery of long-term municipal contracts.

Our other Organics assets performed very well during the year. Our Belgian AD facility delivered a strongly improved performance in the year, increasing trading profit by €1m, as a result of an operational and commercial improvement plan. Our Scottish AD Joint Venture, Energen BioGas, is now equity reported following our adoption of IFRS11 this year. Improving local market conditions have caused a strong increase in both demand and pricing, with a corresponding improvement in profitability. We therefore announced in February that we were investing a further £5m to double capacity, which will be on stream in late summer 2015.

OPERATING
REVIEW

UK MUNICIPAL

**DELIVERING
OPERATIONAL TARGETS
AND PROGRESSING
INFRASTRUCTURE
PROJECTS**

UK Municipal takes municipal waste and diverts as much as possible from landfill, extracting recyclates, making products and creating clean fuel and electricity from bio-gas.

Business model

The UK Municipal Division operates waste treatment facilities for UK city and county councils under long-term contracts, typically 25 years. Such contracts are established primarily to divert waste from landfill in a cost effective and sustainable way. The capital cost of the associated infrastructure is financed with non-recourse bank debt and in the case of PFI, is supported by central government funding. Both PFI and PPP contracts benefit from guaranteed revenues and tonnages from the associated council. The business model is shown in the graphic opposite.

In a typical PFI or PPP solution, a special purpose vehicle (SPV) is created to finance the construction of the treatment assets and Shanks arranges for a club of banks to provide funding. Securing this funding is called 'Financial Close', at which point all the long-term contracts are signed between Shanks, the councils, the suppliers and the banks. This signals the start of the build phase, in which Shanks may or may not be the main contractor. On completion and commissioning of the assets, Shanks will generally inject up to 20% of the invested capital of the SPV in the form of subordinated debt, which should earn a return of around 12% pre-tax.

Once operational, there are two potential income streams from the PFI or PPP contract. The first is the income for treatment of the waste under the operating contract, which is signed with Shanks Waste Management Limited as the supplier. Success relies not only on excellent management of the contract and the meeting of strict diversion targets, but also on working closely with the customer to identify improved ways of managing the waste, to a shared benefit. It is this latter focus on continuously improving how we do things that has driven a sustained increase in the Group margin and, importantly, a significant saving for the councils. The operating contract offers the Group protection from waste volumes and similar items that have caused challenges within our Solid Waste Division.

The second cash stream is the interest from the subordinated debt and ultimately a dividend stream from the SPV. Shanks has historically sold the majority of its interest in its SPVs, following commissioning, to a third party; so this is currently a minor part of our income. However, we maintain an open stance on our ownership of current and future SPV stakes.

Peter Eglinton,
Managing Director, UK Municipal

STRATEGIC HIGHLIGHTS

- Cumbria facilities divert nearly all outputs from landfill
- Barnsley, Doncaster and Rotherham (BDR) commissioning on schedule and first fuel to Ferrybridge
- Wakefield facility progressing well
- Financial close on Derby PPP contract
- Major fire at ELWA: reinstatement well underway

Market overview

The bidding process for major PFI/PPP opportunities in the UK is largely complete. Shanks has projects at Barnsley, Doncaster and Rotherham (BDR) and Wakefield which are nearing completion of the build phase. Additionally, our Derby project began construction in the period.

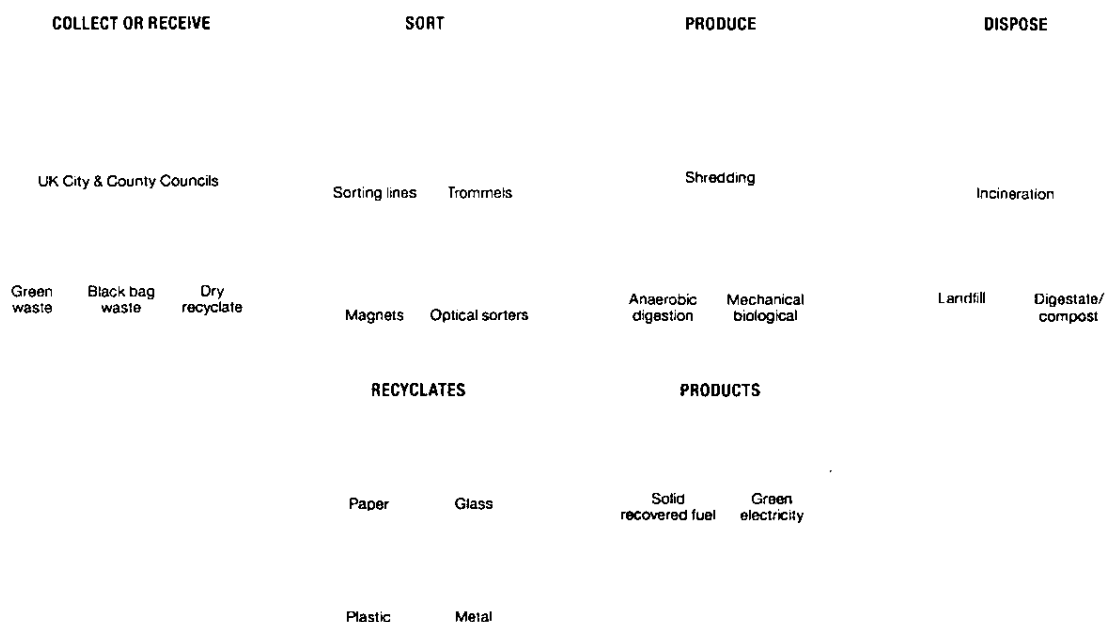
Some councils are still seeking a solution to their waste diversion needs, quite possibly through contracting spare capacity in existing assets. Our UK Municipal Division, having therefore secured its input waste, then competes in a number of downstream markets, in particular with regard to the provision of solid recovered fuels to cement manufacturers and refuse derived fuels to energy from waste companies. A proportion of these disposal routes are secured under long-term agreements.

Products and technologies

The overall goal of all PFI or PPP contracts is to maximise recycling and diversion from landfill. Each contract will involve a bespoke solution to meet the needs and preferences of the customer. This will generally include the operation of household waste recycling centres (HWRCs) and MRFs to sort incoming waste streams into recyclates. Shanks has an exclusive contract with A2A (formerly Ecodeco), a leading European waste engineering company, to operate mechanical biological treatment (MBT) facilities in the UK. These treat the residual waste, shredding and drying it to produce a high calorific fuel called solid recovered fuel (SRF), which can be burned as a fossil fuel substitute in cement kilns, or refuse derived fuel (RDF) which can be incinerated to produce electricity. Remaining organic elements can be composted to secure further diversion from landfill or processed by anaerobic digestion (AD) to produce electricity.

The overall goal of PFI or PPP contracts is to maximise recycling and diversion from landfill.

UK MUNICIPAL BUSINESS MODEL



OPERATING REVIEW

UK MUNICIPAL

Our £200m build programmes at BDR and Wakefield are close to completion.

Strategy

The core strategy of the UK Municipal Division was to:

- Deliver sustained operational excellence under our current contracts;
- Successfully commission the two major contracts which are currently ending their build phase and build and commission our Derby facility which is at an earlier stage;
- Remain alert to opportunities to assist other potential customers without a current solution to their waste diversion requirements; and
- Continue to bid for outstanding contracts where we feel we have an advantage.

These aims will continue with the formation of the new Municipal Division which brings together the UK and Canadian businesses. The combination of these businesses has enhanced capabilities and better growth prospects.

Financial performance

UK Municipal revenues grew strongly during the year, increasing by 5% to £145m, primarily from Derby and Cumbria. Trading profit increased by 9% in the year to £10m, with growth primarily as a result of increased diversion rates.

Operational review

UK Municipal had a good year, achieving its operational targets while making excellent progress on its construction programme.

There was a good underlying performance in core operating contracts. The Division delivered record diversion during the year and in Cumbria the two Mechanical Biological Treatment (MBT) facilities were able to divert nearly all outputs from landfill. Losses continued to reduce in the Dumfries and Galloway contract. Off-take markets for our residual fuels remain dynamic and at times challenging: increases in Dutch incinerator prices being somewhat offset by the weakening Euro. Central costs increased over prior year as a result of the increased cost of insurance, growth in maintenance capability and restoration of incentives.

FINANCIAL PERFORMANCE

	REVENUE				TRADING PROFIT			
	YEAR ENDED				YEAR ENDED			
	MARCH 15 £m	MARCH 14 £m	CHANGE £m	CHANGE %	MARCH 15 £m	MARCH 14 £m	CHANGE £m	CHANGE %
UK Municipal	144.6	137.5	7.1	5%	15.0	13.1	1.9	15%
Divisional central services	-	-	-		(5.0)	(3.9)	(1.1)	
Total	144.6	137.5	7.1	5%	10.0	9.2	0.8	9%
TRADING MARGIN								
Total	6.9%	6.7%						

Our new BDR facility in Rotherham, UK

In August 2014 a major fire took place at the Frog Island facility, part of our ELWA contract. The fire badly damaged one of the three drying halls and the refinement section which serves all three halls. The site was partially back in action within three months and will be fully reinstated by January 2016. The financial impact was to a large extent mitigated by insurance cover.

Our customers in UK Municipal are local councils, who are increasingly impacted by government austerity programmes. As a result, they are under increasing pressure to maximise the value of their PFI contracts. We are working hard with them on identifying where costs can be reduced and extra diversion can be achieved. We have therefore initiated programmes in continuous improvement and procurement that are expected to protect against customer pressures and are implementing systems and processes to ensure that we continue to be compliant with our customers' requirements.

The £200m build programmes at Barnsley, Doncaster and Rotherham (BDR) and Wakefield have made very good progress and are close to completion. At BDR the bio-drying hall has started the commissioning process on schedule, taking in its first waste in February 2015 and the following month providing the first RDF fuel to the new multi-fuel energy plant at Ferrybridge for its commissioning programme. Full service commencement is expected on schedule in July 2015. The construction of the new waste facilities at Wakefield is also progressing well.

We also secured financial close on the £145m Derby PPP contract. As disclosed last year, we have extended our interim contract to provide services to Derby City and Derbyshire County Councils until 31 March 2017. The income for the next two years will be at a lower rate, to reflect changing circumstances, and this will reduce the annual profit on the interim contract from April 2015.

**The Division
delivered record
diversion during
the year.**


PEOPLE

“We are committed to building our highly-skilled people capability across the Group to enhance our operations and accelerate our path to growth”

Michelle Cummins
Group HR Director

DEVELOPING OUR PEOPLE TO ACCELERATE GROWTH

The restructuring of our organisation has created exciting opportunities for our people to grow in their roles.

 Our people are right at the heart of our business. Through their unique skill-sets, knowledge and commitment to our business, they form the foundation for what we do and the way that we do it. Having the right people in place and ensuring that they are supported, developed and motivated is crucial to our success. We aim for our team to accelerate growth by delivering value to our customers, engaging with our local communities and generating returns for our shareholders.

In our new structure, we have approximately 3,500 employees working in three divisions across the Group. Our teams work together at a local, divisional and Group level to ensure that we share our knowledge, skill and technical know-how to benefit us all. We provide our people with a safe and inspiring workplace, along with

the tools and training required to support them in achieving their maximum potential. We are constantly monitoring and acting on feedback to improve our communication channels and working to engage with our people through a variety of means. We have also recently dedicated significant effort towards supporting our people through the divisional restructuring changes, as the shape of our business has evolved to align with our customers and markets.

Our team at Shanks is a unique mix of industry experts and fresh talent from other sectors. This combination makes us stronger as a team, where new starters share fresh perspectives and bring best practice from other sectors to supplement the knowledge of our existing long-serving and dedicated teams. As we have restructured our organisation to be more focused on our customers and markets,

**Our people have
unique skillsets,
knowledge
and commitment
to our business**

this has brought exciting new opportunities for our people to grow in their roles. Our recent divisional restructure involved seven internal promotions and 24 role changes, demonstrating our commitment towards developing our people.

We believe key differentiators in today's highly competitive market are our people's passion, their unique skills, their teamwork and their resilience. Our people take real personal accountability for their work and are driven by our vision to be 'the most respected waste-to-product company'. It is therefore vital that we continue to invest in, support, develop and engage our people now and in the years ahead.

The Board and Group Executive Committee are determined to achieve Shanks' goals at pace and to outperform in our markets. To do this, we have identified four levers where we will focus organisational and leadership effort:

- Creating 'The Shanks Journey' which defines our shared vision and approach underpinned by living our values;
- Evolving our organisation to meet changing markets and customer demands;
- Engaging and supporting our people to grow through change; and
- Improving the development and recruitment of talent.

The Shanks Journey

We want to grow our businesses and work successfully together along the way. To do this it is important for us to have a shared view of where Shanks is going and on how we will get there. We therefore launched a new purpose, vision, approach and new values under the banner of the 'Shanks Journey'.

Over the last year, we have been working with the Group Executive Committee and Senior Leadership Team to shape the Shanks Journey and to launch it within the business. The Shanks Journey was launched alongside our 'Pulse' employee engagement survey which gave our teams tangible results to help them create practical action plans for improvement. The survey results showed that Shanks as a whole outperformed the peer group benchmark in terms of employee engagement. The three main themes for improvement were communication, development and recognition. The Group Executive Committee gave a personal undertaking to focus on improving communication within the business and have taken a range of steps to do this. This has included initiating breakfast meetings, increasing the use of video, launching listening forums and blogs. These improvements have allowed us to get closer to achieving our vision to be 'the most respected waste-to-product company' by ensuring our people are fully engaged with our purpose, vision and approach.

**We do all we can to
ensure our people work
in a safe environment**

PEOPLE CONTINUED

GENDER DIVERSITY

**The foundation
for everything we
do is our common
values.**

12%

11%

14%

**OF OUR WORKFORCE
ARE FEMALE**

**OF SENIOR MANAGEMENT
ARE FEMALE**

**OF THE BOARD MEMBERS
ARE FEMALE**

Our values

The foundation for everything we do is our common values. They are the basis for the way that we behave and the way that we make decisions. Our values outline what is important to us, how we operate and what differentiates us from our competition.

They demonstrate that 'how' we do things is just as important as 'what' we do. Embedding these values into our daily working lives allows us to create a unique identity which meets the expectations of our people and our stakeholders.

We have six core values, and to ensure that they are easily remembered we created the mnemonic, IMPACT. This mnemonic also reflects the fact that our values have an impact on all aspects of our business.

Our evolving business

At the beginning of the new 2015/16 financial year we implemented a new Shanks divisional structure to align with our customers, share capabilities and accelerate growth. In addition to the new structure, we have taken a number of decisive actions to realign our business with the opportunities for growth. These changes have included:

- Restructuring Shanks Group into three core divisions, including the appointment to the Group Executive Committee of Patrick Laevers as Managing Director of the Commercial Belgium business and George Slade as Group Information Director;
- Accelerating cross-divisional teamwork to improve mutual growth and increase knowledge-sharing (on issues such as fire expertise, off-take working committees and transport efficiency projects);
- Improving reporting and measurement on absence and headcount to allow us to manage the business more effectively with accurate information;
- Introducing both inter-divisional and cross-divisional mentoring to share knowledge and accelerate growth; and
- Fostering cross-divisional excellence in finance, IT, health and safety, environmental, communications, finance, IT, HR and other support functions.

OUR VALUES

I

Integrity

We commit to being open, honest and doing the right thing. We have strong ethical principles which guide the way that we make decisions.

M

**Making more
from waste**

We believe that waste is a resource. We use sustainable technology to make valuable products from what is otherwise thrown away.

P

Passion

We are excited by what we do, how we do it and where we are going. We are committed to making a difference and putting in extra effort to get the job done.

A

Accountability

We take full responsibility for what we say and do. We deliver on our commitments.

C

Customer focus

We are dedicated to exceeding our customers' needs. We seek to build lasting relationships by delivering real value to our customers.

T

Teamwork

We believe in working together to achieve shared goals. This makes the most of our skills and maximises the value we can deliver to our customers.

The way that our people live these values is measured through our performance and development review (PDR) system. This ensures that we give direct and regular feedback on how individuals perform relative to our values and shared vision.

📄 more information at www.shanksplc.com/people

Members of the municipal team take a break during voluntary work at one of Shanks' Argyll and Bute sites

Engaging and supporting our people

Our business is constantly evolving as we adapt to market conditions and our customers' needs. In response to these developments we continue to implement appropriate organisational changes across the Group. During such periods of change we have strengthened our ability to engage with our people. To facilitate this we launched our annual Group-wide employee engagement survey entitled 'Pulse'. This survey allows us to gain an accurate picture of our employees' perspectives on many aspects of our business. It also identifies specific areas where we can work together to improve performance and engagement at all levels of the organisation. The first survey was well received with a higher than anticipated response rate and has culminated in over 300 team actions being created across the Group.

Our PDR system continues to engage and support individual and team development. We have introduced improved communication channels to ensure that our people are knowledgeable about our business and industry, and also feel informed and supported in what they do. These channels include:

- Our Group-wide internal magazine, Shanks Matters, which is published five times per year and includes news, features and interviews on everything related to our business;

OUR EMPLOYEES

APPROXIMATELY
3,500
EMPLOYEES ACROSS
THREE DIVISIONS

- Divisional newspapers and magazines to inform our employees about operations at a more local level;
- The SpeakUp whistle-blowing service which allows our employees to report any suspected wrong-doing in the workplace in a completely confidential manner;
- The implementation of a 360 degree feedback process which has been piloted in the UK business with scope to roll-out to the wider Group;
- The annual Shanks Leadership Conference which enables managers from across the Group to come together to align on priorities and share best practices;

- Informal, as well as formal, communication channels for our employees through local toolbox talks and various works councils; and
- Our Group-wide collaboration tool, ConnectUs, which has significantly improved communication, skills and knowledge sharing, and more generally with overall productivity.

In addition, we continue to do all we can to ensure that our people are able to work in a safe environment by dedicating significant effort to even further reducing our low accident rate. This includes continually investing in training and safety summits to ensure compliance with both regulatory and internal standards, while reinforcing the importance of safety awareness. Shanks leaders, at all levels and across all functions, conduct site safety visits – both to drive concrete safety improvements and to engage our people on the importance of maintaining a safe working environment.

The Group Health & Safety Committee was set up in 2012 to further improve our safety performance and spread our safety culture. The Committee meets six times each year to discuss health and safety best practice and to put procedures in place to ensure that all of our people are correctly trained and able to work in a safe environment. The launch of our Group Health & Safety Award in February 2013 continued its success in 2014.

PEOPLE CONTINUED

The focus on health and safety across the Group has highlighted many useful cross-divisional initiatives which have been implemented; such as the use of automated external defibrillators.

Attracting, retaining and developing our talent

We are committed to attracting, growing and retaining people who have excellent skills and live our values.

Every employee, new or experienced, has the chance to progress their career and to develop new skills at Shanks. Over the year we have hired a range of high-quality talent and have also developed high-potential managers into broader new roles. This has resulted in tangible progress at all levels of the Group. For example, we have invested in apprenticeships, graduate trainee and mentoring programmes across the business. We have also demonstrated our commitment to diversity and the development of emerging talent.

Our Group-wide PDR system empowers our people to manage their own performance and development. The system supports our people with coaching from their line managers to set objectives, create development opportunities and review performance through on-the-job coaching and formal training plans.

The Group is an equal opportunities employer and full and fair consideration is given to applications from, the continuing employment of, and career development and training of disabled people. Two-way communication is actively promoted and trade unions, works councils and other employee groups are involved wherever appropriate. This report does not contain information about any policies of the business in relation to human rights, since it is not considered necessary for an understanding of the development, performance or position of the Group's business activities.

We benefit enormously from our diverse workforce. Our people come with different backgrounds and from a wide range of cultures, creating a vibrant workforce where we can all learn from one another. The importance of diversity, equality and non-discrimination is highlighted in our Code of Conduct and is underpinned by our values, guiding the respectful way we behave towards one another. Around 12% of our workforce is female, with approximately 435 women employed. At a senior leadership level, seven managers and one Board member are female.

PULSE – THE EMPLOYEE ENGAGEMENT SURVEY

Given the market headwinds we have faced it has been a key imperative to ensure that we motivate and engage with our people through these challenging times and grow our business for the future. To support this we carried out our first ever Group-wide employee engagement survey called 'Pulse'.

This initiative aimed to test the Pulse of the organisation by gaining anonymous feedback in a number of key areas including how our people feel about their work, their manager and how we communicate effectively throughout the organisation. The survey aimed to discover what we are doing well and to identify the areas for improvement.

We achieved a 65% response rate and generated 254 team reports from the survey. The rich data and verbatim received helped to shape team-managed action plans for future improvement. We ensured our managers were well equipped to execute the action planning

process by providing training on how to create meaningful action plans. By encouraging our teams to own and manage these plans gives a sense of empowerment to our people across the Group.

The survey showed that overall in general, employees are proud of their work and the organisation; they like being challenged and having a variety of work and they value the flexibility and freedom that Shanks provides.

In addition to the positive feedback, a number of areas for improvement were identified. Employees expressed a need for more communication and a greater opportunity to share thoughts and ideas.

In addition to the team-managed action plans, the Group Executive Committee has implemented a number of improvement measures to address this feedback and they look forward to seeing the positive differences the action plans bring in the results of the next Pulse survey.

We are committed to attracting, growing and retaining people who have excellent skills and live our values

RISKS AND UNCERTAINTIES

A LONG ESTABLISHED AND EFFECTIVE FRAMEWORK

Overview and evolving risk management

Shanks has well developed and established frameworks for risk management in place. However, risk management must evolve if it is to remain effective and relevant. The effective management of risk is a core function of the Board and executive management, and we regularly review and enhance this management to ensure the adequate control of risks.

During 2014/15 we conducted, with advisers, a thorough revision of our divisional risk management and risk register processes. Key aspects included an assessment of the maturity of our risk management approaches in critical areas and a redevelopment of our divisional risk registers and processes.

This project was coordinated by our Group Risk Committee. The tools used included online surveys, training and discussion seminars for our divisional management teams and direct engagement across our workforce on risk management issues. In total more than 150 employees from senior management and executives to operational staff were involved, nearly 5% of our total workforce.

Some of the outputs are included in the key risks table overleaf. Others have become projects and actions in their own right, such as project risk management knowledge sharing through our Risk Committee. One key output was the importance of continued involvement and engagement of a wide audience in our risk management processes, to embed risk management through all levels of our business.

Challenges to our risk management

We continue to operate in challenging markets. How we manage the risks associated with these challenges is important to our success. Our ongoing portfolio management is an example of how we assess and predict risk and then take decisive action where required to mitigate impacts on our business.

One of our key risks is that the volume of waste received by our operations falls. As a waste-to-product company the waste we receive is our raw material, from which we provide recycled and recovered products for the market place. Over the past five years our underlying waste volumes have either remained steady or have increased in a shrinking market. This is a demonstration of how we have identified risk, ranked its importance and taken effective mitigating action.

FIVE OBJECTIVES OF OUR RISK MANAGEMENT FRAMEWORK

KNOW WHAT RISKS WE FACE:

Identify and evaluate our universe of potential risks to allow the creation and management of registers of risks faced by the Group.

KNOW WHAT RISK WE WANT TO ACCEPT:

Manage a risk strategy in which the tolerance and appetite of the Group for differing levels and types of risk is clearly understood.

MANAGE OR MITIGATE OUR RISKS:

Ensure that all identified key risks are effectively mitigated or where appropriate transfer risks through insurance.

TRAIN OUR PEOPLE IN RISK MANAGEMENT:

Ensure that management is trained in the effective identification, assessment and management risk.

CONTROL SYSTEMIC RISK:

Maintain and improve a system of internal controls to manage risks in decision making, contract management and financial transactions.

RISKS AND UNCERTAINTIES CONTINUED

Insurance is a key risk transfer mechanism. Over the past five years we have reduced our premium spend by more than £0.5m, while maintaining cover levels. However, for the waste sector the insurance market for property and business interruption cover has become increasingly challenging, in particular relating to fire risks. We have identified this risk and mitigated its effects by improving our site fire management systems and by restructuring our property insurance programme to spread our risk while maintaining common and high value policy conditions.

We will continue to identify our key risks, assess their importance to us and put in place mitigations to reduce our exposures. We will also continue to review and revise our risk management systems and processes so that they remain effective and fit for purpose against the challenges we face.

Our current risk framework

The core elements of our risk management process include:

- Our schedule of matters reserved for the Board and our adherence to it. This ensures that all significant issues affecting Group strategy, structure and financing are properly managed by the directors.
- Our Group risk management framework. This ensures that each of our businesses identifies the risks it faces and their importance, designs and implements effective mitigations to control key risks and that risks and mitigations are monitored and remain effective. The output of this process is a summary of all our significant strategic, operational, financial and compliance risks, our mitigating controls and the action plans necessary to reduce risks to a level aligned with our risk appetite. These are reviewed by both divisional management and the Board to ensure the appropriateness of the risks identified and the controls and action plans reported.
- Embedded risk management systems that are part of the day-to-day running of the Group. These underpin the effectiveness of our risk management processes by involving a wide audience in risk systems such as divisional registers to ensure all risks are considered and ranked appropriately and that mitigations are informed and practical.
- Enhanced risk assessment for all major capital requests. This ensures we allocate funds in a risk aware manner to maximise the value of our investments.
- Review of key risks at each divisional review meeting. This ensures that we monitor our key risks and mitigations at an appropriate level and supports risk management as an embedded feature of our decision-making process.

PROGRESS MADE DURING 2014/15

We have made good progress in further development of our risk management systems. We have:

- Conducted a thorough revision of our divisional key risk registers
- Enhanced how well our risk management is embedded in our operations by involving more than 150 employees in the review of our key risks and mitigations
- Conducted an assessment of the maturity of our risk management processes in key areas
- Carried out dedicated risk management training and seminar sessions for our divisional management teams, involving more than 60 senior employees
- Commenced migration of our risk registers into a web-based system with greater ability to track risks, their direction and implementation of mitigations
- Developed the role and actions of our Group Risk Committee
- Employed a new dedicated internal audit resource to enhance and supplement our established peer review process
- Enhanced our resilience to ICT and fire business interruptions risks by improved standards and processes and a wider-spread of risk transfer through insurance
- Produced a common framework for operational business continuity planning in co-operation with our major insurers

IMPROVEMENTS FOR 2015/16

Over the next 12 months, we will continue to improve our risk management systems. This will include:

- Produce and progress enhanced mitigations identified through our thorough review and revision of divisional risk registers conducted during 2014/15
- Formalise the discussion of key risks at divisional reviews by creating and enacting a common process embedded in our business review rhythm
- Roll-out our enhanced business continuity framework to all of our operations
- Enact the actions and improvements identified by our recent dedicated fire management systems audits to reduce business continuity risk
- Conduct further risk management training seminars for our divisional teams
- Investigate and develop a strategy for funding potential costs associated with retained risks from our property and business interruption insurance
- Develop and enact a strategy to ensure our new internal audit resource has the maximum effect and targets our key financial risk areas
- Implement fully our new web-based risk register and management system across the Group
- Create a dedicated community on our ConnectUs Group collaboration tool to provide easy employee access to key risk management documents and policies

Key risks, risk direction and mitigations

Our key risks, mitigation process and risk direction are outlined in the heat diagram below and on the following pages.

As a result of our extensive review of divisional risk registers two new key risks have been added, one existing risk has been split into two and a further two previous risks have been combined. These changes are reflected in both the heat diagram below and risk tables on the following pages.

RISK MANAGEMENT RESPONSIBILITIES

SHANKS GROUP PLC BOARD

Independent review

AUDIT COMMITTEE

Risk reporting

RISK COMMITTEE

Risk:

- Information
- Audit
- Architecture

GROUP EXECUTIVE COMMITTEE

OPERATING DIVISIONS

BUSINESS UNIT MANAGEMENT

Risk:

- Assessment
- Management
- Responsibility

OVERARCHING GROUP RISKS

All risk ratings shown in the heat diagram are with the current level of mitigation. Direction of risk is shown by arrows. Where no arrow is displayed risk rating has remained static.

Key:

Risk position 2013

Risk position 2014

Risk position 2015

Direction of risk

- 1 Waste volumes
- 2 Investment and growth – cash risk
- 3 Pricing competition
- 4 Talent development/leadership
- 5 Long-term contracts
- 6 Investment and growth – financing risk
- 7 Health and safety risk
- 8 Recyclate pricing
- 9 Fire and business continuity planning
- 10 Project execution
- 11 ICT failure
- 12 Operational failure
- 13 Output recyclate/recovered product volumes
- 14 Environmental permit risk

Note: Where no direction arrow is shown risk rating remains static. Risks 13 and 14 are new or split from older risks, so no prior year direction is shown.

RISKS AND UNCERTAINTIES CONTINUED

KEY RISK

MITIGATIONS

PROGRESS & RISK DIRECTION

(number allocated relates to heat diagram)

1

WASTE VOLUMES:
that incoming waste volumes
in the market may fall

- Market facing organisation to compete most effectively
- Reporting of incoming waste volumes around the Group
- Investment to secure new waste streams and volumes
- Securing of long-term contracts to underpin major deployment of capital

- New municipal contracts in the UK and Canada secure significant volumes
- Investment in facilities in Hazardous Waste, Benelux and Organics to secure volumes
- Commercial effectiveness project in Benelux operations

Risk direction: underlying waste volumes have been maintained or increased over the past five years. However, macro-economic conditions persist and risk level remains static

2

INVESTMENT AND GROWTH.

CASH RISK: that funding
sources are available, but that
cash generation is insufficient
to allow access to funding

- Portfolio management
- Continuous improvement of cash control
- Reinvest only where profitable
- Good budget control on capital projects
- Good balance leased and owned assets

- Continuing portfolio management
- Continued control of investment
- Strong cash performance

Risk direction: weaker trading offset by strong cash performance

3

PRICING COMPETITION:

that market pricing may put
pressure on our margins

- Cost management, both structural and operational, to deliver cost leadership in core markets
- Constant reporting and monitoring of price via operational systems
- Use of long-term contracts, where appropriate
- Effective commercial organisations to maximise margins

- Commercial effectiveness project in Benelux operations
- Maximise benefits of investment in new storage facilities in Hazardous and facilities in Commercial Divisions
- Price increases in targeted areas

Risk direction: risk remains at previous levels as a result of macro-economic factors outside of our control

4

TALENT DEVELOPMENT/ LEADERSHIP:

that we lack the required
management capabilities

- Group HR Director to ensure good HR leadership
- Performance appraisal process across Group
- First-class talent mapping and development process
- Leadership programmes in place
- Group-wide engagement survey and process in place

- Implementation of plans to address employee engagement and communications from employee engagement surveys
- Key objectives set for absence and employee development
- Succession planning and development process

Risk direction: likelihood reduced as the result of the continuance of improved processes

5

LONG-TERM CONTRACTS:

that we enter into long-term
contracts at disadvantageous terms
or we rely on a small number of
large contracts

- Selective bidding on contracts
- Detailed risk assessment and due diligence on contracts
- Strict Board controls on entering into major contracts
- Good operating margins on existing PFI contracts
- Strict controls and reviews on build programmes to ensure on track

- New systems to prevent contract penalty deductions in the UK
- Exit from unprofitable contract in Belgium on mutually satisfactory terms
- BDR and Wakefield PFI contracts on time and to budget

Risk direction: tighter processes around contract structures, but increased economic pressure on clients leading to risk level remaining static

KEY RISK**MITIGATIONS****PROGRESS & RISK DIRECTION***(number allocated relates to heat diagram)***6**

**INVESTMENT AND GROWTH.
FINANCING RISK:**
that funding is not available

- Good quality external advice
- Diverse range of financing options and timings
- Strong relations with investors
- Good management reputation and planning

- Successful investors days and events
- Diverse range of funding options of medium to long-term maturity

Risk direction: reduced likelihood as the result of good reputation and available financing options

7

HEALTH AND SAFETY RISK:
that we incur reputational loss,
or civil and criminal costs

- Group Health and Safety Manager and Health and Safety Committee in place
- Defined and tracked health and safety improvement plan in place
- Active engagement with regulators
- Safety leadership programme in place
- Top agenda item on all management meetings
- Significant progress made – accident rate improved by nearly 40% over past five years

- New occupational road risk programme being developed and enacted
- Targeted strategy at Belgium operational performance
- Coherent targets developed for near-miss reporting and leadership performance

Risk direction: likelihood reduced as the result of progress made and improvement programme development

8

RECYCLATE PRICING:
that the value we received
for recycled and recovered
product falls

- Focus on improving product quality
- Group collaboration to maximise pricing leverage, where appropriate
- Cost control actions to offset impact of lost revenue
- Optimise commercial effectiveness to improve quality of incoming waste and raise gate fees
- Sustainable technologies used align with market needs

- Development of new technologies to ensure continuing fit with market needs
- Renegotiation of off-take contracts where appropriate
- Continued development of quality schemes to maximise value
- Long-term fixed price contracts for off-take where appropriate

Risk direction: while enhanced risk management is in place, macro-economic pressures result in risk rating remaining static

9

**FIRE AND BUSINESS
CONTINUITY PLANNING:**
business interruption and other
costs as the result of a
disaster such as fire

- Active monitoring and enforcement of maintenance, environmental, safety and training standards
- Effective insurance programmes supported by experienced brokers
- Improvements in fire control through common fire control standards
- Effective disaster planning processes at key sites
- Common risk survey process in place including engagement with insurers

- Group-wide business continuity planning framework produced and being spread across operations
- Dedicated fire audits conducted at all sites and actions being progressed
- Strategy for retained risk funding being developed
- Improvements at ATM site in line with Seveso III requirements

Risk direction: improvements in risk management in place and being developed, but pressures in the insurance market for the waste sector result in increased potential impact rating

10

PROJECT EXECUTION:
that we fail to deliver our
investment and cost
reduction programmes

- Regular senior management review of all programmes including post-investment reviews
- Strong financial oversight of project costs and effective capital authorisation processes
- Use of skilled and trained project management teams
- Fixing of contractual costs, where possible

- Development and knowledge sharing of project risk management processes via Group Risk Committee
- Several opportunities reviewed and rejected because of lack of certainty of returns

Risk direction: while enhanced controls are in place and being developed, the number and variety of projects results in the risk level remaining unchanged

RISKS AND UNCERTAINTIES CONTINUED

KEY RISK

(number allocated relates to heat diagram)

11

ICT FAILURE:
that ICT failure causes business
interruption or loss

MITIGATIONS

- Group Information Director in place
- Development of greater centralisation of ICT systems to allow common risk approach
- Continued investment in upgraded systems and infrastructure
- Business continuity planning in place for ICT
- Increased robustness of ICT systems through shared services centre project

PROGRESS & RISK DIRECTION

- Maximise benefits of shared service centre project
- Assessment of ICT resilience conducted by insurers with high quality result
- Continued increases in robustness of ICT systems

Risk direction: reduced risk rating as a result of increased robustness and resilience of ICT systems

12

OPERATIONAL FAILURE:
operational failure at a key facility
leading to business interruption
and other costs

- Highly experienced operational teams with in-depth knowledge of processes
- Regular annual and other shut-downs at key plants to ensure facilities remain well invested and maintained
- Mechanical breakdown insurance in place for at risk facilities

- Mechanical breakdown business interruption insurance covers being reviewed to ensure adequate
- New business interruption plan framework includes breakdown risk and mitigation measures
- Investment at major plants to ensure breakdown resilience
- Improvements at ATM critical site in line with Seveso III requirements

Risk direction: improved risk management processes in place, but nature and complexity of major facilities results in risk rating remaining static

13

**OUTPUT RECYCLATE/
RECOVERED PRODUCT
VOLUMES:** that the volumes
of products we place to
market falls

- Diversity of product off-takers to spread risk
- Quality control systems in place to ensure quality of products is as required
- Investment in technologies which fit with market needs for products
- Experienced employees dedicated to product off-take markets

- Continuous review of market needs to ensure fit of products
- Investment in technologies and facilities which meet market needs for products

Risk direction: new risk associated with waste-to-product focus

14

**ENVIRONMENTAL
PERMIT RISK:**
that our environmental permits
to operate are restricted
or removed

- Monthly environmental issues reporting across all levels of organisation
- Effective management of all environmental matters arising
- Environment management systems and regular inspections and audits in place
- Experienced and competent environmental specialist employees in place

- Community environmental engagement performance introduced as key business objective
- Five-year target for 100% of operating centres to be accredited to the ISO14001 international environmental standard introduced
- Targeted strategies for sites at risk

Risk direction: new risk split from previous joint safety, health and environment risk as a result of differing risk management and mitigation approaches taken

Financial risks

The Group takes action to insure or hedge against the most material financial risks. Details of our key policies for control of financial risks are:

● Interest rate risk

The Group has continued to limit its exposure to interest rate risk by entering into fixed rate retail bonds, fixed rate senior notes and interest rate swaps that fix a substantial proportion of floating rate debt. At the end of March 2015, circa 85% of core borrowings were on fixed terms. For all long-term PFI contracts, interest rate swaps for the duration of the contracts are entered into as part of financial close of the project.

● Foreign exchange risk

The Group is exposed to foreign exchange risk for movements between the Euro, Canadian Dollar and Sterling. The majority of the Group's subsidiaries conduct their business in their respective functional currencies. Hedging agreements, such as forward exchange contracts, are in place to minimise known currency transactional exposures. The Group does not hedge its foreign currency exposures on the translation of profits into Sterling. Assets denominated in Euros and Canadian Dollars are hedged by borrowings in the same currency to manage translational exposure.

● Trade credit risk

Trade credit risk is the risk of financial loss where counterparties are not able to meet their obligations. The Group has implemented the setting and monitoring of appropriate customer credit limits. Credit limits and outstanding receivables are reviewed monthly. The Group has a policy to ensure that any surplus cash balances are held by financial institutions, meeting minimum acceptable credit ratings.

● Fraud risk

To mitigate the exposure to losses arising from fraud committed on the Group or by Group employees, robust internal controls and financial procedures are reviewed and tested regularly.

GOVERNANCE

THE BOARD OF DIRECTORS

The non-executive directors, all of whom the Company regard as independent, bring considerable international experience to the Board across a number of sectors. They play a full role in constructively challenging and developing strategic proposals, as well as chairing and being

members of Board committees. The executive directors implement Board strategy, most recently having reorganised the Group divisional structure to align operating businesses more closely with customers, to deliver synergies and accelerate growth.

**ERIC
VAN
AMERONGEN**

**JACQUES
PETRY**

**STEPHEN
RILEY**

**MARINA
WYATT**

**TOBY
WOOLRYCH**

**ADRIAN
AUER**

**PETER
DILNOT**

DIRECTORS' BIOGRAPHIES

ADRIAN AUER BA, MBA, ACT Group Chairman

Appointed: May 2005 and appointed Chairman in July 2006. Chairman of the Nomination Committee and member of the Remuneration Committee.

Skills and Experience: Adrian has held the position of Finance Director in a number of major companies, notably in the building materials and construction sectors, as well as senior finance positions with BP and ICI. He is Chairman of Addaction, Britain's largest specialist drug and alcohol treatment charity.

Adrian is considered by the Board to be independent.

PETER DILNOT B.ENG Group Chief Executive

Appointed: February 2012.

Skills and Experience: Prior to joining Shanks, Peter was a senior executive at Danaher Corporation, a leading global industrial business listed on the NYSE. He held a number of progressive general management roles including President Danaher Middle East, Group President Emerging Markets, and President EMEA and Asia of its Gilbarco Veeder-Root subsidiary. Before Danaher, Peter spent seven years at the Boston Consulting Group (BCG) in London and Chicago, working with industrial and pharmaceutical clients and was a leader in BCG's global Sales & Marketing Practice. Peter's earlier career, after graduating from RMA Sandhurst, was spent as an officer in the British Armed Forces. He originally trained as an Army helicopter pilot and saw active service with both NATO and the UN.

TOBY WOOLRYCH MA, ACA Group Finance Director

Appointed: August 2012.

Skills and Experience: Toby began his career at Arthur Andersen where he qualified as a chartered accountant before becoming Finance Director of Medicom International Ltd, a medical publishing company, in 1992. He joined Johnson Matthey plc as Corporate Development Manager in 1997, going on to become Divisional Finance Director and then Managing Director of

one of Johnson Matthey's global speciality chemicals business units. From 2005 to 2008, he was the Chief Financial Officer and Chief Operating Officer at Acta SpA, a renewable energy company, before joining Consort Medical plc as Group Finance Director.

ERIC VAN AMERONGEN Senior Independent Director

Appointed: February 2007 and appointed as Senior Independent Director in July 2007. Chairman of the Remuneration Committee and member of the Audit and Nomination Committees.

Skills and Experience: Eric has wide-ranging European business experience including the telecoms, defence and publishing sectors. He holds a number of non-executive and advisory positions. Until January 2008, Eric was a non-executive director of Corus Group plc, a position he held for seven years.

Eric is considered by the Board to be independent.

Other Appointments: Vice Chairman of the Supervisory Boards of BT Nederland BV and Thales Nederlands BV, and also Supervisory Board Member of ANWB BV, Royal Wegener NV and Essent NV.

STEPHEN RILEY B.ENG, PHD Non-executive Director

Appointed: March 2007. Member of the Audit, Remuneration and Nomination Committees.

Skills and Experience: Stephen is currently the CEO and President, GDF SUEZ Energy UK-Turkey. He has responsibility for European plant operations, finance, energy trading and business development. He is a chartered engineer and joined International Power in 1985, holding senior positions in two UK power stations before being appointed Managing Director of their Australian operations in 2000. From January 2004 to February 2011, he was a director of International Power plc, resigning from that Board following the amalgamation of International Power and GDF SUEZ Energy International.

Stephen is considered by the Board to be independent.

JACQUES PETRY MBA Non-executive Director

Appointed: September 2010. Member of the Audit, Remuneration and Nomination Committees.

Skills and Experience: Jacques is currently Chairman and CEO of energy provider Albioma. He was Chairman and Chief Executive of SITA and its parent company Suez Environnement. In 2005, he was appointed Chief Executive of Sodexo Continental Europe and South America. Since 2007, he has advised corporate and financial sponsors, specialising in Infrastructure and Environmental Services investments worldwide. He has extensive international non-executive and executive experience.

Jacques is considered by the Board to be independent.

MARINA WYATT MA, FCA Non-executive Director

Appointed: April 2013. Chairman of the Audit Committee and member of the Remuneration and Nomination Committees.

Skills and Experience: Marina is a Fellow of the Institute of Chartered Accountants and is currently the Chief Financial Officer and a member of the Management Board at TomTom NV. Following nine years with Arthur Andersen in London and the US, she then joined Psion Plc as its Group Controller and became Group Finance Director in 1996. In 2002 she was appointed Chief Financial Officer of Colt Telecom Plc and joined TomTom as its Chief Financial Officer in 2005. Marina will be leaving TomTom at the end of July 2015 to take up the position of Chief Financial Officer and Executive Director of UBM Plc, a global events and communications company, in September 2015.

Marina is considered by the Board to be independent.

Other Appointments: Supervisory Board member of Lucas Bols NV.

GOVERNANCE

CHAIRMAN'S INTRODUCTION

THE BOARD REMAINS COMMITTED TO HIGH STANDARDS OF CORPORATE GOVERNANCE



On behalf of the Board, I am pleased to present our Corporate Governance Report and confirm our compliance with the UK

Corporate Governance Code for the year to 31 March 2015. We believe that both the Board collectively and directors individually have a responsibility to set and demonstrate high standards of corporate governance. The following pages outline the structures, processes and procedures by which the Board ensures that these high standards are maintained throughout the Group.

During the year, our Audit Committee, supported by the Risk Committee has continued to seek further improvement and enhancements to our internal controls, risk management and reporting framework. For example, in response to the risk of fire at our operating plants we have undertaken programmes to enhance our systems for the prevention, detection and fighting of fires in order to mitigate against this critical risk factor.

The Board is required to confirm that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy. The Audit Committee has assisted the Board in this regard through the adoption of a formalised internal review process and approach.

Following on from the overwhelming shareholder approval at last year's AGM, our Directors' Remuneration policy must next be submitted for approval at the AGM to be held in 2017, unless amendments are sought before that date. An advisory resolution to approve the Annual Report on Directors' Remuneration, which details payments and awards made to directors during the year to 31 March 2015, will as usual be submitted to the forthcoming AGM.

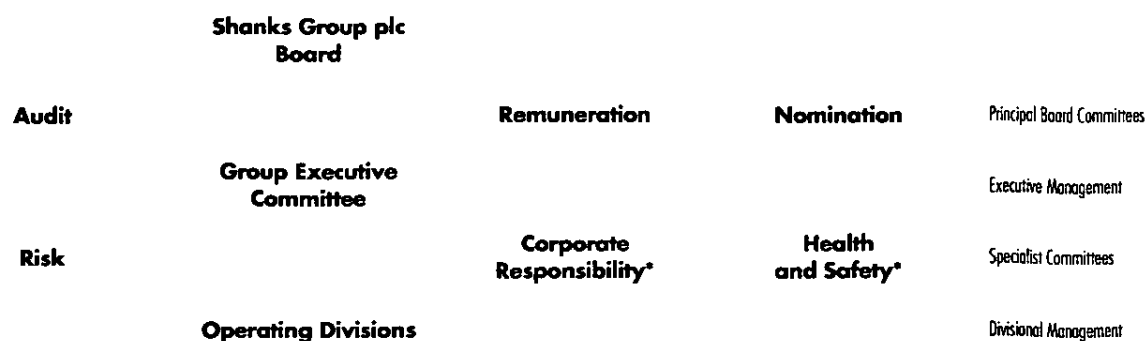
Finally, whilst our internal procedures are essential to the efficient running of the Group, it is also my responsibility to ensure that we maintain clear and effective communications

with our shareholders and other stakeholders. I was therefore delighted to meet with some of our largest shareholders and also market analysts, at our two Capital Markets events held in the year.

Adrian Auer
Group Chairman

Adrian Auer
Group Chairman

OUR CORPORATE GOVERNANCE REPORTING MANAGEMENT FRAMEWORK



*Additional reporting line to Group Board

CORPORATE GOVERNANCE REPORT

THE BOARD IS PROVIDED WITH APPROPRIATE INFORMATION IN A TIMELY MANNER TO ENABLE IT TO DISCHARGE ITS DUTIES EFFECTIVELY

The Board is committed to maintaining a sound governance framework through which the strategy and objectives of the Group are set, and the means of attaining these objectives, and monitoring performance is determined.

Corporate Governance Statement

The Board fully supports the principles of good corporate governance. This report, together with the Directors' Remuneration Report on pages 77 to 91, explains how the Group has applied and complied fully with the provisions of the UK Corporate Governance Code in force for the year to 31 March 2015.

The Board

The Board comprises the Chairman, a further four independent non-executive directors, the Group Chief Executive and Group Finance Director.

The Chairman, who has been independent since his original appointment, has primary responsibility for running the Board. The Group Chief Executive is responsible for the operations of the Group and for the development of strategic plans and

initiatives for consideration by the Board. The formal division of responsibilities between the Chairman and the Group Chief Executive has been agreed by the Board and documented, a copy of which is available on the Group's website.

The non-executive directors bring a wide range of experience to the Group and are considered by the Board to be independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement. The non-executive directors make a significant contribution to the functioning of the Board, thereby ensuring that no individual or group dominates the decision-making process. Non-executive directors are not eligible to participate in any of the Company's share option or pension schemes. The Chairman also meets and communicates regularly with the non-executive directors without the presence of the executive directors.

Eric van Amerongen continues to hold the position of Senior Independent Director, being available to shareholders should

they have concerns which contact through the normal channels of Chairman, Group Chief Executive or Group Finance Director has failed to resolve or where such contact is inappropriate.

The table below details the number of formal Board meetings held in the year and the attendance record of each director.

DIRECTOR	BOARD MEETINGS
Adrian Auer (Group Chairman)	12 (12)
Peter Dilnot	12 (12)
Jacques Petry	12 (12)
Stephen Riley	12 (12)
Eric van Amerongen	10 (12)
Toby Woollych	12 (12)
Marina Wyatt	11 (12)

Bracketed figures indicate maximum potential attendance of each director.

The calendar of meetings of the Board and its committees for 2014/15 is shown below.

THE CALENDAR OF MEETINGS OF THE BOARD AND ITS COMMITTEES FOR 2014/15

	APRIL	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	JAN	FEB	MARCH
Board (main meeting)	•	•		••		••	•	•		••	•	•
Audit Committee		•					•				•	
Remuneration Committee		•										•
Nomination Committee				•		•						
Shareholder (AGM)				•								

In addition, 32 duly authorised Board Committee meetings, comprising at least two directors, were held. These were primarily in connection with the allotment of shares under employee share schemes and transaction completion formalities.

CORPORATE GOVERNANCE REPORT

CONTINUED

Board governance

There is a formal schedule of matters reserved specifically for the Board's decision. These include approval of financial statements, strategic policy, acquisitions and disposals, capital projects over defined limits, annual budgets and new borrowing facilities. The Board meets regularly, having met twelve times during the year. Specifically during the year under review, financial close was reached on a 27 year municipal contract with Derby City and Derbyshire County Council in August 2014. In December 2014 the Group was selected as the preferred bidder for an Organics Biofuels processing facility project in the city of Surrey in British Columbia, Canada which reached financial close in February 2015.

The Board is provided with appropriate information in a timely manner to enable it to discharge its duties effectively. All directors have access to the Company Secretary, whose role includes ensuring that Board procedures and regulations are followed. In addition, directors are entitled, if necessary, to seek independent professional advice in connection with their duties at the Company's expense.

In recognition of the importance of their stewardship responsibilities, the first standing item of business at every scheduled Board meeting is the consideration of the Safety, Health and Environmental report. Other regular reports include those from the Group Chief Executive and Group Finance Director covering business performance, markets and competition, investor and analyst updates as well as progress against strategic objectives and capital expenditure projects.

All directors are required to notify the Company on an ongoing basis of any other commitments and, through the Company Secretary, there are procedures for ensuring that the Board's powers for authorising directors' conflicts of interest are operated effectively.

The work of the Board is further supported by three formal Committees (Audit, Remuneration and Nomination), detailed on the following pages. In addition, whilst not a Committee with specific powers of its own delegated by the Board, the Group Chief Executive is assisted in the performance of his duties by the Group Executive Committee. This Committee meets monthly

and comprises the Group Chief Executive and Group Finance Director, the Divisional Managing Directors, Group Human Resources Director and Group Information Director. In addition there are three specialist committees reporting through to the Group Executive Committee: Risk, Corporate Responsibility and Health and Safety.

In reviewing the Group's overall corporate governance arrangements, the Board continues to give due consideration to balancing the interests of customers, shareholders, employees and the wider communities in which the Group operates.

Board induction and professional development

On appointment, directors are given an introduction to the Group's operations, including visits to principal sites and meetings with operational management.

Specific training requirements of directors are met either directly or by the Company through legal/regulatory updates. Non-executive directors also have access to PricewaterhouseCoopers' non-executive database and course programme. There is a rolling programme of holding Board meetings at different Group locations in order to review local operations, with a focus on health and safety during site visits.

Board evaluation

Performance evaluation of the Board, its Committees and directors during the year was based upon formalised self-assessment questionnaires supplemented by structured interviews conducted by the Chairman with individual directors. The evaluation of the Chairman was undertaken by the non-executive directors, led by the Senior Independent Director. The process was designed to cover the key aspects of Board and Board Committee effectiveness and directors' performance. The results, all of which were positive and constructive, identified a small number of areas for improvement. In conclusion, it was determined that the Board and its Committees continued to operate effectively during the year and that each director continued to demonstrate commitment to their role and perform effectively. The Board was therefore able to recommend the re-election of the directors standing at the forthcoming AGM.

Nomination Committee

The Nomination Committee is chaired by Adrian Auer and is solely comprised of non-executive directors: Eric van Amerongen, Stephen Riley, Jacques Petry and Marina Wyatt. The Committee is formally constituted with written terms of reference which are available on the Group's website. It met twice during the year and is responsible for making recommendations to the Board on the appointment of directors and succession planning. It also reviews organisation and resourcing plans for the purpose of providing assurance that appropriate processes are in place to ensure a sufficient supply of competent executive and senior management.

During the year, the Committee reviewed high level talent management and succession plans for the Board and Group Executive Committee.

Any new director appointed to the Board is subject to election by shareholders at the first opportunity after their appointment. All non-executive directors are required under the Company's Articles of Association to stand for re-election at each AGM. In accordance with best corporate governance practice, the executive directors also stand for re-election at each AGM.

The Committee at the current time has not determined to set a specific female Board member quota. Appointments to the Board and throughout the Group continue to be based on the diversity of contribution and required competencies, irrespective of gender, age, nationality or any other personal characteristic. Summarised statistical employment data for the Group can be found in the Corporate Responsibility Report available on the Group website.

DIRECTOR	NOMINATION COMMITTEE MEETINGS
Adrian Auer (Chairman)	2 (2)
Jacques Petry	2 (2)
Stephen Riley	2 (2)
Eric van Amerongen	1 (2)
Marina Wyatt	2 (2)

Bracketed figures indicate maximum potential attendance of each director.

Remuneration Committee

The Remuneration Committee met twice in the year and is formally constituted with written terms of reference which are available on the Group's website. The Committee is solely comprised of non-executive directors: Eric van Amerongen, Adrian Auer, Stephen Riley, Jacques Petry and Marina Wyatt. The Committee, which is chaired by Eric van Amerongen, formulates the Company's remuneration policy and the individual remuneration packages for executive directors.

The Committee also determines the remuneration of the Group's senior management and that of the Chairman. It recommends the remuneration of the non-executive directors for determination by the Board. In exercising its responsibilities, the Committee has access to professional advice, both internally and externally, and may consult the Group Chief Executive about its proposals. The Directors' Remuneration Report on pages 77 to 91 contains particulars of directors' remuneration and their interests in the Company's shares.

DIRECTOR	REMUNERATION COMMITTEE MEETINGS
Eric van Amerongen (Chairman)	2 (2)
Adrian Auer	2 (2)
Jacques Petry	1 (2)
Stephen Riley	2 (2)
Marina Wyatt	2 (2)

Bracketed figures indicate maximum potential attendance of each director.

Audit Committee

The Audit Committee met three times in the year and is formally constituted with written terms of reference which are available on the Group's website. The Committee is solely comprised of non-executive directors: Stephen Riley, Jacques Petry, Eric van Amerongen and Marina Wyatt who chairs the Committee. As required under the UK Corporate Governance Code, Marina Wyatt has current and relevant financial experience. She is a chartered accountant and currently holds the position of Chief Financial Officer at TomTom NV.

The Chairman, the executive directors and representatives from the external auditors PricewaterhouseCoopers LLP (PwC) are regularly invited to attend meetings. The Committee also has access to the external auditors' advice without the presence of the executive directors.

The Audit Committee has the authority to examine any matters relating to the financial affairs of the Group. This includes the appointment, terms of engagement, objectivity and independence of the external auditors, the nature and scope of the audit, reviews of the interim and annual financial statements, internal control procedures, accounting policies, adherence with accounting standards and such other related functions as the Board may require. The Committee also considers and regularly reviews other risk management and control documentation, including the Group's policy on whistle-blowing and security reporting procedures.

At their May 2014 meeting, the Committee considered Corporate Governance compliance, taxation and the 2014 financial statements whilst the October 2014 meeting was concerned primarily with the interim results and a review of authority levels and the treasury policy. The February 2015 meeting considered year end accounting matters and treatments, PwC's audit plan and preparation of the 2015 financial statements and reviewed risk systems and internal control improvements.

DIRECTOR	AUDIT COMMITTEE MEETINGS
Marina Wyatt (Chair)	3 (3)
Jacques Petry	3 (3)
Stephen Riley	3 (3)
Eric van Amerongen	3 (3)

Bracketed figures indicate maximum potential attendance of each director.

CORPORATE GOVERNANCE REPORT CONTINUED

In carrying out its duties, the Committee is required to assess whether suitable accounting policies have been adopted and to challenge the robustness of significant management judgements reflected in the financial statements. The significant accounting issues considered by the Committee during the year were:

- **Management override of internal controls.** Having considered the regular internal and external audit reports throughout the year and management's letter of representation, the Committee is satisfied with the appropriateness of the system of internal controls and that management was operating within the control environment.
- **Revenue recognition.** In particular, the Committee reviewed the accounting treatment including any judgemental matters in relation to revenue recognition of material transactions and contracts.
- **Impairment.** In carrying out impairment reviews of goodwill, intangible assets and property, plant and equipment, a number of significant assumptions have to be made when preparing cash flow projections including long-term growth rates, discount rates and future profitability. Papers with supporting information were presented to enable the Committee to come to a fair and balanced determination as to the level of the current year impairments and the necessary disclosures in the financial statements.
- **Presentation of non-trading and exceptional items.** Non-trading and exceptional items have been separately disclosed within the Group's consolidated financial statements. The Committee has reviewed papers prepared by management showing how these costs have been identified and calculated. In the light of recent pronouncements from the Financial Reporting Council (FRC), the Committee has considered both the quantum and the presentation and is satisfied that these amounts have been treated appropriately.
- **Landfill and other liability provisioning.** Landfill provisions due to their nature are judgemental and may be affected by a number of factors including changes in legislation with uncertainty over timing of payments in particular for aftercare provisions. The Committee received reports from management outlining the annual reassessment of the provisions and determined that the closing balances were appropriate. In addition, the Committee considered the appropriateness of the discount rate applied to all such long-term provisions following the recent decline in government bond yields and concluded that it was appropriate to take a one-off charge of £7.1m in the current year.
- **Accounting for service concession arrangements under PFI/PPP contracts.** This is a highly complex and technical area of accounting and during the year the Committee considered the adequacy of the disclosures concerning the judgement of the Group acting as agent during the construction period, as set out in Note 2 to the financial statements. This involved discussions with senior management and the external auditors. In addition, the Group's accounting policy for lifecycle expenditure was also reviewed which has resulted in items recognised as exceptional in the year.
- **Accounting for various tax related matters** including the level of tax provisions. The most significant judgements in 2014/15 related to the tax treatment of the non-trading and exceptional charges and the recognition of £3m of additional deferred tax assets for losses in the UK. The Committee received reports from senior management and also verbal and written reporting from the external auditors. It is considered that the level of losses recognised on the balance sheet at March 2015 is appropriate.

In addition, the Committee has considered the impact of the change in accounting for joint ventures and associates following the adoption of the new standard and the requirement

to account for interest in joint ventures and associates using the equity method which has resulted in a restatement of the comparative financial information operations.

In addition, in light of the recent pronouncement from the FRC on complex supplier arrangements the Committee has considered the nature of the contract agreements across the Group and has concluded that no such material complex arrangements exist.

Fair, balanced and understandable

The Audit Committee has assisted the Board in their consideration as to whether the Annual Report and Accounts are fair, balanced and understandable, such that shareholders are provided with the necessary information to assess the Group's performance, business model and strategy. Having reviewed the year end internal verification and approval processes at their meeting in May 2015, the Committee was able to confirm this to be the case.

External audit

PwC were appointed as the Company's external auditors by shareholders at the AGM in 1994, following a competitive tender process. The Audit Committee expects to schedule an external audit tender process by no later than 2020.

The Audit Committee continues to review the performance and independence of the auditors on an annual basis.

PwC rotate their lead audit engagement partner as a minimum at least every five years, as required by their own rules and by regulatory bodies. The current audit partner will perform his last audit in 2014/15. Rotation ensures a fresh look without sacrificing institutional knowledge. The rotation of lead audit partners, other partners including specialist partners and senior engagement personnel is reviewed on a regular basis by the lead audit engagement partner in consultation with the Audit Committee. As well as the lead audit partner being required to rotate every five years, key

partners involved in the audit are required to do so every seven years and other partners and senior staff members every ten years.

The Committee's responsibility to monitor and review the objectivity and independence of the external auditor is supported by a non-audit services policy. Specified non-audit services may be provided by the external auditor subject to a competitive bid process other than in situations where it is determined by the Group Finance Director that the work is closely related to the audit or when a significant benefit can be obtained from work previously conducted by the external auditor. Whilst the Group Finance Director may approve any new engagement up to the value of £25,000, anything in excess requires Audit Committee approval up to an agreed annual aggregate limit of 50% of the prior year's audit fee. In exceptional circumstances, this limit may be exceeded with the approval of the Board. In determining whether or not to engage the external auditor to provide any non-audit services, consideration will be given to whether this would create a threat to their independence. Similarly, the external auditor will not be permitted to undertake any advocacy role for the Group such that their objectivity may be compromised. The external auditor may not provide services involving the preparation of accounting records or financial statements, the design, implementation and operation of financial information systems, actuarial and internal control functions or the management of internal audits. During the year, less than £0.1m of non-audit services were provided by PwC, whilst their total audit fees, as disclosed in note 5 of the financial statements, amounted to £0.6m.

A resolution will be put to shareholders at the forthcoming AGM proposing PwC's re-appointment as Group auditors.

As part of the external audit process, the Committee discusses and agrees the scope of the audit which is based around a structured methodology to help ensure quality and rigour as well as regulatory compliance. The 2014/15 audit was

conducted via a six step audit process based on PwC's acceptance and independence procedures reflecting their understanding of the business and focusing on scoped areas determined to be of highest risk.

Tax and other professional services have also been provided to the Group by audit firms KPMG, Deloitte and EY during the year.

Internal audit

The Audit Committee annually considers the need for a separate dedicated internal audit function and this year the internal audit capability has been enhanced and resourced by the appointment to the Group finance function of a Group Internal Audit and Reporting executive. This role supplements the existing programme of internal cross-divisional peer reviews designed to bring the benefits of:

- wider spread of specialist knowledge during audits;
- enhanced operational and business model knowledge input to internal audits;
- better ability to share knowledge across the Group on audit outcomes and improvements; and
- independent assessment as divisional auditors will not audit their own divisions.

The Group finance function co-ordinates the process to ensure consistency, quality of reporting and close-out of improvement actions and reports up to the Audit Committee. Internal audit services from suitably qualified external providers were also engaged during the year. KPMG performed two control reviews which covered UK accounts processing and the order to cash cycle in Wallonia in Belgium. The detailed findings from all reviews were presented to and considered by the Audit Committee. Any necessary improvements from both the internal and external reviews are acted upon by local divisional teams.

Accountability and audit

The responsibilities of the directors and the auditors in relation to the financial statements are set out on pages 94 to 101.

Risk management

The Group risk management framework, major risks and the steps taken to manage these risks are outlined on pages 61 to 67.

Internal control responsibility

The system of internal control is based on a continuous process of identifying, evaluating and managing risks including the risk management processes outlined on pages 61 to 67. The Board of directors has overall responsibility for the Group's system of internal control and for reviewing its effectiveness. The Board recognises that internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can therefore only provide reasonable and not absolute assurance against material misstatements, losses and the breach of laws and regulations.

Annual assessment of the effectiveness of the risk management and internal control systems

In addition to the Board's ongoing internal control monitoring process, it has also conducted an annual review of the effectiveness of the Group's risk management and internal control systems in compliance with Provision C.2.1 of the UK Corporate Governance Code and Turnbull guidance. This review covered all material controls including financial, operational and compliance controls and risk management systems.

Specifically, the Board's review consisted of the following elements:

- consideration of changes in the risk universe and the Group's ability to respond to these through its review of business risk registers controls and improvement action plans;
- review of the six-monthly certification by divisional management to ensure that appropriate internal controls are in place; and
- review of reports by internal audit and external auditors.

CORPORATE GOVERNANCE REPORT

CONTINUED

Continuous process for the monitoring of the system of internal control

The main elements of the internal control framework which contribute towards its continuous monitoring are as follows:

- a defined schedule of matters for decision by the Board;
- a Group finance manual which sets out financial and accounting policies, minimum internal financial control standards and the delegation of authority matrix over items such as capital expenditure, pricing strategy and contract authorisation;
- a comprehensive planning and budgeting exercise. Performance is measured monthly against plan and prior year results and explanations sought for significant variances. Key performance indicators (KPIs) are also extensively used to help management of the business and to provide early warning of potential additional risk factors;
- monthly meetings and visits to key operating locations by the Group's executive directors and most senior managers to discuss performance and plans;
- appointment and retention of appropriately experienced and qualified staff to help achieve business objectives;
- an annual risk-based internal audit plan approved by the Audit Committee. Summaries of audit findings and the status of action plans to remedy significant failings are discussed at Group Board and Audit Committee meetings on a regular basis;
- a range of quality assurance, safety and environmental management systems in use across the Group. Where appropriate these are independently certified to internationally recognised standards including ISO9001, ISO14001 and OHSAS18001 and subject to regular independent auditing;

- a minimum of three scheduled Audit Committee meetings each year, comprising non-executive directors, to consider all key aspects of the risk management and internal control systems; and
- prompt review by the Audit Committee of any fraudulent activity or whistle-blowing reports with appropriate rectifying action.

Where weaknesses in the internal control system have been identified through the monitoring processes outlined above, plans for strengthening them are put in place and action plans regularly monitored until complete. The Board confirms that no material weaknesses were identified during the year and therefore no remedial action is required in relation to them.

Financial reporting

In addition to the general risk management and internal control processes described above, the Group has also implemented internal controls specific to the financial reporting process and the preparation of the annual consolidated financial statements. The main control aspects are as follows:

- formal written financial policies and procedures applicable to all business units;
- a detailed reporting calendar including the submission of detailed monthly accounts for each business unit in addition to the year end and interim reporting process;
- detailed management review to Board level of both monthly management accounts and year end and interim accounts;
- consideration by the Board of whether the Annual Report is fair, balanced and understandable in line with new guidance and with reference to the Board's accumulated knowledge of the Group's performance; and
- bi-annual certification by divisional managing and finance directors and executive directors on compliance with appropriate policies and accuracy of financial information.

The Committee also receives regular reports from the Group Tax Manager on the Group's tax policy, tax management and compliance.

Anti-bribery and corruption

An anti-bribery policy is in place which is applicable to all business units throughout the Group. A 24-hour/seven-days-a-week confidential reporting, 'whistle-blowing', service for employees has also been in operation throughout the year, with all notifications being reported to and considered by the Audit Committee.

Investor relations

The Company has an active investor relations programme, regularly meeting with institutional investors, analysts, press and other parties. The Board obtains feedback from its brokers, Investec, on the views of institutional shareholders and the Chairman attends meetings with major shareholders whose views are communicated to the Board as a whole. Detailed shareholder and market comment in particular is reported to the Board after results announcements. During the year the Company hosted two successful Capital Markets events for institutional investors and analysts. The first was held in September 2014 at the Group's ATM and Klok facilities in the Netherlands and the second in January 2015 at Wakefield, showcasing our new £100m UK Municipal facility at South Kirkby. The Company also communicates with private and institutional investors through the AGM and the Group website.

Other information

Other information, necessary to fulfil the requirements of the Corporate Governance Statement, relating to the Company's share capital structure and the appointment and powers of the directors, can be found in the Other Disclosures section on pages 92 to 95.

GOVERNANCE

DIRECTORS' REMUNERATION REPORT

PUTTING POLICY INTO PRACTICE WITH A FOCUS ON FUTURE GROWTH

Remuneration Committee Chairman's Annual Statement



n behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year ended 31 March 2015. The

remuneration policy remains consistent with that approved by shareholders at the 2014 AGM with a 97.9% vote in favour. This policy is reproduced in full on pages 78 to 83 for both ease of reference and to help provide context to the decisions made by the Committee during the year.

Similar to last year, and in line with the new regulations, this Report is divided into three sections:

- the Remuneration Committee Chairman's statement;
- the Directors' Remuneration Policy, which details our remuneration policies and their link to Group strategy, as well as projected pay outcomes under various performance scenarios; and
- the Annual Report on Remuneration, which focuses on the remuneration arrangements and outcomes for the year under review, and how the Committee intends to implement the Remuneration Policy in 2015/16.

The underlying performance of our three growth divisions remains robust although market conditions for our Benelux Solid Waste business in 2014/15 were very challenging and this impacted performance. As a result, the Group's profits were below target and this element of the 2014/15 bonus did not pay out. Despite this, cashflow performance was strong and cashflow targets were achieved in full. Personal objectives vested at 88% of maximum for both Executive Directors. Performance targets for the 2012-2015

Long Term Incentive Plan (LTIP) award were not met and therefore these awards lapsed.

Following approval at last year's AGM, and as disclosed in last year's report, a new LTIP structure was introduced during the year to improve alignment to Group strategy and to help retain and motivate critical talent.

Between 1 June 2014 and 31 March 2015, our Group Finance Director Toby Woolrych took on additional responsibilities as interim Managing Director for our Belgium Solid Waste business. To recognise the material increase in his responsibilities, the Committee agreed to award him a temporary salary supplement of £4,160 per month for the 10-month period. This temporary salary supplement does not affect his annual bonus, LTIP award or pension.

During the year, the Committee reviewed the remuneration policy and concluded that the current structure continued to be appropriate. For 2015/16, salaries for the Group Chief Executive and Group Finance Director have been increased by 2% (in line with increases for the general employee population). The annual bonus will operate on the same basis as last year with 75% based on financial performance and 25% on personal objectives, with one third of any bonus deferred into shares over three to five years. From 2015/16, the Committee intends to disclose annual bonus targets in the annual report immediately following the end of the performance year. No changes are proposed to the LTIP for 2015 which will continue to be based on three year performance: 50% on EPS growth, 25% on share price growth and 25% on improvement in ROCE. LTIP shares vest over three to five years.

The Committee concluded that no changes to the Remuneration Policy

Eric van Amerongen
Chairman of the
Remuneration Committee

were required at this time. However, the Committee notes the requirement for malus and clawback in the updated UK Corporate Governance Code and is taking steps to implement the changes. Our current Policy includes provisions for malus on deferred bonus and unvested LTIP awards. Clawback is being introduced to the annual bonus for the performance year ending 31 March 2016 and for LTIP awards being made in 2015.

The Remuneration Committee believes that the current remuneration policy is proving effective and is aligned with the interests of shareholders. It incentivises management to deliver the Group's strategy and to maximise value, and will help retain and motivate critical talent.

Resolutions seeking approval of the Annual Report on Remuneration and renewal of our Sharesave Scheme will be put to shareholders at the 2015 AGM.

Eric van Amerongen
Chairman of the Remuneration Committee
21 May 2015

DIRECTORS' REMUNERATION REPORT CONTINUED

This report, prepared by the Committee on behalf of the Board, takes full account of the UK Corporate Governance Code and the latest Investment Association (IA) and National Association of Pension Funds (NAPF) guidelines, and has been prepared in accordance with the provisions of the Companies Act 2006, the Listing Rules of the Financial Conduct Authority and the Large and Medium-Sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. The Act requires the Auditor to report to the Group's shareholders on the audited information within this report and to state whether in their opinion those parts of the report have been prepared in accordance with the Act. The Auditor's opinion is set out on pages 96 to 101 and those aspects of the report which have been subject to audit are clearly marked.

Directors' Remuneration Policy

The principal objectives of the Remuneration Committee, which is chaired by Eric van Amerongen and comprises all the non-executive directors, are to help attract, retain and motivate high calibre senior management and to provide a competitive remuneration package linked to performance and the interests of shareholders.

The Committee seeks to ensure that the senior executives are fairly rewarded in light of the Group's performance, taking into account all elements of their remuneration package. A significant proportion of executive remuneration is performance related. This comprises an annual bonus and a Long Term

Incentive Plan (LTIP). The fixed portion of remuneration comprises basic salary, benefits and a payment in lieu of pension.

This section of the report sets out the remuneration policy for executive directors. This Policy was approved and formally came into effect at the AGM held on 25 July 2014. In formulating and reviewing the Policy, the Committee takes full account of the UK Corporate Governance Code and the latest IA and NAPF guidelines. Remuneration paid to executive directors in 2014/15 and remuneration arrangements proposed for 2015/16 are set out later in this report.

POLICY TABLE

Base salary: To pay a competitive basic salary to attract, retain and motivate the talent required to operate and develop the Group's businesses

OPERATION	OPPORTUNITY	PERFORMANCE METRICS
Base salaries are generally reviewed on an annual basis or following a significant change in responsibilities.	Any basic salary increases are applied in line with the outcome of the review.	None.
Salary levels are reviewed by reference to FTSE-listed companies of similar size and complexity. The Committee also has regard to individual and Group performance and changes to pay levels across the Group.	For executive directors, it is anticipated that salary increases will normally be in line with those of salaried employees as a whole. In exceptional circumstances (including, but not limited to, a material increase in job size or complexity or a material market misalignment), the Committee has discretion to make appropriate adjustments to salary levels to ensure they remain market competitive.	

Pension: To provide an opportunity for executives to build up a provision for income on retirement

OPERATION	OPPORTUNITY	PERFORMANCE METRICS
Executive directors receive a cash pension allowance in lieu of pension scheme contributions.	Executive directors may receive a cash allowance of up to 25% of salary.	None.

Benefits: To provide market-competitive benefits

OPERATION	OPPORTUNITY	PERFORMANCE METRICS
Benefits include life assurance, medical insurance, income protection and car/travel allowances.	Benefits may vary by role. However, the total cost of taxable benefits will not normally exceed 10% of salary. The Committee retains discretion to approve a higher cost in exceptional circumstances (e.g. relocation or expatriation) or in circumstances where factors outside the Group's control have changed (e.g. increases in market insurance premia).	None.

Savings Related Share Option Scheme (SRSOS): To encourage share ownership among UK employees and use the benefits available under an HMRC approved scheme

OPERATION	OPPORTUNITY	PERFORMANCE METRICS
In line with HMRC's requirements for such schemes, Sharesave options may be granted to all UK employees. The options are granted at the higher of the nominal value of an ordinary share and an amount determined by the Committee being not less than 80% of the market value. UK executive directors participate on the same terms as other UK employees.	The maximum opportunity will not exceed the relevant HMRC limits.	None.

POLICY TABLE CONTINUED

Annual bonus: To motivate senior executives to maximise short-term performance and help drive initiatives which support long-term value creation**OPERATION**

Performance measures, targets and weightings are set at the start of the year. The maximum bonus is payable only if all performance targets are met in full.

One third of any annual bonus award is deferred into shares for at least three years, subject to continued employment. The Group's current policy is for 50% of the bonus to vest after three years, 25% to vest after four years, and 25% to vest after five years.

Malus provisions exist which entitle the Committee, at its discretion, to reduce the final award or deem it to have lapsed (to the extent it has not yet vested) in exceptional circumstances, e.g. material financial misstatement or gross misconduct.

Effective from the 2015/16 performance year (i.e. payments from 1 April 2016) the bonus will also be subject to clawback, i.e. recovery of paid amounts for material financial misstatement or conduct justifying summary dismissal.

OPPORTUNITY

For executive directors, the maximum annual bonus opportunity is 150% of salary.

For threshold performance, the bonus earned is generally 25% of maximum and for on-target performance 80% of maximum.

PERFORMANCE METRICS

Executive director performance is assessed by the Committee on an annual basis by reference to Group financial performance (75% weighting) and the achievement of personal or strategic objectives (25% weighting).

When assessing financial performance, the primary measures are underlying profit before tax and underlying free cash flow, but may include other indicators of performance defined at the start of the year. The Committee retains discretion to vary the weightings of measures +/- 25%, to help ensure alignment with the business priorities for the year. Bonus targets are generally calibrated with reference to the Group's budget for the year.

The Committee has the discretion to adjust the formulaic bonus outcomes both upwards (within the plan limits) and downwards, to ensure that payments are a true reflection of performance over the performance period, e.g. in the event of unforeseen circumstances outside management control.

Details of the measures, weightings and targets applicable for the financial year under review are provided in the Annual Report on Remuneration.

Long-term Incentive Plan (LTIP): To motivate and retain executives and senior managers to deliver the Group's strategy and long-term goals and to help align executive and shareholder interests**OPERATION**

Executive directors and senior employees may be granted awards annually, as determined by the Committee. The vesting of these awards is subject to the attainment of performance conditions.

Awards are in the form of Group shares. Dividends accrue over the vesting period but would be paid only on shares that vest.

Awards made under the LTIP have a performance and vesting period of at least three years. If no entitlement has been earned at the end of the relevant performance period, then the awards will lapse. Once vested awards may, at the discretion of the Committee, be subject to further holding in whole, or in part, for a period of up to two years following the end of the performance period. The Group's current policy is for 50% to be released immediately (subject to continued employment), 25% after a further year and 25% after two more years.

Malus provisions exist which entitle the Committee to reduce the final award or deem it to have lapsed during the period between the granting and end of the later of the vesting or holding period, if there has been material misstatement, gross misconduct or something which causes significant reputational damage to the Group.

From 2015, LTIP awards will also be subject to clawback, i.e. recovery of vested awards for material financial misstatement or conduct justifying summary dismissal.

OPPORTUNITY

The maximum award limit in normal circumstances under the 2011 Long Term Incentive Plan will be 150% of salary (up to 200% in exceptional circumstances).

The Committee's current intention is to grant awards of 150% of salary to the Group Chief Executive and 120% of salary to the Group Finance Director.

Threshold performance will result in vesting of 25% of maximum under each element.

PERFORMANCE METRICS

Vesting of LTIP awards will be subject to continued employment and performance over a period of at least three years.

The performance measures for 2014 onwards are EPS, share price and ROCE, weighted 50%, 25% and 25% respectively. The Committee has the discretion to adjust the performance measures and weightings up to +/- 25% to ensure they continue to be linked to the delivery of Group strategy.

In addition to the Group achieving its EPS, share price and ROCE targets, the Committee must satisfy itself that the recorded outcome is a fair reflection of the underlying performance of the Group. The Committee has discretion (within the limits of the scheme) to adjust the formulaic performance outcomes to ensure that payments fairly reflect underlying performance over the period. Adjustments may be upwards or downwards. Details of LTIP targets are included in the Annual Report on Remuneration.

DIRECTORS' REMUNERATION REPORT CONTINUED

NOTES TO THE POLICY TABLE

Payments from existing awards

The Group will honour any commitment entered into, and executive directors will be eligible to receive payment from any award made, prior to the approval and implementation of the remuneration policy detailed in this report, including previous awards under the LTIP. Details of any such awards are disclosed in the Annual Report on Remuneration.

Use of discretion

The Committee may apply discretion as detailed below. Under each element of remuneration, a full description of how discretion can be applied is set out in line with the UK reporting requirements:

- To ensure fairness and align executive remuneration with individual and underlying company performance the Committee may adjust up or down the outcome of the annual bonus and LTIP. Any adjustments in light of 'non-regular events' (including, but not limited to, corporate events, changes in the Group's accounting policies, minor or administrative matters, internal promotions, external recruitment and terminations of employment) are expected to be made on a 'neutral' basis – i.e. adjustments will be designed so that the event is not expected to be to the benefit or the detriment of participants. Adjustments to incentives to ensure that outcomes reflect underlying performance may be made in exceptional circumstances to help ensure outcomes are fair to shareholders and participants.

Performance measurement selection

The measures used in the annual bonus are selected annually to reflect the Group's main business priorities for the year, and capture both financial and non-financial objectives. Group financial performance targets relating to the annual bonus plan are based around the Group's annual budget, which is reviewed and approved by the Board prior to the start of each financial year. Underlying profit before tax and underlying free cash flow are typically used as the key financial performance measures in the annual bonus plan because they are clear and well-understood measures of Group performance.

Performance targets are reviewed annually and set to be stretching and achievable, taking into account the Group's resources, strategic priorities and the economic environment in which the Group operates. Targets are set taking into account a range of internal and external reference points, including the Group's strategic plan and broker forecasts for both the Group and sector peers. The Committee believes that the performance targets are stretching, and that to achieve maximum outcomes requires truly outstanding performance.

The Committee considers the combination of three-year EPS growth, ROCE improvement and share price growth in the LTIP to be key indicators of success for the Group. These measures are transparent, visible and motivational to participants, balance growth and returns, and provide good line-of-sight for executives and alignment with shareholders.

Remuneration policy for our senior leaders

The Group's approach to annual salary reviews is broadly consistent across the Group, with consideration given to the scope of the role, level of experience, responsibility, individual performance and pay levels for comparable roles in comparable companies. The broader Remuneration Policy across the Group is also consistent with that set out in this report for the executive directors. For example, remuneration is linked to Group and individual performance in a way that is ultimately aimed at reinforcing the delivery of shareholder value.

Senior employees generally participate in an annual bonus scheme with a similar structure to that described for the executive directors. Opportunities and specific performance conditions vary by organisational level, with business area-specific metrics incorporated where appropriate.

Members of the Group Executive Committee and other senior managers participate in the LTIP on a similar basis to, but at lower levels than, executive directors.

All UK employees are eligible to participate in the Sharesave Scheme on the same terms.

Share ownership guidelines

The Committee recognises the importance of executive directors aligning their interests with shareholders through building up significant shareholdings in the Group. Share ownership guidelines are in place that require executive directors to acquire a holding equivalent to 100% of their salaries over five years. Executive directors are required to retain 50% of any LTIP and deferred bonus shares acquired on vesting (net of tax) until they reach their ownership guideline.

Approach to recruitment remuneration

External appointments

In the cases of hiring or appointing a new executive director, the Committee may make use of any of the existing components of remuneration, as described in the Policy Table on pages 78 and 79. The maximum limits for variable pay (excluding buy-outs) will be as for existing executive directors.

In determining the appropriate remuneration for a new executive director, the Committee will take into consideration all relevant factors (including the overall quantum and nature of remuneration, and the jurisdiction from which the candidate is being recruited) to ensure that all such arrangements are in the best interests of Shanks Group and its shareholders.

The Committee may also make an award in respect of a new appointment to buy-out incentive arrangements forgone on leaving a previous employer on a like-for-like basis, in addition to providing the normal remuneration elements.

In constructing a buy-out, the Committee will consider all relevant factors including time to vesting, any performance conditions attached to awards, and the likelihood of those conditions being met.

Any such buy-out awards will typically be made under the existing annual bonus and LTIP schemes, although in exceptional circumstances the Committee may exercise the discretion available under the FCA Listing Rule 9.4.2 R to make awards using a different structure. Any buy-out awards would have a fair value no higher than that of the awards forgone.

Internal appointments

In cases of appointing a new executive director by way of internal promotion, the Committee will determine remuneration in line with the policy for external appointees. Where an individual has contractual commitments made prior to promotion to the Board, the Group will continue to honour these. Incentive opportunities for below Board employees are typically no higher than for executive directors, but measures may vary to ensure they are relevant to the role.

Non-executive director recruitment

In recruiting a new non-executive director, the Committee will use the policy as set out in the table on page 83. A base fee in line with the prevailing rate for Board membership would be payable, with additional fees payable for acting as Senior Independent Director or Chairman of a Committee, as appropriate.

Pay scenario charts

The charts on the right provide an estimate of the potential future reward opportunities for the executive directors, and the potential split between the different elements of remuneration under three different performance scenarios: 'Minimum', 'On-target' and 'Maximum'.

Potential reward opportunities are based on our Remuneration Policy, applied to basic salaries as at 1 April 2015. Note that the projected values exclude the impact of any share price movements and dividends.

The 'Minimum' scenario shows basic salary, pension and benefits (i.e. fixed remuneration). These are the only elements of the executive directors' remuneration packages which are not at risk.

The 'on-target' scenario reflects fixed remuneration as above, plus a target bonus of 80% of maximum and threshold LTIP vesting of 25%.

The 'Maximum' scenario reflects fixed remuneration plus full pay out of all incentives, excluding any share price appreciation and dividends (as per the regulations).

Proportion of fixed and variable remuneration for executive directors

GROUP CHIEF EXECUTIVE				£'000
MAXIMUM	30%	35%	35%	£1,949
ON-TARGET	45%	42%	13%	£1,305
MINIMUM	100%			£592

GROUP FINANCE DIRECTOR				£'000
MAXIMUM	32%	38%	30%	£1,176
ON-TARGET	46%	43%	11%	£821
MINIMUM	100%			£376

KEY Salary, pension and benefits
 Annual bonus
 Long-term incentives

Service contracts and exit payment policy

Executive director service contracts, including arrangements for early termination, are carefully considered by the Committee. The Committee has agreed that the policy with regard to the notice period for executive directors is one year's written notice from the Group and from the individual. The contracts provide for an obligation to pay salary plus contractual benefits for any portion of the notice period waived by the Group. The Group has the ability to pay such sums in instalments, requiring the director to mitigate loss (for example, by gaining new employment) over the relevant period.

EXECUTIVE DIRECTOR	DATE OF SERVICE CONTRACT
Peter Dänöt	1 February 2012
Toby Woolrych	27 August 2012

If employment is terminated by the Group, the departing executive director may have a legal entitlement (under statute or otherwise) to certain payments, which would be met.

In addition, the Committee retains discretion to settle any other amounts reasonably due to the executive director, for example to meet the legal fees incurred by the executive director in connection with the termination of employment, where the Group wishes to enter into a settlement agreement (as provided for below), and the individual must seek independent legal advice.

In certain circumstances, the Committee may approve new contractual arrangements with departing executive directors including (but not limited to) settlement, confidentiality, restrictive covenants and/or consultancy arrangements. These will be used sparingly and only entered into where the Committee believes that it is in the best interests of the Group and its shareholders to do so.

When considering exit payments, the Committee reviews all potential incentive outcomes to ensure they are fair to both shareholders and participants. The table on page 82 summarises how the awards under the annual bonus and LTIP are typically treated in different circumstances, with the final treatment remaining subject to the Committee's discretion:

DIRECTORS' REMUNERATION REPORT

CONTINUED

Treatment of awards on exit

SCENARIO	TIMING OF VESTING	TREATMENT OF AWARDS
ANNUAL CASH BONUS		
Ill-health, disability, death, retirement (with Group consent) or any other reasons the Committee may determine in its absolute discretion.	Normal payment date, although the Committee has discretion to accelerate.	Cash bonuses will only be paid to the extent that Group and personal objectives set at the beginning of the year have been achieved. Any resulting bonus will generally be pro-rated for time served during the year.
Change of control.	Immediately.	Performance against targets will be assessed at the point of change of control and any resulting bonus will generally be pro-rated for time.
Any other reason.	Not applicable.	No bonus is paid.
DEFERRED ANNUAL BONUS (DAB)		
Ill-health, disability, death, retirement (with Group consent) or any other reasons the Committee may determine in its absolute discretion.	Normal payment date, although the Committee has discretion to accelerate.	Any outstanding DAB awards will generally be pro-rated for time.
Change of control.	Immediately.	Any outstanding DAB awards will generally be pro-rated for time.
Any other reason.	Not applicable.	Awards lapse.
LONG TERM INCENTIVE PLAN (LTIP)		
Ill-health, disability, death, retirement (with Group consent) or any other reasons the Committee may determine in its absolute discretion.	Normal vesting date, although the Committee has discretion to accelerate.	Any outstanding LTIP awards will generally be pro-rated for time and performance.
Change of control.	Immediately.	Any outstanding LTIP awards will generally be pro-rated for time and performance, subject to the Committee's discretion. In the event of a change of control, awards may alternatively be exchanged for new equivalent awards in the acquirer where appropriate.
Any other reason.	Not applicable.	Awards lapse.

Non-executive directors

The non-executive directors do not have service contracts as their terms of engagement are governed by letters of appointment. These letters and the Company's Articles of Association make provision for annual renewal at each AGM. Details of the non-executive directors' terms of appointment are shown in the table on the right. The appointment and re-appointment and the remuneration of non-executive directors are matters reserved for the full Board.

NON-EXECUTIVE DIRECTOR	INITIAL AGREEMENT DATE	RENEWAL DATE
Adrian Auer	16 May 2005	31 July 2015
Jacques Pehry	30 September 2010	31 July 2015
Stephen Riley	29 March 2007	31 July 2015
Eric von Amerongen	9 February 2007	31 July 2015
Marina Wyatt	2 April 2013	31 July 2015

The non-executive directors are not eligible to participate in the Group's performance-related incentive plans and do not receive any pension contributions.

Details of policy on fees paid to non-executive directors are set out in the table below:

OBJECTIVE	OPERATION	OPPORTUNITY	PERFORMANCE MEASURES
To attract and retain non-executive directors of the highest calibre with broad commercial and other experience relevant to the Group.	<p>Fee levels are reviewed annually, with any adjustments effective 1 April each year.</p> <p>The fee paid to the Chairman is determined by the Committee, and fees to non-executive directors are determined by the Board.</p> <p>Additional fees are payable for acting as Senior Independent Director and as Chairman of the Board's Committees (Audit and Remuneration).</p> <p>Fee levels are reviewed by reference to FTSE-listed companies of similar size and complexity. The required time commitment and responsibilities are taken into account when reviewing fee levels.</p>	<p>Non-executive director fee increases are applied in line with the outcome of the review. Fees in respect of the year under review, and for the following year, are disclosed in the Annual Report on Remuneration.</p> <p>It is expected that any increases to non-executive director fees will normally be in line with those for salaried employees. However, in the event that there is a material misalignment with the market or a change in the complexity, responsibility or time commitment required to fulfil a non-executive director role, the Board has discretion to make an appropriate adjustment to the fee level.</p>	None.

External appointments

The Committee acknowledges that executive directors may be invited to become non-executive directors of other quoted companies which have no business relationship with the Group and that these duties can broaden their experience and knowledge to the benefit of the Group. Executive directors are limited to holding one such position, and the policy is that fees may be retained by the director, reflecting the personal risk assumed in such appointments. No external appointments were held by the executive directors during the year.

Consideration of conditions elsewhere in the Group

Although the Committee does not consult directly with employees on executive Remuneration Policy, the Committee does consider general basic salary increases across the Group, remuneration arrangements and employment conditions for the broader employee population when determining Remuneration Policy for the executive directors.

Consideration of shareholder views

When determining executives' remuneration, the Committee takes into account views of shareholders and best practice guidelines issued by institutional shareholder bodies. The Committee is always open to feedback from shareholders on Remuneration Policy and arrangements, and commits to undergoing shareholder consultation in advance of any significant changes to Remuneration Policy.

The Committee will continue to monitor trends and developments in corporate governance and market practice to ensure the structure of the executive remuneration remains appropriate.

Further detail of the votes received in relation to the Policy Report and the Annual Report on Remuneration at the 2014 AGM is provided in the Annual Report on Remuneration on page 84.

DIRECTORS' REMUNERATION REPORT CONTINUED

Annual Report on Remuneration

The following section provides details of how our Remuneration Policy was implemented during the financial year ended 31 March 2015.

Remuneration Committee membership in 2014/15

The role of the Committee is to:

- Determine the Group's policy on remuneration and monitor its careful implementation;
- Review and set performance targets for incentive plans;
- Set the remuneration of the Group's senior management;
- Approve the specific remuneration package for each of the executive directors;
- Determine the remuneration of the Chairman;
- Determine the terms on which LTIP and Sharesave awards are made to employees; and
- Determine the policy for and scope of pension arrangements for the executive directors.

The Committee's full terms of reference are set out on the Group's website.

As of 31 March 2015, the Committee comprised five independent non-executive directors:

- Eric van Amerongen
(Committee Chairman)
- Adrian Auer
- Jacques Petry
- Stephen Riley
- Marina Wyatt

Only members of the Committee have the right to attend Committee meetings. Other individuals, such as the Group Chief Executive, Group HR Director and external consultants, advise the Committee and may attend from time to time by invitation. The Company Secretary acts as secretary to the Committee. No individuals are involved in decisions relating to their own remuneration.

The Remuneration Committee met twice during the year and details of members' attendance at meetings are provided in the Corporate Governance section on page 73.

Advisers

Kepler Associates Partnership LLP (Kepler) provided independent advice to the Committee relating to executive remuneration and benefits during the year. Kepler is a member of the Remuneration Consultants Group and is a signatory to the Code of Conduct for consultants to Remuneration Committees of UK-listed companies, details of which can be found at www.remunerationconsultantsgroup.com. Kepler adheres to this Code of Conduct.

In 2014/15 Kepler provided independent advice on remuneration for executives, remuneration benchmarking data and regular market and best practice updates. Kepler reports directly to the Chairman of the Committee and provides no other services to the Group. Their total fees for the provision of remuneration services to the Committee in 2014/15 were £49,000 plus VAT on the basis of time and materials.

The Committee undertakes due diligence periodically to ensure that Kepler remains independent of the Group and that the advice provided is impartial and objective. The Committee is satisfied that the advice provided by Kepler is independent.

Summary of shareholder voting at the AGM on 25 July 2014:

REMUNERATION POLICY	TOTAL NUMBER OF VOTES	% OF VOTES CAST
For (including discretionary)	280,656,244	97.9%
Against	6,030,596	2.1%
Total votes cast (excluding withheld votes)	286,686,840	100%
Votes withheld	10,225,806	

ANNUAL REPORT ON REMUNERATION	TOTAL NUMBER OF VOTES	% OF VOTES CAST
For (including discretionary)	284,704,516	97.9%
Against	6,232,406	2.1%
Total votes cast (excluding withheld votes)	290,936,922	100%
Votes withheld	5,975,724	

Single total figure of remuneration for executive directors (audited)

The table below sets out a single figure for the total remuneration received by each executive director for the year ended 31 March 2015 and the prior year.

	PETER DILNOT		TOBY WOOLRYCH	
	2013/14 £000	2014/15 £000	2013/14 £000	2014/15 £000
Basic salary	433	443	283	290
Taxable benefits ¹	27	27	21	21
Pension ²	108	111	57	58
Single-year variable ³	285	313	186	205
Multiple-year variable ⁴	—	—	—	—
Other ⁵	7	8	5	46
TOTAL	860	902	552	620

1 Taxable benefits comprise car allowance and medical insurance

2 During the year, Peter Dilnot and Toby Woolrych received cash supplements in lieu of pension contribution of 25% and 20% of salary respectively.

3 Payment for performance during the year under the annual bonus, and includes any deferred annual bonus (See following sections for further details.)

4 Includes any LTIP awards based on the value at vesting of shares vesting on performance over the three-year period ending 31 March 2015 for 2014/15, and for shares vesting on performance over the three-year period ending 31 March 2014 for 2013/14.

5 Includes Sharesave awards, valued based on embedded gain at grant, life assurance and income protection. For Toby Woolrych, this also includes a temporary salary supplement of £4,160 per month between 1 June 2014 and 31 March 2015 for taking on additional responsibilities as interim Managing Director for the Belgium Solid Waste business, in addition to his current role as Group Finance Director.

Single total figure of remuneration for non-executive directors (audited)

The table below sets out a single figure for the total remuneration received by each non-executive director for the year ended 31 March 2015 and the prior year.

	BASE FEE		ADDITIONAL FEES		TOTAL	
	2013/14 £000	2014/15 £000	2013/14 £000	2014/15 £000	2013/14 £000	2014/15 £000
Adrian Auer (Chairman)	113	116	—	—	113	116
Jacques Petty	38	39	—	—	38	39
Stephen Riley	38	39	—	—	38	39
Eric van Amerongen ¹	52	39	—	12	52	51
Marina Wyatt ²	38	39	7	7	45	46

1 Eric van Amerongen's additional fees comprise £5,000 for his role as the Senior Independent Director and £7,000 for his Chairmanship of the Remuneration Committee. His fees in 2013/2014 were paid in euros but stated above in sterling at an exchange rate of £1:€1.1839. His fees are now set in sterling and paid in euros each month at the prevailing monthly exchange rate.

2 Marina Wyatt's additional fee comprises £7,000 for her chairmanship of the Audit Committee.

DIRECTORS' REMUNERATION REPORT CONTINUED

Incentive outcomes for the year ended 31 March 2015

Performance-related annual bonus in respect of 2014/15 performance

For the year to 31 March 2015, the maximum bonus potential for executive directors was 150% of basic salary. 75% of the bonus was based on financial performance and 25% on the achievement of personal objectives.

Based on the financial performance of the Group during the year, a bonus of 37.5% of salary was payable for the financial element. Based on the achievement of personal objectives, the Committee determined that overall bonuses of 70.5% of salary be awarded to both Peter Dilnot and

Toby Woolrych, representing £312,608 for Peter Dilnot and £204,697 for Toby Woolrych.

Further details of the bonuses paid for 2014/15, including performance against each of the metrics, are provided in the table below.

Financial element outcomes

The specific targets for the year are deemed to be commercially sensitive and are not disclosed in this report but will be disclosed retrospectively in the next annual report.

MEASURE	WEIGHTING	ACTUAL PERFORMANCE	BONUS PAYOUT (% OF MAX)
Underlying Profit before tax	50%	Below threshold and target	0%
Underlying free cash flow	25%	Target has been achieved	100%

Personal element outcomes

The personal performance measures were based on individual objectives, as detailed below:

EXECUTIVE DIRECTOR	PERSONAL OBJECTIVES DURING THE YEAR	BONUS PAYOUT (% OF MAX)
Peter Dilnot	Develop and communicate refreshed Group strategy; define portfolio management plan; deliver commercial effectiveness programme and cost savings; talent management and succession planning; investor relations; drive health and safety improvements	88%
Toby Woolrych	Define portfolio management plan; deliver commercial effectiveness gains and cost savings; investor relations; improve Group controls processes; develop Shanks' Belgium organisation; drive health and safety improvements	88%

Overall bonus outcomes

EXECUTIVE DIRECTOR	FINANCIAL ELEMENT BONUS OUTCOME (% OF SALARY)	PERSONAL ELEMENT BONUS OUTCOME (% OF SALARY)	OVERALL BONUS OUTCOME (% OF SALARY)
Peter Dilnot	37.5%	33%	70.5%
Toby Woolrych	37.5%	33%	70.5%

One third of the bonus was awarded in shares, which will vest 50%, 25% and 25% in 2018, 2019 and 2020 respectively.

2012 LTIP vesting

Peter Dilnot and Toby Woolrych were granted awards under the 2012-2015 LTIP cycle of circa 200% and 150% of salary respectively. Vesting was dependent on three year adjusted underlying EPS and share price performance. Further details, including vesting schedules and performance against targets, are provided in the table below:

PERFORMANCE MEASURE	PERFORMANCE TARGETS	ACTUAL PERFORMANCE	VESTING OUTCOME (% OF MAXIMUM)
EPS growth	0% vesting for EPS growth below 7% p.a. 5% vesting for EPS growth of 7% p.a. 50% vesting for EPS growth of 25% p.a. or more Straight line vesting between these points	<7%	0%
Share price growth	1x multiplier for share price growth of or below 15% p.a. 2x multiplier for share price growth of 25% p.a. or more Straight line vesting between these points	<15%	0%
TOTAL LTIP VESTING			0%

Share price growth was calculated using three-month average share prices immediately prior to the start and end of the performance period. The three-year period over which performance was measured ended on 31 March 2015. Having failed to achieve the performance targets, the award has not vested and therefore has been deemed to have lapsed.

Scheme interests awarded in 2014/15 (audited)

In May 2014, Peter Dilnot and Toby Woolrych were granted awards under the 2011 LTIP with a face value of circa 150% and circa 120% of their respective 2014/15 salaries. The three-year period over which performance will be measured began on 1 April 2014 and will end on 31 March 2017. Performance will be assessed 50% on EPS, 25% on share price and 25% on ROCE over the three-year performance period. 25% of maximum is payable for threshold performance. Detail on performance targets is provided in the table opposite. For any shares to vest, the Committee will also need to satisfy itself that the recorded outcome is a fair reflection of the overall performance of the Group over the period.

50% of vested awards will be released immediately (subject to continued employment), 25% after a further year and 25% after two years.

MEASURE	WEIGHTING	TARGETS
EPS CAGR	50%	0% vesting below 5% p.a. 25% vesting for 5% p.a. 50% vesting for 10% p.a. 100% vesting for 15% p.a. Straight-line vesting between these points
Share price CAGR	25%	0% vesting below 9% p.a. 25% vesting for 9% p.a. 50% vesting for 13% p.a. 100% vesting for 17% p.a. Straight-line vesting between these points
Improvement in ROCE	25%	0% vesting below +0.5% 25% vesting for +0.5% 100% vesting for +2.0% Straight-line vesting between these points

EXECUTIVE DIRECTOR	DATE OF GRANT	AWARDS MADE DURING THE YEAR (SHARES)	MARKET PRICE AS PER PLAN RULES	GRANT VALUE
Peter Dilnot	29 May 2014	652,000	102p	£665,040
Toby Woolrych	29 May 2014	341,000	102p	£347,820

Exit payments and payments to past directors made in the year (audited)

No exit payments or payments to past directors were made in the year.

DIRECTORS' REMUNERATION REPORT CONTINUED

Implementation of Remuneration Policy for 2015/16

Basic salary

Market positioning of basic salary is reviewed on an individual basis, taking account of the individual performance and experience of each executive director and advice received from the Committee's independent advisers on remuneration levels for similar roles in comparable companies.

The Committee approved the following basic salary increases with effect from 1 April 2015:

EXECUTIVE DIRECTOR	BASIC SALARY AT 1 APRIL 2014	BASIC SALARY FROM 1 APRIL 2015	PERCENTAGE INCREASE
Peter Dinot	£443,415	£452,285	2%
Toby Woolrych	£290,350	£296,160	2%

Pension

The Group Chief Executive and Group Finance Director receive a cash supplement in lieu of pension of 25% and 20% of salary, respectively, or an equivalent pension contribution.

challenging relative to the 2015/16 business plan, although specific targets are deemed to be commercially sensitive and will be disclosed retrospectively in the 2015/16 annual report.

The proportion vesting for threshold performance for these awards is 25% of maximum. Vested shares will be subject to an additional two-year holding period post-vesting.

Annual bonus

The maximum annual bonus opportunity for executive directors in 2015/16 will be 150% of salary, with one third of any bonus pay out deferred into shares vesting 50% after three years, 25% after four years and 25% after five years. Pay out for achievement of target performance will be 80% of maximum.

LTIP

The Committee intends that LTIP awards granted in 2015 will have the same performance conditions as those granted in 2014. Vesting is based on achievement of EPS, share price and ROCE targets (combined additively), as detailed on page 87. The EPS measure used is adjusted underlying EPS. The same basis for adjustments is used for both vesting and base year EPS numbers for LTIP awards to ensure consistency. LTIP opportunities are 150% of salary for the Group Chief Executive and 120% of salary for the Group Finance Director.

For any shares to vest, the Committee will also need to satisfy itself that the recorded outcome is a fair reflection of the overall performance of Shanks over the period.

Bonuses will be based 50% on underlying profit before tax, 25% on underlying free cash flow and 25% on personal objectives. Proposed target levels have been set to be

Clawback

As mentioned in the Chairman's annual statement, clawback is being introduced to the annual bonus for the performance year ending 31 March 2016 and for LTIP awards being made in 2015.

Chairman and non-executive director fees

Following a review of Board fees, and taking into account salary increases across the Group, the Board determined to apply a 2% increase to the fees payable to the non-executive directors. The Committee, in considering similar factors, determined that the fee payable to the Chairman of the Board also be increased by 2%. A summary of the fee increases, which are effective from 1 April 2015, is set out in the table on the right:

	2014/15	2015/16
Base fees		
Chairman	£116,000	£118,320
Non-executive director	£39,000	£39,780
Additional fees		
Audit Committee Chair	£7,000	£7,140
Remuneration Committee Chair	£7,000	£7,140
Senior Independent Director	£5,000	£5,100

Percentage change in Group Chief Executive's remuneration

The table below shows the percentage change in the Group Chief Executive's remuneration from the prior year compared to the average percentage change in remuneration for all UK-based employees. This group was selected because

the Committee believes it provides a sufficiently large comparator group to give a reasonable understanding of underlying increases that are based on similar incentive structures, whilst on the other hand reducing any distortion arising

from including all of the geographies in which the Group operates, with their different economic conditions. To provide a meaningful comparison, the analysis includes all UK based employees and is based on a consistent set of employees.

	GROUP CHIEF EXECUTIVE		OTHER EMPLOYEES	
	2013/14 £000	2014/15 £000	% CHANGE	% CHANGE
Salary	433	443	2%	2%
Taxable benefits	27	27	0%	0%
Single-year variable	285	313	10%	40%
Total	745	783	5%	4%

Relative importance of spend on pay

The table shows the percentage change in total employee pay expenditure and shareholder distributions (i.e. dividends and share buy-backs) from the financial year ended 31 March 2014 to the financial year ended 31 March 2015.

The Directors are proposing a final dividend for the year ended 31 March 2015 of 2.35 pence per share (2014: 2.35 pence).

	2013/14 £m	2014/15 £m	% CHANGE
Distribution to shareholders	13.7	13.7	0%
Employee remuneration	161.8	156.2	-3%

Pay for performance

The graph to the right shows the Total Shareholder Return (TSR) of the Group over the six-year period to 31 March 2015. Whilst there is no comparator index or group of companies that truly reflects the activities of the Group, the FTSE Support Services Sector has been selected as a comparator index as it is the sector in which Shanks is classified and tends to be the index against which analysts judge the performance of the Group. The Group is also a member of the FTSE All-Share Index. The table on page 90 details the Group Chief Executive's single figure remuneration and actual variable pay outcomes over the same period.

Historical TSR Performance

Growth in the value of a hypothetical £100 holding over the six years to 31 March 2015

DIRECTORS' REMUNERATION REPORT CONTINUED

Group Chief Executive's single figure of remuneration over the six-year period to 31 March 2015

	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
PETER DILNOT¹						
Group Chief Executive single figure of remuneration (£000)			157	657	860	902
Annual bonus outcome (% of maximum)			87%	19%	66%	70.5%
LTIP vesting outcome (% of maximum)			–	0%	0%	0%

TOM DRURY²

Group Chief Executive single figure of remuneration (£000)	663	840	284
Annual bonus outcome (% of maximum)	38%	69%	0%
LTIP vesting outcome (% of maximum)	0%	0%	0%

1. Peter Dilnot was appointed as Group Chief Executive on 1 February 2012.

2. Tom Drury resigned as Group Chief Executive on 30 September 2011.

Directors' interests

The interests of the directors and their families in the ordinary shares of the Group during the year and as at 21 May 2015 were as shown on the right.

Details of directors' interests in shares and options under the long-term incentive schemes are set out in the sections below.

	ORDINARY SHARES AT 1 APRIL 2014	ORDINARY SHARES AT 31 MARCH 2015 AND 21 MAY 2015
Peter Dilnot	72,191	83,210
Toby Woolrych	14,757	27,493
Adrian Auer	103,333	123,333
Jacques Petry	–	–
Stephen Riley	20,000	20,000
Eric van Amerongen	–	–
Marina Wyatt	–	–

Directors' shareholding (audited)

The table below shows the shareholding of each executive director, against their respective shareholding requirement as at 31 March 2015:

	SHARES HELD			OPTIONS HELD		SHAREHOLDING REQUIREMENT (% SALARY)	CURRENT SHAREHOLDING (% SALARY)	REQUIREMENT MET?
	OWNED OUTRIGHT OR VESTED	VESTED BUT SUBJECT TO HOLDING PERIOD	UNVESTED AND SUBJECT TO PERFORMANCE CONDITIONS	VESTED BUT NOT EXERCISED	UNVESTED AND SUBJECT TO CONTINUOUS EMPLOYMENT			
Peter Dilnot	83,210	–	1,689,000	–	23,042	100%	19%	No
Toby Woolrych	27,493	–	850,000	–	23,042	100%	10%	No

Shareholdings were calculated using the mid-market price at 31 March 2015 of 105.75 pence.

1 Share ownership guidelines of 100% of salary to be achieved over five years were introduced for executive directors last year to further align their interests with those of shareholders. The executive directors are currently working towards meeting these guidelines.

Directors' interests in shares options and shares in our Long Term Incentive Plan and all-employee plans

The executive directors have been made notional allocations of shares under the Group's Long Term Incentive Plan:

	OUTSTANDING AWARDS AT 31 MARCH 2014	AWARDS MADE DURING THE YEAR	AWARDS LAPSED DURING THE YEAR ¹	AWARDS EXERCISED DURING THE YEAR	OUTSTANDING AWARDS AT 31 MARCH 2015 ¹	DATE OF AWARD	SHARE PRICE ON DATE OF AWARD (PENCE)	PERFORMANCE PERIOD END	RESTRICTED PERIOD END
	1,091,000	–	1,091,000	–	–	01.08.12	79.27	31.03.15	01.08.15
Peter Dilnot	1,037,000	–	–	–	1,037,000	07.06.13	83.42	31.03.16	07.06.16
	–	652,000	–	–	652,000	29.05.14	102	31.03.17	31.03.19
	470,000	–	470,000	–	–	28.08.12	90.33	31.03.15	28.08.15
Toby Woolrych	509,000	–	–	–	509,000	07.06.13	83.42	31.03.16	07.06.16
	–	341,000	–	–	341,000	29.05.14	102	31.03.17	31.03.19

¹ Performance conditions not met 31 March 2015.

² The performance conditions relating to the vesting of outstanding awards are shown on page 87.

³ One third of the annual bonus for the year ended 31 March 2015 is awarded in deferred shares under the Deferred Annual Bonus Scheme. These were not awarded at the time of publication and will be included in next year's report.

The executive directors held options to subscribe for ordinary shares under the Shanks Group plc Savings Related Share Option Scheme:

	DATE OF GRANT	NORMAL EXERCISE DATES FROM	NORMAL EXERCISE DATES TO	OPTION PRICE (PENCE) ¹	NUMBER AT 1 APRIL 2014	GRANTED IN YEAR	LAPSED IN YEAR	EXERCISED IN YEAR	NUMBER AT 31 MARCH 2015
Peter Dilnot	20.09.12	01.11.15	30.04.16	73.0	12,328	–	–	–	12,328
	25.09.14	01.11.17	30.04.18	84.0	–	10,714	–	–	10,714
Toby Woolrych	20.09.12	01.11.15	30.04.16	73.0	12,328	–	–	–	12,328
	25.09.14	01.11.17	30.04.18	84.0	–	10,714	–	–	10,714

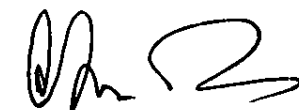
¹ The option price is the price at which the option was granted. The price is set by the Remuneration Committee but is not less than 80% of the average market price of the shares over the last three dealing days immediately preceding the date of the invitation to subscribe.

The highest closing mid-market price of the ordinary shares of the Group during the year was 112 pence and the lowest closing mid-market price during the year was 86.25 pence. The mid-market price at the close of business on 31 March 2015 was 105.75 pence.

By order of the Board

Other interests

None of the directors had an interest in the shares of any subsidiary undertaking of the Group or in any significant contracts of the Group.



Eric van Amerongen
Chairman of the Remuneration Committee
21 May 2015

GOVERNANCE

OTHER
DISCLOSURES**The Company's Articles of Association**

Many of the matters described below are governed by the Company's Articles of Association (Articles) as well as by current legislation and regulations. The Articles can be found on the website at www.shanksplc.com/investor-centre/shareholder-information. Unless expressly specified to the contrary in the Articles they may be amended by special resolution passed at a general meeting.

Strategic report

The Strategic Report set out on pages 2 to 67 provides a fair review of the Group's business for the year ended 31 March 2015. It also explains the objectives and strategy of the Group, its competition and the markets in which it operates, the principal risks and uncertainties it faces, the Group's financial position, key performance indicators and likely future developments of the business. The Strategic Report was approved by a duly authorised committee of the Board on 21 May 2015 and signed on its behalf by the Company Secretary.

Directors' report

The Directors' Report comprises pages 68 to 95. The Directors' Report was approved by a duly authorised committee of the Board on 21 May 2015 and signed on its behalf by the Company Secretary.

Other information

Apart from the details of the Company's long term incentive plans, as set out in the Directors' Remuneration Report on pages 77 to 91, no further information requires disclosure for the purposes of complying with the Financial Conduct Authority's Listing Rule 9.8.4C.

Directors

The composition of the Board at the date of this Report, together with directors' biographical details, is shown on pages 68 and 69. All served on the Board throughout the financial year under review and all will be offering themselves for re-election at the Company's AGM.

Appointment and replacement of directors

The Company shall appoint not less than two directors (disregarding alternate directors). The appointment and replacement of directors may be made as follows:

- the Company's members may, by ordinary resolution, appoint any person who is willing to act to be a director;
- the Board may appoint any person who is willing to act to be a director. Any director so appointed shall hold office only until the next AGM and shall then be eligible for election;
- each director shall retire from office at every AGM but he or she may be re-appointed by ordinary resolution if eligible and willing;
- the Company may, by special resolution, remove any director before the expiry of his or her period of office or may, by ordinary resolution, remove a director where special notice has been given and the necessary statutory procedures are complied with; and
- a director must vacate his or her office if any of the circumstances in Article 100 of the Articles of the Company arise.

Powers of directors

The business of the Company is managed by the Board which may exercise all the powers of the Company, whether relating to the management of the business of the Company or not. This power is subject to any limitations imposed on the Company by legislation. It is also limited by the provisions of the Articles and by any directions given by special resolution of the members of the Company. Specific provisions relevant to the exercise of powers by the directors include the following:

- pre-emptive rights and new issues of shares – under the Companies Act 2006, (the Act), the directors of a company are, with certain exceptions, unable to allot any equity securities without express authorisation, which may be contained in a company's Articles or given by its shareholders in general meeting. In addition under the Act, the Company may not allot shares for cash (otherwise than pursuant to an employees share scheme) without first making an offer to existing shareholders to allot such shares to them on the same or more favourable terms in proportion to their respective shareholdings, unless this requirement is waived by a special resolution of the Company's shareholders. The Company received authority at the last AGM to allot shares for cash on a non pre-emptive basis up to a maximum nominal amount of £1,988,619. This authority lasts until the earlier of the AGM in 2015 or 30 September 2015;
- repurchase of shares – subject to authorisation by shareholder resolution, the Company may purchase all or any of its own shares in accordance with the Act

and the Listing Rules. Any shares which have been bought back may be held as treasury shares or, if not so held, must be cancelled immediately upon completion of the purchase, thereby reducing the amount of the Company's issued share capital. The Company received authority at the last AGM to purchase up to 39,772,397 ordinary shares. This authority lasts until the earlier of the AGM in 2015 or 30 September 2015; and

- borrowing powers – the directors are empowered to exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of the Company's assets, provided that the aggregate amount of borrowings of the Group outstanding at any time does not exceed the limit set out in the Articles, unless sanctioned by an ordinary resolution of the Company's shareholders.

Directors' indemnities

As at the date of this Report, the Company has granted indemnities to the extent permitted by law, in respect of certain liabilities incurred as a result of carrying out the role of a director of the Company. The indemnities are qualifying third party indemnity provisions for the purposes of the Companies Act 2006. In respect of those liabilities for which the directors may not be indemnified, the Company maintained a Directors' and Officers' liability insurance policy throughout the financial year and has renewed that policy.

Corporate governance

The Board is fully committed to high standards of corporate governance. Details relating to the Company's compliance with the UK Corporate Governance Code for the financial year are given in the Corporate Governance and Directors' Remuneration Reports on pages 70 to 91.

Corporate responsibility

Shanks Group plc is a leading international waste-to-product company. Information on Corporate Responsibility (CR) matters including those on environment, social, community and employment policies and health and safety are set out in the Corporate Social Responsibility section on pages 29 to 33, and in the People section on pages 56 to 60 of the Strategic Report. These include disclosures on greenhouse gas emissions reporting as well as human

rights and gender diversity policies. Further details on the Company's approach to carbon avoidance and the benefits of sustainable waste management can also be found in the Group CR Report and CR Policy both of which are available on the Group website.

Results and dividends

The Group's Consolidated Income Statement appears on page 102 and note 3 to the financial statements shows the contribution to revenue and profits made by the different segments of the Group's business. The Group's loss for the year was £16.9m (2014: loss of £28.2m).

The directors recommend a final dividend of 2.35 pence (2014: 2.35 pence) per share be paid on 31 July 2015 to ordinary shareholders on the register of members at the close of business on 3 July 2015. This dividend, if approved by shareholders, together with the interim dividend of 1.1 pence (2014: 1.1 pence) per share already paid on 9 January 2015, will make a total dividend for the year 3.45 pence per share (2014: 3.45 pence).

Going concern

After making enquiries, the directors have formed the view, at the time of approving the financial statements, that the Company and Group have adequate resources to continue in operational existence for the foreseeable future and that the Group's business is a going concern. For this reason the directors continue to adopt the going concern basis in preparing the financial statements.

Share capital

The Company's share capital comprises ordinary shares of 10 pence each par value. As at 31 March 2015 and as at the date of this Report there were 397,850,417 and 397,859,415 ordinary shares in issue respectively. During the year ended 31 March 2015 no ordinary shares were issued other than in respect of the exercise of options or awards under the Company's share schemes, details of which are given in note 7 to the financial statements.

Principal rights and obligations attaching to shares

- Dividend rights – the Company may, by ordinary resolution, declare dividends but may not declare dividends in excess

of the amount recommended by the directors. The directors may also pay interim dividends. No dividend may be paid other than out of profits available for distribution. Payment or satisfaction of a dividend may be made wholly or partly by distribution of assets, including fully paid shares or debentures of any other company. The directors may deduct from any dividend payable to a member all sums of money (if any) payable by such member to the Company in respect of their ordinary shares.

- Voting rights – voting at this year's AGM will be by a poll only. On a poll, every shareholder who is present in person or by proxy or represented by a corporate representative has one vote for every share held by that shareholder. In the case of joint holders of an ordinary share, the vote of the senior who tenders a vote shall be accepted to the exclusion of the votes of the other joint holders. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding. The deadline for appointing proxies to exercise voting rights at any general meeting is set out in the notice convening the relevant meeting. The Company is not aware of any agreements between holders of its shares that may result in restrictions on voting rights.
- Return of capital – in the event of the liquidation of the Company, after payment of all liabilities and deductions taking priority, the balance of assets available for distribution will be distributed amongst the holders of ordinary shares according to the amounts paid up on the shares held by them. A liquidator may, with the sanction of a special resolution of the shareholders and any other sanction required by law, divide among the shareholders in kind the whole or any part of the Company's assets or vest the Company's assets, but no shareholder may be compelled to accept any assets upon which there is any liability.

Share restrictions

There are no limitations under the Company's Articles of Association that restrict the rights of members to hold the Company's shares. Certain restrictions may from time to time be imposed on the

OTHER DISCLOSURES CONTINUED

transfer of the Company's shares by laws and regulations such as insider trading laws. In limited situations, as permitted by the Articles, the Board may also decline to register a transfer. The Company is not aware of any agreements between holders of its shares that may result in restrictions on the transfer of securities.

Employee share schemes – control rights

The Company operates a number of employee share schemes. Under one of those schemes, ordinary shares may be held by trustees on behalf of employees. Employees are not entitled to exercise directly any voting or other control rights in respect of any shares held by such trustees. The trustees have full discretion to vote or abstain from voting at general meetings of the Company in respect of such shares.

Notifiable interests

The Company has been notified of direct and indirect interests in voting rights equal to or exceeding 3% of the ordinary share capital of the Company as set out in the table on page 95.

Retail bonds

As at 31 March 2015 the Company had in issue two Retail Bonds: the first, comprising €100m 5% guaranteed notes due 22 October 2015; and the second, comprising €100m 4.23% guaranteed notes due 30 July 2019. There are no restrictions under the instruments governing these notes that restrict the rights of investors to hold or transfer them. The Company is not aware of any agreements between the holders of the notes that may result in restrictions on their transfer.

Change of control – significant agreements

The Group's principal financing instrument at 31 March 2015, a €180m multicurrency revolving credit facility with seven major banks, contains an option for those banks to declare by notice that all sums outstanding under that agreement are repayable immediately in the event of a change of control of the Company. Any such notice may take effect no earlier

than 30 days from the change of control and, if exercised at 31 March 2015, would have required the repayment of £32.6m (2014: £51.9m) in principal and interest.

The Group's Retail Bonds issued in October 2010 and July 2013 require notice to be given to bondholders within seven business days of a change of control following which the holders have an option to seek repayment at a 1% premium, within 60 days of that notice. Such repayment must be made within 10 business days of the expiry of the option period. If exercised at 31 March 2015, repayment of £146.2m (2014: £171.2m) in principal and interest would have been required.

The notes issued under the Group's 24 March 2011 private placement contain an option for the noteholders to enforce prepayment between 30 and 60 days from a change of control of outstanding principal and interest which would have amounted in total at 31 March 2015 to £28.9m (2014: £33.9m). In addition, a make-whole payment amounting to £4.8m (2014: £4.1m) which is not provided for in these financial statements would be payable to private placement noteholders based on treasury yields at 31 March 2015.

The rules of the Company's employee share plans provide that awards and options may vest and become exercisable on a change of control of the Company.

Research and development

The Group spent £206,000 (2014: £180,000) on research and development during the year. This related to the development of technologies for mapping landfill sites, optimising waste decomposition processes and the recovery of energy and materials through excavation techniques and waste pre-treatment.

Political donations

No donations were made by the Group for political purposes during the financial year (2014: £nil).

Annual General Meeting

Notice of the AGM of the Company to be

held at the offices of Ashurst LLP, Broadwalk House, 5 Appold Street, London EC2A 2HA on Thursday, 23 July 2015 at 11.00am will be made available to shareholders, together with a form of proxy, and will also be available on the Group website at www.shanksplc.com. The directors consider that all the AGM resolutions are in the best interests of the Company and they recommend unanimously that all shareholders vote in favour, as they intend to do in respect of their own shareholdings.

Directors' Responsibilities Statement

The directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group and Parent Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU).

Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the EU have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

Each of the directors, whose names and functions are listed on page 69 of the Annual Report confirms that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and loss of the Group;
- the Strategic Report and Directors' Report include a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces;
- there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.



Philip Griffin-Smith
Company Secretary
21 May 2015

Shanks Group plc
Registered in Scotland no. SC077438

GOVERNANCE

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SHANKS GROUP PLC

Our opinion

In our opinion, Shanks Group plc's Group and Company financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's and of the Company's affairs as at 31 March 2015 and of the Group's and the Company's loss and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

What we have audited

Shanks Group plc's financial statements comprise:

- the Group and Company balance sheets as at 31 March 2015;
- the Consolidated Income Statement and Statement of Comprehensive Income for the year then ended;
- the Group and Company Statement of Changes in Equity for the year then ended;
- the Group and Company Statement of Cash Flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union.

Our audit approach – Overview

Materiality

- Overall Group materiality: £1.1 million which represents 5% of the Group's adjusted profit before tax.

Audit scope

- We performed an audit of the complete financial information of the Hazardous Waste, Netherlands Solid Waste, Belgium Solid Waste, UK Municipal and Group Central Services divisions.
- We obtained coverage of 96% of the Group adjusted profit before tax from the audit procedures performed.
- Additional procedures performed at the Group level over non-reporting components.

Areas of focus

- Goodwill, intangible and tangible asset impairment assessment.
- Presentation of non-trading and exceptional items.
- Accounting for provisions.
- Accounting for taxation.
- Accounting for PFI contracts.
- Accounting for joint ventures and associates.
- Revenue recognition on contracts where performance occurs over time.

The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)").

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of

significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including

the allocation of our resources and effort, are identified as "areas of focus" in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

Area of focus

GOODWILL, INTANGIBLE AND TANGIBLE ASSET IMPAIRMENT

At 31 March 2015 the Group had £173.8m of goodwill and intangible assets and £282.9m of tangible assets on the Group balance sheet. See notes 14 and 15 respectively.

The Group is required to annually assess the carrying value of goodwill by performing a value in use calculation based on the future trading projections of the relevant cash generating unit (CGU).

In the current year, as a result of performing value in use calculations, the Group recorded goodwill impairment charges of £11.1m in relation to goodwill in the Netherlands Solid Waste division. In the prior year the Group also recorded an impairment charge on the goodwill in the Netherlands Solid Waste CGU of £8.9m.

Accordingly, we focused on this area because the value in use calculation includes key assumptions and management judgements, and we consider there to be a heightened risk over the quantum of the impairment charge recorded in the current year.

Separately to the consideration of the carrying value of goodwill, the Group must consider whether any indicators of impairment have been identified in relation to other intangible assets subject to amortisation and tangible assets subject to depreciation in CGUs without goodwill.

Two of the Group's operating sites performed below budget during the year. Accordingly the Group has performed separate value in use assessments to ascertain whether the carrying values of the assets of these sites are supportable. As a result of this analysis asset impairments of £10.5m have been recorded.

We focused on this area because the consideration of whether indicators of impairment of other tangible and intangible assets exist is judgemental.

PRESENTATION OF NON-TRADING AND EXCEPTIONAL ITEMS

The Group presents two measures of performance in the Income Statement; statutory and trading/underlying, the latter after adjusting for certain items that management believes do not reflect the true underlying performance of the Group.

The determination of which items are classified as exceptional or non-trading is subject to judgement and therefore users of the accounts could be misled if amounts are not classified appropriately.

A description of the amounts presented as non-trading or exceptional is included in note 4 to the financial statements.

How our audit addressed the area of focus

For all CGUs we obtained the discounted cash flow forecasts prepared by management. Details of the assumptions included in the cash flow forecasts prepared by the Group are included in notes 14 and 15.

We evaluated the accuracy of the future cash flow forecasts by comparing them with the latest Board approved budgets and considering the historic accuracy of management's forecasts by comparing prior year forecasts to actual outcome. We challenged:

- the key assumptions for long term growth rates in the forecasts by comparing them with historical results, economic and industry forecasts; and
- the discount rate used. Specifically, we recalculated the Group's weighted average cost of capital using market comparable information.

We also performed sensitivity analysis on the discounted cash flow forecasts and on the ability of the Group to generate the forecast cash flows. Having ascertained the extent of change in those assumptions that either individually or collectively would be required for the goodwill, intangible and tangible assets to be impaired, we considered the likelihood of such a movement in those key assumptions arising.

In the Netherlands Solid Waste CGU a proportion of the goodwill was impaired by management. For other CGUs with goodwill we were satisfied that the carrying value of goodwill was supported by the value in use calculations. Having performed the procedures above we satisfied ourselves that the amount of the impairment recorded in the Netherlands Solid Waste CGU was within a reasonable range of outcomes, although we concluded that any reasonably possible change in assumptions could cause further impairment.

In the CGUs without goodwill, we considered whether any indicators of impairment existed other than in the two operating sites identified by management. We compared actual performance of the relevant cash generating unit with budget/forecast and, where performance was below budget/forecast, investigated the underlying causes. Having performed these procedures, and those on the cash flow forecasts prepared by management above, we concluded that the tangible and other intangible impairments recorded by the Group in CGUs without goodwill were appropriate and that the quantum of these impairments were within a reasonable range of outcomes.

We considered the appropriateness of the adjustments made to statutory profit before tax to derive Trading Profit and adjusted profit before tax. In order to do this we considered:

- The Group's accounting policy on exceptional and non-trading items; and
- Recent pronouncements by the FRC on this matter.

We challenged management on the appropriateness of the classification of such items being mindful that classification should be even handed between gains and losses, the basis for the classification clearly disclosed, and applied consistently from one year to the next.

Our work highlighted certain items that management had classified as exceptional which were judgemental. Having considered the nature and quantum of these items, overall we are satisfied that the presentation of non-trading and exceptional items in the financial statements for the year ended 31 March 2015 is appropriate.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SHANKS GROUP PLC CONTINUED

Area of focus

ACCOUNTING FOR PROVISIONS

The Group operates in different jurisdictions and in an industry that is heavily regulated and subject to change. Non-compliance with laws and regulations has the potential to lead to litigation, penalties or fines and associated financial or reputational damage.

The Group has recognised long term landfill provisions for site restoration and aftercare of £32.9m at 31 March 2015.

Separately the Group has other provisions of £14.6m principally comprising onerous contracts, warranties and indemnities. Due to their nature, all of these provisions are judgemental. Changes to the environment in which the Group operates can impact both the amounts required to settle the provision and the period over which the provision is recognised.

Certain onerous contract provisions have been reassessed in the year and the changes in these provisions recorded as exceptional items.

In addition, due to significant declines in market risk free interest rates, the Group has reduced the discount rates applied to long term provisions. The effect of the change in discount rates has been accounted for as an exceptional charge of £7.1m.

ACCOUNTING FOR TAXATION

The Group has recognised £21.7m of a total potential deferred tax asset of £42.2m as at 31 March 2015. The amount of deferred tax asset recognised is judgemental and is determined by reference to future forecasts of taxable profits.

In the current year the Group has increased the level of the deferred tax asset recognised to represent a greater amount of forecast taxable profits. This reflects the greater visibility of profits under long term contracts in the UK municipal business.

Separately, a Group restructuring has been completed in the year, approved by all relevant tax authorities, which has led to an overall tax benefit.

ACCOUNTING FOR PFI/PPP CONTRACTS

Under the terms of the Group's UK PFI/PPP agreements the Group has the obligation to renew and replace parts of the waste management facility as they wear out over the period of the operating contract. Such lifecycle expenditure is accounted for in accordance with IFRIC 12 which requires a provision for lifecycle expenditure to be built up as wear and tear occurs on the facility.

During the year the Group has reassessed the carrying value of the provision required and recorded a £0.3m debit in exceptional items within the income statement relating to amounts that should have been provided in prior years.

Separately, the Group has contracts to operate assets which contain lifecycle obligations that are not accounted for in accordance with IFRIC 12. During the year, the Group has reassessed the allocation of revenue to meet lifecycle maintenance obligations and believes that the amount allocated historically should have been higher. This has led to the recognition of a £2.0m exceptional charge to revenue representing revenue recognised in the past that should have been deferred to future periods.

How our audit addressed the area of focus

Our audit work on provisions as a whole comprised:

- Meeting with in-house legal counsel to determine the status of known claims against the Group and assess the appropriateness of the associated provisions held;
- Understanding the processes and controls in place to ensure compliance and a discussion of any instances of non-compliance in the year with management;
- Reading significant contracts entered into by the Group to determine whether any other contracts, other than those identified by management, are onerous;
- Reading board minutes to identify any relevant matters reported to the board.

For the Group's long term provisions we:

- Discussed the basis of the calculation of the provision with management;
- Considered the appropriateness of the discount rates applied to the forecast future cash flows in light of market risk free rates and the nature of the risks in the future cash flows; and
- Considered the estimation accuracy of the forecast spend on which the provision is based on our knowledge of the industry, the sites and contracts involved.

Having performed the procedures above we found that appropriate premia for the risks inherent in the cash flows had been included in the discount rates applied to each provision, which differed depending on the nature of the provision.

We also found that management had appropriately taken account of new information or changes in the year in calculating the closing provisions at the balance sheet date.

As part of our work on deferred tax we have considered the appropriateness of management's assumptions and estimates in relation to the likelihood of generating suitable future taxable profits to support the recognition of deferred tax assets. Specifically we considered:

- Board approved budgets and forecasts;
- The level of forecast profits by legal entity; and
- The historic level of utilisation of deferred tax assets.

Having performed the procedures above we found that the level of deferred tax asset recognised at 31 March 2015 is reasonable.

Part of the reduction in the underlying effective tax rate is attributable to the impact of the Group restructuring. We utilised our specialist knowledge in this area to audit the accuracy of the current tax balances recognised in the financial statements. We did not find any errors arising from our work.

We have considered the appropriateness of the accounting for lifecycle expenditure by considering the requirements of IFRIC 12, the nature of the expenditure to be incurred by the Group and the nature of its PFI/PPP contractual arrangements. We have audited the calculation of the amounts recognised, which included holding discussions with persons outside of the finance team to understand the methodology used to compile the forecasts of future lifecycle expenditure, and we are satisfied that the approach taken is in accordance with the requirements of IFRS.

We challenged management as to whether it was more appropriate to present the correction of the accounting treatment as a prior year adjustment, rather than as an exceptional item in the current year. We considered the quantum of the portion of the adjustment that relates to the prior year, together with that of the adjustment to associate income (see Accounting for joint ventures and associates below) and note that in aggregate they are not material to the prior year adjusted profit before tax. Accordingly we are satisfied that it is appropriate for these adjustments to be accounted for in the current period as exceptional.

Area of focus

ACCOUNTING FOR JOINT VENTURES AND ASSOCIATES

The Group has adopted IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosure of Interests in Other Entities" for the first time in these financial statements. IFRS 11 requires that entities account for interests in joint ventures and associates using the equity method. The standard must be applied retrospectively and accordingly comparative financial information has been restated. Previously the Group accounted for such interests using proportional consolidation. IFRS 12 requires extensive new disclosures relating to the Group's interests in joint ventures, associates and joint arrangements.

Separately, in relation to one of the Group's PFI related associates, the Group has recorded an exceptional credit of £4.4m in associate income, representing the additional profits that ought to have been recognised in prior years based on a reassessment of the appropriateness of the model used to calculate the payment profile on the financial asset under IFRIC 12.

How our audit addressed the area of focus

Our work in this area included:

- Consideration of the appropriateness of the classification of the Group's joint arrangements as joint ventures or joint operations based on the guidance in IFRS 11;
- Consideration that the Group has accurately applied the requirements of equity accounting for its joint ventures and associates in the current year;
- Auditing the accuracy of the restatement of comparative information in relation to the change from proportional consolidation accounting to equity accounting for the Group's joint ventures; and
- Considering the adequacy of the disclosures made in the 2015 financial statements in relation to the requirements of IFRS 12 by considering not only the quantum of the assets and liabilities on the Group's balance sheet, but also the gross assets and liabilities of the joint venture/associate and the nature of its operations.

Having performed the procedures above we were satisfied that joint ventures and associates had been appropriately classified and accounted for under the requirements of IFRS 11, and that comparative information was accurately restated where applicable. As none of the individual investments in joint arrangements or associates are qualitatively or quantitatively material to the Group, no separate disclosure of the results of these entities was required in terms of IFRS 12.

In relation to the £4.4m adjustment to income from associates we considered the appropriateness of the revised model used to calculate the payment profile on the financial asset and consider that this represents a more appropriate model than the previous one used by the Group. Our considerations of the accounting treatment and disclosure of this item are set out in our response to the "Accounting for PFI/PPP contracts" area of focus.

REVENUE RECOGNITION ON CONTRACTS WHERE PERFORMANCE OCCURS OVER TIME

The nature of the Group's performance obligations under revenue contracts varies from business to business and from customer to customer. In the Netherlands Solid Waste business a number of contracts give rise to an obligation to process waste received, although many do not. In the Hazardous Waste division substantially all of the contracts give rise to an obligation to process waste received. Where such obligations exist, when invoices to customers are raised in advance of processing the waste, the revenue is deferred.

At 31 March 2015, the Group has £19.1m of deferred revenue on its balance sheet.

Due to the varying nature of the Group's contractual obligations we have focused effort on this area to address the risk of undetected material errors in the recording of revenue and deferred revenue.

We audited management's calculation of deferred revenue, which is calculated based on invoiced waste tonnages and pricing, by:

- attending year-end inventory counts of unprocessed waste to test the existence of waste tonnages at year end;
- performed substantive tests of detail on the pricing of individual waste components; and
- reperformed management's calculation of deferred revenue at year end.

Having performed the procedures above we were satisfied that the quantities of unprocessed waste at year end used in management's calculations were supportable and that appropriate prices had been used to calculate the deferred revenue balance.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group financial statements are a consolidation of six reporting units being Netherlands Solid Waste, Belgium Solid Waste, UK Municipal, Hazardous Waste, Organics and Group Central Services. Of the Group's six reporting units, we identified Hazardous Waste, Netherlands Solid Waste, Belgium Solid Waste, UK

Municipal and Group Central Services which, in our view, required an audit of their complete financial information due to their size compared with the Group. This, together with additional procedures performed at the Group level, gave us the evidence we needed for our opinion on the Group financial statements as a whole. As a result of our scoping we performed audit procedures over 96% of the Group's adjusted profit before tax.

The Group's accounting function is structured into local or regional finance centres for each of the territories in which the Group operates. These functions maintain their own accounting records

and controls and report to the head office finance team through an integrated consolidation system. We visited the shared service centres in the Netherlands and Belgium as part of our audit work.

In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed at the reporting units by us, as the Group engagement team (who were also responsible for the audit of the UK Municipal audit unit), or component auditors from other PwC network firms operating under our instruction. Where the work was performed by our component audit teams in the Netherlands and

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SHANKS GROUP PLC CONTINUED

Belgium, we determined the level of involvement we needed to have in the audit work at those reporting units to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole. This included time spent planning the audit with the component teams, attendance by the Group engagement team at the clearance meetings held for the Netherlands Solid Waste, Hazardous Waste and Belgium Solid Waste reporting units and a review of the audit working papers of our component teams by the Group engagement team.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

OVERALL GROUP MATERIALITY	£1.1m (2014: £1.5m).
HOW WE DETERMINED IT	5% of adjusted profit before tax.
RATIONALE FOR BENCHMARK APPLIED	We believe that profit before tax, adjusted for non-trading and exceptional items (adjusted profit before tax) provides us with a consistent year on year basis for determining materiality by eliminating the impact of these items.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £0.1m (2014: £0.1m) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

Under the Listing Rules we are required to review the directors' statement, set out on page 93, in relation to going concern. We have nothing to report having performed our review.

As noted in the directors' statement, the directors have concluded that it is appropriate to prepare the financial statements using the going concern basis of accounting. The going concern basis presumes that the Group and Company have adequate resources to remain in operation, and that the directors intend them to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the directors' use of the going concern basis is appropriate.

However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group's and Company's ability to continue as a going concern.

Other required reporting

Consistency of other information

Companies Act 2006 opinions

In our opinion:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

ISAs (UK & Ireland) reporting

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

<ul style="list-style-type: none"> information in the Annual Report is: <ul style="list-style-type: none"> materially inconsistent with the information in the audited financial statements; or apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or otherwise misleading. 	We have no exceptions to report arising from this responsibility.
<ul style="list-style-type: none"> the statement given by the directors on page 95, in accordance with provision C.1.1 of the UK Corporate Governance Code ("the Code"), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's and Company's performance, business model and strategy is materially inconsistent with our knowledge of the Group and Company acquired in the course of performing our audit. 	We have no exceptions to report arising from this responsibility.
<ul style="list-style-type: none"> the section of the Annual Report on page 74, as required by provision C.3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee. 	We have no exceptions to report arising from this responsibility.

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Directors' remuneration report - Companies Act 2006 opinion

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Other Companies Act 2006 reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from these responsibilities.

Corporate governance statement

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to the Company's compliance with ten provisions of the UK Corporate Governance Code. We have nothing to report having performed our review.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves


An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's and the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



John Waters
(Senior Statutory Auditor)
for and on behalf of
PricewaterhouseCoopers LLP
Chartered Accountants
and Statutory Auditors
London
21 May 2015

FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2015

	Note	2015			2014 Restated*		
		Trading £m	Non trading & exceptional items £m	Total £m	Trading £m	Non trading & exceptional items £m	Total £m
Revenue	3,4	601.4	(2.0)	599.4	633.4	–	633.4
Cost of sales	4	(506.1)	(21.5)	(527.6)	(528.3)	(5.1)	(533.4)
Gross profit (loss)		95.3	(23.5)	71.8	105.1	(5.1)	100.0
Administrative expenses	4	(61.0)	(23.2)	(84.2)	(59.5)	(17.4)	(76.9)
Operating profit (loss)	3,4,5	34.3	(46.7)	(12.4)	45.6	(22.5)	23.1
Finance income	4,8	14.8	0.1	14.9	10.1	0.3	10.4
Finance charges	4,8	(28.2)	–	(28.2)	(25.9)	(0.3)	(26.2)
Share of results from associates and joint ventures	4,16	0.8	4.4	5.2	0.3	–	0.3
Profit (loss) before taxation	3	21.7	(42.2)	(20.5)	30.1	(22.5)	7.6
Taxation	4,9	(1.7)	4.0	2.3	(7.2)	1.4	(5.8)
Profit (loss) for the year from continuing operations		20.0	(38.2)	(18.2)	22.9	(21.1)	1.8
Discontinued operations							
(Loss) profit for the year from discontinued operations	4,10	(0.2)	1.5	1.3	(3.6)	(26.4)	(30.0)
Profit (loss) for the year		19.8	(36.7)	(16.9)	19.3	(47.5)	(28.2)
Attributable to:							
Owners of the parent		19.7	(36.7)	(17.0)	19.2	(47.5)	(28.3)
Non-controlling interest		0.1	–	0.1	0.1	–	0.1
		19.8	(36.7)	(16.9)	19.3	(47.5)	(28.2)
Basic earnings (loss) per share attributable to owners of the parent (pence per share)							
Continuing operations	12	5.0	(9.6)	(4.6)	5.7	(5.3)	0.4
Discontinued operations	12	(0.1)	0.4	0.3	(0.9)	(6.6)	(7.5)
		4.9	(9.2)	(4.3)	4.8	(11.9)	(7.1)
Diluted earnings (loss) per share attributable to owners of the parent (pence per share)							
Continuing operations	12	5.0	(9.6)	(4.6)	5.7	(5.3)	0.4
Discontinued operations	12	(0.1)	0.4	0.3	(0.9)	(6.6)	(7.5)
		4.9	(9.2)	(4.3)	4.8	(11.9)	(7.1)

*The comparatives have been restated following the adoption of IFRS11, see notes 1 and 16.

The notes on pages 107 to 159 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2015

	Note	2015 £m	2014 £m
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign subsidiaries		(25.2)	(4.8)
Fair value movement on cash flow hedges	17	(28.1)	14.5
Deferred tax on fair value movement on cash flow hedges	19	5.6	(3.8)
Share of other comprehensive income of investments accounted for using the equity method	16	(3.1)	-
		(50.8)	5.9
Items that will not be reclassified to profit or loss:			
Actuarial loss on defined benefit pension scheme	27	(5.8)	(6.4)
Deferred tax on actuarial loss on defined benefit pension scheme	19	1.2	1.0
		(4.6)	(5.4)
Other comprehensive (loss) income for the year, net of tax		(55.4)	0.5
Loss for the year		(16.9)	(28.2)
Total comprehensive loss for the year		(72.3)	(27.7)
Attributable to:			
Owners of the parent		(70.7)	(27.4)
Non-controlling interest		(1.6)	(0.3)
Total comprehensive loss for the year		(72.3)	(27.7)
Total comprehensive (loss) income attributable to owners of the parent arising from:			
Continuing operations		(72.0)	2.6
Discontinued operations		1.3	(30.0)
		(70.7)	(27.4)

The notes on pages 107 to 159 are an integral part of these consolidated financial statements.

FINANCIAL STATEMENTS

BALANCE SHEETS

As at 31 March 2015

As at 31 March 2013

		Group		Company	
		31 March 2015 £m	Restated* 31 March 2014 £m	31 March 2015 £m	31 March 2014 £m
	Note				
Assets					
Non-current assets					
Intangible assets	14	173.8	211.1	0.5	0.7
Property, plant and equipment	15	282.9	322.7	0.3	0.1
Investments	16	10.1	8.4	487.4	533.4
Financial assets relating to PFI/PPP contracts	21	246.6	187.4	–	–
Trade and other receivables	22	2.2	2.5	82.8	38.1
Deferred tax assets	19	21.7	12.3	4.5	3.5
		737.3	744.4	575.5	575.8
Current assets					
Inventories	20	6.9	9.4	–	–
Financial assets relating to PFI/PPP contracts	21	31.6	8.2	–	–
Trade and other receivables	22	121.0	138.2	219.3	217.7
Derivative financial instruments	17	0.1	–	0.1	–
Current tax receivable		0.1	1.9	0.9	1.4
Cash and cash equivalents	23	60.8	104.2	8.0	22.9
		220.5	261.9	228.3	242.0
Assets classified as held for sale	10	3.5	3.2	–	–
		224.0	265.1	228.3	242.0
Total assets		961.3	1,009.5	803.8	817.8
Liabilities					
Non-current liabilities					
Borrowings – PFI/PPP non-recourse net debt	24	(160.3)	(149.5)	–	–
Borrowings – Other	24	(140.8)	(253.8)	(80.5)	(164.3)
Derivative financial instruments	17	(43.8)	(15.0)	–	–
Other non-current liabilities	25	(0.6)	(1.2)	(152.4)	(215.3)
Deferred tax liabilities	19	(30.2)	(38.8)	–	–
Provisions	26	(40.4)	(33.3)	–	(0.1)
Defined benefit pension scheme deficit	27	(16.4)	(13.1)	(16.4)	(13.1)
		(432.5)	(504.7)	(249.3)	(392.8)
Current liabilities					
Borrowings – PFI/PPP non-recourse net debt	24	(62.3)	(1.7)	–	–
Borrowings – Other	24	(75.0)	(3.3)	(72.2)	–
Derivative financial instruments	17	(0.3)	(1.0)	(0.9)	(0.5)
Trade and other payables	25	(187.0)	(203.1)	(84.2)	(7.9)
Current tax payable		(6.3)	(10.6)	–	–
Provisions	26	(8.8)	(11.6)	(1.1)	(1.3)
		(339.7)	(231.3)	(158.4)	(9.7)
Total liabilities		(772.2)	(736.0)	(407.7)	(402.5)
Net assets		189.1	273.5	396.1	415.3
Equity					
Share capital	28	39.8	39.8	39.8	39.8
Share premium	28	100.0	99.9	124.0	123.9
Exchange reserve		11.4	36.6	–	–
Retained earnings		39.7	97.4	232.3	251.6
Equity attributable to owners of the parent		190.9	273.7	396.1	415.3
Non-controlling interest		(1.8)	(0.2)	–	–
Total equity		189.1	273.5	396.1	415.3

*The comparatives have been restated following the adoption of IFRS 11, see notes 1 and 16 for details.

The notes on pages 107 to 159 are an integral part of these consolidated financial statements.

The Financial Statements on pages 102 to 159 were approved by the Board of Directors and authorised for issue on 21 May 2015.

They were signed on its behalf by:


Adrian Auer
 Chairman


Toby Woolrych
 Group Finance Director

STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 March 2015

Group	Note	Share Capital £m	Share Premium £m	Exchange Reserve £m	Retained Earnings £m	Non-controlling interest £m	Total Equity £m
Balance at 1 April 2014		39.8	99.9	36.6	97.4	(0.2)	273.5
(Loss) profit for the year		–	–	–	(17.0)	0.1	(16.9)
Other comprehensive (loss) income:							
Exchange loss on translation of foreign subsidiaries		–	–	(25.2)	–	–	(25.2)
Fair value movement on cash flow hedges	17	–	–	–	(26.0)	(2.1)	(28.1)
Actuarial loss on defined benefit pension scheme	27	–	–	–	(5.8)	–	(5.8)
Tax in respect of other comprehensive income items	19	–	–	–	6.4	0.4	6.8
Share of other comprehensive income of investments accounted for using the equity method	16	–	–	–	(3.1)	–	(3.1)
Total comprehensive loss for the year		–	–	(25.2)	(45.5)	(1.6)	(72.3)
Share-based compensation	7	–	–	–	1.3	–	1.3
Movement on tax arising on share-based compensation	19	–	–	–	0.2	–	0.2
Proceeds from exercise of employee options	28	–	0.1	–	–	–	0.1
Dividends	11	–	–	–	(13.7)	–	(13.7)
Balance as at 31 March 2015		39.8	100.0	11.4	39.7	(1.8)	189.1
Balance at 1 April 2013		39.7	99.8	41.4	132.7	0.1	313.7
(Loss) profit for the year		–	–	–	(28.3)	0.1	(28.2)
Other comprehensive (loss) income:							
Exchange loss on translation of foreign subsidiaries		–	–	(4.8)	–	–	(4.8)
Fair value movement on cash flow hedges		–	–	–	15.0	(0.5)	14.5
Actuarial loss on defined benefit pension scheme	27	–	–	–	(6.4)	–	(6.4)
Tax in respect of other comprehensive income items	19	–	–	–	(2.9)	0.1	(2.8)
Total comprehensive loss for the year		–	–	(4.8)	(22.6)	(0.3)	(27.7)
Share-based compensation	7	–	–	–	0.7	–	0.7
Movement on tax arising on share-based compensation	19	–	–	–	0.3	–	0.3
Proceeds from exercise of employee options	28	0.1	0.1	–	–	–	0.2
Dividends	11	–	–	–	(13.7)	–	(13.7)
Balance as at 31 March 2014		39.8	99.9	36.6	97.4	(0.2)	273.5

The exchange reserve comprises all foreign exchange differences arising since 1 April 2005 from the translation of the financial statements of foreign operations as well as from the translation of liabilities that hedge the Group's net investment in foreign operations.

Company	Note	Share Capital £m	Share Premium £m	Retained Earnings £m	Total Equity £m
Balance at 1 April 2014		39.8	123.9	251.6	415.3
Loss for the year	13	–	–	(2.3)	(2.3)
Other comprehensive (loss) income:					
Fair value movement on cash flow hedges	17	–	–	(0.3)	(0.3)
Actuarial loss on defined benefit pension scheme	27	–	–	(5.8)	(5.8)
Tax in respect of other comprehensive income items	19	–	–	1.3	1.3
Total comprehensive loss for the year		–	–	(7.1)	(7.1)
Share-based compensation	7	–	–	1.3	1.3
Movement on tax arising on share-based compensation	19	–	–	0.2	0.2
Proceeds from exercise of employee options	28	–	0.1	–	0.1
Dividends	11	–	–	(13.7)	(13.7)
Balance at 31 March 2015		39.8	124.0	232.3	396.1
Balance at 1 April 2013		39.7	123.8	272.2	435.7
Loss for the year	13	–	–	(2.9)	(2.9)
Other comprehensive income (loss):					
Fair value movement on cash flow hedges		–	–	0.5	0.5
Actuarial loss on defined benefit pension scheme	27	–	–	(6.4)	(6.4)
Tax in respect of other comprehensive income items	19	–	–	0.9	0.9
Total comprehensive loss for the year		–	–	(7.9)	(7.9)
Share-based compensation	7	–	–	0.7	0.7
Movement on tax arising on share-based compensation	19	–	–	0.3	0.3
Proceeds from exercise of employee options	28	0.1	0.1	–	0.2
Dividends	11	–	–	(13.7)	(13.7)
Balance as at 31 March 2014		39.8	123.9	251.6	415.3

The notes on pages 107 to 159 are an integral part of these consolidated financial statements.

FINANCIAL STATEMENTS

STATEMENTS OF CASH FLOWS

For the year ended 31 March 2015

	Note	Group		Company	
		2015 £m	Restated* 2014 £m	2015 £m	2014 £m
Cash flows from operating activities	30	55.8	72.9	50.8	36.2
Income tax (paid) received		(5.7)	(1.6)	0.9	(0.8)
Net cash generated from operating activities		50.1	71.3	51.7	35.4
Investing activities					
Purchases of intangible assets		(1.2)	(1.3)	(0.1)	(0.1)
Purchases of property, plant and equipment		(39.0)	(36.5)	(0.2)	–
Acquisition of business assets	18	(0.4)	–	–	–
Proceeds from exiting UK Solid Waste		0.8	10.4	–	–
Insurance proceeds in relation to fire in the Netherlands		–	5.7	–	–
Disposals of property, plant and equipment		2.2	10.7	–	–
Outflows in respect of PFI/PPP arrangements under the financial asset model		(73.0)	(70.6)	–	–
Capital received in respect of PFI/PPP financial assets		3.4	4.2	–	–
Finance income		4.0	5.0	4.6	8.9
Receipt of deferred consideration		1.9	0.4	–	–
Payment of deferred consideration		(0.1)	–	–	–
Investment in subsidiaries	16	–	–	(56.4)	(66.5)
Investment in joint venture	16	(1.3)	–	–	–
Proceeds from disposal of investments and other assets		1.2	1.3	–	–
Repayment of loans granted to joint ventures	16	1.0	–	–	–
Net cash used in investing activities		(100.5)	(70.7)	(52.1)	(57.7)
Financing activities					
Finance charges and loan fees paid		(16.8)	(18.2)	(8.9)	(8.8)
Proceeds from issuance of ordinary shares	28	0.1	0.2	0.1	0.2
Dividends paid	11	(13.7)	(13.7)	(13.7)	(13.7)
Proceeds from issuance of retail bonds		–	86.1	–	86.1
Repayment of senior notes		–	(15.2)	–	–
(Repayment of) proceeds from bank borrowings	30	(18.9)	(52.3)	8.0	(37.9)
Proceeds from PFI/PPP net debt	30	64.4	60.2	–	–
Repayment of PFI/PPP net debt	30	(1.8)	(13.1)	–	–
Repayments of obligations under finance leases	30	(3.3)	(3.4)	–	–
Net cash generated from (used in) financing activities		10.0	30.6	(14.5)	25.9
Net (decrease) increase in cash and cash equivalents		(40.4)	31.2	(14.9)	3.6
Effect of foreign exchange rate changes	30	(3.0)	(1.9)	–	–
Cash and cash equivalents at the beginning of the year		104.2	74.9	22.9	19.3
Cash and cash equivalents at the end of the year	23	60.8	104.2	8.0	22.9

*The comparatives have been restated following the adoption of IFRS 11, see notes 1 and 16 for details.

The notes on pages 107 to 159 are an integral part of these consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies – Group and Company

General information

Shanks Group plc is a public limited company listed on the London Stock Exchange and is incorporated and domiciled in Scotland under the Companies Act 2006, registered number SC077438. The address of the registered office is given on page 162. The nature of the Group's operations and its principal activities are set out in note 3.

Basis of preparation

The financial statements have been prepared on the historical cost basis, except for derivative financial instruments, share-based payments and assets classified as held for sale, which are stated at fair value. The policies set out below have been consistently applied. The Group has applied all accounting standards and interpretations issued relevant to its operations and effective for accounting periods beginning on 1 April 2014. The set of financial statements included in this annual report have been prepared on a going concern basis as the Directors consider that the Group and the Company have adequate resources to continue in operational existence for a period of at least one year from the date of approval of the financial statements.

Statement of compliance

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and related interpretations (IFRICs) adopted by the European Union (EU) and therefore comply with Article 4 of the EU IAS Regulation and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

Adoption of new and revised accounting standards and interpretations

The Group has adopted the following new standards, amendments to standards and interpretations for the first time for the Group's financial year beginning 1 April 2014:

Accounting Standard	Requirement	Impact on financial statements
IFRS 11 Joint Arrangements	To classify joint arrangements as either joint operations or joint ventures, depending upon the Group's contractual rights to the assets and obligations for the liabilities of the arrangements, rather than the legal structure of the joint arrangement. The new standard requires joint ventures to be accounted for under the equity method and joint operations to be reported recognising the Group's share of assets, liabilities, revenues and expenses.	The nature of the Group's joint arrangements has been evaluated and they have been classified as either joint operations or joint ventures. The adjustments on application of IFRS 11 relate to the change in accounting from proportionate consolidation to equity accounting for a number of the joint arrangements which have been included within the definition of joint ventures. The comparative figures have been restated to reflect the change in accounting policy. The Group's profit after tax and total net assets are unchanged. The table in note 16 shows the impact of the Group's consolidated financial statements, for the year ended March 2014, in relation to the joint ventures which are no longer proportionately consolidated. A third balance sheet as at the beginning of the preceding period is not disclosed as the impact of the retrospective restatement is not considered to be material.
IFRS 12 Disclosure of Interests in Other entities	To disclose information that enables users of its financial statements to evaluate the nature of, and risks associated with, its interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles, and the effects of those interests on its financial position, financial performance and cash flows.	The adoption of the standard has resulted in the Group assessing its interest in individual joint ventures and associates and concluded that none are individually material for further disclosure.

Other new standards and amendments had no significant impact on these financial statements.

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies – Group and Company continued

New standards and interpretations not yet adopted

Standards and interpretations issued by the IASB are only applicable if endorsed by the European Union.

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

- IFRS 9 Financial Instruments, effective for annual periods beginning on or after 1 January 2018, subject to EU endorsement. This standard introduces a new classification approach for financial assets and liabilities and requires additional disclosures in relation to hedging activities. The Group is yet to assess the full effect of the standard however it is not expected to have a significant impact on the recognition and measurement of financial instruments.
- IFRS 15 Revenue from contracts with customers, effective for annual periods beginning on or after 1 January 2017, subject to EU endorsement. The Group is yet to assess the impact of this standard which aims to improve the financial reporting and comparability of revenue.

It is anticipated that the adoption of the following standards, amendments and improvements in future periods will have no material impact on the Group's reported results or financial position:

	Effective date: accounting periods commencing on or after
Endorsed by the EU:	
Amendment to IAS 19	1 July 2014
Not yet endorsed by the EU:	
IFRS 14 Regulatory deferral accounts	1 January 2016
Amendment to IFRS 11	1 January 2016
Amendment to IAS 16 and IAS 38	1 January 2016
Amendments to IAS 16 and IAS 41	1 January 2016
Amendments to IFRS 10 and IAS 28	1 January 2016
Amendments to IFRS 10, IFRS 12 and IAS 28	1 January 2016
Amendments to IAS 1	1 January 2016
Amendment to IAS 27	1 January 2016

The Group continues to monitor the potential impact of other new standards and interpretations which may be endorsed by the European Union and require adoption by the Group in future accounting periods.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of Shanks Group plc and all its subsidiary undertakings (subsidiaries). Subsidiaries are entities which are directly or indirectly controlled by the Group. Control exists where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with those used by the Group. The results of subsidiaries acquired or sold during the year are included in the consolidated financial statements up to, or from, the date control passes. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Subsidiary companies set up under PF1/PPP contracts are fully consolidated by the Group and where there is a non-controlling interest this is identified separately from the Group's equity.

An associate is an entity, other than a subsidiary or joint venture, over which the Group has significant influence. Significant influence is the power to participate in the financial and operating decisions of an entity but is not in control or joint control over those policies. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Investments in associates and joint ventures are accounted for using the equity method of accounting and are initially recognised at cost or, in the case of a disposal of the majority shareholding, at fair value. The cumulative post-acquisition profits or losses and movements in other comprehensive income are adjusted against the carrying amount of the investment. When the Group's share of losses exceeds the carrying amount of the joint venture or associate, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture or associate. Accounting policies of associates and joint ventures have been adjusted where necessary to ensure consistency with the policies of the Group.

Where the Group is party to a jointly-controlled operation, the Group, in the consolidated financial statements, proportionately accounts for its share of the income and expenditure, assets and liabilities and cash flows on a line-by-line basis.

1. Accounting policies – Group and Company continued

Investments

Equity investments in entities that are neither associates, joint ventures nor subsidiaries are held at cost, less any provision for impairment.

Business combinations

The acquisitions of subsidiaries are accounted for using the purchase method. The cost of acquisition is measured as the fair value of assets transferred and liabilities incurred or assumed. Identifiable assets acquired and liabilities and contingent liabilities assumed, meeting the conditions for recognition under IFRS 3, are recognised at their fair value at the acquisition date. The fair value of businesses acquired may include waste permits, licences and customer lists with the value calculated by discounting the future revenue stream attributable to these lists or relationships, these are recognised as intangible assets and amortised. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. The costs of acquisition are charged to the Income Statement in the period in which they are incurred.

Investments in subsidiary undertakings

Investments in subsidiary undertakings are stated at cost in the Company's balance sheet, less any provision for impairment in value.

Revenue recognition

Revenue

Revenue represents the fair value of consideration received or receivable, including landfill tax but excluding sales taxes, discounts and inter-company sales, for goods and services provided in the normal course of business. Revenue is recognised when it can be reliably measured and when it is probable that future economic benefits will flow to the entity.

Revenue recognition criteria for the key types of transaction are as follows:

- Waste collection services – revenue is recognised once the waste is delivered to the transfer station or processing facility.
- Waste processing services – where the Group's revenue contracts include an obligation to process waste revenue is recognised as processing occurs.
- Hazardous waste industrial cleaning – revenue is recognised by reference to the stage of completion based on services performed to date.
- Sales of recyclate materials and products from waste – revenue is based on contractually agreed prices and is recognised when the risks and rewards have passed to the buyer.
- Income from power generated from gas produced by processes at anaerobic digestion facilities and landfill sites is recognised based on the volumes of energy produced and an estimation of the amount to be received.

Accrued income

Accrued income at the balance sheet date is recognised at the fair value based on contractually agreed prices. It is subsequently invoiced and accounted for as a trade receivable.

Unprocessed waste

Unprocessed waste may give rise to deferred revenue, where invoices to customers are raised in advance of performance obligations being completed, or an accrual for the costs of disposing of residual waste is created once the Group has an obligation for its disposal. These amounts are shown in deferred revenue or accruals in the financial statements as appropriate.

UK PFI/PPP contracts

The Group's PFI/PPP contracts are either integrated or residual waste management contracts. The contracts require the building of new infrastructure and all rights to the infrastructure pass to the Local Authority at the termination or expiry of the contract. The Group applies IFRIC 12 (*Service Concession Arrangements*) which specifies the accounting treatment applied by concession operators. Under IFRIC 12, the operator's rights over infrastructure operated under concession arrangements should be accounted for based on the control of the grantor (the local authority), over what services the operator must provide with the infrastructure, to whom it must provide them and at what price. Accordingly the Group applies the 'financial asset' model as it has an unconditional right to receive cash for the infrastructure. The Group splits the local authority payment between a service element as revenue and a repayment element that is deducted from the financial asset. Interest receivable is added to the financial asset based on the rate implied in the contract payments. Reviews are undertaken regularly to ensure that the financial asset will be recovered over the contract life. Borrowing costs relating to contract specific external borrowings are expensed in the Income Statement.

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies – Group and Company continued

Bid costs are expensed in the Income Statement until the Group is appointed preferred bidder and there is a high probability that a contract will be awarded. Bid costs incurred after this point are capitalised within trade and other receivables. When the contract is awarded, the costs are included in the relevant financial asset.

Win fees and other contract specific income are transferred to deferred income upon financial close and released to the Income Statement over the period of the delivery of the associated performance obligations.

Under the terms of these contracts, the Group is required to maintain the infrastructure such that it is handed over to the local authority in good working order. Where such expenditure required to fulfil these obligations constitutes major refurbishments and renewals (lifecycle expenditure) a provision is recorded for the best estimate of these costs as the facility is used.

Government grants and subsidies

Capital related government grants are released to the Income Statement evenly over the expected useful lives of the related assets. Revenue grants and subsidies are credited in the same period as the items to which they relate.

Intangible assets

Goodwill

Goodwill represents the excess of the purchase consideration over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition and is measured at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to those CGUs or groups of CGUs that are expected to benefit from the synergies of the business combination. Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate a potential impairment. Any impairment is charged immediately to the Income Statement and is not reversed in a subsequent period.

Goodwill arising on acquisitions prior to the date of transition to IFRS (31 March 2004) has been retained at the previous UK GAAP net book value following impairment tests. Goodwill written off to reserves under UK GAAP prior to 1998 has not been reinstated.

Landfill void

Landfill void represents landfill operation acquisitions and the landfill void was capitalised based on the fair value of the void acquired. This asset is amortised over its estimated useful life on a void usage basis and measured at cost less accumulated amortisation. The estimated remaining useful life is 20 years.

Other intangibles

Other intangible assets principally relate to customer lists and contract rights and are capitalised on the basis of the fair value of the assets acquired or on the basis of costs incurred to purchase and bring the assets into use, and are subsequently measured at cost less accumulated amortisation. These are amortised over the estimated useful life on a straight-line basis, as follows:

Contract right relating to leasehold land	Term of the lease
Computer software	1 to 5 years
Acquisition related intangibles:	
Waste permits and licences	5 to 20 years
Others including customer lists	5 to 10 years

Property, plant and equipment

Property, plant and equipment, except for freehold land and assets under construction, is stated at cost less accumulated depreciation and provision for impairment. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Freehold land and assets under construction are not depreciated. The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

1. Accounting policies – Group and Company continued

Buildings, plant and machinery

Depreciation is provided on these assets to write off their cost (less the expected residual value) on a straight line basis over the expected useful economic lives as follows:

Buildings	Up to 30 years
Fixtures and fittings	10 years
Plant	5 to 10 years
Cars and service vehicles	5 to 10 years
Heavy goods vehicles	10 years
Computer equipment	3 to 5 years
Other items of plant and machinery	5 to 15 years

Landfill sites

Site development costs including engineering works and the discounted cost of final site restoration are capitalised. These costs are written off over the operational life of each site based on the amount of void space consumed.

Impairment of assets

Assets other than goodwill are reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value. An impairment loss is recognised immediately as an operating expense, and at each reporting date the impairment is reviewed for possible reversal.

Leased assets

Finance leases

Where the Group has substantially all the risks and rewards of ownership of a leased asset, the lease is treated as a finance lease. Leased assets are included in property, plant and equipment at the total of the capital elements of the payments during the lease term and the corresponding obligation is included in borrowings. Depreciation is provided to write down the assets over the shorter of the expected useful life and the lease term, unless there is reasonable certainty that the Group will obtain ownership of the asset by the end of the lease term, in which case it is depreciated over its useful life.

Operating leases

All leases other than finance leases are treated as operating leases. Rentals payable under operating leases are charged to the Income Statement on a straight-line basis over the term of the relevant lease. The future aggregate minimum lease payments for operating leases are shown in note 32 to the accounts.

Inventories

Inventories are stated at the lower of cost and net realisable value and are measured on a first in first out basis.

Provisions

Provisions are recognised where there is a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the effect of the time value of money is material the value of a provision is the present value of the expenditures expected to be required to settle the obligation. The discount rates are reviewed at each year end with consideration given to appropriate market rates and the risk in relation to each provision. The unwinding of the discount to present value is included within finance costs.

The Group's policies on provisions for specific areas are:

Site restoration provision

Full provision is made for the net present value, (NPV), of the Group's unavoidable costs in relation to restoration liabilities at its landfill sites. In addition the Group continues to provide for the NPV of intermediate restoration costs over the life of its landfill sites and mineral extraction sites, based on the quantity of waste deposited or mineral extracted in the year.

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies – Group and Company continued

Aftercare provision

Provision is made for the NPV of post closure costs at the Group's landfill sites based on the quantity of waste deposited in the year. Similar costs incurred during the operating life of the sites are written off directly to the Income Statement and not charged to the provision.

Restructuring provision

Provision for restructuring costs is recognised when a detailed formal plan exists and those affected by that plan have a valid expectation that the restructuring will be carried out.

Employee benefits

Retirement benefits

The Group accounts for pensions and similar benefits under IAS 19 (revised) Employee Benefits. For defined benefit plans, obligations are measured at discounted present value whilst plan assets are recorded at fair value. The operating and financing costs of the plans are recognised separately in the Income Statement. Interest is calculated by applying the discount rate to the net defined pension liability. Actuarial gains and losses are recognised in full through the Statement of Comprehensive Income; surpluses are recognised only to the extent that they are recoverable. Movements in irrecoverable surpluses are recognised immediately in the Statement of Comprehensive Income.

Payments to defined contribution schemes are charged to the Income Statement as they become due. The Group participates in several multi-employer schemes in the Netherlands and Belgium. With the exception of certain schemes in Belgium, these are accounted for as defined contribution plans as it is not possible to split the assets and liabilities of the schemes between participating companies, and the Group has been informed by the schemes that it has no obligation to make additional contributions in the event that the schemes have an overall deficit.

Share-based payments

The Group issues equity-settled share-based awards to certain employees. The fair value of share-based awards is determined at the date of grant and expensed based on the Group's estimate of the shares that will eventually vest, on a straight-line basis over the vesting period with a corresponding increase in equity. At each balance sheet date the Group revises its estimates of the number of options that are expected to vest based on service and non-market performance conditions. The amount expensed is adjusted over the vesting period for changes in the estimate of the number of shares that will eventually vest, save for changes resulting from any market-related performance conditions.

Taxation

Current tax

Current tax is based on taxable profit or loss for the year. Taxable profit differs from profit before tax in the Income Statement because it excludes items of income or expense that are taxable or deductible in other years or that are never taxable or deductible. The asset or liability for current tax is calculated using tax rates that have been enacted, or substantively enacted, at the balance sheet date.

Deferred tax

Deferred tax is recognised in full where the carrying value of assets and liabilities in the financial statements is different to the corresponding tax bases used in the computation of taxable profits. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that the taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is calculated at the tax rates that have been substantively enacted at the balance sheet date.

Deferred tax is charged or credited in the Income Statement, except where it relates to items charged or credited directly to equity in which case the deferred tax is also dealt with in equity.

Deferred income tax liabilities are not provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements as the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities, when they relate to income taxes levied by the same taxation authority.

1. Accounting policies – Group and Company continued

Foreign currencies

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in sterling, which is the Group's presentation currency.

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency of the Group and Parent Company as follows:

- assets and liabilities at each balance sheet date are translated into sterling at the closing year end exchange rate;
- income and expenses in each Income Statement are translated at the average rate of exchange for the year; and
- the resulting exchange differences are recognised in the exchange reserve in other comprehensive income.

Cumulative exchange differences are recognised in the Income Statement in the year in which an overseas subsidiary undertaking is disposed of.

The most significant currencies for the Group were translated at the following exchange rates:

Value of £1	Closing rates			Average rates		
	31 March 2015	31 March 2014	Change	31 March 2015	31 March 2014	Change
Euro	1.38	1.21	14.3%	1.28	1.18	8.1%
Canadian Dollar	1.88	1.84	2.2%	1.84	1.65	11.0%

The Group applies the hedge accounting principles of IAS 39 Financial Instruments: Recognition and Measurement relating to net investment hedging to offset the exchange differences arising on foreign currency denominated borrowings with the translation of foreign operations. Net investment hedges are accounted for by recognising exchange rate movements in the exchange reserve, with any hedge ineffectiveness being charged to the Income Statement in the period the ineffectiveness arises.

Deferred consideration

Deferred consideration is provided for at the NPV of the Group's expected cost or receipt at the date of acquisition or disposal. The likelihood of payment or receipt for deferred consideration where conditional on meeting certain performance targets is considered on acquisition or disposal. For acquisitions after 1 April 2010, any differences between consideration accrued and consideration paid or received are charged or released to the Income Statement and before this date any differences are adjusted through goodwill.

Financial instruments

Trade receivables

Trade receivables do not carry interest and are recognised initially at their fair value and are subsequently measured at amortised cost less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying value and the value of estimated future cash flows. Subsequent recoveries of amounts previously written off are credited in the Income Statement.

Financial assets relating to UK PFI/PPP contracts

Financial assets relating to UK PFI/PPP contracts are classified as loans and receivables and are initially recognised at fair value of consideration receivable and subsequently at amortised cost.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with a maturity of three months or less. Where the Group has a legally enforceable right to offset with a financial institution, then bank overdrafts are offset against the cash balances.

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies – Group and Company continued

External borrowings

Interest bearing loans, private placement notes and bonds are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the Income Statement using the effective interest rate method and are added to the carrying amount of the borrowings to the extent that they are not settled in the period in which they arise.

Trade payables

Trade payables are not interest bearing and are stated initially at fair value and subsequently held at amortised cost.

Derivative financial instruments and hedging activities

In accordance with its treasury policy, the Group only holds or issues derivative financial instruments to manage the Group's exposure to financial risk. The Group does not hold or issue derivative financial instruments for trading or speculative purposes.

Such financial risk includes:

- Interest risk on the Group's variable-rate borrowings;
- Commodity risk in relation to diesel consumption and recycle prices; and
- Foreign exchange risk on transactions.

The Group manages these risks through a range of derivative financial instruments, including interest rate swaps, forward foreign exchange contracts and fuel derivatives.

The Group is exposed to the fair value of fixed rate borrowings in the event of early repayment. The Group has no plans to repay any fixed rate borrowings before the applicable maturity date and therefore does not make provision for the fair value of these borrowings in the accounts, which are prepared on a going concern basis.

Interest rate swaps are considered to be used for hedging purposes when they alter the risk profile of an underlying exposure of the Group in line with the Group's risk management policies and is in accordance with established guidelines. At the inception of the hedge relationship the Group documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item. For interest rate swaps which are not designated as a hedge the gains or losses between period ends are taken to finance income or charges in the Income Statement.

The change in the fair value of the portion of the hedging instrument that is determined to be an effective hedge is recognised in equity and subsequently recycled to the Income Statement when the hedged cash flow impacts the Income Statement. The ineffective portion of the fair value of the hedging instrument is recognised immediately in the Income Statement.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, exercised or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecast transaction occurs at which point it is recognised in the Income Statement. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is recognised in the Income Statement immediately.

Details of the fair values of the derivative financial instruments used for hedging purposes are disclosed in note 17.

Other receivables and other payables

Other receivables and other payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method.

Assets classified as held for sale

Asset classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the assets are available for sale in their present condition.

1. Accounting policies – Group and Company continued

Called up share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or share options are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the net proceeds over the nominal value of any shares issued is credited to the share premium account.

Dividends

Dividend distributions to the equity holders are recognised in the period in which they are approved by the shareholders in general meeting. Interim dividends are recognised when paid.

Segmental reporting

The Group's segmental reporting reflects the management structure which is aligned with the core activities of the Group being Solid Waste Benelux, Hazardous Waste, Organics, UK Municipal and Group central services.

2. Key accounting judgements and estimates

The preparation of financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The areas involving a higher degree of judgement or complexity are set out below and in more detail in the related notes.

Underlying business performance

The Group believes that trading profit, underlying profit before tax, underlying profit after tax, underlying free cash flow, underlying earnings per share and EBITDA (earnings before interest, tax, depreciation and amortisation) provide useful information on underlying trends to shareholders. These measures are used by the Group for internal performance analysis and incentive compensation arrangements for employees.

The terms 'trading profit', 'exceptional items' and 'underlying' are not defined terms under IFRS and may therefore not be comparable with similarly titled profit measures reported by other companies. It is not intended to be a substitute for, or superior to, GAAP measurements of profit.

The term 'underlying' refers to the relevant measure being reported for continuing operations excluding non-trading and exceptional items, financing fair value remeasurements and amortisation of acquisition intangibles, excluding landfill void and computer software. 'Trading profit' is defined as continuing operating profit before amortisation of acquisition intangibles and exceptional items. EBITDA comprises trading profit before depreciation, amortisation and profit or loss on disposal of property, plant and equipment. Reconciliations are set out in note 4.

Non-trading and exceptional items

Items classified as non-trading and exceptional are disclosed separately due to their size or incidence to enable a better understanding of performance. These include, but are not limited to, significant impairments, restructuring of the activities of an entity including employee severance costs, aborted acquisition and disposal transaction costs, onerous contracts, significant provision releases and the profit or loss on disposal of properties. A full listing of those items presented as non-trading and exceptional is shown in note 4.

Service concession arrangements under UK PFI/PPP contracts

Financial assets are recognised in accordance with IFRIC 12. They represent the present value of the future cash flows of the contract. These cash flows are dependent on, amongst other things, tonnages, indexation, recycling rates and labour costs.

The Group's UK PFI/PPP arrangements involve the construction of waste management facilities to be provided to local authorities. The building of the facilities is governed by the engineer, procure and construct contract entered into by the Group. The construction work is undertaken by third party contractors with drawdowns of financing from the UK PFI/PPP funders used to pay the subcontractor for the construction works.

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

2. Key accounting judgements and estimates continued

We have considered all relevant factors in the contractual arrangements between the parties to determine whether the Group acts as agent or principal during the construction phase of the contracts. The considerations that we have taken into account in reaching this conclusion are:

- The Group obtains quotes for the fixed price construction contract from a number of contractors as part of the preparation to submit a bid to the municipality. Once the Group has been selected as preferred bidder it has no further opportunity to vary the prices it has bid other than indexation for inflation following delay to financial close. The detailed specification and prices of the works are agreed in advance and milestone payments are only made against works to the agreed specification. In the event that a revision to the specification of works is required these and the pricing adjustment are jointly agreed with the municipality and the funders.
- At the date of Financial Close direct agreements are signed between the municipality, the funders and the construction contractors which govern the procedures for the completion of the waste management facilities.
- The Group has an obligation to pay the construction contractor from the non-recourse bank debt regardless of any non-payment by the municipality. In the event that the municipality fails to pay tonnage fees after the construction period there is a termination procedure which calculates the amount of damages due to all parties including fully repaying the debt. We consider that the likelihood of the risk of the municipality becoming insolvent is remote. Therefore in our view the weight of this factor in coming to our overall judgement is reduced.
- In the event that the construction contractor fails to perform under the terms of the contract the Group holds performance and retention bonds which guarantee the obligations of the contractor. Any additional costs arising from having to replace the contractor, should they arise, would be satisfied by payments from the bonds.
- The Group earns certain fixed fees in connection with UK PFI/PPP arrangements. These fees represent consideration for services delivered before financial close or for ongoing project management.

In summary we consider that, on the basis that the construction contractor is known to the municipality at the date of financial close and in view of the negligible credit risk taken by the Group, on balance, despite some overall risk residing with the Group for delivery of services, we consider that we act as agent versus principal in the provision of construction services. Accordingly, we do not recognise revenue and costs for the construction gross in the Income Statement.

In light of our conclusions in relation to the presentation of the revenue and costs associated with the construction services net in the Income Statement we consider that the most appropriate classification of the PFI/PPP non-recourse debt cash flows associated with the construction of the waste management facilities in the Statement of Cash Flows is as financing and investing cash flows respectively and not as operating cash flows. This classification has been consistently applied to the periods presented in these financial statements.

The Group is the operator for one class of service concession arrangements, that of the provision of waste treatment and waste treatment facilities and these are classified as service concession arrangements in accordance with IFRIC. If the Group underperforms, including failure to divert waste from landfill, the contract can be terminated before the end of the 25 year period.

2. Key accounting judgements and estimates continued

The table below sets out the Group's interest in service concession arrangements as at 31 March 2015.

Contract	Financial close	Full Service Commencement	Contract Expiry	Owners of Special Purpose Vehicle
Argyll & Bute	September 2001	April 2003	September 2026	Shanks: 100%
Cumbria	June 2009	April 2013	June 2034	Shanks: 100%
Wakefield	January 2013	September 2015	February 2038	Shanks: 100%
Barnsley, Doncaster and Rotherham	March 2012	July 2015	June 2040	Shanks: 75% SSE Generation Limited: 25%
Derby City and Derbyshire	August 2014	April 2017	March 2042	Shanks: 50% Interserve Developments No 4 Limited: 50%
Dumfries and Galloway	November 2004	February 2007	September 2029	Shanks: 20% John Laing Environmental Assets Group (UK) Limited: 80%
East London Waste Authority	December 2002	August 2007	December 2027	Shanks: 20% John Laing Environmental Assets Group (UK) Limited: 80%

There were no changes in the arrangements for the provision of waste treatment and waste treatment facilities in the year ended 31 March 2015.

Further disclosures in respect of service concession arrangements as required by paragraph 6 SIC 29 are provided on page 52 of the operating review of UK Municipal.

Impairment of intangible assets

In conducting the impairment review on goodwill and intangibles, management is required to make estimates of pre-tax discount rates, future profitability and growth rates. Detailed descriptions of assumptions and values are given in note 14.

Provisions

Restoration and aftercare provisions are recognised in the financial statements at the net present value of the estimated future expenditure required to settle the Group's restoration and aftercare provisions. A discount is applied to recognise the time value of money and is unwound over the life of the provision. Provisions also include the present value of the estimated operating losses on loss making onerous contracts. Further information is set out in note 26.

Retirement benefit scheme

The Group operates a defined benefit scheme for which an actuarial valuation is carried out as determined by the trustees at intervals of not more than three years. The pension cost under IAS 19 (revised) Employee Benefits is assessed in accordance with management's best estimates using the advice of an independent qualified actuary and assumptions in the latest actuarial valuation. The principal assumptions in connection with the Group's retirement benefit scheme are set out in note 27.

Taxation

The Group operates in the Netherlands, Belgium, the UK and Canada, all of which have their own tax legislation. Deferred tax assets and liabilities are recognised at the current tax rate which may not be the tax rate at which they unwind. The Group has available tax losses, some of which have been recognised as a tax asset and some have not based on management's best estimate of the ability of the Group to utilise those losses. Further information is set out in note 19.

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3. Segmental reporting

The Group's chief operating decision maker is considered to be the Board of Directors. The Group's reportable segments are determined with reference to the information provided to the Board of Directors in order for it to allocate the Group's resources and to monitor the performance of the Group.

The reportable segments are aligned with the core activities of the Group and are as follows:

Solid Waste Benelux	The collection, recycling and treatment of non-hazardous waste in the Netherlands and Belgium. The other activities in Belgium include landfill disposal and power generation from landfill gas, industrial cleaning activities, biomass processing and the operation of a sand quarry.
Hazardous Waste	The reprocessing and recycling of contaminated soil, water and other contaminated materials. Industrial cleaning of heavily contaminated industrial plant.
Organics	The collection and treatment of food waste, garden waste and other organic materials.
UK Municipal	Long-term PFI/PPP contracts providing recycling and waste management services to local authorities in the UK.
Group central services	The head office corporate function.

The profit measure the Board of Directors uses to evaluate performance is trading profit. Trading profit is continuing operating profit before the amortisation of acquisition intangibles (excluding landfill void and computer software), non-trading and exceptional items. The Group accounts for inter-segment trading on an arm's length basis.

The segment results, which do not include any amounts for discontinued operations, are as follows:

Revenue

	2015 £m	Restated* 2014 £m
Netherlands Solid Waste	176.0	188.2
Belgium Solid Waste	82.8	91.7
Belgium Other	50.9	58.7
Intra-segment revenue	(12.5)	(15.4)
Solid Waste Benelux	297.2	323.2
Hazardous Waste	138.0	148.2
Netherlands	14.7	15.9
Canada	12.0	13.5
Other Organics	3.3	4.8
Organics	30.0	34.2
UK Municipal	144.6	137.5
Inter-segment revenue	(8.4)	(9.7)
Total revenue from continuing operations*	601.4	633.4

*The comparatives have been restated following the adoption of IFRS 11, see notes 1 and 16 for details.

*Total revenue from continuing operations excludes the impact of exceptional items of £2m.

3. Segmental reporting continued

Results

	2015 £m	Restated* 2014 £m
Netherlands Solid Waste	9.3	12.0
Belgium Solid Waste	3.9	5.6
Belgium Other	7.8	9.7
Divisional central services	(9.1)	(7.6)
Solid Waste Benelux	11.9	19.7
Hazardous Waste	17.7	21.8
Divisional central services	(1.3)	(1.9)
Hazardous Waste	16.4	19.9
Netherlands	1.3	2.5
Canada	2.8	2.7
Other Organics	0.6	(0.1)
Divisional central services	(1.3)	(1.0)
Organics	3.4	4.1
UK Municipal	15.0	13.1
Divisional central services	(5.0)	(3.9)
UK Municipal	10.0	9.2
Group central services	(7.4)	(7.3)
Total trading profit	34.3	45.6
Non-trading and exceptional items	(46.7)	(22.5)
Total operating (loss) profit from continuing operations	(12.4)	23.1
Finance income	14.9	10.4
Finance charges	(28.2)	(26.2)
Share of results from associates and joint ventures	5.2	0.3
(Loss) profit before taxation and discontinued operations	(20.5)	7.6

*The comparatives have been restated following the adoption of IFRS 11, see notes 1 and 16 for details.

Net Assets

	Operating Assets						Total continuing operations	Discontinued operations	Total
	Solid Waste Benelux £m	Hazardous Waste £m	Organics £m	UK Municipal £m	Group central services £m	Tax, net debt and derivatives £m	£m	£m	£m
31 March 2015									
Gross non-current assets	215.1	155.6	85.4	256.6	1.9	21.7	736.3	1.0	737.3
Gross current assets	61.5	32.0	5.8	60.2	0.5	61.0	221.0	3.0	224.0
Gross liabilities	(108.7)	(38.5)	(6.1)	(74.2)	(25.7)	(519.0)	(772.2)	-	(772.2)
Net assets	167.9	149.1	85.1	242.6	(23.3)	(436.3)	185.1	4.0	189.1
31 March 2014*									
Gross non-current assets	271.6	162.4	99.9	195.6	1.2	12.3	743.0	1.4	744.4
Gross current assets	73.2	34.5	7.8	36.2	1.3	106.1	259.1	6.0	265.1
Gross liabilities	(119.1)	(43.3)	(7.1)	(66.0)	(23.5)	(473.7)	(732.7)	(3.3)	(736.0)
Net assets	225.7	153.6	100.6	165.8	(21.0)	(355.3)	269.4	4.1	273.5

*The comparatives have been restated following the adoption of IFRS 11, see notes 1 and 16 for details.

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3. Segmental reporting continued

Other disclosures

	Solid Waste Benelux £m	Hazardous Waste £m	Organics £m	UK Municipal £m	Group central services £m	Total continuing operations £m	Discontinued operations £m	Total £m
31 March 2015								
Capital expenditure:								
Property, plant and equipment	19.6	23.7	2.3	0.6	0.2	46.4	–	46.4
Intangible assets	0.3	0.4	0.1	0.4	–	1.2	–	1.2
Depreciation charge	23.1	7.6	4.8	0.3	–	35.8	–	35.8
Amortisation of intangibles	3.1	0.3	0.8	–	0.2	4.4	–	4.4
Impairment charge:								
Property, plant and equipment	4.3	0.2	6.0	–	–	10.5	–	10.5
Intangible assets	11.4	–	–	–	–	11.4	–	11.4
31 March 2014*								
Capital expenditure:								
Property, plant and equipment	20.1	11.6	8.0	0.6	–	40.3	1.1	41.4
Intangible assets	0.5	0.4	0.3	–	0.1	1.3	–	1.3
Depreciation charge	26.2	7.7	5.2	0.5	–	39.6	0.5	40.1
Amortisation of intangibles	3.9	0.2	0.8	–	0.2	5.1	0.5	5.6
Impairment charge:								
Property, plant and equipment	5.1	–	0.8	–	–	5.9	–	5.9
Intangible assets	14.7	–	–	0.6	–	15.3	–	15.3

*The comparatives have been restated following the adoption of IFRS 11, see notes 1 and 16 for details.

Geographical information – continuing operations

The Group's revenue from external customers and information about its segment assets (non-current assets excluding cash, financial instruments and deferred tax assets) by geographical location are detailed below:

	Revenue from external customers		Non-current assets	
	2015 £m	Restated* 2014 £m	2015 £m	Restated* 2014 £m
Netherlands	321.2	343.9	374.1	436.7
Belgium	123.6	137.0	36.9	47.4
UK	142.6	139.0	276.4	219.0
Canada	12.0	13.5	27.2	27.6
	599.4	633.4	714.6	730.7

*The comparatives have been restated following the adoption of IFRS 11, see notes 1 and 16 for details.

4. Non-trading and exceptional items

To improve the understanding of the Group's financial performance, items which do not reflect the underlying performance are presented in non-trading and exceptional items.

	Note	2015 £m	2014 £m
Continuing operations			
UK Municipal lifecycle		2.0	–
Total non-trading and exceptional revenue		2.0	–
Impairment of assets		12.4	3.1
Impairment of goodwill and acquisition intangibles	14	11.1	15.3
Reassessment of discount rate for long-term provisions		7.1	–
Restructuring charges		6.5	8.7
Canadian contract issues		3.0	–
Onerous contract provisions		2.1	(5.5)
Amortisation of acquisition intangibles	14	1.9	2.3
Costs relating to fires		1.0	–
Portfolio activities		1.0	–
Acquisition costs		0.6	–
UK Municipal lifecycle		0.3	–
Belgium waste disposal costs		(0.1)	1.7
Reassessment of contingent consideration		(0.8)	(1.0)
Exit from loss making Hygea contract		(1.4)	(2.2)
Aborted bid costs		–	2.9
Belgium litigation provision		–	0.9
Hazardous Waste net litigation recovery		–	(1.4)
Insurance settlement net of impairment of assets in relation to a fire in the Netherlands		–	(2.3)
Total non-trading and exceptional items in operating (loss) profit		46.7	22.5
UK Associates income		(4.4)	–
Change in fair value of derivatives		(0.1)	(0.3)
Exceptional interest charge in relation to the Belgium litigation		–	0.3
Continuing non-trading and exceptional items in loss before tax		42.2	22.5
Tax on non-trading and exceptional items		(4.0)	(1.4)
Continuing non-trading and exceptional items in loss after tax		38.2	21.1
Discontinued operations			
Discontinued operations (further details in note 10)		(1.5)	24.4
Credit issues with regard to deferred consideration		–	2.0
Total non-trading and exceptional items in loss after tax		36.7	47.5

The above non-trading and exceptional items include the following:

A total charge of £2.3m (2014: £nil) for a one-off adjustment relating to lifecycle expenditure in UK Municipal contracts. Where these obligations arise in contracts to which the Group does not apply IFRIC 12, an adjustment of £2.0m has arisen relating to revenue recognised in the past.

Impairment of assets of £12.4m (2014: £3.1m) including plant and equipment impairment of £10.5m principally £4.4m at the Gent site in Belgium and £6.0m for the Westcott Park organics facility in the UK. In addition, based on management's expectations of future performance of certain CGUs, further impairments of £0.3m of intangibles, £0.9m of inventory and £0.7m of other assets have been taken.

Goodwill impairment charge of £11.1m (2014: £15.3m) relating to Solid Waste Netherlands as a result of lower than expected performance in the division and an associated revision of the future trading performance.

Increased charge of £7.1m (2014: £nil) relating to long-term provisions as a result of the decrease in the discount rate due to the significant decline in long-term government bond yields during the year.

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4. Non-trading and exceptional items continued

Restructuring charges and associated costs of £6.5m (2014: £8.7m) relating to the structural cost reduction programme including the introduction of shared service centres in Netherlands and Belgium.

Contractual issues in Organics Canada, including the write off of trade receivables and associated operating and legal costs relating to the arbitration ruling in Ottawa of £3.0m (2014: £nil).

Onerous contract provisions charge of £2.1m (2014: credit of £5.5m) following the reassessment of our best estimates of the required provisions.

Amortisation of intangible assets acquired in business combinations of £1.9m (2014: £2.3m).

£1.0m (2014: £nil) relating to the costs associated with fires principally at the Gent site in Belgium. This amount also includes a small element for costs relating to a fire at a UK Municipal site which were not recoverable from insurers.

Costs of £1.0m (2014: £nil) as a result of various portfolio activities including the exit from Jaartsveld soil washing activities in the Netherlands and the disposal of environmental services consultancy in Belgium.

Acquisition costs of £0.6m (2014: £nil).

The release of unutilised provision of £0.1m following the completion of the disposal of excess unprocessed waste at the Gent site in Belgium (2014: charge of £1.7m).

A release of £0.8m (2014: £1.0m) following the final reassessment of the contingent consideration payable on a previous acquisition in Netherlands Solid Waste.

£1.4m credit following the final negotiated exit from the loss-making Hygea contract in Belgium (2014: credit of £2.2m).

The Group has revised its modelling of the financial asset repayment profiles of two UK associates as a result of a more appropriate model being prepared on conversion to IFRS in the individual entity financial statements. This has resulted in a one-off profit of £4.4m (2014: £nil) to recognise profits that ought to have been recognised in the past.

	2015 £m	Restated* 2014 £m
Reconciliation of trading profit to EBITDA from continuing operations		
Trading profit	34.3	45.6
Depreciation of property, plant and equipment	35.8	39.6
Amortisation of intangible assets (excluding acquisition intangibles)	2.5	2.8
Non-exceptional gains on disposal of property, plant and equipment	(0.2)	(1.9)
Non cash landfill related expense and provisioning	0.6	0.9
EBITDA from continuing operations	73.0	87.0

*The comparatives have been restated following the adoption of IFRS 11, see notes 1 and 16 for details.

5. Operating profit

Operating profit for the year is stated after charging (crediting):

	Note	2015 £m	Restated* 2014 £m
Continuing operations			
Staff costs	6	156.2	161.8
Depreciation of property, plant and equipment	15	35.8	39.6
Amortisation of intangible assets	14	4.4	5.1
Repairs and maintenance expenditure on property, plant and equipment		33.2	36.1
Net profit on disposal of property, plant and equipment		(0.2)	(1.9)
Non-trading and exceptional items	4	46.7	22.5
Trade receivables impairment	22	2.9	1.1
Government grants		(0.1)	(0.2)
Operating lease costs:			
– Minimum lease payments		11.3	13.6
– Less sub-lease rental income		(0.2)	(0.2)
		11.1	13.4

*The comparatives have been restated following the adoption of IFRS 11, see notes 1 and 16 for details.

	2015 £m	2014 £m
Remuneration of the Group's auditor, PricewaterhouseCoopers LLP and its associates:		
– Audit of parent company and consolidated accounts	0.2	0.2
– Audit of subsidiaries pursuant to legislation	0.4	0.4
Fees payable to the auditors pursuant to legislation	0.6	0.6
Total non-audit fees – Other services	0.1	0.1
Total fees	0.7	0.7

6. Employees

Staff costs and the average monthly number of employees analysed by reportable segment are shown below:

	Note	2015 £m	Restated* 2014 £m
The total remuneration of all continuing operations employees comprised:			
Wages and salaries		120.6	124.5
Social security costs		23.9	25.4
Share-based benefits	7	1.3	0.7
Other pension costs	27	10.4	11.2
		156.2	161.8

*The comparatives have been restated following the adoption of IFRS 11, see notes 1 and 16 for details.

	2015 Number	Restated* 2014 Number
The average monthly number of people by reportable segment employed by the Group during the year was:		
Solid Waste Benelux	2,062	2,076
Hazardous Waste	789	766
Organics	92	88
UK Municipal	543	545
Group central services	20	16
Total continuing operations	3,506	3,491
Discontinued operations – UK Solid Waste	–	240
Total	3,506	3,731

*The comparatives have been restated following the adoption of IFRS 11, see notes 1 and 16 for details.

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7. Share-based payments

Group and Company

As described in the Remuneration Report, the Group issues equity-settled share-based payments under a Savings Related Share Option Scheme (SRSOS) and a Long Term Incentive Plan (LTIP). The Executive Share Option Scheme (ESOS) was discontinued in August 2005.

Outstanding options

	SRSOS		ESOS		LTIP
	Options Number	Weighted average exercise price pence	Options Number	Weighted average exercise price pence	Options Number
Outstanding at 1 April 2013	1,260,071	76p	78,025	109p	7,508,000
Granted during the year	653,562	76p	–	–	4,913,500
Forfeited during the year	(144,671)	77p	(18,877)	114p	(1,132,500)
Expired during the year	(237,487)	75p	–	–	(930,000)
Exercised during the year	(237,761)	77p	–	–	–
Outstanding at 31 March 2014	1,293,714	76p	59,148	107p	10,359,000
Granted during the year	576,407	84p	–	–	3,358,000
Forfeited during the year	(189,190)	77p	(6,292)	114p	(300,000)
Expired during the year	(243,196)	77p	–	–	(1,792,000)
Exercised during the year	(130,366)	81p	(18,877)	91p	–
Outstanding at 31 March 2015	1,307,369	79p	33,979	114p	11,625,000
Exercisable at 31 March 2015	31,297	92p	33,979	114p	–
Exercisable at 31 March 2014	20,503	79p	59,148	107p	–
Weighted average share price at date of exercise		103p		107p	
At 31 March 2015:					
Range of price per share at exercise		73p to 92p		114p	
Weighted average remaining contractual life		1-2 years		2 months	

Fair value of options granted during the year

Valuation model	SRSOS		LTIP			
	2015 Black-Scholes	2014 Black-Scholes	2015 Discounted	2014 Discounted	2015 Monte Carlo	2014 Monte Carlo
Weighted average fair value	24p	21p	104p	73p	22p	14p
Weighted average share price	103p	95p	104p	83p	104p	83p
Weighted average exercise price	84p	76p	–	–	–	–
Expected volatility	28%	28%	–	–	28%	28%
Expected life	3 years	3 years	3 years	3 years	3 years	3 years
Risk-free interest rate	1.35%	1.0%	–	–	1.4%	0.6%
Dividend yield	3.2%	4.1%	–	4.1%	3.5%	4.1%

For the LTIP awards granted, the fair value of the element subject to non-market conditions has been calculated using a discounted model based on the share price at the award date and the expense recognised is based on expectations of these conditions being met which are reassessed at each balance sheet date. The awards granted during 2014/15 vest after three years, four years and five years, however, there is no service condition after three years just a holding period of one and two years.

The Monte Carlo valuation model is used to determine the weighted average fair value of the market conditions element of awards granted. Expected volatility has been calculated using average volatility historical data over a three-year period from the grant date. The risk-free interest rate is based on the implied yield of zero-coupon government bonds with a remaining term equal to the expected life. The expected life used in the models equals the vesting period. Further details and performance metrics are detailed in the Directors' Remuneration Report on pages 77 to 91.

Charge for the year

The Group recognised a total charge of £1.3m (2014: £0.7m) relating to equity-settled share-based payments.

8. Net finance charges

	2015 £m	Restated* 2014 £m
Continuing operations		
Finance charges		
Interest payable on borrowings wholly repayable within five years	11.9	10.8
Interest payable on borrowings repayable after five years	–	2.4
Interest payable on PFI/PPP non-recourse net debt	12.8	8.2
Unwinding of discount on provisions (note 26)	2.1	2.7
Unwinding of discount on deferred consideration payable	–	0.1
Interest charge on the retirement pension scheme (note 27)	0.5	0.3
Amortisation of loan fees	0.9	1.4
Total finance charges	28.2	25.9
Finance income		
Interest receivable on financial assets relating to PFI/PPP contracts	(14.1)	(9.4)
Unwinding of discount on deferred consideration receivable	(0.2)	(0.1)
Interest income on bank deposits	(0.1)	(0.1)
Interest receivable on other loans and receivables	(0.4)	(0.5)
Total finance income	(14.8)	(10.1)
Exceptional interest charge (note 4)	–	0.3
Change in fair value of derivatives at fair value through profit or loss	(0.1)	(0.3)
Net finance charges	13.3	15.8

*The comparatives have been restated following the adoption of IFRS 11, see notes 1 and 16 for details.

9. Taxation

The tax (credit) charge based on the (loss) profit for the year from continuing operations is made up as follows:

	2015 £m	Restated* 2014 £m
Current tax: UK corporation tax		
– Current year	0.7	–
– Prior year	(0.2)	(0.2)
Overseas tax		
– Current year	4.2	5.7
– Prior year	(0.4)	0.1
Total current tax	4.3	5.6
Deferred tax (note 19)		
– Origination and reversal of temporary differences in the current year	(6.7)	1.5
– Adjustment in respect of prior year	0.1	(1.3)
Total deferred tax	(6.6)	0.2
Total tax (credit) charge for the year	(2.3)	5.8

*The comparatives have been restated following the adoption of IFRS 11, see notes 1 and 16 for details.

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NOTES TO THE FINANCIAL STATEMENTS

9. Taxation continued

The tax on the Group's (loss) profit for the year from continuing operations differs from the UK standard rate of tax of 21% (2014: 23%), as explained below:

	2015 £m	Restated* 2014 £m
Total (loss) profit before taxation	(20.5)	7.6
Tax (credit) charge based on UK tax rate of 21% (2014: 23%)	(4.3)	1.7
Effects of:		
Adjustment to tax charge in respect of prior years	(0.5)	(1.4)
Profits taxed at overseas tax rates	(1.5)	(0.5)
Non-deductible impairments of goodwill	2.8	3.5
Non-deductible (non-taxable) other items	0.3	(0.7)
Unrecognised deferred tax assets	1.6	2.2
Change in tax rate	0.2	1.0
Revised income from equity accounted associates	(0.9)	–
Total tax (credit) charge for the year	(2.3)	5.8

*The comparatives have been restated following the adoption of IFRS 11, see notes 1 and 16 for details.

The Finance Act 2013, which was substantially enacted on 17 July 2013, included legislation to reduce the main rate of UK corporation tax from 23% to 21% from 1 April 2014 and then to 20% by 1 April 2015. As a result the UK deferred tax at 31 March 2015 has been calculated based on the rate of 20% (2014: 20%).

10. Assets classified as held for sale and discontinued operations

Assets classified as held for sale

Group	2015 £m	2014 £m
Property, plant and equipment	3.5	3.2

The assets classified as held for sale at 31 March 2015 include the material recycling facility at Kettering relating to the exit from UK Solid Waste and land and buildings in relation to Jaartsveld following the decision to exit from soil washing activities at this location. These assets are measured at their non-recurring fair value less costs to sell using observable inputs, being the prices for recent sales of similar assets, and are therefore classified within level 2 of the fair value hierarchy.

Discontinued operations

On 31 December 2013 the Group completed the sale of the majority of its UK Solid Waste business to Biffa Waste Services Limited. In accordance with IFRS 5, Non-current Assets Held for Sale and Discontinued Operations, the net results of these operations were presented within discontinued operations in the Income Statement and the assets to be sold were presented separately in the Balance Sheet.

10. Assets classified as held for sale and discontinued operations continued

The tables below show the results of the discontinued operations which are included in the Group Income Statement and Group Cash Flow Statement respectively.

Income Statement

	2015 £m	2014 £m
Revenue	0.5	40.0
Cost of sales	(0.5)	(39.0)
Administrative expenses	(0.2)	(5.4)
Trading loss before exceptional and non-trading items	(0.2)	(4.4)
Exceptional and non-trading items	1.5	(24.5)
Operating profit (loss) before finance costs and tax on discontinued operations	1.3	(28.9)
Finance charges	-	(0.1)
Profit (loss) before tax on discontinued operations	1.3	(29.0)
Taxation	-	1.0
Profit (loss) after tax on discontinued operations	1.3	(28.0)

An exceptional credit of £1.5m was recognised in 2015 for the release of certain provisions relating to the disposal of the UK Solid Waste business. The prior year exceptional and non-trading items included a loss of £20.4m to recognise the remeasurement of the disposal assets to their fair value less costs to sell. The prior period taxation credit of £1.0m included £0.1m in relation to the remeasurement to fair value less costs to sell.

In addition to the £28.0m loss after tax on discontinued operations in the prior year, a £2.0m charge was reflected for credit issues with regard to deferred consideration.

The profit (loss) for the year is stated after (crediting) charging:

	2015 £m	2014 £m
Wages and salaries	-	6.9
Social security costs	-	0.7
Other pension costs	-	0.3
Depreciation of property, plant and equipment	-	0.5
Amortisation of intangible assets	-	0.5
Repairs and maintenance expenditure on property, plant and equipment	-	0.3
Net profit on disposal of property, plant and equipment	-	(0.2)
Non-trading and exceptional items	(1.5)	26.5
Trade receivables impairment	-	0.2
Operating lease costs – minimum lease payments less sub-lease rental income	-	3.4

Cash Flow Statement

	2015 £m	2014 £m
Net cash flows used in operating activities	(1.5)	(4.9)
Net cash flows generated from investing activities	0.8	9.4
Net cash flows used in financing activities	-	(0.1)
Net cash flows (used in) generated from discontinued operations	(0.7)	4.4

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11. Dividends

	2015 £m	2014 £m
Amounts recognised as distributions to equity holders in the year:		
Final dividend paid for the year ended 31 March 2014 of 2.35p per share (2013: 2.35p)	9.3	9.3
Interim dividend paid for the year ended 31 March 2015 of 1.1p per share (2014: 1.1p)	4.4	4.4
	13.7	13.7
Proposed final dividend for the year ended 31 March 2015 of 2.35p per share (2014: 2.35p)	9.3	9.3
Total dividend per share	3.45p	3.45p

12. Earnings per share

	2015	2014
Number of shares		
Weighted average number of ordinary shares for basic earnings per share	397.8m	397.6m
Effect of share options in issue	0.3m	0.3m
Weighted average number of ordinary shares for diluted earnings per share	398.1m	397.9m
Continuing operations		
(Loss) profit attributable to owners of the parent used to determine basic and diluted earnings per share (£m)	(18.3)	1.7
Non-trading and exceptional items (net of tax) (£m) (see note 4)	38.2	21.1
Earnings attributable to owners of the parent for underlying basic and underlying diluted earnings per share (£m)	19.9	22.8
Basic and diluted (loss) earnings per share	(4.6)p	0.4p
Underlying and underlying diluted earnings per share (see note below)	5.0p	5.7p
Discontinued operations		
Profit (loss) attributable to owners of the parent used to determine basic and diluted earnings per share (£m)	1.3	(30.0)
Non-trading and exceptional items (net of tax) (£m) (see note 4)	(1.5)	26.4
Loss attributable to owners of the parent for underlying basic and underlying diluted earnings per share (£m)	(0.2)	(3.6)
Basic and diluted earnings (loss) per share	0.3p	(7.5)p
Underlying and underlying diluted loss per share (see note below)	(0.1)p	(0.9)p
Total operations		
Loss attributable to owners of the parent used to determine basic and diluted earnings per share (£m)	(17.0)	(28.3)
Non-trading and exceptional items (net of tax) (£m) (see note 4)	36.7	47.5
Earnings attributable to owners of the parent for underlying basic and underlying diluted earnings per share (£m)	19.7	19.2
Basic and diluted loss per share	(4.3)p	(7.1)p
Underlying and underlying diluted earnings per share (see note below)	4.9p	4.8p

The Directors believe that adjusting basic earnings per share for the effect of the amortisation of acquisition intangibles (excluding landfill void and computer software), the change in fair value of derivatives and exceptional items enables comparison with historical data calculated on the same basis. Exceptional items are those items that need to be disclosed separately on the face of the Income Statement, because of their size or incidence, to enable a better understanding of performance.

13. Profit of parent company

As permitted by section 408 of the Companies Act 2006, the Company has elected not to present its own Income Statement or Statement of Comprehensive Income. Shanks Group plc reported a loss for the year ended 31 March 2015 of £2.3m (2014: £2.9m loss). The Company operates solely in the UK providing central services.

14. Intangible assets

	Group					Company
	Goodwill £m	Landfill void £m	Computer software and others £m	Acquisition related intangibles £m	Total £m	Computer Software £m
Cost						
At 1 April 2013*	248.0	21.7	8.5	43.0	321.2	0.9
Additions	–	–	1.3	–	1.3	0.2
Disposals	(13.6)	–	(0.1)	(13.4)	(27.1)	–
Reclassification	–	–	0.6	(0.6)	–	–
Exchange	(5.1)	(0.5)	(0.3)	(0.8)	(6.7)	–
At 31 March 2014	229.3	21.2	10.0	28.2	288.7	1.1
Acquisition through business combination	0.1	–	–	–	0.1	–
Additions	–	–	1.2	–	1.2	0.1
Disposals	(0.7)	–	(1.1)	(1.0)	(2.8)	–
Reclassification	–	–	2.6	–	2.6	–
Exchange	(28.1)	(2.6)	(1.1)	(3.4)	(35.2)	–
At 31 March 2015	200.6	18.6	11.6	23.8	254.6	1.2
Accumulated amortisation and impairment						
At 1 April 2013*	32.9	7.8	6.0	24.3	71.0	0.2
Amortisation charge	–	1.8	1.0	2.8	5.6	0.2
Impairment charge	14.9	–	–	0.4	15.3	–
Disposals	(6.1)	–	(0.1)	(6.7)	(12.9)	–
Reclassification	–	–	0.4	(0.4)	–	–
Exchange	(0.6)	(0.2)	(0.2)	(0.4)	(1.4)	–
At 31 March 2014	41.1	9.4	7.1	20.0	77.6	0.4
Amortisation charge	–	1.5	1.0	1.9	4.4	0.3
Impairment charge	11.1	–	0.3	–	11.4	–
Disposals	–	–	(1.2)	(1.0)	(2.2)	–
Exchange	(6.0)	(1.2)	(0.7)	(2.5)	(10.4)	–
At 31 March 2015	46.2	9.7	6.5	18.4	80.8	0.7
Net book value						
At 31 March 2015	154.4	8.9	5.1	5.4	173.8	0.5
At 31 March 2014	188.2	11.8	2.9	8.2	211.1	0.7
At 31 March 2013	215.1	13.9	2.5	18.7	250.2	0.7

*The Group opening position has been restated following the adoption of IFRS 11, see notes 1 and 16 for details.

Of the total £4.4m (2014: £5.6m) amortisation charge for the year, £1.9m (2014: £2.8m) related to intangible assets arising on acquisition including £nil (2014: £0.5m) relating to discontinued operations. Of the remaining amortisation expense of £2.5m (2014: £2.8m), £1.7m (2014: £2.1m) has been charged in cost of sales and £0.8m (2014: £0.7m) has been charged in administrative expenses.

The acquisition related intangibles net book value of £5.4m (2014: £8.2m) included customer lists of £2.6m (2014: £4.6m) and permits of £1.9m (2014: £2.4m).

The reclassification of £2.6m in the year relates to a contract right over leasehold land that has been reclassified from land and buildings.

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14. Intangible assets continued

Goodwill impairment

Impairment testing is carried out at cash generating unit (CGU) level on an annual basis. The following is a summary of the goodwill allocation for each reporting segment:

	2015 £m	Restated* 2014 £m
Solid Waste Benelux	53.0	72.9
Hazardous Waste	84.3	96.3
Organics	13.4	15.3
UK Municipal	3.7	3.7
Total goodwill	154.4	188.2

*The comparatives have been restated following the adoption of IFRS 11, see notes 1 and 16 for details.

The Group estimates the recoverable amount of a CGU using a value in use model by projecting cash flows for the next five years together with a terminal value using a growth rate. The key assumptions underpinning the recoverable amounts of the CGUs tested for impairment is forecast revenue and trading profit. The forecast revenues in these models are based on management's predictions of overall market growth rates, including both volume and price. Trading margin is the average trading profit margin as a percentage of revenue over the five-year forecast period. The five-year plans used in the impairment models are based on management's past experience and future expectations of performance and reflect the planned changes in the CGUs as a result of restructuring programmes and actions instigated in the current year together with limited recovery and improvement in general market and economic conditions.

For each of the CGUs with significant goodwill, in comparison with the total carrying value of goodwill of the Group, the key assumptions, long term growth rate and discount rate used in the value in use calculations are as follows. In addition, where there has been an impairment loss in a CGU, the recoverable amount is also disclosed below:

	Netherlands Solid Waste	Hazardous Waste
31 March 2015		
Revenue (% annual growth rate)	3.5%	4.7%
Trading margin (average % of revenue)	5.5%	13.5%
Long term growth rate	2.0%	2.0%
Pre-tax discount rate	9.9%	10.1%
Recoverable amount of the CGU	£174m	N/A

	Netherlands Solid Waste	Hazardous Waste
31 March 2014		
Revenue (% annual growth rate)	1.5%	3.3%
Trading margin (average % of revenue)	7.1%	14.5%
Long term growth rate	2.0%	2.0%
Pre-tax discount rate	9.9%	10.4%
Recoverable amount of the CGU	£209m	N/A

Impairment losses

The net impairment losses recognised in the consolidated Income Statement within exceptional administrative expenses, in respect of goodwill and acquisition related intangibles were as follows:

	2015 £m	2014 £m
Solid Waste Benelux	11.1	14.7
UK Municipal	–	0.6
	11.1	15.3

14. Intangible assets continued

A goodwill impairment charge of £11.1m (2014: £8.9m) has been recognised in administrative expenses in relation to the Netherlands Solid Waste CGU as a result of lower than expected performance in the division in the year and an associated revision of the future trading performance. Following this impairment the carrying value of the goodwill of the Netherlands Solid Waste CGU was £51.8m (2014: £70.7m). Any decrease in the growth rate in revenue over the review period (without any further cost actions) or in the long-term growth rate or any increase in the pre-tax discount rate would mean that the carrying value of the Netherlands Solid Waste CGU would exceed its recoverable amount and further impairment would arise.

For our Hazardous Waste, Organics and UK Municipal segments, the recoverable amounts were determined to be in excess of the carrying values and it is considered unlikely that any reasonably possible change to key assumptions would result in an impairment charge.

The other prior year Solid Waste Benelux impairment charge was goodwill of £5.4m and acquisition intangibles of £0.4m in relation to the Gent site in Belgium.

15. Property, plant and equipment

Group	Land and buildings £m	Landfill sites £m	Plant and machinery £m	Total £m
Cost				
At 1 April 2013*	280.5	42.5	533.5	856.5
Additions	5.2	–	36.2	41.4
Disposals	(21.4)	–	(38.8)	(60.2)
Transfer to assets held for sale (note 10)	(7.1)	–	(8.7)	(15.8)
Exchange	(10.7)	(0.8)	(11.5)	(23.0)
At 31 March 2014	246.5	41.7	510.7	798.9
Acquisition through business combination	–	–	0.3	0.3
Additions	12.0	–	34.4	46.4
Disposals	(0.7)	–	(11.7)	(12.4)
Transfer to assets held for sale (note 10)	(2.8)	–	–	(2.8)
Reclassification	(2.1)	–	(0.5)	(2.6)
Exchange	(26.2)	(5.2)	(63.1)	(94.5)
At 31 March 2015	226.7	36.5	470.1	733.3
Accumulated depreciation and impairment				
At 1 April 2013*	96.2	38.5	351.3	486.0
Depreciation charge	8.3	0.8	31.0	40.1
Impairment charge	1.1	–	4.8	5.9
Remeasurement to fair value of assets held for sale	2.8	–	8.3	11.1
Disposals	(10.7)	–	(32.0)	(42.7)
Transfer to assets held for sale (note 10)	(3.9)	–	(8.7)	(12.6)
Exchange	(2.9)	(0.9)	(7.8)	(11.6)
At 31 March 2014	90.9	38.4	346.9	476.2
Depreciation charge	8.0	0.3	27.5	35.8
Impairment charge	0.6	–	9.9	10.5
Disposals	(0.4)	–	(9.9)	(10.3)
Transfer to asset held for sale (note 10)	(1.7)	–	–	(1.7)
Reclassification	1.6	–	(1.6)	–
Exchange	(10.7)	(4.8)	(44.6)	(60.1)
At 31 March 2015	88.3	33.9	328.2	450.4
Net book value				
At 31 March 2015	138.4	2.6	141.9	282.9
At 31 March 2014	155.6	3.3	163.8	322.7
At 31 March 2013	184.3	4.0	182.2	370.5

*The opening position has been restated following the adoption of IFRS 11, see notes 1 and 16 for details.

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NOTES TO THE FINANCIAL STATEMENTS

15. Property, plant and equipment continued

Included in plant and machinery are assets held under finance leases with a net book value of £11.7m (2014: £12.2m) and in land and buildings are assets under finance leases with a net book value of £2.6m (2014: £nil).

Included above are plant and machinery assets under construction of £6.5m (2014: £23.4m) and land and buildings assets under construction of £7.4m (2014: £9.4m).

Depreciation expense of £34.8m (2014: £38.3m restated) has been charged in cost of sales, £1.0m (2014: £1.3m) in administrative expenses and £nil (2014: £0.5m) in discontinued operations.

The net reclassification of £2.6m in the year relates to a contract right over leasehold land that has been reclassified to intangible assets.

The current year impairment charge of £10.5m included £6.0m (2014: £nil) relating to the UK Organics Westcott Park site, £4.4m (2014: £0.9m) relating to the Belgium Solid Waste Gent site and £0.1m (2014: £nil) as a result of portfolio activities. The UK Organics Westcott Park CGU consists of plant and machinery which was impaired following a reassessment of the risks in delivering long term profitability at the site. The pre-tax discount rate applied to the value in use calculation was 9.5%. The Belgium Solid Waste Gent CGU consists of land and buildings and plant and machinery which were impaired as a result of a reassessment of the long term forecasts of this CGU, driven by challenging external market conditions which have contributed to lower than budgeted performance during the year. The pre-tax discount rate applied to the value in use calculation was 9.3%. The impairments were all charged to cost of sales.

The prior year impairment also included £3.4m as a result of a fire in the Netherlands, £0.8m against assets at the Benelux Van Tuijl site and £0.8m relating to the Belgium green energy site.

Company	Land and buildings £m	Plant and machinery £m	Total £m
Cost			
At 1 April 2013	0.1	0.4	0.5
Disposals	–	(0.3)	(0.3)
At 31 March 2014	0.1	0.1	0.2
Additions	–	0.2	0.2
Disposals	–	(0.1)	(0.1)
At 31 March 2015	0.1	0.2	0.3
Accumulated depreciation			
At 1 April 2013	–	0.4	0.4
Depreciation charge	–	(0.3)	(0.3)
At 31 March 2014	–	0.1	0.1
Disposals	–	(0.1)	(0.1)
At 31 March 2015	–	–	–
Net book value			
At 31 March 2015	0.1	0.2	0.3
At 31 March 2014	0.1	–	0.1
At 31 March 2013	0.1	–	0.1

16. Investments

	Group					Company
	Loans to joint ventures £m	Joint ventures £m	Associates £m	Other unlisted investments £m	Total £m	Investments in subsidiary undertakings £m
At 1 April 2013*	2.3	1.3	1.4	3.1	8.1	466.9
Additions	–	–	–	–	–	66.5
Share of retained profits	–	–	0.3	–	0.3	–
At 31 March 2014	2.3	1.3	1.7	3.1	8.4	533.4
Additions	–	1.3	–	–	1.3	56.4
Disposals	–	–	–	(0.3)	(0.3)	–
Repayment	(1.0)	–	–	–	(1.0)	(102.4)
Share of retained profits	–	0.5	4.7	–	5.2	–
Fair value adjustment on cash flow hedges	–	(0.1)	(3.0)	–	(3.1)	–
Exchange	–	–	–	(0.4)	(0.4)	–
At 31 March 2015	1.3	3.0	3.4	2.4	10.1	487.4

*The opening position for the Group has been restated following the adoption of IFRS 11, see notes 1 and below for details.

One joint venture is held at nil value as the Group's share of losses exceeds the carrying amount as a result of the charge in relation to the fair value movement on effective cash flow interest rate hedges. The Group's share of losses in the year and cumulatively which are unrecognised was £7.9m (2014: £nil).

On 31 December 2014 the Group sold its investment in Hygea SCRL for £0.6m, the investment had been fully impaired.

Where the associate or joint venture holds non-recourse PFI/PPP debt there is a restriction on payment of dividends, this is due to the terms of the financing facility agreements and require lender approval.

Details of principal subsidiary undertakings, joint ventures and investments in associates are shown in note 35. The nature of the Group's principal joint ventures and associates are typically in companies holding UK PFI arrangements with non-recourse borrowings. We have assessed each entity and have not identified any as individually material for further disclosure.

The repayment in the Company relates to an in specie dividend of £104.4m of which £102.4m was deemed to be a return of investment resulting in a £2.0m credit to the Income Statement.

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16. Investments continued

The table below shows the Joint Venture assets and liabilities which were included within the Group's Consolidated Balance Sheet at 1 April 2013 prior to adopting IFRS 11:

	At 1 April 2013 £m
Property, plant and equipment	4.8
Trade and other receivables	1.9
Deferred tax asset	0.4
Cash	0.5
Total assets	7.6
Borrowings	(3.6)
Loans from related party	(1.2)
Trade and other payables	(2.3)
Deferred tax liability	(0.1)
Provisions	(0.7)
Total liabilities	(7.9)
Net Assets	(0.3)
Goodwill	1.6
Investments in Joint Ventures	1.3

The impact of adopting IFRS 11 on the Group's Consolidated Income Statement for the year ended 31 March 2014 is shown below.

	As previously reported £m	Impact of adoption of IFRS 11 £m	As presented £m
Revenue	636.4	(3.0)	633.4
Cost of sales	(535.7)	2.3	(533.4)
Gross profit	100.7	(0.7)	100.0
Administrative expenses	(77.3)	0.4	(76.9)
Operating profit	23.4	(0.3)	23.1
Finance income	10.4	–	10.4
Finance charges	(26.4)	0.2	(26.2)
Share of results from associates and joint ventures	0.3	–	0.3
Profit before taxation	7.7	(0.1)	7.6
Taxation	(5.9)	0.1	(5.8)
Profit after taxation for the year from continuing operations	1.8	–	1.8
Loss for the year from discontinued operations	(30.0)	–	(30.0)
Loss for the year	(28.2)	–	(28.2)
Other comprehensive income for the year, net of tax	0.5	–	0.5
Total comprehensive loss for the year	(27.7)	–	(27.7)

16. Investments continued

The impact of adopting IFRS 11 in relation to the relevant line items on the Group Consolidated Balance Sheet is shown below. Any line items not affected have been grouped together.

	As previously reported £m	Impact of adoption of IFRS 11 £m	As presented £m
Consolidated Balance sheet			
Non-current assets			
Intangible assets	212.7	(1.6)	211.1
Property, plant and equipment	327.1	(4.4)	322.7
Investments	5.9	2.5	8.4
Deferred tax assets	12.7	(0.4)	12.3
Other non-current assets	189.9	-	189.9
	748.3	(3.9)	744.4
Current assets			
Trade and other receivables	139.4	(1.2)	138.2
Cash and cash equivalents	104.6	(0.4)	104.2
Other current assets	22.7	-	22.7
	266.7	(1.6)	265.1
Total assets	1,015.0	(5.5)	1,009.5
Non-current liabilities			
Borrowings – Other	(256.9)	3.1	(253.8)
Provisions	(34.0)	0.7	(33.3)
Other non-current liabilities	(217.6)	-	(217.6)
	(508.5)	3.8	(504.7)
Current liabilities			
Borrowings – Other	(3.7)	0.4	(3.3)
Trade and other payables	(204.3)	1.2	(203.1)
Current tax payable	(10.7)	0.1	(10.6)
Other current liabilities	(14.3)	-	(14.3)
	(233.0)	1.7	(231.3)
Total liabilities	(741.5)	5.5	(736.0)
Net assets	273.5	-	273.5

The impact on the consolidated statement of cash flows has not been disclosed as the movements are not material.

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17. Derivative financial instruments

Group	2015		2014	
	Assets £m	Liabilities £m	Assets £m	Liabilities £m
Interest rate swaps – effective hedges	–	42.6	–	15.2
Interest rate swaps – at fair value through profit or loss	–	0.3	–	0.4
Forward foreign exchange contracts – effective hedges	–	0.3	–	0.2
Fuel derivatives – effective hedges	0.1	0.9	–	0.2
Total	0.1	44.1	–	16.0
Current	0.1	0.3	–	1.0
Non-current	–	43.8	–	15.0
Total	0.1	44.1	–	16.0

The fair value of a cash flow hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than one year and as a current asset or liability when the remaining maturity is less than one year.

The notional principal amount of the outstanding interest rate swap contracts at 31 March 2015 was £237.0m (2014: £231.6m restated). The expiry dates of the contracts range from 30 June 2015 (earliest) to 30 June 2037 (latest).

The notional principal amount of the forward foreign exchange contracts was £4.0m (2014: £11.8m). The hedged highly probable forecast transactions denominated in a foreign currency are expected to occur at various dates up to 1 April 2016.

The value of wholesale fuel covered by fuel derivatives at 31 March 2015 amounted to £7.3m (2014: £5.0m), the hedged highly probable forecast purchases of wholesale fuel are expected to occur throughout the year ended 31 March 2016.

Cumulative losses recognised in equity on the derivative financial instruments as of 31 March 2015 were £43.7m (2014: £15.6m) with a loss of £28.1m recognised in the current period (2014: £14.5m gain).

The Company held an effective fuel derivative current liability of £0.9m (2014: £0.2m) and a current asset of £0.1m (2014: £nil). In the prior year the Company held an effective interest rate swap liability of £0.2m and effective forward foreign exchange contracts of £0.1m. The notional value of the wholesale fuel covered by fuel derivatives as at 31 March 2015 amounted to £7.3m (2014: £5.0m). In the prior year the principal amount of the forward foreign exchange contracts was £4.4m and the notional principal amount of the outstanding interest rate swaps was £26.2m.

18. Business combinations

On 25 August 2014 Shanks acquired the business assets, £0.3m of plant and machinery, from Marcelis, a small tuck-in acquisition in Solid Waste Netherlands for consideration of £0.4m. The residual excess of £0.1m over the net assets acquired has been recognised in goodwill representing the synergy of acquiring the collection activities of this recycling company.

On 1 January 2015 Shanks acquired a site comprising six hectares of land and operational assets including water and waste storage tanks, a distillation tower, laboratories, warehousing and offices. The fair value of the land and building acquired was £2.9m with £0.6m of the consideration deferred and this transaction has been treated as an asset acquisition and not a business combination.

19. Deferred tax

Deferred tax is provided in full on temporary differences under the liability method using applicable local tax rates. Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the balances net.

Group	Retirement benefit scheme £m	Tax losses £m	Derivative financial instruments £m	Capital allowances £m	Other timing differences £m	Total £m
At 1 April 2013*	2.0	2.7	7.2	(37.1)	(0.9)	(26.1)
(Charge) credit to Income Statement (note 9)	(0.4)	0.4	(0.1)	2.4	(2.5)	(0.2)
Credit relating to discontinued operations	–	0.9	–	–	0.1	1.0
Credit (charge) to equity	1.0	–	(3.8)	–	0.3	(2.5)
Exchange	–	–	–	1.1	0.2	1.3
At 31 March 2014	2.6	4.0	3.3	(33.6)	(2.8)	(26.5)
(Charge) credit to Income Statement (note 9)	(0.5)	5.2	–	2.7	(0.8)	6.6
Credit to equity	1.2	–	5.6	–	0.2	7.0
Exchange	–	–	–	3.6	0.8	4.4
At 31 March 2015	3.3	9.2	8.9	(27.3)	(2.6)	(8.5)
Deferred tax assets	3.3	1.0	8.9	4.6	3.9	21.7
Deferred tax liabilities	–	8.2	–	(31.9)	(6.5)	(30.2)
At 31 March 2015	3.3	9.2	8.9	(27.3)	(2.6)	(8.5)
Deferred tax assets	2.6	0.2	3.3	3.9	2.3	12.3
Deferred tax liabilities	–	3.8	–	(37.5)	(5.1)	(38.8)
At 31 March 2014	2.6	4.0	3.3	(33.6)	(2.8)	(26.5)

*The opening balance has been restated following the adoption of IFRS 11, see notes 1 and 16 for details.

At 31 March 2015, £21.2m (2014: £12.3m restated) of the deferred tax asset and £30.2m (2014: £38.8m) of the deferred tax liability is expected to be recovered after more than one year.

As at 31 March 2015, the Group had unused trading losses (tax effect) of £29.7m (2014: £24.8m restated) available for offset against future profits. A deferred tax asset has been recognised in respect of £9.2m (2014: £4.0m restated) of such losses and recognition is based on management's projections of future profits in the relevant companies. No deferred tax asset has been recognised in respect of the remaining £20.5m (2014: £20.8m restated) due to the uncertainty of future profit streams. Tax losses may be carried forward indefinitely in the relevant companies.

No liability has been recognised on the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries. This is because the Group is in a position to control the timing and method of the reversal of the differences and it is probable that such differences will not give rise to a tax liability in the foreseeable future. The total temporary difference at 31 March 2015 amounted to £140.7m (2014: £138.7m) and the unrecognised deferred tax on the unremitted earnings is estimated to be £0.4m (2014: £0.5m) which relates to taxes payable on repatriation and dividend withholding taxes levied by overseas jurisdictions. UK tax legislation relating to company distributions provides for exemption from tax for most repatriated profits, subject to certain exemptions.

Company	Retirement benefit schemes £m	Derivative financial instruments £m	Other timing differences £m	Total £m
At 1 April 2013	2.0	0.2	0.4	2.6
(Charge) credit to Income Statement	(0.4)	–	0.1	(0.3)
Credit (charge) to equity	1.0	(0.1)	0.3	1.2
At 31 March 2014	2.6	0.1	0.8	3.5
Charge to Income Statement	(0.5)	–	–	(0.5)
Credit to equity	1.2	0.1	0.2	1.5
At 31 March 2015	3.3	0.2	1.0	4.5

At 31 March 2015, £4.5m (2014: £3.5m) of the deferred tax asset is expected to be recovered after more than one year.

As at 31 March 2015, the Company has unused tax losses (tax effect) of £5.0m (2014: £4.2m) available for offset against future profits. No deferred tax asset has been recognised in respect of the losses due to the unpredictability of future profit streams. Tax losses may be carried forward indefinitely.

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20. Inventories

	Group	
	2015 £m	2014 £m
Raw materials and consumables	6.2	7.7
Work in progress	–	0.2
Finished goods	0.7	1.5
	6.9	9.4

21. Financial assets relating to PFI/PPP contracts

Financial assets result from the application of IFRIC 12 on accounting for concession arrangements relating to the UK PFI/PPP Municipal contracts and they are measured initially at fair value of consideration receivable and subsequently at amortised cost. The movement in the carrying value of non-current and current financial assets is as follows:

Group	£m
At 1 April 2013	125.5
Income recognised in the income statement: Interest Income (note 8)	9.4
Advances	69.1
Repayments	(8.4)
At 31 March 2014	195.6
Income recognised in the income statement: Interest Income (note 8)	14.1
Advances	73.7
Repayments	(7.3)
Reclassified to provisions	2.1
At 31 March 2015	278.2
Current	31.6
Non-current	246.6
At 31 March 2015	278.2
Current	8.2
Non-current	187.4
At 31 March 2014	195.6

22. Trade and other receivables

	Group		Company	
	2015 £m	Restated* 2014 £m	2015 £m	2014 £m
Non-current assets				
Amounts owed by subsidiary undertakings	–	–	82.8	36.9
Deferred consideration	1.0	1.5	–	–
Other receivables	1.2	1.0	–	1.2
	2.2	2.5	82.8	38.1
Current assets				
Trade receivables	81.2	93.9	–	–
Provision for impairment of receivables	(6.6)	(5.6)	–	–
Trade receivables – net	74.6	88.3	–	–
Accrued income	26.0	18.6	–	–
Amounts owed by subsidiary undertakings	–	–	218.9	216.1
Deferred consideration	0.7	1.7	–	–
Other receivables	8.0	14.0	0.3	1.5
Prepayments	11.7	15.6	0.1	0.1
	121.0	138.2	219.3	217.7

*The comparatives have been restated following the adoption of IFRS 11, see notes 1 and 16 for details.

22. Trade and other receivables continued

Movement in the provision for impairment of receivables:

	Group	
	2015 £m	2014 £m
At 1 April	5.6	5.7
Charged to Income Statement	2.9	1.3
Utilised	(1.2)	(1.3)
Exchange	(0.7)	(0.1)
At 31 March	6.6	5.6

The allowance for bad and doubtful debts is equivalent to 8.1% (2014: 6.0% restated) of gross trade receivables.

Ageing of trade receivables that are past due but not impaired:

	Group	
	2015 £m	Restated* 2014 £m
Neither impaired nor past due	53.6	54.6
Not impaired but overdue by less than three months	20.1	29.9
Not impaired but overdue by between three and six months	0.4	2.0
Not impaired but overdue by more than six months	0.5	1.8
Impaired	6.6	5.6
Impairment provision	(6.6)	(5.6)
	74.6	88.3

*The comparatives have been restated following the adoption of IFRS 11, see notes 1 and 16 for details.

Past due and current amounts are not impaired where collection is considered likely. The Group considers that the carrying amount of trade and other receivables approximates their fair value.

There is no other concentration of credit risk with respect to trade and other receivables as the Group has a large number of customers internationally dispersed with no individual customer owing a significant amount.

The carrying amounts of trade and other receivables are denominated in the following currencies:

	Group		Company	
	2015 £m	Restated* 2014 £m	2015 £m	2014 £m
Sterling	32.0	34.6	107.8	119.7
Euro	88.7	102.6	191.7	136.1
Canadian Dollar	2.5	3.5	2.6	—
	123.2	140.7	302.1	255.8

*The comparatives have been restated following the adoption of IFRS 11, see notes 1 and 16 for details.

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23. Cash and cash equivalents

	Group		Company	
	2015 £m	Restated* 2014 £m	2015 £m	2014 £m
Cash at bank and in hand	60.6	50.6	8.0	6.4
Short-term deposits	0.2	53.6	–	16.5
	60.8	104.2	8.0	22.9

*The comparatives have been restated following the adoption of IFRS 11, see notes 1 and 16 for details.

The carrying amounts of cash and of cash equivalents are denominated in the following currencies:

	Group		Company	
	2015 £m	Restated* 2014 £m	2015 £m	2014 £m
Sterling	18.2	22.4	1.5	1.7
Euro	40.8	77.6	6.3	18.9
Canadian Dollar	1.8	4.2	0.2	2.3
	60.8	104.2	8.0	22.9

*The comparatives have been restated following the adoption of IFRS 11, see notes 1 and 16 for details.

24. Borrowings

	Group		Company	
	2015 £m	Restated* 2014 £m	2015 £m	2014 £m
Current borrowings				
Retail bonds	72.2	–	72.2	–
Finance lease obligations	2.8	3.3	–	–
Core borrowings	75.0	3.3	72.2	–
PFI/PPP non-recourse net debt	62.3	1.7	–	–
	137.3	5.0	72.2	–
Non-current borrowings				
Senior notes	28.8	32.9	–	–
Retail bonds	71.8	164.3	71.8	164.3
Bank loans	31.3	50.1	8.7	–
Finance lease obligations	8.9	6.5	–	–
Core borrowings	140.8	253.8	80.5	164.3
PFI/PPP non-recourse net debt	160.3	149.5	–	–
	301.1	403.3	80.5	164.3

*The comparatives have been restated following the adoption of IFRS 11, see notes 1 and 16 for details.

The table below details the maturity profile of non-current borrowings:

	Group		Company	
	2015 £m	Restated* 2014 £m	2015 £m	2014 £m
Between one and two years	7.1	143.8	–	82.2
Between two years and five years	152.1	103.2	80.5	–
Over five years	141.9	156.3	–	82.1
	301.1	403.3	80.5	164.3

*The comparatives have been restated following the adoption of IFRS 11, see notes 1 and 16 for details.

At 31 March 2015, the Group's core bank financing was a £130.2m (€180m) (2014: £148.8m (€180m)) multi-currency revolving credit facility with seven major banks entered into on 31 January 2014 and expiring in January 2019. At 31 March 2015 £37.0m (€51.1m) (2014: £51.7m (€62.5m)) of the revolving credit facility was drawn and the remaining £93.2m (€128.9m) (2014: £97.1m (€117.5m)) funds were available for drawing by way of a revolving credit facility on a maximum of three days notice or for ancillary derivative facilities.

At 31 March 2015, the Group had outstanding £28.9m (€40m) (2014: £33.1m (€40m)) of seven-year Priscoa private placement senior notes issued in April 2011 at a fixed interest rate of 5.025%.

The Group has issued two tranches of retail bonds to investors in Belgium and Luxembourg which are listed on the London Stock Exchange. The five-year retail bonds of £72.4m (€100m) (2014: £82.7m (€100m)) issued in October 2010 have an annual coupon of 5.0% and the six-year retail bonds of £72.4m (€100m) (2014: £82.7m (€100m)) issued on 30 July 2013 have an annual coupon of 4.23%.

The Group's finance lease liabilities are payable as follows:

Group	2015			2014		
	Minimum lease payments £m	Interest £m	Principal £m	Minimum lease payments £m	Interest £m	Principal £m
Within one year	3.2	(0.4)	2.8	3.8	(0.5)	3.3
Between one and five years	6.9	(0.8)	6.1	5.9	(0.6)	5.3
More than five years	4.6	(1.8)	2.8	1.3	(0.1)	1.2
	14.7	(3.0)	11.7	11.0	(1.2)	9.8

The Group has an option to purchase leased assets at the end of the lease term. There are no restrictions imposed by lessors to take out further debt or leases.

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24. Borrowings continued

The carrying amounts of borrowings are denominated in the following currencies:

	Group		Company	
	2015 £m	Restated* 2014 £m	2015 £m	2014 £m
Sterling	228.4	149.6	5.8	–
Euro	187.3	231.6	146.9	164.3
Canadian Dollar	22.7	27.1	–	–
	438.4	408.3	152.7	164.3

*The comparatives have been restated following the adoption of IFRS 11, see notes 1 and 16 for details.

25. Trade and other payables and other non-current liabilities

	Group		Company	
	2015 £m	Restated* 2014 £m	2015 £m	2014 £m
Current liabilities				
Trade payables	70.6	81.5	0.1	0.4
Other tax and social security payable	10.8	15.4	0.4	0.4
Other payables	15.4	14.8	0.6	0.3
Accruals	71.0	72.5	6.5	6.8
Deferred revenue	19.1	18.9	–	–
Deferred consideration	0.1	–	–	–
Amounts owed to Group undertakings	–	–	76.6	–
	187.0	203.1	84.2	7.9
Non-current liabilities				
Deferred consideration	0.4	0.9	–	–
Government grants	0.2	0.3	–	–
Amounts owed to Group undertakings	–	–	152.4	215.3
	0.6	1.2	152.4	215.3

*The comparatives have been restated following the adoption of IFRS 11, see notes 1 and 16 for details.

The carrying amounts of trade and other payables and other non-current liabilities are denominated in the following currencies:

	Group		Company	
	2015 £m	Restated* 2014 £m	2015 £m	2014 £m
Sterling	64.3	64.1	222.3	218.9
Euro	121.6	138.7	14.3	4.3
Canadian Dollar	1.7	1.5	–	–
	187.6	204.3	236.6	223.2

*The comparatives have been restated following the adoption of IFRS 11, see note 1 for details.

26. Provisions

Group	Site restoration and aftercare £m	Restructuring £m	Other £m	Total £m
At 1 April 2014*	30.3	3.3	11.3	44.9
Provided in the year – including the impact of the change in discount rate	5.5	2.6	5.7	13.8
Reclassification from financial assets	–	–	2.1	2.1
Released in the year	–	(0.1)	(1.5)	(1.6)
Finance charges – unwinding of discount (note 8)	1.3	–	0.8	2.1
Utilised in the year	(0.4)	(3.8)	(3.4)	(7.6)
Exchange	(3.8)	(0.3)	(0.4)	(4.5)
At 31 March 2015	32.9	1.7	14.6	49.2
Current	2.0	1.7	5.1	8.8
Non-current	30.9	–	9.5	40.4
At 31 March 2015	32.9	1.7	14.6	49.2
Current	1.7	2.8	7.1	11.6
Non-current	28.6	0.5	4.2	33.3
At 31 March 2014	30.3	3.3	11.3	44.9

*The opening balances have been restated following the adoption of IFRS 11, see notes 1 and 16 for details.

Site restoration

The site restoration provision as at 31 March 2015 related to the cost of final capping and covering of the landfill sites. The Group's minimum unavoidable costs have been reassessed at the year end and the net present value fully provided for. These costs are expected to be paid over a period of up to 24 years from the balance sheet date and may be impacted by a number of factors including changes in legislation and technology.

Aftercare

Post-closure costs of landfill sites, including such items as monitoring, gas and leachate management and licensing, have been estimated by management based on current best practice and technology available. These costs may be impacted by a number of factors including changes in legislation and technology. The dates of payments of these aftercare costs are uncertain but are anticipated to be over a period of approximately 30 years from closure of the relevant landfill site.

Restructuring

The restructuring provision relates to redundancy and related costs incurred in the structural cost reduction programme. Costs, net of releases, of £2.5m (2014: £2.6m) have been reflected and £3.8m (2014: £3.8m) has been utilised during the year. As at 31 March 2015 the majority of the affected employees had left the Group's employment with the remainder due to depart during the following year.

Other

Other provisions principally cover onerous contracts, onerous leases, lifecycle expenditure obligations, warranties and indemnities. Onerous contracts are provided at the net present value of the operating losses of the onerous contracts and releases in the year are set out in note 4. The provisions are to be utilised over the period of the contracts to which they relate with the latest date being 2034. Under the terms of the agreements for the disposal of UK Operations, the Group has given a number of warranties and indemnities to the purchasers which may give rise to payments.

Company	Restructuring £m	Other £m	Total £m
At 1 April 2014	0.3	1.1	1.4
Utilised in the year	(0.2)	(0.1)	(0.3)
At 31 March 2015	0.1	1.0	1.1
Current	0.1	1.0	1.1
Non-current	–	–	–
At 31 March 2015	0.1	1.0	1.1
Current	0.2	1.1	1.3
Non-current	0.1	–	0.1
At 31 March 2014	0.3	1.1	1.4

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27. Retirement benefit scheme

	Group	
	2015 £m	2014 £m
Retirement benefit costs		
UK defined contribution scheme	0.7	1.0
UK defined benefit scheme	0.3	1.2
Overseas pension schemes	9.4	10.0
	10.4	12.2

UK defined benefit scheme

The Group and Company's principal pension scheme is the Shanks Group Pension Scheme which covers eligible UK employees and has both funded defined benefit and defined contribution sections. The defined benefit plan provides benefits to members in the form of a guaranteed level of pension payable for life, the level of benefits provided depends on the members' length of service and salary. Plan assets are managed by the trustees. There are five trustees, three were appointed by the Company and two were nominated by members, who are responsible for ensuring the scheme is run in accordance with the members' best interests and the pension laws of the UK (which are overseen by The Pensions Regulator).

The most recently completed triennial actuarial valuation of the Scheme, which was performed by independent qualified actuaries for the trustees of the Scheme, was carried out as at 5 April 2012. The Group has agreed that it will aim to eliminate the pension plan deficit over seven years, with an agreed annual deficit contribution of £3.1m. This level of funding will be reassessed as part of the 5 April 2015 actuarial valuation. The total estimated contributions expected to be paid to the scheme in the year ending 31 March 2016 are £3.3m.

Assumptions

The significant actuarial assumptions adopted at the balance sheet date were as follows:

	2015 % p.a.	2014 % p.a.
Discount rate	3.4	4.3
Rate of price inflation	3.1	3.5
Consumer price inflation	2.0	2.5

The discount rate assumption for 2015 is derived from the single agency curve based on high quality AA rated bonds. In 2014 the rate was derived based on iBoxx AA rated bonds.

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements. The assumptions are that a member currently aged 65 will live on average for a further 23 years if they are male and for a further 25 years if they are female. For a member who retires in 2034 at age 65 the assumptions are that they will live on average for around a further 24 years after retirement if they are male or for a further 27 years after retirement if they are female.

Income statement

	2015 £m	2014 £m
Current service cost	0.3	0.5
Interest expense on scheme net liabilities	0.5	0.3
Curtailment cost	–	0.7
Net retirement benefit charge before tax	0.8	1.5

The prior year curtailment cost was incurred following the exit from UK Solid Waste which resulted in a 40% reduction in the active membership of the scheme. This led to an increase in liabilities and the additional cost was reflected in non-trading and exceptional items within discontinued operations.

27. Retirement benefit scheme continued

Balance sheet

The amounts recognised in the balance sheet are as follows:

	2015 £m	2014 £m
Present value of funded obligations	(169.2)	(148.0)
Fair value of plan assets	152.8	134.9
Pension scheme deficit	(16.4)	(13.1)
Related deferred tax asset (note 19)	3.3	2.6
Net pension liability	(13.1)	(10.5)

The movement in the net defined benefit obligation over the year was as follows:

	Present value of obligations £m	Fair value of plan assets £m	Total £m
At 1 April 2013	(142.4)	133.6	(8.8)
Current service cost	(0.5)	–	(0.5)
Curtailment cost	(0.7)	–	(0.7)
Interest (expense) income	(6.2)	5.9	(0.3)
Remeasurements:			
Actuarial loss on scheme liabilities arising from changes in financial assumptions	(1.8)	–	(1.8)
Actuarial loss on scheme liabilities arising from changes in experience	(0.1)	–	(0.1)
Return on plan assets excluding interest expense	–	(4.5)	(4.5)
Contributions from employer	–	3.6	3.6
Contributions from plan participants	(0.1)	0.1	–
Benefit payments	3.8	(3.8)	–
At 31 March 2014	(148.0)	134.9	(13.1)
Current service cost	(0.3)	–	(0.3)
Interest (expense) income	(6.3)	5.8	(0.5)
Remeasurements:			
Actuarial loss on scheme liabilities arising from changes in financial assumptions	(19.6)	–	(19.6)
Actuarial loss on scheme liabilities arising from changes in experience	0.9	–	0.9
Return on plan assets excluding interest expense	–	12.9	12.9
Contributions from employer	–	3.3	3.3
Contributions from plan participants	(0.1)	0.1	–
Benefit payments	4.2	(4.2)	–
At 31 March 2015	(169.2)	152.8	(16.4)

The weighted average duration of the defined benefit obligation is 19 years.

The assets held by the scheme in managed funds and cash were as follows:

	2015		2014	
	£m	%	£m	%
Equities	40.9	26.8	36.3	26.9
Index linked gilts	48.9	32.0	40.4	29.9
Corporate bonds	30.6	20.0	27.9	20.7
Newton Diversified Growth Fund	31.7	20.7	29.8	22.1
Cash	0.7	0.5	0.5	0.4
Total	152.8	100.0	134.9	100.0

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27. Retirement benefit scheme continued

Statement of comprehensive income

	2015 £m	2014 £m
Actuarial losses on scheme liabilities	(18.7)	(1.9)
Actuarial gain (losses) on scheme assets	12.9	(4.5)
Actuarial loss	(5.8)	(6.4)

Cumulative actuarial gains and losses recognised in the statement of comprehensive income since 1 April 2004 are losses of £28.9m (2014: £23.1m).

Sensitivity to assumptions

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Impact on net defined benefit obligation		
	Change in assumption %	Increase in assumption £m	Decrease in assumption £m
Discount rate	0.25	7.6	(7.9)
Rate of price inflation	0.25	(4.7)	4.5
Consumer price inflation	0.25	(4.7)	4.5
		Increase by 1 year in assumption £m	Decrease by 1 year in assumption £m
Life expectancy		(5.6)	5.7

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, as changes in assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the balance sheet.

Risks

Through its defined benefit pension scheme the Group is exposed to a number of risks, the most significant of which are:

Asset volatility

The scheme liabilities are calculated using a discount rate set with reference to corporate bond yields and if plan assets underperform this yield, this will result in a deficit. The Group's pension scheme holds a significant proportion of equities, which are expected to outperform corporate bonds in the long-term although exposing the Group to volatility and risk in the short-term. The trustees have agreed an underlying strategy with the Company so that any ongoing improvements in the scheme's funding position would trigger movements from growth assets (equities and diversified growth) to non-growth assets (gilts and bonds) in order to protect and consolidate such improvements. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. The Group does not use derivatives to manage the risks of the scheme.

Changes in bond yields

A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the scheme's bond holdings.

Inflation risk

The majority of the scheme's benefit obligations are linked to inflation and higher inflation will lead to higher liabilities although, in most cases, caps on the level of inflationary increases are in place to protect the plan against extreme inflation.

The majority of the scheme's obligations are to provide benefits for the life of the member, so increases in the life of the member will result in an increase in the liabilities.

27. Retirement benefit scheme continued

Overseas

In the Netherlands, employees are members of either a multi-employer pension scheme or other similar externally funded schemes. These schemes are treated as defined contribution plans as it is not possible to separately identify the Group's share of the assets and liabilities of those schemes. The Group has been informed by the schemes that it has no obligation to make additional contributions in the event that the schemes have an overall deficit.

In Belgium, as a result of recent legislation changes all of the pension schemes we operate have to be considered as defined benefit schemes under IAS 19. At March 2015 the potential liability to the Group was estimated and determined as not significant.

The total cost in the year for overseas pensions was £9.4m (2014: £10.0m).

28. Share capital and share premium

Group	Number	Ordinary shares of 10p each £m	Share premium £m
Share capital allotted, called up and fully paid			
At 1 April 2013	397,463,413	39.7	99.8
Issued under share option schemes	237,761	0.1	0.1
At 31 March 2014	397,701,174	39.8	99.9
Issued under share option schemes	149,243	–	0.1
At 31 March 2015	397,850,417	39.8	100.0

During the year 149,243 (2014: 237,761) ordinary shares were allotted following the exercise of share options under the Savings Related Share Option Schemes for an aggregate consideration of £123,435 (2014: £182,570). Further disclosures relating to share-based options are set out in note 7.

Company	Number	Ordinary shares of 10p each £m	Share premium £m
Share capital allotted, called up and fully paid			
At 1 April 2013	397,463,413	39.7	123.8
Issued under share option schemes	237,761	0.1	0.1
At 31 March 2014	397,701,174	39.8	123.9
Issued under share option schemes	149,243	–	0.1
At 31 March 2015	397,850,417	39.8	124.0

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29. Financial instruments

Carrying value of financial assets and financial liabilities

	Note	Group carrying value		Company carrying value	
		2015 £m	Restated* 2014 £m	2015 £m	2014 £m
Financial assets					
Loans and receivables					
Financial assets relating to PFI/PPP contracts	21	278.2	195.6	–	–
Loans to joint ventures	16	1.3	2.3	–	–
Trade and other receivables excluding prepayments	22	111.5	125.1	302.0	255.7
Cash and cash equivalents	23	60.8	104.2	8.0	22.9
Derivative financial instruments					
Fuel derivatives	17	0.1	–	0.1	–
Available for sale financial assets					
Unlisted investments	16	2.4	3.1	–	–
		454.3	430.3	310.1	278.6

*The comparatives have been restated following the adoption of IFRS 11, see notes 1 and 16 for details.

The Group considers that the fair value of financial assets is not materially different to their carrying value. For unlisted investments the carrying value is measured at cost as the range of possible fair values is significant. The Group has no current plans to dispose of these investments.

	Note	Group carrying value		Company carrying value	
		2015 £m	Restated* 2014 £m	2015 £m	2014 £m
Financial liabilities					
Financial liabilities at amortised cost					
Bank loans – core borrowings	24	31.3	50.1	8.7	–
Retail bonds	24	144.0	164.3	144.0	164.3
Senior notes	24	28.8	32.9	–	–
Finance lease obligations	24	11.7	9.8	–	–
Bank loans – PFI/PPP non-recourse net debt	24	222.6	151.2	–	–
Trade and other payables excluding non-financial liabilities	25	157.5	169.7	236.2	222.8
Derivative financial instruments					
Fuel derivatives	17	0.9	0.2	0.9	0.2
Forward foreign exchange contracts	17	0.3	0.2	–	0.1
Interest rate swaps	17	42.9	15.6	–	0.2
		640.0	594.0	389.8	387.6

*The comparatives have been restated following the adoption of IFRS 11, see notes 1 and 16 for details.

Fair value hierarchy

The Group uses the following hierarchy of valuation techniques to determine the fair value of financial instruments:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

29. Financial instruments continued

The table below presents the Group's assets and liabilities measured at fair value:

	Level 2	
	2015 £m	2014 £m
Assets		
Derivative financial instruments	0.1	–
	0.1	–
Liabilities		
Derivative financial instruments	44.1	16.0
Retail bonds	149.6	168.6
Senior notes	31.7	36.3
	225.4	220.9

The Group considers that the fair value of bank loans, trade and other payables, contingent consideration and finance lease obligations are not materially different to their carrying value.

During the year ended 31 March 2015, there were no transfers between level 1 and level 2 fair value measurements and no transfers into and out of level 3.

Offsetting financial assets

The following financial assets are subject to offsetting arrangements enforceable in the event of default on debt facilities:

	2015	2014
	Bank Loans PFI/PPP non-recourse net debt £m	Bank Loans PFI/PPP non-recourse net debt £m
PFI/PPP non-recourse gross debt	233.9	163.0
PFI/PPP cash and cash equivalents	(11.3)	(11.8)
PFI/PPP non-recourse net debt	222.6	151.2

Risk management

The Group is exposed to market risk (interest rate risk and commodity price risk), foreign exchange risk, liquidity risk and credit risk. The Group's Treasury function is charged with managing and controlling risk relating to the financing and liquidity of the Group under policies approved by the Board of Directors. The Group does not enter into speculative transactions.

Interest rate risk

The Group has continued to limit its exposure to interest rate risk by entering into fixed rate retail bonds and fixed rate senior notes that fix a substantial part of the Group's core borrowings.

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29. Financial instruments continued

The PFI/PPP non-recourse borrowings are at floating rates and the Group has entered into interest rate swaps at the inception of each PFI/PPP contract. The interest rate swaps hedge the interest cash flows. The interest rate swaps which are considered to be used for hedging purposes are accounted for under IAS 39 hedge accounting with changes in the fair value of interest rate swaps being recognised directly in reserves, as they are effective hedges. Interest rate swaps which have not been designated as hedges by the Group are classified as held for trading in accordance with IAS 39. The interest rate swaps relating to the PFI/PPP non-recourse borrowings are presented in current or non-current liabilities as determined by the term of the related borrowings as the Group believes this best reflects the commercial reality of the instruments.

Changes in interest rates could have a significant impact on core banking covenants relating to interest cover and on the interest charge in the Income Statement. In order to measure the risk, borrowings and the expected interest cost for the year are forecast on a quarterly basis and scenarios run using management's expectations of a reasonably possible change in interest rates. Interest expense volatility remained within acceptable limits throughout the year. The Group's exposure has not significantly changed.

The interest rate profile of financial assets and liabilities were as follows:

Group	2015			2014		
	Floating rate £m	Fixed rate £m	Weighted average interest rate %	Restated* Floating rate £m	Restated* Fixed rate £m	Restated* Weighted average interest rate %
Financial assets						
Financial assets relating to PFI/PPP contracts	–	278.2	6.1	–	195.6	6.3
Cash and cash equivalents	60.6	–	–	50.6	–	–
Short-term deposits	0.2	–	0.3	53.6	–	0.3
Financial liabilities						
Senior notes	–	28.8	5.0	–	32.9	5.4
Retail bonds	–	144.0	4.6	–	164.3	4.6
Bank loans – PFI/PPP non-recourse net debt	222.6	–	3.6	151.2	–	3.6
Bank loans – core borrowings	31.3	–	2.8	50.1	–	2.4
Interest rate swaps – notional principal	(237.0)	237.0	3.3	(231.6)	231.6	3.2

*The comparatives have been restated following the adoption of IFRS 11, see notes 1 and 16 for details.

The weighted average interest rate for the interest rate swaps is the weighted average of the fixed interest rates which ranges from 0.99% to 5.79% (2014: 0.99% to 5.79% restated).

Excluded from the analysis above is £11.7m (2014: £9.8m) of amounts payable under finance leases as set out in note 24, which are subject to fixed rates of interest. In addition, trade and other receivables and trade and other payables have been excluded as they are not interest bearing.

The average term for short-term deposits is no more than three months.

Interest rate sensitivity (assuming all other variables remain constant):

	2015		2014	
	Income sensitivity £m	Equity sensitivity £m	Income sensitivity £m	Equity sensitivity £m
1% increase in interest rates				
Derivatives	2.1	45.9	1.8	42.1
Non-derivatives	(1.6)	(1.6)	(1.2)	(1.2)
	0.5	44.3	0.6	40.9
1% decrease in interest rates				
Derivatives	(2.1)	(29.2)	(1.8)	(26.8)
Non-derivatives	1.6	1.6	1.2	1.2
	(0.5)	(27.6)	(0.6)	(25.6)

29. Financial instruments continued

A 1% movement has been applied to interest rates for the year ended 31 March 2015, representing management's assessment of a reasonably possible change in interest rates (2014: 1%). The interest rate sensitivity is taken to occur from 31 March 2014 and so the change in the fair value of the borrowings and interest rate derivatives is shown as an equity sensitivity which results in an increase of £44.3m (2014: £40.9m) for a 1% increase in interest rate and a decrease of £27.6m (2014: £25.6m) for a 1% decrease in rates.

The Company in the prior year had short-term deposits of £16.5m at an effective interest rate of 0.2%. The effective interest rate on the Company's cash and cash equivalents was 0% (2014: 0%). The weighted average effective interest rate relating to the Company was 4.6% (2014: 4.6%) for the retail bonds. Interest on inter-company loan balances is charged at rates of between 0% and 13% (2014: 0% and 13%).

Foreign exchange risk

The Group operates in Europe and Canada and is exposed to foreign exchange risk for movements between the Euro, Canadian Dollar and Sterling. The Group's subsidiaries conduct the majority of their business in their respective functional currencies; therefore there is limited transaction risk. The Group mitigates some foreign exchange risk on financial assets and exports of processed waste arising in the UK but denominated in Euros through the use of forward exchange contracts. Foreign exchange risk arises mainly from net investments in foreign operations. This exposure is reduced by funding the investments as far as possible with borrowings in the same currency. The Group applies hedge accounting principles to net investments in foreign operations and the related borrowings.

The Group has designated the carrying value of Euro borrowings of £144.0m (2014: £164.3m) (fair value of £149.6m (2014: £168.6m)) as a net investment hedge of the Group's investments denominated in Euros. The hedge was 100% effective for the year ended 31 March 2015 (2014: 100%) and as a result the related exchange gain of £20.7m (2014: £5.3m) on translation of the borrowings into Sterling has been recognised in the exchange reserve.

Foreign exchange rate sensitivity (assuming all other variables remain constant):

	2015		2014	
	Income sensitivity £m	Equity sensitivity £m	Income sensitivity £m	Equity sensitivity £m
10% increase in foreign exchange rates against Sterling				
Euro	1.2	18.0	(0.4)	18.1
Canadian Dollar	0.1	0.3	(0.1)	0.2
	1.3	18.3	(0.5)	18.3

The table above details how the Group's income and equity would increase if there were a 10% increase in the respective currency against Sterling. A 10% decrease would have an equal and opposite effect. A 10% movement has been applied to each currency representing management's assessment of a reasonably possible change in foreign exchange currency rates (2014: 10%).

Commodity price risk

The Group is exposed to fuel price risk therefore management's risk strategy aims to provide protection against sudden and significant increases in oil prices whilst ensuring that the Group is not competitively disadvantaged in the event of a substantial fall in the price of fuel. It is expected that part of this risk can be recovered via escalation clauses linked to the price of fuel within contracts such as UK PFI/PPP.

To meet these objectives the fuel risk management programme allows for the use of a number of derivatives available on the over-the-counter (OTC) markets with approved counterparties and within approved limits. There were £7.3m of fuel derivatives in place at 31 March 2015 (2014: £5.0m). The fair value of wholesale fuel covered by derivatives at 31 March 2015 amounted to a liability of £0.9m (2014: £0.2m) and an asset of £0.1m (2014: £nil). These contracts were designated as cash flow hedges against highly probable future fuel purchase forecasts to occur during the following 12 months from the balance sheet date.

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29. Financial instruments continued

The following table demonstrates the gross sensitivity of a reasonably possible change in fuel prices, with all other variables held constant:

	2015 Income sensitivity £m	2014 Income sensitivity £m
10% increase in wholesale fuel price (excluding duty)	0.9	1.2
10% decrease in wholesale fuel price (excluding duty)	(0.9)	(1.2)

Liquidity risk

Liquidity risk is the risk that the Group does not have sufficient financial resources to meet its obligations as they fall due.

As well as committed term borrowings under a syndicated loan facility, the Group maintains uncommitted lending facilities with a range of banks for working capital purposes. The Group manages liquidity risk by monitoring forecast cash flows to ensure that facility drawdowns are arranged as necessary and an adequate level of headroom is maintained. The Group's exposure to and the way it manages liquidity risk has not changed from the previous year.

For more details of the Group's bank overdrafts, bank loans and senior notes see note 24.

Undrawn committed borrowing facilities:

Group	Core borrowings		PFI/PPP non-recourse net debt		Total Group	
	2015 £m	2014 £m	2015 £m	2014 £m	2015 £m	2014 £m
Expiring within one year	–	–	20.2	–	20.2	–
Expiring between one and two years	–	1.6	8.8	62.0	8.8	63.6
Expiring in more than two years	93.4	92.1	1.4	41.0	94.8	133.1
	93.4	93.7	30.4	103.0	123.8	196.7

In addition, the Group had access to £26.8m (2014: £27.3m) of undrawn uncommitted working capital facilities.

As at 31 March 2015, the Company had undrawn committed borrowing facilities at floating rates of £93.4m (2014: £92.1m) expiring in more than two years.

The Group manages the liquidity risk of derivatives by entering into these only by way of hedging existing and projected exposures with counterparties of approved credit ratings for the OTC trades with no margin calls or high thresholds for margin calls.

In the majority of cases subsidiary undertakings holding non-recourse PFI/PPP debt and financial assets are restricted in their ability to transfer funds to the parent in the form of cash dividends or to repay loans and advances. This is due to the terms of the financing facility agreements and require lender approval to make such transfers.

29. Financial instruments continued

The following table analyses the Group's financial liabilities and net settled derivative financial instruments into relevant maturity groupings. The maturities of the undiscounted cash flows, including interest and principal, at the balance sheet date are based on the earliest date on which the Group is obliged to pay:

	Within one year £m	Between one and five years £m	Over five years £m
At 31 March 2015			
Senior notes	1.5	32.6	–
Retail bonds	79.0	84.6	–
Bank loans – core borrowings	0.9	35.0	–
Bank loans – PFI/PPP non-recourse net debt	70.5	47.8	191.9
Finance lease liabilities	3.2	6.9	4.6
Net settled derivative financial instruments	6.5	23.7	50.4
Trade and other payables	157.1	0.4	–
	318.7	231.0	246.9
At 31 March 2014*			
Senior notes	1.7	38.9	–
Retail bonds	7.6	100.8	86.2
Bank loans – core borrowings	1.4	56.6	–
Bank loans – PFI/PPP non-recourse net debt	7.3	93.4	100.5
Finance lease liabilities	3.8	5.9	1.3
Net settled derivative financial instruments	6.8	24.6	56.4
Trade and other payables	168.8	0.9	–
	197.4	321.1	244.4

*The comparatives have been restated following the adoption of IFRS 11, see notes 1 and 16 for details.

Security of borrowing facilities

The Group's core bank loans, retail bonds and senior notes are unsecured but are subject to cross guarantees within the Group. Each PFI/PPP company has non-recourse loan facilities which are secured by a legal mortgage over any land and a fixed and floating charge over the assets of the PFI/PPP company.

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NOTES TO THE FINANCIAL STATEMENTS

29. Financial instruments continued

Credit risk

Credit risk is the risk of financial loss where counterparties are not able to meet their obligations.

Surplus cash, when not used to repay borrowings, is placed on deposit with banks and money market funds in accordance with a policy that specifies the minimum acceptable credit rating and the maximum exposure to each counterparty. At 31 March 2015 the amount of credit risk on cash and short term deposits totalled £60.8m (2014: £104.2m restated).

Trade and other receivables mainly comprise amounts due from customers for services performed. Management consider that the exposure to any single customer is not significant and that where credit quality is in doubt, adequate provision has been made for probable losses. At 31 March 2015 the amount of credit risk on trade and other receivables amounted to £123.2m (2014: £140.7m restated). The Group does not hold any collateral as security.

The financial assets relating to PFI/PPP contracts are recoverable from the future revenues relating to these contracts. Management consider that as the counterparties for the future revenues are UK local authorities or councils, there is minimal credit risk. At 31 March 2015 the amount of credit risk on financial assets amounted to £278.2m (2014: £195.6m).

Capital management

The Group actively manages the capital available to fund the Group, comprising equity and reserves together with core debt funding. In order to make decisions over where capital is allocated, the Group monitors the return on capital employed. The Group has a funding strategy to ensure there is an appropriate debt to equity ratio as well as an appropriate debt maturity profile. The strategy is based on the requirements of the Company's Articles of Association, which state that core debt should be limited to three times the level of capital and reserves, which is the equity attributable to the owners of the parent. The Group's funding strategy has not changed from the previous year.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as core net debt divided by total capital. The gearing ratios at 31 March 2015 and 2014 were as follows:

	Note	2015 £m	2014 £m
Total core borrowings	24	215.8	257.1
Less: cash and cash equivalents	23	(60.8)	(104.2)
Core net debt		155.0	152.9
Total equity		189.1	273.5
Total capital		344.1	426.4
Gearing ratio		45%	36%

The Group has to comply with a number of banking covenants which are set out in the agreements for bank loans and senior notes. There are financial covenants which are measured using the performance of the core Group, excluding PFI companies and joint ventures, and relate to interest cover, the ratio of debt to EBITDA and the net worth of the Group. There are other restrictions in the loan documentation concerning acquisitions, disposals, security and other issues. The Group has complied with its banking covenants during the year.

30. Notes to the statements of cash flows

	Group		Company	
	2015 £m	Restated* 2014 £m	2015 £m	2014 £m
(Loss) profit before tax	(20.5)	7.6	(2.3)	(3.7)
Fair value gain on financial instruments	(0.1)	(0.3)	–	–
Finance income	(14.8)	(10.1)	(5.4)	(8.8)
Finance charges	28.2	26.2	11.0	11.2
Share of results from associates and joint ventures	(5.2)	(0.3)	–	–
Operating (loss) profit from continuing operations	(12.4)	23.1	3.3	(1.3)
Operating profit (loss) from discontinued operations	1.3	(30.9)	–	–
Amortisation and impairment of intangible assets	15.8	20.9	0.3	0.2
Depreciation and impairment of property, plant and equipment	46.3	45.9	–	–
Fair value adjustments in relation to the UK Solid Waste exit	–	20.4	–	–
Exceptional gain of insurance proceeds in relation to fire in the Netherlands	–	(5.7)	–	–
Exceptional loss on disposal of business assets	0.5	–	–	–
Exceptional gain on sale of impaired investment in associate	(0.6)	–	–	–
Net in specie dividend (note 16)	–	–	(2.0)	–
Non-exceptional gain on disposal of property, plant and equipment	(0.2)	(2.1)	–	–
Current asset write offs	1.7	2.5	–	–
Reassessment of contingent consideration	(0.8)	(1.0)	–	–
Exchange loss	–	–	(0.3)	(1.4)
Increase in long-term provisions due to discount rate change	7.1	–	–	–
Net decrease in provisions	(1.7)	(13.4)	(0.3)	(1.1)
Payments to fund defined benefit pension scheme deficit	(3.1)	(3.1)	(3.1)	(3.1)
Pension curtailment	–	0.7	–	0.7
Share-based compensation	1.3	0.7	1.3	0.7
Operating cash flows before movement in working capital	55.2	58.0	(0.8)	(5.3)
Decrease in inventories	0.5	1.2	–	–
Decrease in receivables	1.7	8.0	38.7	38.5
(Decrease) increase in payables	(1.6)	5.7	12.9	3.0
Cash flows from operating activities	55.8	72.9	50.8	36.2

*The comparatives have been restated following the adoption of IFRS 11, see notes 1 and 16 for details.

Consolidated movement in net debt

	2015 £m	Restated* 2014 £m
Net increase in cash and cash equivalents	(40.4)	31.2
Net increase in borrowings and finance leases	(40.4)	(62.3)
Capitalisation of loan fees	–	2.4
Total cash flows in net debt	(80.8)	(28.7)
Finance leases entered into during the year	(6.5)	(5.8)
Deferred interest of PFI/PPP non-recourse debt	(8.8)	(4.0)
Amortisation of loan fees	(0.9)	(1.4)
Exchange gain	23.5	10.1
Movement in net debt	(73.5)	(29.8)
Net debt at beginning of year	(304.1)	(274.3)
Net debt at end of year	(377.6)	(304.1)

*The comparatives have been restated following the adoption of IFRS 11, see notes 1 and 16 for details.

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NOTES TO THE FINANCIAL STATEMENTS

30. Notes to the statements of cash flows continued

Movement in net debt

	At 1 April 2014* £m	Cash flows £m	Other non-cash changes £m	Exchange movements £m	At 31 March 2015 £m
Cash and cash equivalents	104.2	(40.4)	–	(3.0)	60.8
Bank loans	(50.1)	18.9	(0.5)	0.4	(31.3)
Senior notes	(32.9)	–	–	4.1	(28.8)
Retail bonds	(164.3)	–	(0.4)	20.7	(144.0)
Finance leases	(9.8)	3.3	(6.5)	1.3	(11.7)
Total core net debt	(152.9)	(18.2)	(7.4)	23.5	(155.0)
PFI/PPP non-recourse net debt	(151.2)	(62.6)	(8.8)	–	(222.6)
Total net debt	(304.1)	(80.8)	(16.2)	23.5	(377.6)

*The opening position has been restated following the adoption of IFRS 11, see note 1 for details.

Reconciliation of underlying free cash flow as presented in the Finance Review

	2015 £m	Restated* 2014 £m
Net cash generated from operating activities	50.1	71.3
Exclude provisions and restructuring spend	12.3	16.5
Exclude payments to fund denied benefit pension scheme	3.1	3.1
Include finance charges and loan fees paid	(16.8)	(18.2)
Include finance income received	4.0	5.0
Include purchases of intangible assets	(1.2)	(1.3)
Include purchases of replacement items of property, plant and equipment	(30.3)	(23.8)
Include proceeds from disposals of property, plant & equipment	2.2	3.9
Underlying free cash flow	23.4	56.5

*The comparatives have been restated following the adoption of IFRS 11, see notes 1 and 16 for details.

31. Capital commitments

Group	2015 £m	Restated* 2014 £m
Contracts placed for future capital expenditure on financial assets	33.5	69.9
Contracts placed for future capital expenditure on property, plant and equipment	13.1	16.4
Contracts placed for future intangible assets	–	0.2
Joint venture contracts placed for future capital expenditure	50.6	0.2

*The comparatives have been restated following the adoption of IFRS 11, see notes 1 and 16 for details.

32. Financial commitments

Group	2015 £m	2014 £m
The future aggregate minimum lease payments under non-cancellable operating leases are as follows:		
Within one year	8.5	10.2
Later than one year and less than five years	19.5	23.0
More than five years	59.4	67.2
	87.4	100.4
Future minimum lease payments expected to be received under non-cancellable sub-leases	(0.3)	(0.1)
	87.1	100.3

33. Contingent liabilities

Group and Company

Due to the nature of the industry in which the business operates, from time to time the Group is made aware of claims or litigation arising in the ordinary course of the Group's business. Provision is made for the Directors' best estimate of all known claims and all such legal actions in progress. The Group takes legal advice as to the likelihood of success of claims and actions and no provision is made where the Directors consider, based on that advice that the action is unlikely to succeed or a sufficiently reliable estimate of the potential obligation cannot be made.

Under the terms of sale agreements, the Group gave a number of indemnities and warranties relating to the disposed operations for which appropriate provisions are held.

In respect of contractual liabilities the Company and its subsidiaries have given guarantees and entered into counter indemnities of bonds and guarantees given on their behalf by sureties and banks totalling £199.1m (2014: £197.6m). In addition, the Company has contingent liabilities in respect of both VAT and HM Revenue & Customs group payment arrangements of £0.8m (2014: £1.3m).

The Company has given guarantees in respect of the Group's subsidiary and joint venture undertakings' borrowing facilities totalling £57.8m (2014: £91.8m).

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34. Related party transactions

Transactions between the Group and its associates and joint ventures

The Group had the following transactions and outstanding balances with associates and joint ventures, in the ordinary course of business:

	Associates		Joint ventures	
	2015 £m	2014 £m	2015 £m	2014 £m
Sales	52.9	43.8	20.9	0.8
Purchases	0.1	–	1.2	0.8
Management fees	0.8	0.7	0.6	0.2
Interest on loans to joint ventures	–	–	0.2	0.2
Receivables at 31 March	4.2	11.0	3.1	1.3
Payables at 31 March	–	–	0.1	0.3
Loans made by Group companies at 31 March	–	–	1.3	2.3
Loans made to Group companies at 31 March	–	–	0.4	0.5

The receivables and payables are due one month after the date of the invoice, they are unsecured in nature and bear no interest.

Remuneration of key management personnel

Key management personnel comprises the Board of Directors and the members of the Group's Executive Committee. The disclosures required by the Companies Act 2006 and those specified by the Financial Conduct Authority relating to Directors' remuneration (including retirement benefits and incentive plans), interests in shares, share options and other interests, are set out within the Remuneration Report on pages 77 to 91, and form part of these financial statements. The emoluments paid or payable to key management personnel were:

	2015 £m	2014 £m
Short-term employee benefits	3.2	3.1
Post employment benefits	0.2	0.2
Share-based payments	0.8	0.5
	4.2	3.8

Transactions between the Company and its subsidiaries

A list of the Company's principal subsidiaries is set out in note 35. Transactions with subsidiaries relate to interest on intercompany loans and management charges. Net interest income was £4.0m (2014: £5.7m) and management charges were £6.8m (2014: £6.9m). Total outstanding balances are listed in notes 22 and 25.

35. Subsidiary undertakings and joint ventures and associates at 31 March 2015

Subsidiary undertakings

The Company held, through wholly-owned subsidiaries, 100% of the issued share capital of the following principal trading subsidiaries (unless otherwise stated) all of which operate in the waste management sector, have a 31 March year end and have been consolidated in the Group's financial statements. The Group has taken the exemption under Companies Act section 410 not to list all subsidiaries, however a full list will be annexed to the next annual return.

	Country of incorporation
Principal Group subsidiary undertakings	
Shanks Nederland B.V.	Netherlands
Shanks Netherlands Holdings B.V.	Netherlands
Shanks B.V.	Netherlands
Icova B.V.	Netherlands
BV van Vliet Groep Milieu-dienstverleners	Netherlands
Vliko B.V.	Netherlands
Klok Containers B.V.	Netherlands
Smink Beheer B.V.	Netherlands
Transportbedrijf van Vliet B.V. (Contrans)	Netherlands
Afvalstoffen Terminal Moerdijk B.V. (ATM)	Netherlands
Reym B.V.	Netherlands
Orgaworld International B.V.	Netherlands
Orgaworld Nederland B.V.	Netherlands
Shanks s.a.	Belgium
Shanks Hainaut s.a.	Belgium
Shanks Liège-Luxembourg s.a.	Belgium
Shanks Brussels-Brabant s.a.	Belgium
Shanks Vlaanderen n.v.	Belgium
Shanks Wood Products n.v.	Belgium
Shanks Waste Management Limited	UK
Shanks PFI Investments Limited	UK
Orgaworld Canada Limited	Canada
Orgaworld Surrey General Partner Limited	Canada
Orgaworld Design-Builder General Partner Limited	Canada
Subsidiary undertakings holding UK PFI/PPP contracts	
Shanks Argyll & Bute Limited	UK
Shanks Cumbria Limited	UK
3SE (Barnsley, Doncaster and Rotherham) Limited (75%)	UK
Wakefield Waste PFI Limited	UK

Joint ventures and associates

The Company held, through wholly-owned subsidiaries, the following interests in principal joint venture companies and associates, all of which operate in the waste management sector.

	% Group holding	Most recent year end	Country of incorporation
Energen Biogas Limited	50%	31 March 2015	UK
Resource Recovery Solutions (Derbyshire) Holdings Limited	50%	31 March 2015	UK
ELWA Holdings Limited	20%	31 March 2015	UK
Shanks Dumfries and Galloway Holdings Limited	20%	31 March 2015	UK

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CONSOLIDATED FIVE YEAR FINANCIAL SUMMARY

	2015 £m	Restated* 2014 £m	Restated* 2013 £m	Restated* 2012 £m	Restated* 2011 £m
Consolidated income statement					
Revenue ¹	601.4	633.4	611.9	672.5	632.9
Trading profit from continuing operations ¹	34.3	45.6	44.9	52.5	44.4
Finance charges – interest	(10.6)	(11.7)	(10.8)	(11.0)	(7.9)
Finance charges – other	(2.8)	(4.1)	(3.8)	(4.8)	(6.3)
Share of results from associates and joint ventures	0.8	0.3	(0.3)	(0.8)	(0.4)
Profit from continuing operations before exceptional items and tax (underlying profit)	21.7	30.1	30.0	35.9	29.8
Non-trading and exceptional items	(42.2)	(22.5)	(40.3)	(3.8)	(12.9)
(Loss) profit before tax from continuing operations	(20.5)	7.6	(10.3)	32.1	16.9
Taxation	(1.7)	(7.2)	(7.5)	(9.6)	(7.9)
Exceptional tax and tax on exceptional items	4.0	1.4	6.7	5.2	9.7
(Loss) profit after tax from continuing operations	(18.2)	1.8	(11.1)	27.7	18.7
Profit (loss) after tax from discontinued operations	1.3	(30.0)	(24.1)	(2.0)	3.2
(Loss) profit for the year	(16.9)	(28.2)	(35.2)	25.7	21.9
(Loss) profit attributable to:					
Owners of the parent	(17.0)	(28.3)	(35.3)	25.7	21.9
Non-controlling interest	0.1	0.1	0.1	–	–
	(16.9)	(28.2)	(35.2)	25.7	21.9
Consolidated balance sheet					
Non-current assets	737.3	744.4	767.7	750.9	755.9
Other assets less liabilities	(170.6)	(166.8)	(179.7)	(172.9)	(160.2)
Net debt	(377.6)	(304.1)	(274.3)	(207.4)	(198.3)
Net assets	189.1	273.5	313.7	370.6	397.4
Equity attributable to owners of the parent					
Share capital and share premium	139.8	139.7	139.5	139.1	139.1
Reserves	51.1	134.0	174.1	231.5	258.3
	190.9	273.7	313.6	370.6	397.4
Non-controlling interest	(1.8)	(0.2)	0.1	–	–
Total equity	189.1	273.5	313.7	370.6	397.4
Financial ratios					
Underlying earnings per share – continuing operations	5.0p	5.7p	5.7p	6.6p	5.5p
Basic earnings per share – continuing operations	(4.6)p	0.4p	(2.8)p	7.0p	4.7p
Dividend per share	3.45p	3.45p	3.45p	3.45p	3.25p

*The comparatives have been restated following the adoption of IFRS 11, see notes 1 and 16 for details.

¹Revenue and trading profit from continuing operations is stated before exceptional items and amortisation of acquisition intangibles.

ADDITIONAL INFORMATION

SHAREHOLDER INFORMATION

Analysis of shareholders as at 31 March 2015

		%		%
Private shareholders	2,081	69.2	9,989,993	2.5
Corporate shareholders	926	30.8	387,860,424	97.5
Total	3,007	100.0	397,850,417	100.0

		%		%
1 – 5,000	2,078	69.1	4,006,065	1.0
5,001 – 25,000	596	19.8	6,539,240	1.6
25,001 – 50,000	87	2.9	3,106,660	0.8
50,001 – 100,000	68	2.3	5,147,172	1.3
100,001 – 250,000	58	1.9	10,185,731	2.6
250,001 – 500,000	29	1.0	10,127,707	2.5
over 500,000	91	3.0	358,737,842	90.2
Total	3,007	100.0	397,850,417	100.0

Registrar services

Administrative enquiries concerning shareholdings in the Company should be made to the Registrar, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZZ. Computershare can also be contacted by telephone on 0870 707 1290. Shareholders can also manage their holding online by registering at www.investorcentre.co.uk.

Dividends

Shareholders are strongly encouraged to receive their cash dividends by direct transfer as this ensures dividends are credited promptly and efficiently. Shareholders who do not currently have their dividends paid directly to a bank or building society account, and who wish to do so, should complete a mandate form obtainable from Computershare. Overseas shareholders wishing to receive their dividend payment in local currency can now do so using Computershare's Global Payments Service.

ShareGift

If shareholders have only a small number of shares the value of which makes it uneconomic to sell, they may wish to consider donating them to the charity ShareGift (registered charity no. 1052686). Further information may be obtained from their website at www.sharegift.org or by calling 020 7930 3737.

Electronic shareholder communication

Shareholders may elect to receive future shareholder documents and information by email or via the Company's website. This is intended to help the environment by reducing paper and transport as well as enabling the Company to save on administration, printing and postage costs. Please contact the Company Registrar for details.

Share fraud warning

Fraudsters use persuasive and high-pressure tactics to lure investors into scams. They may offer to sell shares that turn out to be worthless or non-existent, or to buy shares at an inflated price in return for an upfront payment. Whilst high profits are promised, if you buy or sell shares in this way you will probably lose your money.

How to avoid fraud

- Keep in mind that firms authorised by the Financial Conduct Authority (FCA) are unlikely to contact you out of the blue with an offer to buy or sell shares.
- Do not get into a conversation, note the name of the person and firm contacting you and then end the call.
- Check the Financial Services Register from www.fca.org.uk to see if the person and firm contacting you is authorised by the FCA.

Financial calendar

2 July 2015	Ex-dividend date for final 2015 dividend
3 July 2015	Record date for final 2015 dividend
23 July 2015	Annual General Meeting
31 July 2015	Payment of final 2015 dividend
November 2015	Announcement of interim results and dividend
31 March 2016	2016 financial year end
May 2016	Announcement of 2016 results and dividend recommendation

For updates to the calendar during the year, please visit the Shanks Group website: www.shankspc.com

- Beware of fraudsters claiming to be from an authorised firm, copying its website or giving you false contact details.
- Use the firm's contact details listed on the Register if you want to call it back.
- Call the FCA on 0800 111 6768 if the firm does not have contact details on the Register or you are told they are out of date.
- Search the list of unauthorised firms to avoid at www.fca.org.uk/scams.
- Consider that if you buy or sell shares from an unauthorised firm you will not have access to the Financial Ombudsman Service or Financial Services Compensation Scheme.
- Think about getting independent financial and professional advice before you hand over any money.

Remember: if it sounds too good to be true, it probably is!

Report a scam

If you are approached by a fraudster please tell the FCA using the share fraud reporting form at www.fca.org.uk/scams, where you can find out more about investment scams, or call the FCA Consumer Helpline on 0800 111 6768. If you have already paid money to share fraudsters you should contact Action Fraud on 0300 123 2040.

COMPANY INFORMATION

Principal Offices

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No. SC077438

Group Company Secretary

Philip Griffin-Smith, FCIS

Corporate Advisers

Independent Auditors

PricewaterhouseCoopers LLP

Principal Bankers

Barclays Bank plc
BNP Paribas Fortis Bank s.a./ n.v.
HSBC Bank plc
ING Bank n.v.
KBC Bank n.v.
Rabobank International
The Royal Bank of Scotland plc

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Solicitors

Ashurst LLP
Dickson Minto W.S.

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website: www.shanksmunicipal.co.uk
e-mail: info@shanks.co.uk

PR Advisers

Brunswick

Corporate Brokers

Investec

GLOSSARY

A&B	Argyll & Bute
AD	Anaerobic Digestion
AGM	Annual General Meeting
BDR	Barnsley, Doncaster and Rotherham
BENELUX	The economic union of Belgium, The Netherlands and Luxembourg
C&D	Construction and Demolition
CAGR	Compound Annual Growth Rate
CGU	Cash Generating Unit
CHP	Combined Heat and Power
CONNECTUS	Group-wide collaboration tool
CORE NET DEBT	Borrowings less cash from core facilities excluding PFI/PPP non-recourse debt
CR	Corporate Responsibility
D&G	Dumfries and Galloway
DAB	Deferred Annual Bonus
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
ELWA	East London Waste Authority
EPS	Earnings Per Share
ESP	Electrostatic Precipitator
EU	European Union
GDP	Gross Domestic Product
GHG	Greenhouse Gas
FCA	Financial Conduct Authority
FRC	Financial Reporting Council
HWRC	Household Waste Recycling Centre
I&C	Industrial and Commercial
ICT	Information and Communications Technology
IFRS	International Financial Reporting Standards
IVC	In-Vessel Composting
JV	Joint Venture

KPI	Key Performance Indicator
LTIP	Long-term Incentive Plan
M&A	Mergers and Acquisitions
MBT	Mechanical Biological Treatment
MDF	Medium Density Fibreboard
MRF	Material Recycling Facility
MWH	Megawatt Hours of energy generated
PBT	Profit Before Tax
PDR	Performance Development Review
PFI	Private Finance Initiative
PPP	Public Private Partnership
P&L	Profit and Loss
RDF	Refuse Derived Fuel
ROC	Renewable Obligations Certificate
ROCE	Return on Capital Employed
SPV	Special Purpose Vehicle
SRF	Solid Recovered Fuel
SRSOS	Savings Related Share Option Scheme
SSC	Shared Service Centre
SSO	Source Segregated Organics
TAG	Tar and Asphalt Granulate
TRADING PROFIT	Operating profit before the amortisation of acquisition intangibles, exceptional items and discontinued operations
TSR	Total Shareholder Return
UK GAAP	UK Generally Accepted Accounting Practice
UFCF (UNDERLYING FREE CASH FLOW)	Cash flow before dividends, growth capex, PFI funding, acquisitions, disposals and exceptional items
UNDERLYING FREE CASH FLOW CONVERSION	Underlying free cash flow divided by trading profit
WACC	Weighted Average Cost of Capital

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