This announcement contains inside information.

25 May 2017

Renewi plc

Renewi plc (LSE: RWI), the leading international waste-to-product business, today announces its results for the year ended 31 March 2017.

Commenting on the results, Peter Dilnot, Chief Executive Officer, said:

"This has been a transformational year with the successful completion of the merger with Van Gansewinkel Groep (VGG) and the rebranding of the new combined group as Renewi. In the legacy Shanks business we delivered a good performance for the year overall, with revenue and underlying profit in line with the Board's expectations. VGG has also performed strongly.

Our priorities for the year ahead are to integrate our legacy businesses and to generate growth from strong underlying trading and successful synergy delivery. We have already built up positive momentum as Renewi and are on track with the execution of our merger plans. Looking forward, our position in the emerging circular economy, coupled with the benefits of the merger, will deliver sustainable growth, margin expansion and attractive returns."

Transformational Merger

- Merger of Shanks and Van Gansewinkel Groep (VGG) to create Renewi plc completed on 28 February 2017
- Compelling strategic and commercial rationale based upon complementary technologies, services and geographies
- Target annualised €40m cost synergies to be delivered in financial year 2019/20, initial €12m to be delivered in 2017/18
- Integration process well underway and on track, led by new combined management team
- Renewi well positioned as a leading waste-to-product business centred in the Benelux with an unrivalled breadth of products, local service and international expertise

Business Performance

- Robust trading performance, with revenue and underlying profit before tax at constant currency in line with the Board's expectations
- Commercial Division in legacy Shanks business performed well, delivering trading profit growth of 27% at constant currency and improvement in return on operating assets of 320bps.
- Hazardous Waste Division in legacy Shanks business performed well, delivering trading profit growth of 9% at constant currency and improvement in return on operating assets of 360bps.
- Municipal Division in the UK and Canada generated a trading loss impacted by very difficult market conditions and operational challenges as previously reported: recovery plan being executed by new divisional management
- VGG businesses delivered strongly improved performance in calendar year 2016 with 23% increase in EBITDA, prior to merger completion, driven by top-line revitalisation and cost reduction initiatives

Financial Summary

- Overall performance in line with the Board's expectations
- Revenue up by 27% (15% like-for-like*, 14% at constant currency)
- Trading profit up by 9% to £36.5m (down by 2% like-for-like*, down 9% at constant currency)
- Underlying profit before tax up by 22% to £25.7m (up by 7% like-for-like*, flat at constant currency)
- Underlying EPS down 12% to 3.7p (adjusted for the rights issue)
- As previously advised, total Group exceptional and non-trading charges of £87.1m, principally reflecting merger costs and UK Municipal business (2016: £23.5m), resulting in a statutory loss before tax of £61.4m.
- Year end core net debt slightly better than expected at £424m, resulting in a net debt to pro forma EBITDA ratio of 2.8x.
- Final dividend maintained at 2.1p per share (adjusted for the rights issue)

	2017	2016	Change % reported	Change % Like-for-Like*	Change % Constant Currency
Revenue#	**£779.2m**	**£614.8m**	**27%**	**15%**	**14%**
EBITDA	**£80.4m**	**£68.5m**	**17%**	**6%**	**1%**
Trading profit+	**£36.5m**	**£33.4m**	**9%**	**-2%**	**-9%**
Operating (loss)profit	**£(39.0)m**	**£9.8m**			
Underlying+ free cash flow	**£23.1m**	**£56.8m**			
Underlying+ profit before tax	**£25.7m**	**£21.0m**	**22%**	**7%**	**0%**
Exceptional and non-trading items	**£(87.1)m**	**£(23.5)m**			
Loss after tax from continuing operations	**£(60.9)m**	**£(4.0)m**			
Underlying EPS[1]	**3.7p**	**4.2p**	**-12%**	**-22%**	**-27%**
Basic loss per share (statutory basis)	**(11.3)p**	**(0.9)p**			
Total dividend per share	**3.05p**	**3.45p**			

**Like-for-like excludes the impact of VGG's one month of trading for March 2017.*
#Revenue excludes the impact of non-trading and exceptional items of £nil (2016: £1.0m).
+The definition and rationale for the use of non-IFRS measures are included before the consolidated Income Statement.
[1]As required by International Accounting Standard 33 – Earnings per Share, the prior year earnings per share values have been adjusted for the bonus element included within the placing and rights issue. The bonus adjustment factor was 1.129.

The constant currency change metric includes an adverse impact from transactional FX of c£1m which is more than offset by the impact of foreign currency translation.

Outlook

Having successfully completed the merger with VGG, our key priorities for the year ahead are to integrate our legacy businesses and to generate growth from strong underlying trading and successful synergy delivery. In parallel, we will fix the Municipal Division and build up momentum for sustained growth and earnings accretion in 2018/19. Whilst alert to macroeconomic developments, the Board remains confident that 2017/18 will be a year of good progress, in line with its expectations. Current trading for the year to date and the initial stages of the integration process support this view.

Looking forward, our growth drivers remain strong. Renewi plays an important role in the emerging circular economy, a market that is expected to grow rapidly in the coming years with the support of European Union and government legislation. Moreover, the fully integrated Renewi has a compelling offering for customers, combining local service, international expertise and an unrivalled breadth of products. This strong positioning, coupled with synergy delivery and the roll-out of our proven margin expansion initiatives across Renewi, will deliver sustainable growth, enhanced margins and attractive returns.

Notes:

1. The final dividend of 2.1 pence per share will be paid on 28 July 2017 to shareholders on the register at close of business on 30 June 2017.
2. Management will be holding an analyst presentation at 10.45 a.m. today, 25 May in the Entrust Room at etc Venues, Bishopsgate Court, 4-12 Norton Folgate, London E1 6DQ.
3. Webcast details for the presentation at 10.45 a.m.
   – Webcast: www.renewi.com
   – Telephone conference:

United Kingdom	0800 368 0649
Belgium	0289 48067
Netherlands	020 7946 721
All other locations	+44 2030 5981 25

   – Confirmation password: **Renewi**

4. A copy of this announcement is available on the Company's website, (www.renewi.com). A copy of the presentation being made today to financial institutions will also be available.

For further information contact:

Renewi plc

Peter Dilnot – Chief Executive Officer +44 (0)1908 650580
Toby Woolrych – Chief Financial Officer

Brunswick Group

Carole Cable +44 (0)20 7404 5959
Fiona Micallef-Eynaud

FORWARD-LOOKING STATEMENTS

Certain statements in this announcement 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 Renewi 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 announcement and, except to the extent legally required, Renewi plc undertakes no obligation to revise or update such forward-looking statements.

CEO Statement

Introduction

It is with great pleasure that we are reporting on the first set of financial results for Renewi plc (the "Company" or the "Group"). The creation of Renewi has brought together two of Europe's leading recycling companies, Shanks and Van Gansewinkel ("VGG"), resulting in a waste-to-product business with an unrivalled range of recycling capabilities for commercial and municipal customers in its core Benelux markets and with further operations in Europe and North America.

The merger of Shanks and VGG has taken place against a backdrop of modestly improving markets in the Benelux, representing over 80% of pro forma Group revenue, and a strong underlying performance from the Benelux businesses of both companies. This underlying progress in the year ended 31 March 2017 has been offset by very challenging market conditions and operational challenges in our Municipal Division, particularly in the UK. A recovery plan for this business is being implemented and key actions are already beginning to deliver improvements.

Overall, Renewi is well positioned to deliver sustained growth and attractive returns going forward.

A transformational merger

Compelling strategic and commercial rationale

The strategic and commercial rationale for the merger of Shanks and VGG is compelling. It brings together two similar businesses with complementary visions, organisations, product portfolios and geographic footprints. The merger will deliver significant synergies, yet is about more than just cost reduction: the new Group plays an important role in the growing circular economy to meet the increasing needs of its customers, regulators and society.

Rebranding as Renewi

The rebranding of Shanks and VGG to Renewi indicates to our stakeholders that we have completed a merger of equals and that we intend to create something new and better, drawing on the heritage and the strengths of both legacy organisations. The Renewi brand itself reflects our waste-to-product business model and our role at the centre of the circular economy. We have been encouraged by initial reactions to our new brand from both the market and from our people.

Our vision and strategy

Our vision is to be the leading waste-to-product company, a vision that has been retained from the former Shanks business. This differentiates Renewi as a company that does more than act as a collection service for waste generators and one that focuses on extracting value from waste, rather than on its disposal through mass burn incineration or landfill. Our vision positions us higher on the waste hierarchy in an area that is being driven by increasing environmental legislation, particularly in the European Union where we have the majority of our activities. We believe that our unique focus both addresses social and regulatory trends and offers the most capital-efficient solution to waste management.

Our strategy has remained consistent, with the addition of one new division - Monostreams and one new overarching strategic initiative - to deliver the merger benefits. Each of our four core divisions have strategies to address opportunities in the specific markets that they serve. These divisional strategies are reinforced by four overarching strategies that apply across the Group.

These are to:

- Drive margin expansion across the Group through self-help initiatives such as commercial effectiveness, continuous improvement and off-take management;
- Invest in infrastructure through the cycle in areas where we are structurally advantaged and can deliver superior returns;
- Manage our portfolio of assets and businesses, exiting those that are non-core or under-performing and redeploying capital into segments where we can deliver increased returns and growth; and
- Deliver merger benefits which include €40m of annual cost synergies in 2019/20.

Our compelling offering to the market

The creation of Renewi will improve the range of products and services we can offer to our combined customer base. As a result of the merger we also have an expanded geographical footprint across the whole of the Benelux and into new European countries.

To ensure we retain customer intimacy while simultaneously gaining the benefits of our increased scale, we have carefully designed a target operating model that has local accountability coupled with strong divisional capabilities. This divisional operating model is further reinforced by Renewi's broader international expertise, coordinated Group-wide margin expansion initiatives, and lean and effective central support functions.

A new divisional structure

As previously announced, we have created a new divisional structure that is both market facing and customer-focused and which will allow best access to available synergies and growth opportunities.

The Commercial Waste Division, representing around 63% of Renewi's pro forma revenues and operating in the Benelux, addresses the high volume waste segments of industrial & commercial, construction & demolition and municipal collection. The Division broadly comprises the former Shanks Commercial Division along with the former VGG Collection Division. This Division operates in markets that are showing signs of recovery and our focus is on margin expansion and on delivering the significant cost synergies. For operational reasons, the Belgian and Dutch Commercial operations are run separately, with certain common overheads, and we shall report on the progress of each country within the Commercial Waste Division going forwards.

The Hazardous Waste Division, representing around 12% of Renewi's pro forma revenues and operating in the Netherlands and Germany, is broadly the former Shanks Hazardous Waste Division with the addition of Van Gansewinkel Industrial Services (VGIS). The VGIS industrial cleaning business is approximately one quarter of the size of Shanks' Reym industrial cleaning business and the resulting integration is already well underway.

The Municipal Division, representing around 14% of Renewi's pro forma revenues, is unchanged from the Shanks Municipal Division and focuses on long-term contracts providing waste treatment solutions for local authority customers in the UK and Canada.

Finally, the new Monostreams Division, which operates in the Benelux, France, Germany, Hungary and Portugal, includes the three former businesses of the Recycling Division of VGG (Coolrec, Maltha and Minerals) together with the Dutch Orgaworld business from Shanks. The new division represents around 11% of Renewi's pro forma revenues and focuses on specialist markets which produce valuable products for the emerging circular economy such as glass cullet, plastic chips/granulates and fertilisers.

Actively managing through market uncertainties

Market and macroeconomic background

The Brexit vote and significant weakening of Sterling during the year resulted in a material positive translation of our Euro-denominated earnings, slightly offset by a negative profit impact on the Municipal Division.

More generally, Renewi experienced stable or modestly improving market volumes, pricing and recyclate income across its Benelux businesses during 2016/17. However, some of these positive trends for our Commercial Division had a negative impact on our Municipal Division.

The Belgian and Dutch economies both grew modestly during the year, with small increases in waste volumes. There was stronger growth in our key Dutch construction market, where mixed C&D waste volumes increased 11.3% in a second consecutive year of growth, again driven primarily by a recovery in the challenged residential sector.

Dutch and neighbouring German incinerators continued to be largely full in 2016/17, with limited spot capacity available and generally higher prices for contract renewals or extensions. This trend is expected to continue for the next two or three years, with waste flows from neighbouring European Union countries, as well as from the UK, making up shortfalls in the domestic supply of waste. The rising incinerator prices have underpinned improved inbound waste pricing for recyclers in the Dutch market, supporting modest price recovery in the Commercial Division. However, the same price increases, exacerbated by the weakening of Sterling, have had a material negative impact on the profitability of our smaller Municipal Division.

The global commodities markets also stabilised and showed some recovery after the sharp falls in the second half of 2015/16. Metal prices increased steadily in the second half of 2016/17 and paper prices were also particularly strong. In contrast, supply/demand imbalance in the wood market has caused the income received on sale of wood chips to fall sharply, even becoming a cost at times, with corresponding pressure on profits from this waste stream. Energy prices also showed some recovery with increased revenue for the Group from electricity derived from our bio-gas production plants.

As expected, the oil and gas market remained subdued through most of 2016/17. Demand for industrial cleaning services and the consequent supply of highly contaminated waters and sludges for treatment at our ATM facility remained at low levels.

The PFI sector in the UK has continued to face significant challenges for market participants. An increasing number of PFI contracts across the country have come under pressure as a result of austerity measures, poor performance or because the contracts are inappropriate in the current market environment. Within this unfavourable market background, our Municipal Division's portfolio of assets has been vulnerable contractually to the volatile recovered fuel markets, rising incinerator gate fees and the weakness of Sterling.

The unexpected outcome of the Brexit vote on 23 June 2016 has created some uncertainties in the waste market. The short-term impact has been limited to the flow through of a weakened Sterling on our results, both transactional and reported. Through the Brexit process, we expect the export of waste from the UK to continue for some time, as there is a strong economic incentive for both the Netherlands and the UK to do so. Longer term, we believe the impact on the Dutch market is likely to remain limited. This is because an ultimate reduction in UK imports was already expected due to the commissioning of incinerator capacity in the UK and also new waste imports into the Dutch incinerators are being identified to take up any vacated capacity. Providing that there is no significant degradation in Dutch incinerator utilisation and pricing, the impact of Brexit on our Benelux Divisions is therefore likely to be limited. We also believe that the UK Government will continue to drive environmental policies that will encourage recycling after the exit from the European Union. We further expect the impact on our Municipal Division to reduce progressively as we are de-risking the operating model by seeking to agree longer term contracts for the fuels that we produce.

<u>Trading in 2016/17: delivering our commitments</u>

Group performance

As previously announced, we have reported the combined business of VGG as one business unit for the purposes of the 2016/17 financial year, given that we owned the business for just one month. Going forward, Renewi will report in the new four division structure as set out above.

Total underlying revenues grew by 27% to £779m at reported currency or 14% at constant currency. On a like-for-like basis excluding VGG, revenue growth was 15% at reported currency. Trading profit at £36.5m was up by 9% on the prior year at reported currency or down 9% at constant currency. On a like-for-like basis excluding VGG, trading profit fell by 2% at reported currency. Underlying earnings per share fell by 12% to 3.7p (2016: 4.2p as adjusted for the bonus factor) as a result of a higher taxation rate as the prior year benefits do not repeat. Exceptional items totalled £87.1m (2016: £23.5m) as previously advised, reflecting the transaction and initial synergy delivery costs of the merger in addition to charges reflecting the market and operational challenges in Municipal.

Commercial Waste produced another strong performance in the year, growing trading profit by 27% at constant currency to €26.9m on revenues that grew by 2% to €414m. Margins increased by 130bps to 6.5%. The Netherlands increased trading profit strongly by 39% to €19.1m, while Belgium also grew profits for the first time in five years, increasing by 5% to €7.8m. Ongoing contributions from our successful self-help initiatives and portfolio management were reinforced by improving end markets.

Hazardous Waste also delivered a strong performance despite continuing subdued oil and gas markets. Revenues increased by 3% at constant currency to €191m and trading profit increased by 9% to €23.1m. Margins increased by 70bps to 12.1%. Waterside volumes from ships and strong throughput on the soil cleaning line offset ongoing weakness in higher priced contaminated water volumes and lower sludge intake.

As previously reported Municipal which operates in the UK and Canada, had a difficult year. Revenue grew by 8% at constant currency to £203m as a result of the full year effect of commissioning the Wakefield and Barnsley, Doncaster and Rotherham (BDR) facilities and construction activity in Surrey, Canada. However, the Division recorded a trading loss for the year of £2.7m at constant currency (2016: profit of £9.4m) primarily as a result of ongoing off-take cost pressures as outlined in the market section above. There were also operational challenges getting to full optimisation with the two new sites. The second half showed a deterioration on the first half, primarily as a result of recovered fuel pricing and mix and a number of exceptional charges have been recorded. New management are in place and making rapid progress in implementing the plan for recovery, with operational and commercial improvements already being secured.

During our one month of ownership in March 2017, VGG delivered revenues of €84m, up 16% on the prior year, and trading profit of €4.5m which was significantly up on the same period last year. As previously reported, VGG turned around its performance during 2016, delivering a strong improvement of 23% in EBITDA to €91m for the 12 months to December 2016 on the back of commercial effectiveness and cost reduction activities.

Strong cash management has continued through the year. We delivered an underlying free cash flow of £23.1m (2016: £56.8m) which was down on the prior year due to increased spend on replacement capital and the non-repeat of favourable inflows from the sale of receivables in Netherlands and Belgium last year. Our core net debt at 31 March 2017 was better than expected at £424m, representing a multiple of 2.8 times pro forma EBITDA, comfortably within our covenant level of 3.5x.

Implementing our strategy

We have three overarching strategic self-help initiatives, the success of which has been an important part of the strong performance in our Commercial and Hazardous Waste divisions.

These three initiatives drive margin expansion by addressing the key areas of our business model: intake, processing and disposal. Our progress offsets inflationary cost pressures and other headwinds and allows us to maximise opportunities to increase margins where possible.

Our commercial effectiveness initiative is focused on managing intake margin at the front end of the business, particularly in our Commercial Division. Our sales force has shifted its emphasis towards margin from volume, focusing on profitable segments and exiting from loss-making contracts. New tools for managing both pricing and sales force activity have allowed us to more effectively manage market changes, such as new taxes or movements in recyclate prices.

Our continuous improvement (CI) programme made good progress in 2016/17, despite some inevitable merger related activities. The roll-out of 'lean conversion' has continued to include Icova, Van Vliet Contrans, Mont St Guibert and Seraing (Liege) with potential annualised savings of around €3m being identified. The introduction of CI at our ATM facility is planned for 2017/18, and, in advance of that, targeted progress was made with underlying operational improvement programmes, such as the reduction of chemical usage during treatment. The ATM facility has also secured the highest level BRZO environmental qualification to ensure operations meet stringent quality and safety standards.

Our off-take initiative has continued to ensure that we optimise the flows and the revenues arising from our recyclates, recovered fuels and other products across the Group. Successes have included co-ordinated management of a volatile market for waste wood to minimise negative impacts on the Group and the opening up of Belgian solid recovered fuel (SRF) opportunities for our Municipal Division. Looking forward, Renewi will build on the strong capabilities from Van Gansewinkel in this area and will have a Product Sales department with leadership reporting into the Chief Executive as a member of the Executive Committee.

Focus on commissioning new assets

As reported last year, our focus for the deployment of capital into infrastructure has been shifting from the construction of large new sites to the commissioning of the sites already underway. The focus for future investment is also primarily in new or improved production capabilities in existing facilities (to increase capacity or quality and to reduce cost) rather than building new sites.

The new Vliko facility for Commercial Waste Netherlands was commissioned on time and on budget in October 2016 and is performing well. In the Hazardous Waste Division we are expanding our storage capacity for packed chemical waste, a project that is on track for completion in quarter two of 2018. The Theemsweg facility in Hazardous Waste also performed strongly in its first year, exceeding our expectations. In contrast, and as previously reported, the first full year in production of our Wakefield and BDR facilities in the UK was challenging from an operational perspective and the related recovery plan is detailed below.

We have two remaining greenfield sites under construction. Construction of our new bio-gas facility in Surrey, Canada is largely complete, we have started commissioning and we are working through completion matters with the constructors with a view to receiving first waste later this year, slightly behind schedule. This is a flagship project for the City of Surrey under which bio-gas extracted from the city's organic waste will be used to operate the city's waste collection fleet in a closed loop. The Derby PPP facility has experienced major challenges, as previously reported, as a result of the insolvency during 2016 of a core technology supplier to the EPC contractor Interserve plc. Interserve is working hard to implement a recovery plan but there has been an unavoidable consequent delay to the project and the facility is not expected to be fully operational until late in 2017/18. As the operator, rather than the constructor, the financial consequences for Renewi are limited and appropriate provisions for incremental costs have been taken as an exceptional item this year.

Portfolio management for improved returns

In addition to the merger with VGG, we have continued to invest in growth opportunities and to exit those activities which are non-core or where we are unable to generate acceptable returns. During 2016/17, we sold our low margin Smink Groundworks business to a local operator, while we acquired and integrated the commercial waste activities of the City of Leiden into our Vliko facility.

Delivering responsibly

Sustainability and corporate social responsibility (CSR) are at the heart of our vision to be a leading waste-to-product company. In 2015 Shanks laid out a five year programme for CSR with a broad range of targets. Van Gansewinkel had also set itself stretching CSR targets. In many areas these targets are compatible, and where possible we have already set ourselves merged objectives to 2020. As our performance shows we are making progress. Our lost time accident frequency has improved by more than 5% over the year, our green electricity production is up by more than 25% and our total carbon avoidance exceeds 3 million tonnes. This is only the beginning and Renewi will launch a full set of CSR targets during 2017 to reflect the ambitions and capabilities of the combined Group.

Generating value in the year ahead

Ensuring focus continues on delivering performance in a period of integration

Throughout the integration process we are maintaining a consistent focus: keeping our people safe, serving our customers well and delivering our commitments. We have moved swiftly to ensure that the new organisation is well positioned to meet its plans for underlying growth.

Executing our planned integration

We are executing our carefully prepared integration plans at pace. The positive energy across the combined business has remained after the successful launch of the Renewi brand. We have created a new Executive Committee, combining talent and leadership from Shanks and VGG, reinforced by high quality new leaders from outside the business. The first phase of reorganisation has proceeded smoothly, with the creation of the Monostreams Division and the transfer of VGG Industrial Services to Hazardous Waste. We have also brought the Netherlands and Belgium Commercial legacy businesses together under unified Renewi leadership. Our organisation design based on the new 'Target Operating Model' is well underway and, subject to Works Council advice, we expect to put in place the next two layers of organisation beneath the Executive Committee before the summer. Other programmes to harmonise our finance and IT systems are also being developed.

Delivering our synergy commitments

While the strategic rationale for the merger is both broader and longer term than simply cost synergies, the delivery of the committed €40m of synergies underpins the expected value creation of the merger and will create a stronger and more cash generative enlarged business. We have detailed synergy delivery plans and are committed to delivering €12m of cost synergies in 2017/18, increasing to €30m in 2018/19 and €40m in 2019/20. Over €4m has been secured already and we are confident that we will meet our commitments.

During this early period of integration we have been working on benefitting from the merger in the form of "quick wins". We have made a number of these right across Renewi and some examples are listed below:

- In the Netherlands Commercial Division we have combined our expertise with large tenders and we are exchanging containers on routes to improve our offering;
- In the Belgium Commercial Division we have swapped outlets for combustible waste to benefit from lower transport costs and taxes;
- In Hazardous Waste we are benefitting from the integration of Van Gansewinkel Industrial Services (VGIS) through greater productivity and less outsourcing;
- In Municipal we are using our broader scale to negotiate better off-take terms; and
- In our Monostreams Division we have identified potential benefits for commercial contracts.

Addressing the issues in Municipal Division

The market conditions and operational challenges facing the Municipal Division have had a material impact on the profitability of the business and the future profit trajectory of these assets. We have responded decisively to these challenges with a recovery programme that will drive operational performance and increase the capability of the Division to improve its fuel off-take costs over time. We have also appointed experienced and high-calibre new management with the right skills and determination to drive the recovery programme.

The key recovery initiatives are to:

- Implement urgent plans to bring existing facilities up to full capacity and to maximise power generation. This will particularly focus on generating gas at Wakefield and Westcott Park and increasing throughput at BDR;
- Adjust our operations to create higher quality fuels, focusing on Cumbria and East London (ELWA) where upgrades to fuel quality can increase access to the better-priced SRF market;
- Negotiate off-take terms and secure better priced outlets across all our facilities for both refuse derived fuel (RDF), SRF and certain recyclates where appropriate;
- Improve productivity and plant up-time by optimising maintenance and equipment reliability to reduce unplanned stoppages;
- Negotiate improvements to local municipal contracts where possible; and
- Bring the Surrey and Derby facilities into full operation.

These initiatives are expected to improve underlying performance, although this will be offset, *inter alia*, by a reduced contribution from the Derby contract. Overall, the Division is expected to show a modest net improvement during this financial year and for this to continue steadily thereafter.

<u>Positive future outlook</u>

Divisional prospects

The Commercial Division is expected to make underlying commercial progress next year, albeit offset by some integration-related disruption which will slow the delivery of projects as the two business models are merged. We expect these factors to balance out and the delivery of the expected initial cost synergies in 2017/18 to drive overall progress in the year, with further progress in the following years as the full synergies are realised.

The Hazardous Waste Division is also expecting to make progress during 2017/18, supported by an encouraging pipeline of soil and water intake. No material recovery is expected in the oil and gas markets and we remain cautious on industrial cleaning activity levels.

As outlined above, the Municipal Division is expected to deliver a modest improvement during 2017/18, reflecting some significant operational performance uplift from the recovery plan, offset by the end of the Derby interim services contract and the non-recurrence of certain central cost savings.

The Monostreams Division is expected to make progress during 2017/18, with growth and operational improvement opportunities in all four of its operating businesses.

Overall

Having successfully completed the merger with VGG, our key priorities for the year ahead are to integrate our legacy businesses and to generate growth from strong underlying trading and successful synergy delivery. In parallel, we will fix the Municipal Division and build up momentum for sustained growth and earnings accretion in 2018/19. Whilst alert to macroeconomic developments, the Board remains confident that 2017/18 will be a year of good progress, in line with its expectations. Current trading for the year to date and the initial stages of the integration process support this view.

Looking forward, our growth drivers remain strong. Renewi plays an important role in the emerging circular economy, a market that is expected to grow rapidly in the coming years with the support of European Union and government legislation. Moreover, the fully integrated Renewi has a compelling offering for customers, combining local service, international expertise and an unrivalled breadth of products. This strong positioning, coupled with synergy delivery and the roll-out of our proven margin expansion initiatives across Renewi, will deliver sustainable growth, enhanced margins and attractive returns.

Peter Dilnot
Chief Executive Officer

Chief Financial Officer's Review

Financial Review

Overall Group underlying revenue increased by 27% in 2016/17 to £779.2m. Excluding the one month of trading from Van Gansewinkel Groep (VGG), revenue increased by 4% at constant currency to £715.4m. Trading profit on continuing businesses, before non-trading and exceptional items, increased by 9% to £36.5m at reported rates (9% decrease at constant currency). For the post-merger period of March 2017, VGG generated a trading profit of £3.9m on revenue of £71.5m.

Continuing Operations	Revenue				Trading Profit			
	Year ended				Year ended			
	Mar 17	Mar 16	Variance %		Mar 17	Mar 16	Variance %	
	£m	£m	Reported	CER	£m	£m	Reported	CER
Commercial Waste	347.6	297.3	17%	2%	22.6	15.4	47%	27%
Hazardous Waste	160.2	136.2	18%	3%	19.3	15.6	24%	9%
Municipal	207.6	187.7	11%	8%	(2.6)	9.4	N/A	N/A
Group central services	-	-			(6.7)	(7.0)	4%	4%
	715.4	621.2	15%	4%	32.6	33.4	-2%	-19%
VGG	71.5	-			3.9	-		
Inter-segment revenue	(7.7)	(6.4)			-	-		
Total	**779.2**	**614.8**	**27%**	**14%**	**36.5**	**33.4**	**9%**	**-9%**

CER=at constant exchange rate.
Revenue in 2016 excludes the impact of the non-trading item of £1.0m.

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.

Total non-trading and exceptional items from continuing operations amounted to £87.1m (2016: £23.5m). These items are explained further in note 3 to the financial statements and include:

Deal-related

- Merger related transaction and integration costs of £38.2m (2016: £0.8m) which include all deal related fees and the costs of the arrangement of the new financing facility
- Amortisation of intangible assets acquired in business combinations of £2.1m which has increased due to the VGG merger and the identification of intangibles as part of the fair value exercise (2016: £1.8m)

Municipal–related

- As previously advised, Municipal UK onerous contract provisions of £28.2m (2016: £5.0m) include increases relating to Cumbria and D&G contracts given market changes in the year and new provisions against Barnsley, Doncaster and Rotherham (BDR), Wakefield and Derby commissioning
- Impairment of assets of £9.2m (2016: £nil), principally plant and equipment at the Westcott Park anaerobic digestion facility and other UK Municipal intangible assets
- Other items of £6.9m (2016: £4.9m) including contractual issues in Municipal UK caused by delays at the Derby contract due to the insolvency of a major contractor, incremental third party and waste disposal costs at Wakefield following on from the subcontractor insolvency in the prior year and incremental costs relating to the East London fire in 2014 that could not be claimed from the insurers

Other

- Restructuring charges and associated costs of £2.4m (2016: £2.4m) relating to the previously announced close out of structural cost reduction programmes started in the prior year;
- Portfolio management activity net loss of £0.1m (2016: £8.7m) following the sale of the groundworks business in Netherlands and the Industrial Cleaning business in Wallonia along with disposals of surplus land and other assets; and
- Financing fair value measurements of £nil (2016: credit of £0.1m).

The operating loss on a statutory basis, after taking account of all non-trading and exceptional items, was £39.0m (2016: profit of £9.8m).

Net finance costs

Net finance costs, excluding the change in the fair value of derivatives and exceptional deal related finance charges, were £0.6m lower year on year at £12.8m. Given the equity fundraising early in the second half of the year and the delayed completion of the merger, lower borrowing levels have resulted in reduced interest charges. The decline in finance income is driven by the disposal of 49.99% of the equity in the Wakefield SPV in March 2016 which has resulted in equity accounting for our remaining interest as a joint venture. There is a corresponding reduction in the level of interest charge for PFI/PPP non-recourse net debt.

Share of results from associates and joint ventures

The significant increase year on year is attributable to the strong performance from our joint venture in the anaerobic digestion facility in Scotland following recent investments and positive operational performance.

Loss before tax

Loss before tax from continuing operations on a statutory basis, including the impact of non-trading and exceptional items, was £61.4m (2016: £2.5m).

Taxation

Taxation for the year on continuing operations was a credit of £0.5m (2016: charge of £1.5m). The effective tax rate on underlying profits has increased to 23.0% as a result of the change in mix of profits with higher profits in the Netherlands and Belgium. It should be noted that the underlying tax charge in the prior year included a £2.2m credit from the recognition of tax losses in Belgium as a result of greater certainty of utilisation following the restructuring completed as part of the sale of the Industrial Cleaning business. Excluding this credit the effective tax rate on underlying profits was 21.4% in the prior year. There is a tax credit of £6.4m arising on the non-trading and exceptional items of £87.1m as a significant proportion of these are non-taxable.

Looking forward, we anticipate an underlying tax rate of around 25%, reflecting increasing profits in regions with relatively higher tax rates.

The Group statutory loss after tax and including all discontinued and exceptional items was £61.4m (2016: £3.9m).

Earnings per share (EPS)

Underlying EPS from continuing operations, which excludes the effect of non-trading and exceptional items, decreased by 12% to 3.7p per share (2016: 4.2p as adjusted for the equity raise). As noted above, the tax charge in the prior year benefited from increased deferred tax recognition in Belgium which has not been repeated this year. Basic EPS from continuing operations was a loss of 11.3p per share compared to a loss of 0.9p per share (as adjusted) in the prior year.

Dividend
The Board is recommending a final dividend per share of 2.1p. This final dividend and the total dividend for the year of 3.05p represent an unchanged dividend after adjusting for the bonus factor of the rights issue. Subject to shareholder approval, the final dividend will be paid on 28 July 2017 to shareholders on the register on 30 June 2017. Total dividend cover, based on earnings before non-trading and exceptional items from continuing operations, is 1.2 times (2016: 1.3 times).

Discontinued operations
The loss from discontinued operations of £0.5m (2016: profit of £0.1m) relates to the UK solid waste activities.

Cash flow performance

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

	Mar 17 £m	Mar 16 £m
EBITDA	80.4	68.2
Working capital movement and other	(4.3)	24.8
Net replacement capital expenditure	(38.2)	(18.6)
Interest and tax	(14.8)	(17.6)
Underlying free cash flow	**23.1**	**56.8**
Growth capital expenditure	(4.2)	(9.9)
UK PFI funding	(20.1)	(53.9)
Canada Municipal funding	(19.6)	(10.3)
VGG acquisition:		
Net cash out	(277.9)	-
Deal related fees	(19.2)	-
Other acquisitions and disposals	3.3	27.8
Equity raise (net of costs)	136.4	-
Dividends paid	(15.1)	(13.7)
Restructuring spend	(1.9)	(2.6)
Other	(17.8)	(15.2)
Net core cash flow	**(213.0)**	**(21.0)**
Free cash flow conversion	**63%**	**172%**

All numbers above include both continuing and discontinued operations.
Free cash flow conversion is underlying free cash flow as a percentage of trading profit.
Net core cash flow reconciles to the movement in net debt of £227.3m in note 13 after taking into account movements in PFI/PPP non-recourse net debt, amortisation of loan fees and foreign exchange.

Free cash flow conversion decreased year on year as a result of the higher level of replacement capital spend and the non-repeat of the working capital benefit from the sale of certain trade receivables in Belgium and Hazardous Waste in the prior year. Replacement capital spend included the final build out of the Vliko relocation project and a number of compliance and catch up projects across all Divisions. The ratio of replacement capital spend to depreciation increased from 52% last year to 85% this year, as the prior year was favourably impacted by the receipt of proceeds from the sale of the old Vliko site with the cash being spent in this financial year.

The growth capital expenditure of £4.2m related to spend on operator enhancements for Municipal contracts and which is classified as an intangible asset. This included investment in balers to enable the business to access broader recovered fuel markets. The scheduled £17.5m subordinated debt funding into the Derby project was made on 31 March 2017. The Canada Municipal funding reflects the construction spend on the Surrey facility.

The VGG acquisition net outflow includes the total monies paid to the vendors including the settlement of vendor funding together with the finance leases and cash acquired. The other acquisition and disposal spend includes the deferred consideration from the March 2016 sale of 49.99% of the equity in the Wakefield SPV completed in August and other disposals net of the acquisition in August of the commercial waste activities of the City of Leiden. The prior year inflow reflected the Wakefield PFI sub-debt divestment.

The “Other” category includes the funding for the closed UK defined benefit pension scheme, the onerous contract provision spend in UK Municipal and other non-trading cash flows.

The VGG Merger

Sources and uses of funds
The transaction was valued at €440m on a cash-free debt-free basis when the deal was agreed in principle in May 2016, although this increased with our share price to €488m at close on 28 February 2017. Inclusive of the cash acquired in VGG the total transaction cost was €580m.

Sources and uses of funds were as follows:

	€m
Sources	
Net rights issue and placing funds	156
Equity issued to vendors	212
Increase in debt financing	212
	580
Uses	
Equity issued to vendors	212
Consideration paid to vendors	29
Repayment of VGG Syndicated loan	339
	580

Future reporting units
As noted in the CEO Statement, we will report from 1 April 2017 on four trading divisions: Commercial Waste (disclosing Belgium and Netherlands operations separately), Hazardous Waste, Municipal (disclosing UK and Canada operations separately) and Monostreams (disclosing the four main business units separately).

Value capture targets
Value capture includes cost, revenue and cash synergies of which we have only quantified cost as it is separable and reportable.

We remain confident we can deliver €40m of ongoing cost synergies over the first three full years of ownership. We expect to deliver €12m in 2017/18 increasing to €30m in 2018/19 and €40m in 2019/20. Cash costs to achieve the €40m synergies are expected to be approximately €50m. Non-cash costs arising from site closures, for example, have not yet been calculated.

The cost synergies are expected to arise from three main areas:

- €12m from direct savings such as site closures and route optimisation;
- €8m from scale savings such as improved procurement costs; and
- €20m from indirect cost savings in management and overheads

In addition, we believe there is an opportunity for revenue synergies in the form of cross-selling of services, internalisation of waste treatment and the deployment of our commercial effectiveness initiative into VGG. The benefits from these activities will be hard to distinguish from underlying trading and so will not be reported on separately as a synergy.

Cash synergies will include better effective utilisation of trucks, thereby postponing capital investment, and optimised treasury operations.

Transaction and integration costs
We have grouped the costs relating to the transaction into three segments:

- Transaction costs relating to the acquisition and related financing;
- Value capture costs relating to the delivery of the €40m cost synergies; and
- Integration costs relating to the successful merger and integration of the two businesses.

Transaction costs have been incurred in full and amount to £35.6m. These include advisers' fees, financing costs and other deal related expenditure. The total costs are slightly higher than originally expected primarily due to the length of time taken to complete the transaction and the complexity of the anti-trust filings. Costs of £5.1m have been taken to equity as they were directly attributable to the equity raise with the balance of £30.5m accounted for as non-trading and exceptional items in the appropriate line items of the Income Statement.

Value capture costs include the costs of site closures, redundancies and other reorganisation costs. They are forecast to total €50m and will be accounted for in the year incurred as non-trading and exceptional items. £4.5m (€5.3m) was incurred in 2016/17 and we expect the split of future costs to be approximately €20m in 2017/18, €20m in 2018/19 and €5m in 2019/20.

Integration costs include advisers' fees, the transitional costs arising from merging the two organisations and certain IT and rebranding costs that cannot be capitalised. These are expected to total €22m, with £2.9m (€3.4m) incurred in 2016/17 and we expect approximately a further €11m in 2017/18, €6m in 2018/19 and €2m in 2019/20.

Both value capture and integration costs will be reported as non-trading and exceptional costs in subsequent periods.

Finally, we expect to incur some integration-related capital investment. This is expected to include investment in rebranding of around €12m over two years (signage, truck respraying, etc.), up to €45m over three years in truck replacements within the relatively older VGG fleet, and an investment in new IT platforms for growth for the merged business.

Purchase price accounting (PPA)
The merger has been accounted for in accordance with IFRS 3 (Revised) Business Combinations which requires a full fair value exercise for the assets and liabilities acquired as at 28 February 2017. This exercise is provisional at this stage as permitted under accounting standards. The review has resulted in a step down in value of trucks and other tangible assets of over €20m, the recognition of acquisition intangibles of €52m, alignment of discount rates for long-term landfill provisioning and the recognition of appropriate legal and tax provisions. Given that the completion date fell so close to the year end, we have not been able to undertake a full valuation of all real estate assets acquired and these have been included at their original book value in the acquired balance sheet. A full valuation exercise will be

performed in the coming months and any adjustment reported as part of the September 2017 reporting. The step down in the value of property, plant and equipment will result in reduced depreciation charges in VGG of c€2m which is mostly attributable to the Netherlands operations.

Investment activities and performance

Investment programme
The Group has a stated strategy of investing in sustainable waste management infrastructure with a target pre-tax trading profit return of 15-20% on fully operational assets (post-tax return of 12-15%). At 31 March 2017, the fully operational proportion of the investment portfolio delivered a pre-tax return of 17.4% (2016: 19.5%). The portfolio as a whole delivered a pre-tax return of 13.1% (2016: 16.1%). Going forward we shall cease reporting on this metric which related to legacy Shanks only.

The investment in the Municipal programme has continued with progress in construction at the Canadian plant in Surrey and delays at Derby following the insolvency of a principal contractor. For the year ended 31 March 2017, the PFI financial assets increased by £20.2m to £178.8m due to further construction spend in Surrey net of repayments on other contracts.

There will be further modest investments in the Surrey plant in the new financial year. Construction is largely complete and we have started commissioning and are working through completion matters with the constructors with a view to receiving first waste later this year, slightly behind schedule. The investment on the Derby contract is not reflected in financial assets as we hold our interest in this contract in a joint venture.

The Group's underlying expectation for replacement capital remains around 75-80% of depreciation, however 2017/18 is a year of catch up and the ratio is expected to be c90%. This level may from time to time be supplemented with larger scale replacement projects. Over the next two to three years we expect to spend €5m on a new stone crushing line near Rotterdam, €2m to complete a new packed chemicals warehouse in Hazardous Waste, €15m to replace and upgrade major components of Hazardous Waste's soil treatment line and €2m for the digestate dryer at Roeselare. As noted earlier in this report, we also expect some rebranding capital investment and some additional catch-up investment in trucks. Growth capital expenditure is likely to be limited to around £5m, being investments in Hazardous Waste.

Group return on assets
For the legacy Shanks businesses only, the Group return on operating assets (excluding debt, tax and goodwill) from continuing operations decreased from 12.0% at 31 March 2016 to 10.9% at 31 March 2017. The Group post-tax return on capital employed was 5.5% compared with 6.3% at 31 March 2016 for the legacy Shanks businesses only.

Treasury and cash management

Core net debt and gearing ratios
The net core cash outflow of £213.0m along with an adverse exchange effect of £16.5m on the translation into Sterling of the Group's Euro and Canadian Dollar denominated debt and loan fee amortisation has resulted in a core net debt increase to £423.9m which was slightly lower than expected due to the timing of transaction related payments and despite the £17.5m scheduled equity injection into the Derby project at the end of March. This represents a covenant leverage ratio of 2.8 times net debt:EBITDA which is well within our banking limits of 3.5x.

Debt structure and strategy
At the time of the announcement of the merger on 29 September 2016, the Group entered into a new five year €600m multi-currency facility with a syndicate of banks, comprising both a term and revolving credit facility. Some €575m of the facility, including the whole term loan and part of the revolving credit facility mature in five years on 29 September 2021 (in each case subject to two one year extension options). The remaining €25m of the revolving credit facility matures in two years on 29 September 2018. At the end of March 2017, £279.2m was drawn at an initial margin of 2.15%. The new facility has been hedged with a €125m interest rate cap and two cross currency swaps totalling £75.0m at fixed Euro interest rates of 2.2%. The Group also has two retail bonds each of €100m due for repayment in July 2019 and June 2022 with an annual coupon of 4.23% and 3.65% respectively. Following the merger the Group has £45.2m of finance leases and £216.4m of guarantees.

Debt borrowed in the special purpose vehicles (SPVs) created for the financing of UK PFI/PPP programmes is separate from the Group core debt and is secured over the assets of the SPVs with no recourse to the Group as a whole. Interest rates are fixed by means of interest rate swaps at contract inception. At 31 March 2017 this debt amounted to £87.1m (31 March 2016: £91.1m).

Directors' valuation of PFI/PPP portfolio

The Directors' PFI/PPP valuation was established a number of years ago to demonstrate the value primarily from assets not yet built or commissioned. It comprised a valuation of the UK Municipal Division's operating contracts, which can be seen in the divisional trading performance upon commissioning, and also the value of financial investments in the Special Purpose Vehicles used to fund the contracts and into which the company has often invested in the form of subordinated debt and equity.

The Directors consider that with almost all assets now commissioned there is no benefit to continuing to provide a valuation of the operating contracts, a valuation which is in any case subject to volatility in the current market environment. However, there is still a purpose in providing a valuation of the financial assets, the benefits of which are not easily assessed from the financial statements. As at 31 March 2017 the Directors believed that these amounted to £45m (2016: £30m).

Retirement benefits

The Group operates a defined benefit pension scheme for certain UK employees which is closed to new entrants. At 31 March 2017, the net retirement benefit deficit relating to the UK scheme was £15.5m compared with £8.8m at 31 March 2016. The increase in the deficit reflected the fall in the yield on corporate bonds which resulted in a lower discount rate of 2.6% at March 2017 compared to 3.5% at March 2016. The most recent actuarial valuation of the scheme was carried out at 5 April 2015 and a funding plan of £3.1m per annum for a further five years has been agreed with the trustees. VGG also operates a number of defined benefit pension schemes for employees in the Netherlands and Belgium which had a net retirement benefit deficit of £6.1m at 31 March 2017.

Operating Review for the year ended 31 March 2017

As noted earlier, the performance of the acquired Van Gansewinkel Groep (VGG) business is reported as a single operating unit for 2016/17 given that the business was only owned for the month of March. In 2017/18 the Group will report the four division structure as previously announced and set out above.

VGG

Performance in the month of March 2017

VGG delivered a strong performance in the first month following completion of the merger. Revenues in March were up by 16% on the prior year to €83.7m with a significant growth in trading profit to €4.5m. The Collection Division, now part of the Renewi Commercial Division, had a strong month, significantly boosted by two additional working days compared to the prior year. At Maltha, the glass recycling business, underlying profitability is showing signs of recovery. A new glass powder production line is being installed at the key Dintelmond facility and is expected to drive future growth. The Minerals business continued to trade well in line with expectations. Progress towards the extension of the permit at the key Maasvlakte landfill continues to be encouraging. Coolrec, a leading recycler of electrical and electronic goods, also traded well and has shown growth on the prior year. Stronger volumes of fridges were supported by recovering metal prices which are an important source of income for the business.

Performance for year ended 31 March 2017

The following table sets out pro forma VGG revenue and EBITDA for the 12 month period to March 2017 and 2016 for the historic VGG operating segments.

	Revenue (unaudited)				EBITDA (unaudited)			
	Year ended				Year ended			
	Mar 17	Mar 16	Variance		Mar 17	Mar 16	Variance	
Collections	746.3	716.1	30.2	4%	75.9	59.8	16.1	27%
Recycling	173.3	158.1	15.2	10%	23.2	21.3	1.9	9%
Others	(17.9)	(16.9)	(1.0)		(6.7)	(6.6)	(0.1)	
Total €m	**901.7**	**857.3**	**44.4**	**5%**	**92.4**	**74.5**	**17.9**	**24%**

	EBITDA Margin	
Collections	10.2%	8.4%
Recycling	13.4%	13.5%
Total	**10.2%**	**8.7%**

EBITDA is shown as this was the measure used by VGG prior to acquisition. The results above have been extracted from management accounts for the years ended 31 December 2015 and 2016 and the three months ended 31 March 2017.

The significant year on year increase in the Collections Division reflects the sharp focus on margin improvement and the top line revitalisation initiatives, recovery in recyclate and materials prices and the benefits of ongoing cost management with improvements across both Netherlands and Belgium. It should be noted that up to €7m of this profit improvement is believed to include one-off items that will not recur in 2017/18. In the Recycling Division, Maltha, the glass recycling business, sales and operational activities increased following the rebuild of the Dintelmond factory.

Commercial Waste

Divisional strategy

The Commercial Division's strategy is to restore profitability to attractive levels, primarily through the active implementation of operational self-help initiatives, supplemented by targeted investments and portfolio management.

Financial performance

The Commercial Division again performed strongly in 2016/17, delivering 27% trading profit growth to €26.9m on revenues up by 2% to €414.2m. Trading margin increased by 130bps to 6.5% and the return on operating assets rose to 12.8%.

	Revenue				Trading Profit			
	Year ended				Year ended			
	Mar 17	Mar 16	Variance		Mar 17	Mar 16	Variance	
Netherlands Commercial Waste	270.0	253.6	16.4	6%	19.1	13.7	5.4	39%
Belgium Commercial Waste	144.2	152.8	(8.6)	-6%	7.8	7.4	0.4	5%
Total €m	**414.2**	**406.4**	**7.8**	**2%**	**26.9**	**21.1**	**5.8**	**27%**
Total £m (at average rate)	**347.6**	**297.3**	**50.3**	**17%**	**22.6**	**15.4**	**7.2**	**47%**

	Trading Margin		Return on Operating Assets	
Netherlands Commercial Waste	7.1%	5.4%	10.7%	7.5%
Belgium Commercial Waste	5.4%	4.8%	24.6%	19.8%
Total	**6.5%**	**5.2%**	**12.8%**	**9.6%**

The return on operating assets for Belgium excludes all landfill related provisions.

Revenues in the Netherlands grew by 6% to €270.0m and trading profit by 39% to €19.1m. Trading margins improved by 170bps to 7.1%. Return on operating assets increased by 320bps to 10.7%, bringing the tax-adjusted return above the company's WACC for the first time since 2012. All regions showed both revenue and profit growth, with a second year of strong performance in the Northern Region and a profit increase of 86% from the Organics segment. Volumes were up by an encouraging 11%, although this included a large one-off bulk contract for soil & sludges. Underlying construction waste volumes were up by around 10% and commercial waste volumes by around 6%. Recyclate revenues were also broadly flat over the year, with a weak first half offset by recovering prices in the second half.

Belgium revenues fell by 6% to €144.2m and trading profit grew by 5% to €7.8m in line with expectations. In achieving this performance, the business managed to offset over €2.5m in lost trading profit as a result of the closure of its major wood dust customer. The core collection and treatment business performed well and the Ghent plant delivered significantly increased volumes of solid recovered fuel (SRF) into the local market. Profitability of the landfill continued to decline as expected, with volumes being reduced to extend its remaining life into 2019.

Operational review

The Commercial Waste Division delivered this strong financial performance due to a further year of delivery of core strategic programmes, coupled with strong local operational management. The commercial effectiveness programme was at the heart of the further margin enhancement in the Netherlands. The division again managed to ensure that a dynamic pricing environment, with volatile recyclate prices and increasing incinerator gate fees, resulted in margins that were preserved and, where possible, enhanced through exiting loss-making contracts and a determined focus on profitable segments. Commercial effectiveness was also important in Belgium where a new national organisation structure was able to increase the co-ordination of commercial activities across the business.

Continuous improvement (CI) was also important in both the Netherlands and Belgium. The CI programme in our Dutch Commercial Division has been further rolled out in 2016/17. We have implemented lean tools in 60% of our sites to help the business to optimise their processes. The targeted savings have been realised; for example, we achieved between 10% and 20% efficiency improvement on certain targeted processes and between 2% and 5% on the logistics activities. We still see further potential here and continue to roll-out CI throughout our combined business in 2017/18. In Belgium, we introduced lean management techniques to Mont St Guibert and Seraing (Liege), identifying up to €3m of potential benefits across Belgium. With increasing volumes, but pricing still highly competitive, CI is important to improve productivity and to ensure that assets are maximised.

The organics segment in the Netherlands provides a good example of the combination of commercial and operational effectiveness. A change in regulations meant that the front end composition of some of the waste taken in needed to change. New waste inputs were sourced and adjusted operation of the composting tunnels resulted in an improvement in profitability. Additionally, the Greenmills AD facility in Amsterdam generated increased returns on the back of improved process up-time and improving electricity prices.

Capital investment in the Commercial Division remained tightly controlled during 2016/17, with some additional investments planned for 2017/18 as a result of the improving market conditions. The key investment in the year was the commissioning on time and on budget of the new €12m Vliko and Kluivers depot at Zoeterwoude in the Netherlands. It was built to replace a site at Leiderdorp that was badly damaged by fire in 2014. The facility has been built using the latest sustainability techniques and with lean operations in mind from the outset. The combination of rerouting waste streams and logistics savings from the relocation will result in an attractive return on the net investment. Additional investment was completed in the renovation of the Biocel AD facility and the installation of a new food depackaging line.

Small scale portfolio management also continued despite the merger. In June 2016 we sold our non-core Smink Groundworks business to a local operator along with a parcel of un-needed land. In August 2016 we acquired the commercial waste activities of the City of Leiden; the 1,500 customers acquired were integrated with our new Vliko site within weeks of the acquisition, with a retention rate greater than 90%.

Hazardous Waste

Divisional strategy

The Hazardous Waste Division’s strategy is to grow through increasing capacity to treat additional volumes that will be sourced through market growth and expanding both geographically and the range of products that can be treated through our assets.

Financial performance

Hazardous Waste delivered a strong performance in 2016/17 given the relative weakness of the core oil and gas market. Revenues increased by 3% to €191.2m and trading profit by 9% to €23.1m. Margins increased by 70bps to 12.1%, and the return on assets increased by 360bps to 26.3%.

	Revenue				Trading Profit			
	Year ended				Year ended			
	Mar 17	Mar 16	Variance		Mar 17	Mar 16	Variance	
Total €m	**191.2**	**185.9**	**5.3**	**3%**	**23.1**	**21.2**	**1.9**	**9%**
Total £m (at average rate)	**160.2**	**136.2**	**24.0**	**18%**	**19.3**	**15.6**	**3.7**	**24%**

	Trading Margin		Return on Operating Assets	
Total	**12.1%**	**11.4%**	**26.3%**	**22.7%**

Reym saw revenues remain flat during the year in a tough market, with growth in Total Care contract services replacing higher margin cleaning revenues. Nevertheless, careful capacity management enabled the business to deliver trading profit growth despite the weaker input mix.

Revenues at ATM increased by 6% with strong soil, water and packed chemical waste throughput and no material recurrence of the operational contamination that impacted the prior year.

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 has therefore been the focus of investment to increase capacity and capability. End markets remained subdued during the year but were in line with our expectations and we were able to operate the plant at close to capacity.

The soil processing line operated well during the course of the year. Supply of TAG (tar-containing asphalt grit) was strong and imports of relatively high priced European soil offset ongoing weakness in domestic soil availability. The market to dispose of the cleaned soil has become more challenging during the year and contains a potential risk to future margins. Management have a range of projects underway to ensure that multiple disposal options remain available.

The waterside also delivered a strong year with increased volumes and a better mix driving improved average pricing. Record numbers of ships were cleaned at the jetty in March 2017 following investment in additional capacity during the previous year. Supply of sludges and heavily contaminated waters remained subdued as a result of the oil and gas market, but there was strong growth in the supply of salt water for treatment. The ATM facility can only process a certain proportion of salt water along with fresh water through the plant so during the year we entered into a joint venture with local partners to source a large shared storage facility for salt water so that increased volumes can be taken in according to customer demand and processed over time.

The packed chemical waste, or pyro, line at ATM also had a strong year with encouraging volume growth at stable prices. A new storage shed is under construction that will increase capacity after it is completed late in 2017/18.

The Reym business performed well in the face of an ongoing trough in the oil and gas market and customer demand remained both subdued, especially offshore and in the northern region, and volatile, impacting productivity. Management had anticipated a challenging year as oil prices fell during 2015/16 and had reduced capacity to face a contracting market. This capacity management, along with a strong focus on cost control, allowed the business to deliver a recovery in profitability despite the conditions.

During 2017/18 ATM is expected to start a three year €15m programme of refurbishment and upgrading of the TRI soil processing line to maintain capacity and meet tightening emission requirements.

Municipal

Divisional Strategy

The Municipal Division's strategy is to deliver a recovery plan to restore profitability, lost as a result of adverse market dynamics, and to ensure the successful completion and commissioning to full operational capability of its new assets both under construction or recently commissioned.

Financial performance

Municipal revenues grew by 8% at constant currency to £203.2m and the business reported a trading loss of £2.7m at constant currency (2016: profit of £9.4m).

	Revenue				Trading Profit			
	Year ended				Year ended			
	Mar 17	Mar 16	Variance		Mar 17	Mar 16	Variance	
UK Municipal	174.8	163.5	11.3	7%	(4.2)	7.8	(12.0)	N/A
Canada Municipal	28.4	24.2	4.2	17%	1.7	2.0	(0.3)	-15%
Bid costs	-	-	-		(0.2)	(0.4)	0.2	
Total £m (at constant currency)	**203.2**	**187.7**	**15.5**	**8%**	**(2.7)**	**9.4**	**(12.1)**	**N/A**
Total £m (at average rate)	**207.6**	**187.7**	**19.9**	**11%**	**(2.6)**	**9.4**	**(12.0)**	**N/A**

	Trading Margin	
UK Municipal	-2.4%	4.8%
Canada Municipal *	9.5%	14.4%
Total *	**-1.8%**	**5.1%**

All numbers for Canada are shown at a constant exchange rate
**For comparability, the Canadian trading margin excludes Surrey construction revenue and profits.*

The UK business reported revenues up by 7% to £174.8m, mainly due to annual RPI increases and a full year from the Barnsley, Doncaster and Rotherham (BDR) contract which started late in the first quarter last year. The UK business made a trading loss of £4.2m (2016: profit of £7.8m). The key drivers of the decline in trading profit, as previously reported, were margin pressure in the recovered fuels market, the sensitivity of the legacy business model to market shifts, and specific operational optimisation issues. The older PFI contracts, ELWA, Cumbria and D&G, have a legacy structure of being exposed, at the back end of the business, to material changes in the costs of disposal of the recovered fuels SRF and RDF or to income made from recovered recyclates. As described in the Chief Executive's Statement, both the solid recovered fuel (SRF) and refuse derived fuel (RDF) markets have experienced significant challenges over the past year and these worsened rather than improved in the second half. The cost of some RDF contracts has doubled from a lowest point of €40 per tonne to current rates of around €80 per tonne, at an exchange rate that has moved adversely by over 20% during the past 18 months. The business additionally has to incur material further costs of baling and transporting waste in order to open up alternative disposal options. Market challenges have additionally impacted the Westcott Park anaerobic digestion (AD) facility which has experienced a severe lack of available organic feedstock. Challenges getting to full optimisation have been experienced at the two new facilities of BDR and Wakefield, the latter largely in the area of the AD segment of the site where, as previously reported, a key contractor became insolvent during the final months of construction during 2015/16.

The Canadian business reported revenues up by 17% at constant currency to £28.4m which is all attributable to increased construction revenue relating to the Surrey contract. Trading profit was down by 15% at constant currency to £1.7m. Underlying performance in the Canada business was relatively robust for most of the year. However, the London plant experienced operational difficulties during the last quarter that had a negative impact on trading profit of around £0.5m. The plant has returned to normal operation as at the start of the new financial year.

Operational review - UK

The UK business was significantly impacted by a broad range of challenges during 2016/17 and a number of improvement initiatives have been implemented to offset partially these challenges. New management has been put in place including James Priestley as the Managing Director for the Municipal Division. A detailed improvement plan has been prepared and is being implemented, comprising the following key elements:

- Plans to get to full capacity and power generation at pace
- Shift operations to create higher quality fuels and recyclates
- Negotiate off-take terms and find new outlets
- Improve productivity and plant uptime
- Renegotiate local municipal contracts where possible

At ELWA, the refinement hall at its flagship Frog Island facility was recommissioned in the second quarter following an extensive rebuild as a result of a fire in August 2014. However, the market for the SRF produced by Frog Island remained subdued and shipments are not expected to resume until 2017/18. ELWA has also been particularly exposed to the changing RDF prices and the currency impact of exporting to continental Europe. An investment in significant baling capacity will open up new markets over time. Challenges in the SRF market also impacted D&G and Cumbria during the year, although both are accounted for as onerous contracts.

The new Wakefield and BDR facilities continued to experience challenges getting to full optimisation during the year. The Wakefield anaerobic digestion (AD) facility has ongoing issues where we had to step in at a late stage last year due to the insolvency of the main contractor. These challenges mean that the facility is not yet producing electricity from bio-gas, which has a significant impact on the operating economics of the plant. A detailed improvement plan is underway with full gas production expected by the middle of 2017/18. The new BDR facility, the largest of the mechanical biological treatment (MBT) plants built to date, has also experienced challenges getting to full optimisation in its first full year of operation. These have been addressed in a systematic fashion, including a brief closure in December to address a latent defect and upgrade certain areas of the facility. As noted in the Chief Finance Officer's Review, charges for onerous contract provisions have been recorded.

The anaerobic digestion market has continued to show a wide disparity of performance based on geographic and regulatory factors. Energen Biogas, our 50% joint venture in Scotland, delivered another year of strong revenue and profit growth based on good availability of volumes due to the Zero Waste Scotland policy. Investments in the past two years to increase capacity and provide a gas-to-grid capability are generating strong returns. In contrast, our Westcott Park facility in Oxfordshire is operating in an area of food waste scarcity with low prices and a lack of available volumes to maintain full capacity. Operationally the facility is performing well and a shift in market dynamics through government policy or competitor withdrawals would transform performance. As a result of current market conditions, we have revised our future expectations of trading performance which has led to an impairment of the carrying value of the asset by £6m.

The Derby facility has been impacted by the previously reported insolvency of a major contractor and technology supplier to Interserve plc, the EPC contractor for the Derby project. This insolvency has caused a material delay of up to a year to the project which had been due to commission in March 2017. Most other aspects of the construction are on time and on budget and we have been working with Interserve to commission the plant as soon as possible. The financial impact of the delay has been limited to £1.7m liquidated damages, as previously disclosed, plus a further £1.7m of exceptional costs relating to the commissioning of the plant now an onerous contract as a result of the delay. Some £17.5m of subordinated debt was injected into the SPV on schedule on 31 March 2017.

Operational review - Canada

Our Ottawa and London plants delivered consistently through the year until the final quarter when the London plant experienced operational issues relating to the bacteria in the composting process. The reduced throughput impacted profitability by around £0.5m but is resolved and all tunnels are in full production. The innovative bio-fuel facility in Surrey, Canada has made good construction progress during the year and is largely complete. We have started commissioning and we are working through completion matters with the constructors with a view to receiving first waste later this year, slightly behind schedule.

Pro forma Divisional information for the year ended 31 March 2017 (unaudited)

The following tables set out the pro forma information for the year ended 31 March 2017 presented in the new divisional structure as if the acquisition had occurred on 1 April 2016. The tables are based on 12 months for legacy Shanks to March 2017 and 12 months for legacy VGG to March 2017. The VGG numbers have been extracted from management accounts for the year ended 31 December 2016 and the three month period to 31 March 2017. No adjustments have been made for intra group trading or any merger related adjustments.

NL COMMERCIAL **€m**	SKS	VGG	Adjs	Pro forma
Revenue	**270.0**	**468.1**	**(47.0)**	**691.1**
EBITDA	**42.6**	**36.2**	**(8.6)**	**70.2**
EBITDA %	*15.8%*	*7.7%*	*-18.2%*	*10.2%*
Trading Profit	**19.1**	**11.7**	**(3.7)**	**27.1**
Trading Profit %	*7.1%*	*2.5%*	*-7.9%*	*3.9%*

The adjustments reflect the transfer of Orgaworld to Monostreams and VGIS to Hazardous Waste

BE COMMERCIAL €m	SKS	VGG	Adjs	Pro forma
Revenue	**144.2**	**278.2**	**-**	**422.4**
EBITDA	**15.2**	**39.7**	**-**	**54.9**
EBITDA %	*10.5%*	*14.3%*	*0.0%*	*13.0%*
Trading Profit	**7.8**	**19.7**	**-**	**27.5**
Trading Profit %	*5.4%*	*7.1%*	*0.0%*	*6.5%*

No adjustments made at the outset

HAZARDOUS WASTE €m	SKS	VGG	Adjs	Pro forma
Revenue	**191.2**	**-**	**27.1**	**218.3**
EBITDA	**35.6**	**-**	**2.0**	**37.6**
EBITDA %	*18.6%*	*0.0%*	*7.4%*	*17.2%*
Trading Profit	**23.1**	**-**	**0.8**	**23.9**
Trading Profit %	*12.1%*	*0.0%*	*3.0%*	*10.9%*

The adjustment reflects VGIS transferred from VGG Commercial Netherlands

MONOSTREAMS	VGG		Shanks		
€m	Coolrec	Minerals	Maltha	Orgaworld	Pro forma
Revenue	**77.8**	**46.7**	**48.8**	**19.9**	**193.2**
EBITDA	**6.9**	**10.5**	**5.8**	**6.6**	**29.8**
EBITDA %	*8.9%*	*22.5%*	*11.9%*	*33.2%*	*15.4%*
Trading Profit	**3.9**	**6.4**	**1.5**	**2.9**	**14.7**
Trading Profit %	*5.0%*	*13.7%*	*3.1%*	*14.6%*	*7.6%*

GROUP £m	Commercial	Hazardous	Monostreams	Municipal	Group services	Pro forma
Revenue	**933.8**	**182.8**	**161.9**	**207.6**	**(22.6)**	**1,463.5**
EBITDA	**104.9**	**31.5**	**25.0**	**1.0**	**(12.1)**	**150.3**
EBITDA %	*11.2%*	*17.2%*	*15.4%*	*0.5%*		*10.3%*
Trading Profit	**45.9**	**20.0**	**12.3**	**(2.6)**	**(22.5)**	**53.1**
Trading Profit %	*4.9%*	*10.9%*	*7.6%*	*-1.3%*		*3.6%*

Converted to Sterling at 2016/17 average rate

Explanation of non-IFRS measures

The Directors use alternative performance measures as they believe these measures provide additional useful information on the underlying trends, performance and position of the Group. These measures are used for internal performance analysis. These terms are not defined terms under IFRS and may therefore not be comparable with similarly titled measures used by other companies. These measures are not intended to be a substitute for, or superior to, IFRS measurements. The alternative performance measures used are set out below.

Financial Measure	How we define it	Why we use it
Trading profit	Operating profit from continuing operations excluding amortisation of intangible assets arising on acquisition, non-trading and exceptional items	Provides insight into ongoing profit generation and trends
Trading margin	Trading profit as a percentage of revenue	Provides insight into ongoing margin development and trends
EBITDA	Trading profit before depreciation, amortisation and profit or loss on disposal of plant, property and equipment	Measure of earnings and cash generation to assess operational performance
Underlying profit before tax	Profit before tax from continuing operations before non-trading and exceptional items, amortisation of intangible assets arising on acquisition and fair value remeasurements	Facilitates underlying performance evaluation
Underlying EPS	Earnings per share before non-trading and exceptional items, amortisation of intangible assets arising on acquisition and fair value remeasurements	Facilitates underlying performance evaluation
Return on operating assets	Last 12 months trading profit divided by a 13 month average of total net assets excluding core net debt, derivatives, tax balances, goodwill and acquisition intangibles	Provides a measure of the return on assets across the Divisions and the Group excluding historic goodwill and acquisition intangible balances
Post-tax return on capital employed	Last 12 months trading profit as adjusted by the Group effective tax rate divided by a 13 month average of total net assets excluding core net debt and derivatives	Provides a measure of the Group return on assets taking into account the historic goodwill and acquisition intangible balances
Pre-tax return on investment programme	Last 12 months trading profit generated by the investment divided by the original invested capital spend presented for the total programme spend and also for fully operational assets only	Provides a measure of the efficiency of recent significant capital investment
Underlying free cash flow	Net cash generated from operating activities principally excluding non-trading and exceptional items and including interest, tax and replacement capital spend	Measure of cash available after regular replacement capital expenditure to pay dividends, fund growth capital projects and invest in acquisitions
Free cash flow conversion	The ratio of underlying free cash flow to trading profit	Provides an understanding of how our profits convert into cash
Core net debt	Core net debt includes cash and cash equivalents but excludes the net debt relating to the UK PFI/PPP contracts.	The borrowings relating to the UK PFI/PPP contracts are non-recourse to the Group and excluding these gives a suitable measure of indebtedness for the Group
Net debt to EBITDA	Core net debt divided by an annualised EBITDA with a net debt value based on the terminology of financing arrangements and translated at an average rate of exchange for the period	Commonly used measure of financial leverage and consistent with covenant definition
Pro forma information	Last 12 months for VGG to align to the Renewi plc financial year	Provides a comparable measure with the legacy Shanks activity
Underlying effective tax rate	The effective tax rate on underlying profit before tax	Provides a more comparable basis to analyse our tax rate

Consolidated Income Statement

For the year ended 31 March 2017

	Note	2017 Trading £m	2017 Non-trading & exceptional items £m	2017 Total £m	2016 Trading £m	2016 Non-trading & exceptional items £m	2016 Total £m
Revenue	2,3	**779.2**	**-**	**779.2**	614.8	(1.0)	613.8
Cost of sales	3	**(653.3)**	**(43.3)**	**(696.6)**	(517.8)	(0.6)	(518.4)
Gross profit (loss)		**125.9**	**(43.3)**	**82.6**	97.0	(1.6)	95.4
Administrative expenses	3	**(89.4)**	**(32.2)**	**(121.6)**	(63.6)	(22.0)	(85.6)
Operating profit (loss)	2,3	**36.5**	**(75.5)**	**(39.0)**	33.4	(23.6)	9.8
Finance income	3,4	**10.3**	**-**	**10.3**	16.6	0.1	16.7
Finance charges	4	**(23.1)**	**(11.6)**	**(34.7)**	(30.0)	-	(30.0)
Share of results from associates and joint ventures		**2.0**	**-**	**2.0**	1.0	-	1.0
Profit (loss) before taxation		**25.7**	**(87.1)**	**(61.4)**	21.0	(23.5)	(2.5)
Taxation	3,5	**(5.9)**	**6.4**	**0.5**	(2.3)	0.8	(1.5)
Profit (loss) for the year from continuing operations		**19.8**	**(80.7)**	**(60.9)**	18.7	(22.7)	(4.0)
Discontinued operations							
(Loss) profit for the year from discontinued operations		-	**(0.5)**	**(0.5)**	(0.3)	0.4	0.1
Profit (loss) for the year		**19.8**	**(81.2)**	**(61.4)**	18.4	(22.3)	(3.9)
Attributable to:							
Owners of the parent		**20.1**	**(81.2)**	**(61.1)**	18.4	(22.3)	(3.9)
Non-controlling interest		**(0.3)**	**-**	**(0.3)**	-	-	-
		19.8	**(81.2)**	**(61.4)**	18.4	(22.3)	(3.9)
Basic earnings (loss) per share attributable to owners of the parent (pence per share)*							
Continuing operations	6	**3.7**	**(15.0)**	**(11.3)**	4.2	(5.1)	(0.9)
Discontinued operations	6	**-**	**(0.1)**	**(0.1)**	(0.1)	0.1	-
		3.7	**(15.1)**	**(11.4)**	4.1	(5.0)	(0.9)
Diluted earnings (loss) per share attributable to owners of the parent (pence per share)*							
Continuing operations	6	**3.7**	**(15.0)**	**(11.3)**	4.2	(5.1)	(0.9)
Discontinued operations	6	**-**	**(0.1)**	**(0.1)**	(0.1)	0.1	-
		3.7	**(15.1)**	**(11.4)**	4.1	(5.0)	(0.9)

*Earnings (loss) per share for 2016 has been restated to reflect the bonus factor within the 2017 equity raise.

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2017

	2017 £m	2016 £m
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign subsidiaries	**14.7**	13.0
Fair value movement on cash flow hedges	**1.3**	(4.8)
Deferred tax on fair value movement on cash flow hedges	**(0.7)**	0.2
Share of other comprehensive income of investments accounted for using the equity method	**0.3**	0.1
	15.6	8.5
Items that will not be reclassified to profit or loss:		
Actuarial (loss) gain on defined benefit pension schemes	**(10.7)**	3.2
Deferred tax on actuarial (loss) gain on defined benefit pension schemes	**1.7**	(0.9)
	(9.0)	2.3
Other comprehensive income for the year, net of tax	**6.6**	10.8
Loss for the year	**(61.4)**	(3.9)
Total comprehensive (loss) income for the year	**(54.8)**	6.9
Attributable to:		
Owners of the parent	**(54.3)**	7.1
Non-controlling interest	**(0.5)**	(0.2)
Total comprehensive (loss) income for the year	**(54.8)**	6.9
Total comprehensive (loss) income attributable to owners of the parent arising from:		
Continuing operations	**(53.8)**	7.0
Discontinued operations	**(0.5)**	0.1
	(54.3)	7.1

Consolidated Balance Sheet

As at 31 March 2017

	Note	31 March 2017 £m	31 March 2016 £m
Assets			
Non-current assets			
Intangible assets		**603.3**	194.5
Property, plant and equipment		**587.4**	297.0
Investments		**15.8**	10.8
Loans to associates and joint ventures		**14.2**	1.3
Financial assets relating to PFI/PPP contracts		**165.5**	145.8
Trade and other receivables		**3.1**	1.1
Derivative financial instruments	12	**0.3**	-
Deferred tax assets		**31.3**	19.9
		1,420.9	670.4
Current assets			
Inventories		**19.9**	6.8
Loans to associates and joint ventures		**5.7**	-
Financial assets relating to PFI/PPP contracts		**13.3**	12.8
Trade and other receivables		**234.0**	122.4
Derivative financial instruments	12	**-**	0.3
Current tax receivable		**0.1**	-
Cash and cash equivalents		**74.9**	34.7
		347.9	177.0
Assets classified as held for sale		**0.3**	-
		348.2	177.0
Total assets		**1,769.1**	847.4
Liabilities			
Non-current liabilities			
Borrowings - PFI/PPP non-recourse net debt		**(85.0)**	(87.9)
Borrowings - Other		**(482.4)**	(224.9)
Derivative financial instruments	12	**(30.0)**	(28.8)
Other non-current liabilities		**(5.1)**	(6.4)
Deferred tax liabilities		**(73.6)**	(31.6)
Provisions	10	**(142.7)**	(43.9)
Defined benefit pension schemes deficit	11	**(26.9)**	(10.7)
		(845.7)	(434.2)
Current liabilities			
Borrowings - PFI/PPP non-recourse net debt		**(2.1)**	(3.2)
Borrowings - Other		**(16.4)**	(2.4)
Derivative financial instruments	12	**(0.8)**	(2.4)
Trade and other payables		**(409.3)**	(203.3)
Current tax payable		**(11.2)**	(6.1)
Provisions	10	**(45.5)**	(13.0)
		(485.3)	(230.4)
Total liabilities		**(1,331.0)**	(664.6)
Net assets		**438.1**	182.8
Equity			
Share capital		**79.9**	39.8
Share premium		**377.2**	100.2
Exchange reserve		**39.1**	24.4
Retained earnings		**(63.3)**	20.4
Equity attributable to owners of the parent		**432.9**	184.8
Non-controlling interest		**5.2**	(2.0)
Total equity		**438.1**	182.8

Consolidated Statement of Changes in Equity

For the year ended 31 March 2017

	Note	Share capital £m	Share premium £m	Exchange reserve £m	Retained earnings £m	Non-controlling interest £m	Total equity £m
Balance at 1 April 2016		**39.8**	**100.2**	**24.4**	**20.4**	**(2.0)**	**182.8**
Loss for the year		-	-	-	**(61.1)**	**(0.3)**	**(61.4)**
Other comprehensive income (loss):							
Exchange gain on translation of foreign subsidiaries		-	-	**14.7**	-	-	**14.7**
Fair value movement on cash flow hedges		-	-	-	**1.5**	**(0.2)**	**1.3**
Actuarial loss on defined benefit pension schemes		-	-	-	**(10.7)**	-	**(10.7)**
Tax in respect of other comprehensive income items		-	-	-	**1.0**	-	**1.0**
Share of other comprehensive income of investments accounted for using the equity method		-	-	-	**0.3**	-	**0.3**
Total comprehensive income (loss) for the year		-	-	**14.7**	**(69.0)**	**(0.5)**	**(54.8)**
Transactions with owners in their capacity as owners:							
Share-based compensation		-	-	-	**0.5**	-	**0.5**
Movement on tax arising on share-based compensation		-	-	-	**(0.1)**	-	**(0.1)**
Proceeds from share issues, net of transaction costs		**21.1**	**115.2**	-	-	-	**136.3**
Issue of ordinary shares in consideration for a business combination		**19.0**	**161.7**	-	-	-	**180.7**
Proceeds from exercise of employee options		-	**0.1**	-	-	-	**0.1**
Non-controlling interest on acquisition of a subsidiary		-	-	-	-	**7.7**	**7.7**
Dividends		-	-	-	**(15.1)**	-	**(15.1)**
Balance as at 31 March 2017		**79.9**	**377.2**	**39.1**	**(63.3)**	**5.2**	**438.1**
Balance at 1 April 2015		39.8	100.0	11.4	39.7	(1.8)	189.1
Loss for the year		-	-	-	(3.9)	-	(3.9)
Other comprehensive income (loss):							
Exchange gain on translation of foreign subsidiaries		-	-	13.0	-	-	13.0
Fair value movement on cash flow hedges		-	-	-	(4.6)	(0.2)	(4.8)
Actuarial gain on defined benefit pension scheme		-	-	-	3.2	-	3.2
Tax in respect of other comprehensive income items		-	-	-	(0.7)	-	(0.7)
Share of other comprehensive income of investments accounted for using the equity method		-	-	-	0.1	-	0.1
Total comprehensive income (loss) for the year		-	-	13.0	(5.9)	(0.2)	6.9
Transactions with owners in their capacity as owners:							
Share-based compensation		-	-	-	0.5	-	0.5
Movement on tax arising on share-based compensation		-	-	-	(0.2)	-	(0.2)
Proceeds from exercise of employee options		-	0.2	-	-	-	0.2
Dividends		-	-	-	(13.7)	-	(13.7)
Balance as at 31 March 2016		39.8	100.2	24.4	20.4	(2.0)	182.8

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.

Consolidated Statement of Cash Flows

For the year ended 31 March 2017

	Note	2017 £m	2016 £m
Cash flows from operating activities	13	**27.9**	72.2
Income tax paid		**(5.3)**	(4.8)
Net cash inflow from operating activities		**22.6**	67.4
Investing activities			
Purchases of intangible assets		**(7.0)**	(4.9)
Purchases of property, plant and equipment		**(37.0)**	(29.5)
Disposals of property, plant and equipment		**2.8**	6.2
Acquisition of subsidiary, net of cash acquired	9	**53.3**	-
Acquisition of business assets		**(1.1)**	(0.2)
Proceeds from disposal of subsidiary		**1.1**	0.4
Proceeds from sale of subordinated debt and on loss of control of subsidiary		-	25.8
Proceeds from discontinued assets		-	2.4
Outflow from disposal of subsidiaries		-	(1.4)
Receipt of deferred consideration		**4.6**	0.9
Payment of deferred consideration		**(1.3)**	(0.1)
Investment in joint venture		-	(0.7)
Dividends received from associates and joint ventures		**0.1**	0.1
Loans granted to joint ventures		**(18.5)**	-
Outflows in respect of PFI/PPP arrangements under the financial asset model		**(2.1)**	(29.3)
Capital received in respect of PFI/PPP financial assets		**3.5**	22.8
Finance income		**9.9**	12.6
Net cash inflow from investing activities		**8.3**	5.1
Financing activities			
Finance charges and loan fees paid		**(28.9)**	(25.4)
Proceeds from share issues		**141.5**	0.2
Costs in relation to share issues		**(5.1)**	-
Dividends paid	7	**(15.1)**	(13.7)
Proceeds from the issuance of retail bonds		-	71.4
Repayment of VGG loan and derivatives acquired as part of the business combination		**(289.5)**	-
Repayment of retail bonds		-	(73.5)
Repayment of senior notes		-	(28.5)
Proceeds from bank borrowings		**211.2**	25.1
Proceeds from PFI/PPP net debt		**0.4**	9.2
Repayment of PFI/PPP net debt		**(4.4)**	(63.4)
Repayments of obligations under finance leases		**(3.2)**	(2.8)
Net cash inflow (outflow) from financing activities		**6.9**	(101.4)
Net increase (decrease) in cash and cash equivalents		**37.8**	(28.9)
Effect of foreign exchange rate changes		**2.4**	2.8
Cash and cash equivalents at the beginning of the year		**34.7**	60.8
Cash and cash equivalents at the end of the year		**74.9**	34.7

Notes to the Consolidated Financial Statements

1. Basis of Preparation

Renewi plc (previously Shanks Group plc) is a public limited company incorporated and domiciled in Scotland under the Companies Act 2006, registered number SC077438.

The figures and financial information for the year ended 31 March 2017 are extracted from but do not constitute the statutory financial statements for that year. The figures and financial information are audited. The income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended 31 March 2016 and the balance sheet as at 31 March 2016 have been derived from the full Group accounts published in the Annual Report and Accounts 2016 which have been delivered to the Registrar of Companies and on which the report of the independent auditors was unqualified and did not contain a statement under section 498 of the Companies Act 2006. The statutory accounts for the year ended 31 March 2017 will be filed with the Registrar of Companies in due course.

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and related interpretations issued by the IFRS Interpretations Committee (IFRS IC) 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. The Group has applied all accounting standards and interpretations issued relevant to its operations and effective for accounting periods beginning on 1 April 2016. The IFRS accounting policies have been applied consistently to all periods presented and throughout the Group for the purpose of the consolidated financial statements.

Changes in presentation

Loans to joint ventures and associates were previously disclosed within investments on the balance sheet and have been presented separately in the current year to more accurately reflect the nature of these assets. The 2016 comparatives have been amended to reflect this change.

Changes in accounting policies

There were no new standards, amendments to standards and interpretations adopted for the first time for the Group's financial year beginning 1 April 2016 that had a significant impact on these financial statements.

Exchange Rates

The assets and liabilities of foreign operations, including goodwill arising on acquisition, are translated to sterling at foreign exchange rates ruling at the reporting date. The income and expenses of foreign operations are translated into sterling at the average rate of exchange during the year.

The most significant currencies for the Group were translated at the following exchange rates:

	Closing rates			**Average rates**		
Value of £1	**31 March 2017**	31 March 2016	Change	**31 March 2017**	31 March 2016	Change
Euro	**1.17**	1.26	(7.3)%	**1.19**	1.37	(12.8)%
Canadian dollar	**1.67**	1.86	(10.3)%	**1.79**	1.97	(9.5)%

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. See page 27 for a full list of non-IFRS measures together with definitions.

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. They are 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. 'Trading profit' is defined as continuing operating profit before amortisation of acquisition intangibles and exceptional items. The Group incurs costs each year in maintaining the acquired customer relationships, permits and licences intangible assets and excludes amortisation of these assets from trading profit to avoid double counting such costs within underlying results. EBITDA comprises trading profit before depreciation, amortisation and profit or loss on disposal of plant, property and equipment. Reconciliations are set out in note 3.

Notes to the Consolidated Financial Statements

2. Segmental reporting

The Group's chief operating decision maker is considered to be the Board of Directors. The Group's reportable segments 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 are set out below. Following the recent acquisition of the Van Gansewinkel Groep (VGG) on 28 February 2017 the results of VGG have been reported as a separate reportable segment with no changes to the existing segments.

Commercial Waste	Collection and treatment of commercial waste in the Netherlands and Belgium.
Hazardous Waste	Industrial cleaning and treatment of hazardous waste in the Netherlands.
Municipal	Operation of waste management facilities under long-term municipal contracts in the UK and Canada.
Van Gansewinkel Groep (VGG)	Waste collection, recycling and head office functions operating principally in the Netherlands and Belgium.
Group central services	Head office corporate function.

The Commercial Waste division includes the Netherlands and Belgium operating segments and the Municipal division includes the UK and Canada operating segments, based on geographical location. Operating segments within the Commercial Waste and Municipal divisions have been aggregated as they operate in similar markets in relation to the nature of the products, services, production processes and type of customer.

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, non-trading and exceptional items. The Group accounts for inter-segment trading on an arm's length basis.

Revenue	**2017 £m**	2016 £m
Netherlands Commercial Waste	**226.6**	185.5
Belgium Commercial Waste	**121.0**	111.8
Commercial Waste	**347.6**	297.3
Hazardous Waste	**160.2**	136.2
UK Municipal	**174.8**	163.5
Canada Municipal	**32.8**	24.2
Municipal	**207.6**	187.7
VGG	**71.5**	-
Inter-segment revenue	**(7.7)**	(6.4)
Total revenue from continuing operations[#]	**779.2**	614.8

[#]Total revenue from continuing operations in 2016 excludes the impact of the non-trading item of £1.0m

Notes to the Consolidated Financial Statements

2. Segmental reporting - continued

Results	2017 £m	2016 £m
Netherlands Commercial Waste	**16.0**	10.0
Belgium Commercial Waste	**6.6**	5.4
Commercial Waste	**22.6**	15.4
Hazardous Waste	**19.3**	15.6
UK Municipal	**(4.2)**	7.8
Canada Municipal	**1.8**	2.0
Bid costs	**(0.2)**	(0.4)
Municipal	**(2.6)**	9.4
VGG	**3.9**	-
Group central services	**(6.7)**	(7.0)
Total trading profit	**36.5**	33.4
Non-trading and exceptional items	**(75.5)**	(23.6)
Total operating (loss) profit from continuing operations	**(39.0)**	9.8
Finance income	**10.3**	16.7
Finance charges	**(23.1)**	(30.0)
Finance charges – non trading and exceptional items	**(11.6)**	-
Share of results from associates and joint ventures	**2.0**	1.0
Loss before taxation and discontinued operations	**(61.4)**	(2.5)

Notes to the Consolidated Financial Statements

3. Non-trading and exceptional items

To improve the understanding of the Group's financial performance, items which are not considered to reflect the underlying performance are presented in non-trading and exceptional items.

	2017 £m	2016 £m
Continuing operations		
Restructuring charges and employee related costs	**2.4**	2.4
Portfolio management activity:		
Acquisition costs	**18.9**	0.8
Synergy delivery	**4.5**	-
Integration costs	**2.9**	-
Industrial Cleaning disposal in Belgium	**0.4**	3.7
Disposals in the Netherlands	**(0.3)**	-
Wakefield equity and subordinated debt disposal	-	5.0
	26.4	9.5
Other items:		
Onerous contract provisions	**28.2**	5.0
Municipal contract issues	**5.3**	4.9
Costs relating to a fire	**1.6**	-
ATM waterside contamination	-	1.3
ATM soil revenue recognition	-	1.0
Profit on disposal of land (Vliko)	-	(2.7)
Prior period exceptional provision releases	-	(0.1)
	35.1	9.4
Exceptional finance costs	**11.6**	-
Impairment of assets and goodwill	**9.5**	0.5
Amortisation of acquisition intangibles	**2.1**	1.8
Change in fair value of derivatives at fair value through profit or loss	-	(0.1)
Non-trading and exceptional items in loss before tax	**87.1**	23.5
Tax on non-trading and exceptional items	**(6.4)**	(0.8)
Non-trading and exceptional items in loss after tax	**80.7**	22.7
Discontinued operations	**0.5**	(0.4)
Total non-trading and exceptional items in loss after tax	**81.2**	22.3

The above non-trading and exceptional items include the following:

Restructuring charges and employee related costs
Restructuring and employees related charges were incurred for structural cost reduction programmes across the Group in place prior to the merger of £1.5m (2016: £2.4m) and reassessment of prior year employee related provisions of £0.9m (2016: £nil). The total cost of £2.4m is recorded in administrative expenses (2016: £2.4m).

Portfolio management activity
Acquisition related costs of £18.9m (2016: £0.8m) principally comprising advisory, corporate finance and legal fees have been incurred in relation to the merger with Van Gansewinkel Groep BV. Synergy costs of £4.5m (2016: £nil) and integration costs of £2.9m (2016: £nil) were incurred as the Group starts to execute merger plans for generating value.

Notes to the Consolidated Financial Statements

3. Non-trading and exceptional items – continued

Following the sale of the loss-making industrial cleaning business in the prior year further costs of £0.4m (2016: £3.7m) were incurred. The disposals in the Netherlands generated a profit of £0.3m including the loss on the sale of the groundworks business (£0.6m), profit on sale of surplus land in Netherlands Commercial Business (£0.5m) and the profit on sale of a closed facility in Hazardous Waste (£0.4m).

The total charge of £26.4m is recorded in administrative expenses (2016: £0.1m in cost of sales and £9.4m in administrative expenses).

<u>Other items</u>
The onerous contract charge of £28.2m (2016: £5.0m) includes increases in the Cumbria (£2.2m) and D&G (5.0m) onerous contract provisions which were classified as exceptional in previous years. New provisions were recognised this year in relation to the BDR operating contract (£8.6m), a provision for a specific loss-making contract entered into under the ELWA operating contact (£1.6m) and a provision for the commissioning of the Derby facility due to an uncontrollable delay in completion (£1.8m). Separately, a provision has been recognised to cover incremental capital works that are required at BDR and Wakefield to enable the plants to function as intended (£9.0m).

The Municipal contract issues of £5.3m (2016: £4.9m) relate to the Derby, Wakefield, ELWA and Canada contracts. As a result of the insolvency of one of the major contractors for the Derby contract, there has been a delay in the commissioning of the facility. The Group is largely protected from this as it is not involved in the construction of the project, however liquidated damages and associated costs of £1.7m will be incurred. At Wakefield, £2.5m of additional third party cleaning and disposal costs have been incurred in the year due to operational issues following on from the subcontractor insolvency last year. Other items totalling £1.1m include reinstatement works on leased land (£0.6m) and a legal claim in Canada (£0.5m).

Costs of £1.6m have been incurred relating to incremental operating costs which were unable to reclaimed under the Group's business interruption insurance following the fire at the UK Municipal East London site in August 2014.

The total charge of £35.1m is recorded as £32.0m in cost of sales and £3.1m in administrative expenses (2016: £1.0m in revenue, £1.4m credit in cost of sales and £9.8m in administrative expenses).

<u>Finance costs</u>
The total charge of £11.6m (2016: £nil) includes the costs of arranging the banking facility, extinguishment of the previous facility together with the settlement of the Pricoa deferred premium.

<u>Impairment of assets and goodwill</u>
Impairment of assets of £9.5m (2016: £0.5m) relates to plant and equipment at the Westcott Park UK Municipal facility (£6.0m), contract rights in UK Municipal (£3.2m) and Shanks branding on trucks in Netherlands Commercial (£0.3m). The prior year impairment charge of £0.5m principally related to plant and equipment at the Shanks Wood Products biomass facility in Belgium as a result of market changes. The charge was split £9.2m (2016: £0.1m) in cost of sales and £0.3m (2016: £0.4m) in administrative expenses.

<u>Amortisation of acquisition intangibles</u>
Amortisation of intangible assets acquired in business combinations of £2.1m (2016: £1.8m) is all recorded in cost of sales.

Notes to the Consolidated Financial Statements

3. Non-trading and exceptional items – continued

Reconciliation of trading profit to EBITDA from continuing operations	2017 £m	2016 £m
Trading profit	**36.5**	33.4
Depreciation of property, plant and equipment	**41.8**	33.2
Amortisation of intangible assets (excluding acquisition intangibles)	**3.3**	2.6
Non-exceptional gains on disposal of property, plant and equipment	**(0.5)**	(0.3)
Landfill related expense and provisioning	**(0.7)**	(0.4)
EBITDA from continuing operations	**80.4**	68.5

4. Net finance charges

Continuing operations	2017 £m	2016 £m
Finance charges		
Interest payable on borrowings wholly repayable within five years	**7.9**	9.5
Interest payable on borrowings repayable after five years	**2.9**	1.9
Interest payable on PFI/PPP non-recourse net debt	**7.3**	14.2
Unwinding of discount on provisions	**2.6**	2.3
Interest charge on the retirement benefit schemes	**0.3**	0.5
Amortisation of loan fees	**1.0**	1.1
Other finance costs	**1.1**	0.5
Total finance charges	**23.1**	30.0
Finance income		
Interest receivable on financial assets relating to PFI/PPP contracts	**(9.6)**	(16.2)
Unwinding of discount on deferred consideration receivable	**(0.2)**	(0.2)
Interest income on bank deposits	**-**	(0.1)
Interest receivable on other loans and receivables	**(0.5)**	(0.1)
Total finance income	**(10.3)**	(16.6)
Change in fair value of derivatives at fair value through profit or loss	**-**	(0.1)
Exceptional finance charges (see note 3)	**11.6**	-
Net finance charges	**24.4**	13.3

5. Taxation

The tax (credit) charge based on the loss for the year for continuing operations is made up as follows:

	2017 £m	2016 £m
Current tax		
UK Corporation tax		
- Current year	**1.4**	1.0
Overseas tax		
- Current year	**3.7**	3.1
- Prior year	**0.2**	0.2
Total current tax	**5.3**	4.3
Deferred tax		
- Origination and reversal of temporary differences in the current year	**(5.3)**	(2.6)
- Adjustment in respect of prior year	**(0.5)**	(0.2)
Total deferred tax	**(5.8)**	(2.8)
Total tax (credit) charge for the year	**(0.5)**	1.5

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015 (on 26 October 2015) and Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020. As a result the UK deferred tax for the year has been calculated based on the enacted rates of 17%, 19% and 20% depending on when the timing differences are expected to reverse (2016: 18%, 19% and 20%).

Notes to the Consolidated Financial Statements

6. Earnings per share

	2017	2016*
Number of shares		
Weighted average number of ordinary shares for basic earnings per share	**536.3m**	449.5m
Effect of share options in issue	**0.9m**	0.5m
Weighted average number of ordinary shares for diluted earnings per share	**537.2m**	450.0m
Continuing operations		
Loss attributable to owners of the parent used to determine basic and diluted earnings per share (£m)	**(60.6)**	(4.0)
Non-trading and exceptional items (net of tax) (£m) (see note 3)	**80.7**	22.7
Earnings attributable to owners of the parent for underlying basic and underlying diluted earnings per share (£m)	**20.1**	18.7
Basic and diluted loss per share	**(11.3)p**	(0.9)p
Underlying and underlying diluted earnings per share (see note below)	**3.7p**	4.2p
Discontinued operations		
(Loss) profit attributable to owners of the parent used to determine basic and diluted earnings per share (£m)	**(0.5)**	0.1
Non-trading and exceptional items (net of tax) (£m) (see note 3)	**0.5**	(0.4)
Loss attributable to owners of the parent for underlying basic and underlying diluted earnings per share (£m)	**-**	(0.3)
Basic and diluted loss per share	**(0.1)p**	**-**
Underlying and underlying diluted loss per share (see note below)	**-**	(0.1)p
Total operations		
Loss attributable to owners of the parent used to determine basic and diluted earnings per share (£m)	**(61.1)**	(3.9)
Non-trading and exceptional items (net of tax) (£m) (see note 3)	**81.2**	22.3
Earnings attributable to owners of the parent for underlying basic and underlying diluted earnings per share (£m)	**20.1**	18.4
Basic and diluted loss per share	**(11.4)p**	(0.9)p
Underlying and underlying diluted earnings per share (see note below)	**3.7p**	4.1p

*Earnings (loss) per share for 2016 has been restated to reflect the bonus factor within the 2017 equity raise.

On 24 October 2016 a firm placing of 45,000,000 shares was completed at a price of 100p per share. On 10 November 2016 a 3 for 8 rights issue of 166,201,962 shares to qualifying shareholders was completed at 58p per share. On 28 February 2017 the Group issued 190,187,502 shares as part of the purchase consideration for 100% of the ordinary share capital of Van Gansewinkel Groep B V. As required by International Accounting Standard 33 - Earnings per Share, the Group has adjusted the current year and prior year basic, diluted and underlying earnings per share, for the bonus element included within the placing and rights issue. The bonus adjustment factor was 1.129.

The Directors believe that adjusting earnings per share for the effect of the amortisation of acquisition intangibles, the change in fair value of derivatives, non-trading 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.

Notes to the Consolidated Financial Statements

7. Dividends

	2017 £m	2016 £m
Amounts recognised as distributions to equity holders in the year:		
Final dividend paid for the year ended 31 March 2016 of 2.35p per share (2015: 2.35p)	**9.4**	9.3
Interim dividend paid for the year ended 31 March 2017 of 0.95p per share (2016: 1.1p)	**5.7**	4.4
	15.1	13.7
Proposed final dividend for the year ended 31 March 2017 of 2.1p per share (2016: 2.35p)	**16.8**	9.4
Total dividend per share	**3.05p**	3.45p

8. Property, plant and equipment

During the year ended 31 March 2017, the Group acquired assets though a business combination of £285.1m (2016: £0.1m), had additions with a cost of £34.3m (2016: £28.4m), disposed of assets with a net book value of £3.5m (2016: £4.3m) and charged depreciation of £41.8m (2016: £33.2m). An impairment charge of £6.8m (2016: £0.5m) has been recognised and in the prior year assets transferred from assets held for sale were £1.6m. Details of the spend are described in the financial review.

At 31 March 2017, the Group had capital commitments of £18.9m (2016: £9.6m).

9. Acquisitions

On 28 February 2017, the Group acquired 100% of the share capital of Van Gansewinkel Groep BV (VGG) for £205.6m being £24.9m cash and consideration shares of £180.7m. The fair value of the 190,187,502 shares issued was based on the published share price on the date of acquisition of 95p per share.

VGG is a market leader in the Benelux region whose operations were divided into two segments Waste Collections and Recycling. Following the acquisition, the Renewi Group has a fully national presence across the Netherlands bringing the opportunity to service all areas and clients in-house enabling a full waste-to-product service and allow it to address increased potential waste volumes to maximise utilisation of the Group's facilities. In Belgium the combined Group will be able to provide a full waste service offering as legacy VGG and Shanks traditionally focussed on different regions.

Notes to the Consolidated Financial Statements

9. Acquisitions - continued

The provisional fair values of the identifiable assets and liabilities acquired in respect of the VGG acquisition were:

	Provisional fair value acquired £m
Intangible assets: Customer relationships	30.8
Intangible assets: Licenses	7.7
Intangible assets: Permits	5.5
Intangible assets: Software	9.1
Property, plant and equipment	285.1
Investments	2.6
Trade and other receivables	107.8
Assets held for sale	0.3
Inventory	11.1
Deferred taxation	5.6
Current tax receivable	0.1
Cash and cash equivalents	78.2
	543.9
Trade and other payables	(186.9)
Provisions	(96.5)
Defined benefit pension schemes deficit	(8.1)
Deferred tax liability	(40.5)
Current tax payable	(4.6)
Derivatives	(12.6)
Borrowings – Syndicated facility	(276.9)
Borrowings – Finance leases, overdraft and other loans	(41.7)
	(667.8)
Net identifiable assets acquired	(123.9)
Less: Non-controlling interests	(7.7)
Add: Goodwill arising on acquisition	337.2
Net assets acquired	205.6

Purchase consideration – cash (outflow) inflow	Total £m
Cash consideration	(24.9)
Less: Cash balances acquired	78.2
Net cash inflow – investing activities	53.3

The fair value of acquired trade receivables is £67.4m. The gross contractual amount for trade receivables due is £70.2m of which £2.8m is expected to be uncollectable.

Land and buildings of £139.8m, included in property plant and equipment in the table above, have provisionally been carried at book value for the purposes of the purchase price allocation exercise as at 28 February 2017. The directors intend to obtain an external market appraisal of the fair value of the land and buildings acquired within the next six months, at which point a measurement period adjustment will be recorded which will affect the carrying value of the land and buildings and goodwill.

The goodwill arising on the acquisition is attributable to management's expectations in regard to VGG's growth prospects and margin improvements as well as synergies to be achieved post acquisition. None of the goodwill on this acquisition is expected to be deductible for tax.

As disclosed in note 3, the Group incurred £30.5m of acquisition related costs that were not directly attributable to the issue of shares and these have been charged to the consolidated Income Statement as exceptional items.

Notes to the Consolidated Financial Statements

9. Acquisitions - continued

VGG contributed revenues of £71.5m and trading profit of £3.9m to the Group for the month of March 2017. If the acquisition had occurred on 1 April 2016, consolidated pro forma revenue and EBITDA for the year ended 31 March 2017 would have been £1,463.5m and £150.3m respectively. EBITDA is shown as this was the measure used by VGG prior to acquisition. This information is not necessarily indicative of the 2017 results for the consolidated group had the purchase actually been made at the beginning of the year presented, or indicative of the future consolidated performance given the nature of the business acquired.

10. Provisions

	Site restoration and aftercare £m	Restructuring £m	Onerous contracts £m	Other £m	Total £m
At 1 April 2016	36.9	1.3	12.2	6.5	56.9
Provided in the year	0.4	5.4	28.2	9.4	43.4
Released in the year	-	-	-	(0.2)	(0.2)
Acquisition through business combination	74.8	1.3	4.8	15.6	96.5
Finance charges – unwinding of discount	1.7	-	0.8	0.1	2.6
Utilised in the year	(1.1)	(1.6)	(5.9)	(5.6)	(14.2)
Transfer	(0.5)	-	0.5	-	-
Exchange	3.0	-	-	0.2	3.2
At 31 March 2017	**115.2**	**6.4**	**40.6**	**26.0**	**188.2**
Current	**6.8**	**6.4**	**21.7**	**10.6**	**45.5**
Non-current	**108.4**	**-**	**18.9**	**15.4**	**142.7**
At 31 March 2017	**115.2**	**6.4**	**40.6**	**26.0**	**188.2**
Current	2.5	1.3	5.0	4.2	13.0
Non-current	34.4	-	7.2	2.3	43.9
At 31 March 2016	36.9	1.3	12.2	6.5	56.9

Site restoration
The site restoration provision as at 31 March 2017 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 34 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 at least 30 years from closure of the relevant landfill site.

Restructuring
The restructuring provision relates to redundancy and related costs incurred as part of the previous structural cost programme and also recent restructuring initiatives including delivery of merger related synergies. As at 31 March 2017 the remaining affected employees are expected to leave the business during the following year.

Onerous contracts
Onerous contracts are provided at the net present value of the least net cost of either exiting the contracts or fulfilling our obligations under the contracts. The provisions are to be utilised over the period of the contracts to which they relate with the latest date being 2040.

Other
Other provisions principally cover dilapidations, long-service employee awards, lifecycle expenditure obligations, legal claims, indirect tax, warranties and indemnities. Under the terms of the agreements for the disposal of certain businesses, the Group has given a number of warranties and indemnities to the purchasers which may give rise to payments.

Notes to the Consolidated Financial Statements

11. Defined benefit pension schemes

The Group has the UK defined benefit scheme which covers UK employees and is closed to new entrants and the VGG defined benefit pension schemes eligible to certain employees in both the Netherlands and Belgium.

The amounts recognised in the Income Statement were as follows:

	2017 £m	2016 £m
Current service cost	**0.5**	0.3
Interest expense on scheme net liabilities	**0.3**	0.5
Net retirement benefit charge before tax	**0.8**	0.8

The amounts recognised in the balance sheet were as follows:

	2017 £m	2016 £m
Present value of funded obligations	**(245.5)**	(161.5)
Fair value of plan assets	**218.6**	150.8
Pension scheme deficit	**(26.9)**	(10.7)
Related deferred tax asset	**5.3**	1.9
Net pension liability	**(21.6)**	(8.8)

12. Financial instruments at fair value

The Group holds derivative financial instruments used for hedging which are measured at fair value. 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 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.

The Group does not hold any financial instruments at fair value which are valued using Level 1 or Level 3 techniques and there have been no transfers between categories in the current or preceding year.

The table below presents the Group's financial instruments measured at fair value:

	Level 2	
	2017 £m	2016 £m
Assets		
Derivative financial instruments	**0.3**	0.3
	0.3	0.3
Liabilities		
Derivative financial instruments	**30.8**	31.2
Retail bonds	**177.4**	164.6
	208.2	195.8

The fair value of all other financial assets and financial liabilities in the consolidated balance sheet were not materially different to their carrying value.

Notes to the Consolidated Financial Statements

13. Notes to the statement of cash flows

	2017 £m	2016 £m
Loss before tax	**(61.4)**	(2.5)
Fair value gain on financial instruments	-	(0.1)
Finance income	**(10.3)**	(16.6)
Finance charges	**34.7**	30.0
Share of results from associates and joint ventures	**(2.0)**	(1.0)
Operating (loss) profit from continuing operations	**(39.0)**	9.8
Operating (loss) profit from discontinued operations	**(0.5)**	0.1
Amortisation and impairment of intangible assets	**8.6**	4.4
Depreciation and impairment of property, plant and equipment	**48.6**	33.7
Gain on disposal of property, plant and equipment	**(0.5)**	(3.0)
Increase in service concession arrangement receivable	**(19.6)**	(10.3)
Exceptional gain on disposal of property, plant and equipment	**(0.5)**	-
Exceptional gain on disposal of discontinued assets	-	(0.4)
Exceptional loss on disposal of subsidiaries	**0.2**	8.7
Net increase in provisions	**29.0**	2.1
Payments to fund defined benefit pension scheme deficit	**(3.1)**	(3.1)
Share-based compensation	**0.5**	0.5
Exceptional non-cash contract costs	-	2.3
Operating cash flows before movement in working capital	**23.7**	44.8
(Increase) decrease in inventories	**(1.5)**	0.8
(Increase) decrease in receivables	**(4.1)**	5.0
Increase in payables	**9.8**	21.6
Cash flows from operating activities	**27.9**	72.2

Movement in net debt	At 1 April 2016 £m	Cash flows £m	Acquired £m	Other non-cash changes £m	Exchange movements £m	**At 31 March 2017 £m**
Cash and cash equivalents	34.7	(40.4)	78.2	-	2.4	**74.9**
Bank loans	(59.6)	65.7	(282.3)	(1.6)	(5.6)	**(283.4)**
Retail bonds	(157.5)	-	-	(0.2)	(12.5)	**(170.2)**
Finance leases	(10.2)	3.2	(36.3)	(1.1)	(0.8)	**(45.2)**
Total core net debt	(192.6)	28.5	(240.4)	(2.9)	(16.5)	**(423.9)**
PFI/PPP non-recourse net debt	(91.1)	4.0	-	-	-	**(87.1)**
Total net debt	(283.7)	32.5	(240.4)	(2.9)	(16.5)	**(511.0)**

Consolidated movement in net debt

	2017 £m	2016 £m
Net decrease in cash and cash equivalents	**(40.4)**	(28.9)
Net decrease in borrowings and finance leases	**72.9**	62.4
Capitalisation of loan fees	**-**	1.7
Cash and borrowings acquired through the VGG business combination	**(240.4)**	-
Total cash flows in net debt	**(207.9)**	35.2
Disposal of PFI/PPP non-recourse debt	**-**	80.4
Finance leases entered into during the year	**(1.1)**	(0.3)
Deferred interest on PFI/PPP non-recourse debt	**-**	(3.1)
Amortisation of loan fees	**(1.8)**	(1.1)
Exchange loss	**(16.5)**	(17.2)
Movement in net debt	**(227.3)**	93.9
Net debt at beginning of year	**(283.7)**	(377.6)
Net debt at end of year	**(511.0)**	(283.7)

Notes to the Consolidated Financial Statements

13. Notes to the statement of cash flows - continued

Reconciliation of underlying free cash flow as presented in the Financial Review

	2017 £m	2016 £m
Net cash inflow from operating activities	**22.6**	67.4
Exclude provisions, working capital and restructuring spend	**25.5**	7.4
Exclude payments to fund UK defined benefit pension scheme	**3.1**	3.1
Exclude increase in service concession arrangement	**19.6**	10.3
Include finance charges and loan fees paid (excluding exceptional finance charges)	**(19.4)**	(25.4)
Include finance income received	**9.9**	12.6
Include purchases of replacement items of intangible assets	**(3.1)**	(1.0)
Include purchases of replacement items of property, plant and equipment	**(37.9)**	(23.8)
Include proceeds from disposals of property, plant & equipment	**2.8**	6.2
Underlying free cash flow	**23.1**	56.8

14. Contingent liabilities

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 has given a number of indemnities and warranties relating to the disposed operations for which appropriate provisions are held.

APPENDIX

The following additional information, summarised from the Renewi plc Annual Report and Accounts 2017, is disclosed in accordance with Disclosure and Transparency Rule 6.3.5.

1. Principal Risks and Uncertainties affecting the Group

Input volumes – that incoming waste in the market may fall.

Input pricing competition – that market pricing may put pressure on our margins.

Output pricing – that the value we receive for recycled and recovered product falls.

Output recyclate/recovered product volumes – that the volumes of products we place to market falls.

Investment and growth – cash risk – that funding sources are available, but that cash generation is insufficient to allow access to funding.

Investment and growth – financing risk – that funding is not available.

Environmental permit risk – that our environmental permits to operate are restricted or removed.

Health and safety risk – that we incur reputational loss, or civil and criminal costs.

ICT failure – that ICT failure causes business interruption or loss.

Talent development/leadership – that we may lack the required management capabilities.

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

Fire and business continuity planning – business interruption and other costs as the result of a disaster such as a fire.

Operational failure – at a key facility leading to business interruption and other costs.

Project execution – that we fail to deliver our investment and cost reduction programmes.

Changes in law and policy – adverse impacts from changes in law and policy, including environmental, tax and similar legal and policy regimes.

Integration risks – that integration of the two companies is ineffective and/or fails to deliver anticipated synergies.

2. Directors' Responsibility, financial information and posting of accounts

The 2017 Annual Report which will be published in June 2017 contains a responsibility statement in compliance with DTR 4.1.12. This states that on 25 May 2017, the date of the approval of the Annual Report, the Directors confirm 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 profit of the Group: and
- the Strategic Report in the Annual Report includes 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.

The financial information set out above does not constitute the Company's full statutory accounts for the year ended 31 March 2016 or 2017, but is derived from those accounts. Statutory accounts for 2015/16 have been delivered to the Registrar of Companies and those for 2016/17 will be delivered following the Company's Annual General Meeting on 13 July 2017. The auditors have reported on those accounts; their reports were unqualified and did not contain statements under Section 498(2) or (3) of the Companies Act 2006.

The changes to the Board of Directors of Renewi plc since the 2016 Annual Report were:

- Mr A Castelein joined the Board in January 2017 as a non-executive director

A list of current directors is maintained on the Renewi plc website: www.renewi.com.