Shanks
Making more from waste

7 November 2013

Shanks Group plc

Shanks Group plc, a leading international sustainable waste management business, today announces its results for the six months ended 30 September 2013.

Unless stated otherwise, all financial information in this announcement relates to the Group's continuing operations. Discontinued operations comprise the UK Solid Waste business which, with the exception of the Elstow facility, is in the process of being sold as announced on 15 October 2013.

	2013	2012	Change % Reported	Change % Constant Currency
Revenue	**£325.3m**	**£309.0m**	**5%**	**0%**
EBITDA	**£46.6m**	**£45.0m**	**4%**	**-2%**
Trading profit	**£26.1m**	**£24.1m**	**8%**	**2%**
Underlying free cash flow (total)	**£23.1m**	**£10.2m**	**127%**	**107%**
Underlying profit before tax	**£18.3m**	**£16.8m**	**9%**	**3%**
Profit before tax (statutory basis)	**£12.8m**	**£11.1m**	**15%**	**9%**
Underlying EPS	**3.4p**	**3.1p**	**9%**	**3%**
Basic EPS (statutory basis)	**2.4p**	**2.5p**	**-3%**	**-9%**
Dividend per share	**1.1p**	**1.1p**		

Underlying measures exclude exceptional items, financing fair value measurements and amortisation of acquisition intangibles. Trading profit is operating profit before amortisation of acquisition intangibles and exceptional items. EBITDA comprises trading profit before depreciation, amortisation and profit or loss on disposal of plant, property and equipment. Underlying free cash flow is before dividends, growth capex, acquisitions and disposals.

Financial Summary

- Strong performance in line with expectations
- Underlying profit before tax up 3% at constant currency to £18.3m on flat revenue
- Underlying EPS up 3% at constant currency to 3.4p per share
- Robust balance sheet with core net debt at £182.2m and net debt:EBITDA ratio of 2.1x
- Return on operating assets up by 60 basis points to 14.8% due to capital discipline and portfolio management
- Loss from discontinued operations in first half of £27.2m, £23.1m non cash
- Interim dividend maintained at 1.1p per share, reflecting confidence in medium term

Business Overview

- Successful cost programme in Solid Waste Benelux delivers increased profit despite continued challenging markets
- Hazardous Waste performed ahead of expectations, particularly in soil and water treatment
- Organics Netherlands delivers growth, new assets being commissioned
- UK Municipal growth in line with forecast, with good progress on construction of new facilities for BDR and Wakefield PFI projects
- Significant investment in Hazardous Waste where we can generate attractive returns
- Active portfolio management including the exit from UK Solid Waste will deliver £4m uplift in annualised profit before tax and £22m cash inflows for reinvestment in growth businesses, principally from exit of UK Solid Waste
- Well positioned for future growth, with portfolio of strong businesses in attractive key markets

Commenting on the results, Peter Dilnot, Group Chief Executive of Shanks Group plc, said:

"In markets that remain challenging, Shanks delivered strong results for the first half, with underlying profit before tax and EPS up 3%. Hazardous Waste and UK Municipal performed particularly well and we have continued to invest in both of these growth businesses. Our self-help actions in Solid Waste Benelux are well on track, resulting in increased profits on lower revenues. Organics continued to perform steadily.

"Following the period end, we announced our exit from UK Solid Waste and the sale of the majority of those operations to Biffa. This exit and other portfolio actions will deliver a pro forma uplift of £4 million in annualised trading profit and £22m cash inflow for reinvestment in our growth divisions.

"Shanks is well positioned for the future with a portfolio of market leading businesses with clear opportunities for growth. The Board remains confident that the Group will deliver a trading result in line with its expectations for the full year and is pleased to maintain the Interim dividend."

Notes:

1. The interim dividend of 1.1p per share will be paid on 10 January 2014 to shareholders on the register at close of business on 6 December 2013.
2. Management will be holding an analyst presentation at 9:30 a.m. today, 7 November at the offices of College Hill, The Registry, Royal Mint Court, London, EC3N 4QN.
3. Webcast and Audio dial in details for the presentation at 9.30 a.m:
   – Webcast: www.shanksplc.com
   – Telephone conference:

United Kingdom	0800 368 0649
United Kingdom (Local)	020 3059 8125
Belgium	0800 39 247
Netherlands	0800 024 9942
All other locations	+ 44 20 3059 8125

   – Confirmation password: Shanks
4. A copy of this announcement is available on the Company's website, (www.shanksplc.com), as will be the presentation being made today to financial institutions.

For further information contact:

Shanks Group plc

Peter Dilnot – Group Chief Executive +44 (0)1908 650580
Toby Woolrych – Group Finance Director

College Hill

Mike Davies +44 (0)20 7457 2020
Helen Tarbet

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 Shanks Group'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, Shanks Group undertakes no obligation to revise or update such forward-looking statements.

STRATEGY

Shanks Group plc is a leading international sustainable waste management business with operations in the Netherlands, Belgium, United Kingdom and Canada. Our strategy is focused on delivering cost-effective and sustainable alternatives to landfill and mass incineration. The need for such solutions continues to increase due to regulation and legislation, and reflecting society's determination to protect the environment. Shanks has strong positions in its target markets and a unique portfolio of businesses, capabilities and technologies.

Following the disposal of UK Solid Waste, the Group has four-market facing divisions: Solid Waste Benelux, Hazardous Waste, Organics and UK Municipal. The Group has articulated distinct strategic pillars to deliver growth from each of these divisions:

- **Improve the profitability of the Solid Waste Division** through cost optimisation and strong commercial performance
- **Broaden the scope of the Hazardous Waste Division**, both geographically and technologically
- **Expand the footprint of the Organics Division in target geographies** through selective investment in new facilities
- **Grow the UK Municipal business** through execution of the current build programme for its long-term PFI/PPP contracts

These core divisional strategies are underpinned by two Group wide strategies that are to:

- **Develop world-class capabilities** in a cohesive Group culture, with focus on continuous improvement and commercial effectiveness
- **Actively manage the Group portfolio** to accelerate growth and improve returns, including selective disposals and bolt-on acquisitions

MARKET BACKGROUND

Market conditions in the solid waste markets of the Benelux have continued to be as challenging as forecast. Construction markets in the Netherlands have continued to contract by up to 5% from sixty year lows experienced last year. Current forecasts are for a flatter market in 2014. Market pricing was broadly flat at historic lows in the Netherlands, but remains under significant pressure in Belgium. Recyclate prices have been relatively stable compared to the prior year, but metal prices have declined by 12%.

Market conditions have been correspondingly tough in the soil market for Hazardous Waste Division, but this has been offset by the strong geographic reach of ATM for thermal soil treatment opportunities. The waste water market has shown continuing modest growth. Pricing pressure in industrial cleaning has also been offset by increasing the scope of services offered to key clients.

The medium and long term municipal contracts that underpin the Organics and UK Municipal Divisions are less prone to economic pressure. Nevertheless, austerity measures have squeezed municipal budgets such that our clients are looking for additional ways to reduce their waste disposal costs. Renewal prices for Dutch organics contracts are also generally at a lower price than historically, due to over-capacity in the market.

Despite all the market challenges, there remains a growing need to manage waste without damaging the environment and this is underpinned by legislation and regulation that continues to be passed.

OVERVIEW

The following table shows the financial performance from continuing operations. The exit from UK Solid Waste has increased the Group's first half trading profit by around £1.6m and will have an annualised benefit of around £3m.

Continuing Operations	Revenue				Trading Profit			
	Six months ended				Six months ended			
	Sep 13	Sep 12	Change %		Sep 13	Sep 12	Change %	
	£m	£m	Reported	CER	£m	£m	Reported	CER
Solid Waste Benelux	165.0	167.1	-1%	-7%	10.7	9.4	14%	7%
Hazardous Waste	75.2	67.7	11%	5%	11.1	9.9	12%	5%
Organics	19.3	18.3	5%	2%	3.2	3.1	3%	3%
UK Municipal	70.5	59.0	19%	19%	4.7	4.4	7%	7%
Group central services	-	-			(3.6)	(2.7)	-33%	-33%
Inter-segment revenue	(4.7)	(3.1)			-	-		
Total	**325.3**	**309.0**	**5%**	**0%**	**26.1**	**24.1**	**8%**	**2%**

CER = at constant exchange rate

Group revenue on continuing operations remained flat at constant currency in the six months to September 2013, but grew by 5% at actual currency to £325.3m (2012: £309.0m). Revenue grew in the Group's Hazardous Waste and UK Municipal segments, but continued to contract in the Benelux. Trading profit was broadly flat in Organics and up in the other three Divisions, such that underlying profit before tax rose by 3% at constant currency to £18.3m (2012: £16.8m). Core net debt was £182m at the period end, representing a net debt to EBITDA ratio of 2.1x, well within the Group's covenant levels.

Solid Waste Benelux performed robustly, delivering a 7% increase in trading profit despite a 7% decrease in revenues. The negative impact of market conditions was more than offset by the €6m impact of our cost reduction initiatives and the benefit arising from the disposal of loss-making activities.

The Hazardous Waste Division delivered a strong performance, ahead of expectations. Good volumes in both soil and water treatment allowed the division to offset the impact of the end of a materially beneficial contract that positively impacted the prior year. Revenue and trading profit both increased by 5% and returns remained very strong.

The Organics Division delivered a good first half performance in the Netherlands, offset by a weaker performance in Canada. Revenue and trading profit were broadly flat.

UK Municipal (PFI/PPP) continued to grow in line with our plans, delivering a 7% profit increase to £4.7m. Revenue growth of 19% was largely driven by the first year of operation of the Wakefield contract. Progress continues on track with the construction phase of Barnsley, Doncaster and Rotherham (BDR) and Wakefield PFI Contracts.

Group central services increased by £0.9m in the first half due to one-off credits in the comparative period and the restoration of routine incentive accruals that were not paid in the prior year.

The Group's balance sheet remains robust. In the first half, Shanks invested £11m in subordinated debt as part of the full service commencement of the Cumbria PPP and we have completed construction of our Westcott Park anaerobic digestion (AD) facility in Buckinghamshire. New investment plans with regard to Hazardous Waste are outlined below. The investment portfolio with regard to continuing businesses delivered post tax returns of 12.2% (2012: 12.3%).

The Group delivered another strong underlying free cash flow of £23.1m (2012: £10.2m) in the first half, well ahead of expectations. This has been driven by a sustained focus on working capital and replacement capital and partly assisted by the timing of cash flows in the PFI programme build phases. A six year €100m Belgian retail bond was issued in July with a coupon of 4.23%.

Reflecting the Board's continuing confidence in the medium term growth prospects for the business, we are pleased to announce an interim dividend of 1.1p per share, maintained in line with last year.

Outlook

While market conditions remain challenging in the Solid Waste Benelux division, the cost reduction programme and profit growth from the other divisions are delivering benefits. Accordingly, the Group remains on track to meet its expectations for the full year ending 31 March 2014. The exit from UK Solid Waste, once completed, is expected to increase the profit before tax of the Group by approximately £3m on an annualised basis.

BOARD CHANGE

As previously reported, we were delighted to welcome Marina Wyatt to the Board. She has also been appointed as Chair of the Audit Committee and is a member of the Remuneration and Nomination Committees. Peter Johnson stepped down from the Board following our AGM in July after eight years of service and we wish him well in the future.

MANAGING THE PORTFOLIO / EXIT FROM UK SOLID WASTE

Overview

The Group has a strategic aim to compete in areas where it can deliver attractive returns to shareholders. This will include actively managing the portfolio to exit businesses where we do not have competitive advantage or the ability to deliver attractive returns.

In the first six months of the year, the Group completed three small transactions that raised £8m of cash and increased annualised trading profit by £0.3m:

- sale of Solid Waste Benelux Division's head office
- sale of Foronex Wood Trading in Belgium
- sale of the Kluivers metal trading business in the Netherlands

On 15 October the Group announced that it had entered into an agreement to sell the majority of its UK Solid Waste assets to Biffa, and at the same time announced its intention to close and sell its Kettering and Blochairn materials recycling facilities (MRFs).

The total annualised impact of this active management of our portfolio of businesses during FY14 will have been to raise £22m of cash, increase trading profit by £4m, trading margins by 100 bps and is a key part in increasing our returns on operating assets from 11.4% to 14.8%.

Exit from UK Solid Waste

Strategic rationale

The exit from the challenging UK Solid Waste market and the corresponding focus on our growing UK Municipal business is in line with the Group's strategy. The UK Solid Waste business is sub-scale, loss-making and we see no clear path to generating appropriate returns. By contrast, the Group has an established market presence in UK Municipal and this business generates long-term, predictable revenues with attractive returns.

The exit from UK Solid Waste comprises four component parts:

- The sale of the majority of the UK Solid Waste business to Biffa
- Closure and sale of Kettering and Blochairn MRFs
- Transfer of the Elstow facility that manages waste for Bedfordshire County Council to our UK Municipal Division

- Streamlining our UK Divisional Central Services to serve the UK Municipal market better and to reduce cost

Terms of the sale to Biffa

The assets sold to Biffa comprise 11 facilities in England and Scotland and all of our UK Solid Waste business with the exception of Elstow (which is being transferred to the Group's UK Municipal business) and Kettering and Blochairn MRFs which the Group will exit separately in the near future.

The cash consideration payable is £9.5m on a debt free and working capital free basis. It is expected that we will benefit from an additional cash inflow of approximately £3m following the sale of the assets as the historic associated working capital unwinds. The net cash inflow for Shanks upon completion of the sale and after transaction and restructuring costs is expected to be approximately £8m. As part of the transaction, approximately 300 employees will transfer to Biffa under TUPE. The transaction is expected to complete by the end of December 2013 following TUPE consultation and is conditional on routine regulatory clearances.

Closure and intended sale of Kettering and Blochairn MRFs

As part of the exit from UK Solid Waste, we have entered into consultation with our employees to close and sell the Kettering and Blochairn MRFs. Kettering is expected to close within a few weeks, whilst Blochairn's closure is expected to coincide with the completion of the Biffa transaction.

The process to sell the sites is well underway, with combined net proceeds expected to be around £6m after sale and closure costs.

Other portfolio management actions in H1 FY14

We have completed a number of other transactions in Benelux Solid Waste in the first half that will increase profit and shareholder returns as well as generating cash.

In May 2013 we completed the sale of Foronex's wood trading activities and specialised transport in Belgium back to its original founder. This included the transfer of 36 employees and 42 vehicles. The sale of the Trading business along with the Transport business last year has generated €9m of cash and increased annual trading profit by €0.4m. The remaining Foronex activities at Bree comprise the manufacture of wood dust and pellets for biomass consumption. These manufacturing activities are profitable and fit with our core strategy of "making more from waste". We have rebranded this business Shanks Wood Products and it now coordinates all its activities with a sister facility in the Netherlands to maximise efficiency and productivity.

In May 2013 we also completed the sale of our Kluivers metal recycling and trading business to its former owner for €0.3m. In September 2013 we also completed the sale of the Benelux Solid Waste division's Head Office for €8m.

Financial costs and benefits from portfolio actions

The following table summarises the trading impact of the above portfolio management activities based on pro forma FY13 numbers:

Year to March 13 **£m**	Biffa transaction	Kettering / Blochairn	**UK Solid Waste exit**	Benelux actions	**Total**
Revenue	47.4	8.0	**55.4**	12.1	**67.5**
Trading profit (loss)	0.5	(2.1)	**(1.6)**	(0.3)	**(1.9)**
Divisional central services			**(2.0)**	-	**(2.0)**
Net trading loss			**(3.6)**	(0.3)	**(3.9)**
Goodwill and intangible assets	10.9	3.5	**14.4**	0.4	**14.8**
Tangible assets	3.9	17.1	**21.0**	7.3	**28.3**
Total assets	14.8	20.6	**35.4**	7.7	**43.1**

The following table shows the expected profit and loss and cash flows arising from each transaction:

£m	Biffa transaction	Kettering / Blochairn	**UK Solid Waste exit**	Benelux actions	**Total**
Sale proceeds	9.5	7.0	**16.5**	8.8	**25.3**
Working capital movements	3.0	-	**3.0**	-	**3.0**
Restructuring charges	(2.5)	(1.0)	**(3.5)**	-	**(3.5)**
Transaction costs	(1.8)	(0.3)	**(2.1)**	(0.4)	**(2.5)**
Cash inflow on sale	8.2	5.7	**13.9**	8.4	**22.3**
Expected (loss) profit on sale	(11.3)	(15.2)	**(26.5)**	0.6	**(25.9)**

INVESTMENT FOR GROWTH IN HAZARDOUS WASTE

Strategy for growth in Hazardous Waste

The Hazardous Waste Division comprises our ATM, Jaartsveld and Reym businesses in the Netherlands. ATM is one of Europe's leading soil and water treatment companies with a highly specialised and integrated facility at Moerdijk. Jaartsveld is a soil treatment facility specialising in soil washing. Reym conducts onshore and offshore specialist industrial cleaning for the world's leading oil and chemical companies.

The Hazardous Waste Division has good competitive advantages and generates excellent shareholder returns. The business benefits from its location, its symbiotic manufacturing processes and because of the strong link between its cleaning business, Reym, and its treatment business, ATM.

Since the division was created in 2012, the management team have been working to clarify its growth strategy and to ensure that expansion opportunities are accelerated and appropriately funded.

These are focused on four main areas:

- Hazardous Waste, together with the Organics and Solid Waste Benelux Divisions, is actively expanding 'Shanks Total Care' across the Netherlands to both key current and target customers. Shanks Total Care is a unique offering of industrial cleaning, combined with the transportation and treatment of both hazardous and solid waste by one integrated supplier

- The expansion of the geographic reach of Hazardous Waste. We are currently applying for permits to construct a waste water collection and primary treatment facility at Theemsweg in the heart of Rotterdam's growing Europoort
- The expansion of capacity of both soil and waste water treatment assets at our waterside location in Moerdijk
- Investment in new technologies for advanced industrial cleaning and to treat additional waste streams

Growth projects currently approved

Over the past six months, the Board has approved the following projects that will be completed over the next three years in order to underpin growth in the Hazardous Waste Division:

- New waste water collection and treatment facility and Reym logistics centre at Theemsweg in Rotterdam
- Doubling of the waste water storage capacity at ATM in order to benefit from peaks of waste water collection and increased volumes arising from new legislation relating to ships' ballast tanks
- New equipment to offer a degassing service for ships at ATM's jetty in anticipation of legislation that comes into force in 2015 requiring ships to degas their tanks in a controlled environment
- Investment in enhanced emissions control assets at ATM to increase soil throughput in its thermal soil treatment kiln by 10%
- Investment in handling equipment to enable the processing of iron sludges arising from foundries, opening up a new market niche for the thermal soil treatment kiln
- Development of Reym ultrasonic cleaning equipment for onshore use and expanding offshore capacity, to complement the existing pressure and chemical cleaning units.

The total cost of these projects is expected to total around €20m over the next three years, generating a post-tax return in line with the 12-15% Group target.

DIVISIONAL REVIEW

The divisional review is presented with reference to performance variances in local currency unless otherwise stated, with the impact of currency movements excluded.

Solid Waste Benelux

	Revenue				Trading Profit			
	Six months ended				Six months ended			
	Sep 13	Sep 12	Change		Sep 13	Sep 12	Change	
	€m	€m	€m	%	€m	€m	€m	%
Netherlands Solid Waste	112.3	117.3	(5.0)	-4%	7.7	6.7	1.0	15%
Belgium Solid Waste	54.9	56.1	(1.2)	-2%	3.4	5.5	(2.1)	-38%
Belgium Others	35.9	44.4	(8.5)	-19%	6.2	4.5	1.7	38%
Divisional central services	-	-	-		(4.8)	(5.0)	0.2	
Intra-segment revenue	(10.1)	(9.6)	(0.5)		-	-		
Total €m	**193.0**	**208.2**	**(15.2)**	**-7%**	**12.5**	**11.7**	**0.8**	**7%**
Total £m (at average rate)	**165.0**	**167.1**	**(2.1)**	**-1%**	**10.7**	**9.4**	**1.3**	**14%**

	Trading Margin		Return on Operating Assets	
Netherlands Solid Waste	6.9%	5.7%	4.9%	7.0%
Belgium Solid Waste	6.2%	9.8%	31.6%	23.2%
Belgium Others	17.3%	10.1%		
Total	**6.5%**	**5.6%**	**8.9%**	**10.5%**

The Solid Waste Benelux Division comprises the solid waste collection and treatment activities across the Netherlands and Belgium along with various other small units in Belgium, including Shanks Wood Products, the Cetem landfill and Industrial Cleaning Wallonia.

Trading profits in the Solid Waste Benelux Division over the six months ended 30 September 2013 increased by 7% to €12.5m on revenues that were down by 7% to €193m, in line with expectations and demonstrating that our cost control actions have been able to offset ongoing market challenges.

Revenues fell by 7% due to lower construction volumes in the Netherlands, pricing pressure in Belgium and lower recyclate revenues, especially in metals. Construction & demolition volumes in the Netherlands were down by 7% and rubble by 5%, but stability in commercial waste and continuing growth in glass waste treatment limited the total volume contraction to 1.5%. Prices were slightly reduced but remained relatively stable. Volumes in Belgium Solid Waste increased by 3%, but severe price competition led to a 6% fall in commercial pricing compared to prior year. The revenue fall but profit increase in Belgium Other includes the impact of the sale of the loss-making Foronex Trading business. The Cetem landfill had a strong first half, but this was offset by continuing weakness in Wallonia Industrial Cleaning. The total adverse trading profit impact of the above was over €5m.

However, the €6.1m benefits arising from portfolio actions and the structural cost reduction programme more than offset these headwinds, leading to a 7% increase in trading profit. Following the announcement of the exit from UK Solid Waste, the structural cost programme now largely relates to the Solid Waste Benelux Division, with a commitment to deliver a total annualised saving of €19m by March 2016. The division is on track to meet its commitment of €10m by year end. Projects progressed in the period include capacity reduction at the Smink Groundworks and Industrial Cleaning Wallonia businesses. The shared service centres in Amersfoort and Zaventem are nearly fitted out and initial processes are on track to transfer soon.

In addition to the structural cost reduction programmes, management have begun to introduce continuous improvement activities in line with our group strategy. These have included projects to optimise Belgian truck and car replacement, improve throughput at the Gent SRF line and to coordinate outbound logistics in the Netherlands business. These are expected to deliver further benefit from next year.

Hazardous Waste

	Revenue				Trading Profit			
	Six months ended				Six months ended			
	Sep 13	Sep 12	Change		Sep 13	Sep 12	Change	
	€m	€m	€m	%	€m	€m	€m	%
Hazardous Waste	88.1	84.3	3.8	5%	14.1	13.3	0.8	6%
Divisional central services	-	-	-		(1.1)	(0.9)	(0.2)	
Total €m	**88.1**	**84.3**	**3.8**	**5%**	**13.0**	**12.4**	**0.6**	**5%**
Total £m (at average rate)	**75.2**	**67.7**	**7.5**	**11%**	**11.1**	**9.9**	**1.2**	**12%**

	Trading Margin		Return on Operating Assets	
Total	**14.8%**	**14.7%**	**35.6%**	**38.8%**

The Division performed ahead of expectations in the six months ended 30 September 2013, with revenue up 5% at €88.1m and trading profit up 5% at €13.0m. Thermal soil intake was strong, partially offsetting the impact of the end of a profitable contract processed last year. The new soil storage shed was completed in the first half, allowing for a significant increase in soil intake for storage and subsequent processing. The business was also awarded permits for the treatment of iron sludges, which are a waste product from iron and steel manufacture. These sludges, which used to be landfilled, can now be thermally treated. New equipment to process larger volumes of iron sludges will be installed over the next year. The opportunity in the Netherlands is relatively modest, but with greater potential upside if international iron sludges can be sourced.

Soil washing activities at Jaartsveld saw significant volume and pricing pressure, reflecting current over-capacity in the market. Cost reduction measures have mitigated the exposure and the unit is running at reduced capacity pending a market recovery.

Encouraging growth was delivered in the water treatment line from both ship cleaning activities and treatment of industrial waste water.

Reym had a challenging first six months, with significant pricing pressure from some key contracts coupled with volatile volumes that impacted optimal resource utilisation. The continuing roll out of the Shanks Total Care concept is intended to increase the scope of Reym's activities. Additionally, successful trials are leading to the introduction of ultrasonic cleaning units alongside the existing high pressure and chemical technologies. Reym was pleased to celebrate its sixtieth anniversary with both customers and employees.

The significant investment planned for Hazardous Waste over the next two to three years has been laid out in detail in the section above.

Organics

	Revenue				Trading Profit			
	Six months ended				Six months ended			
	Sep 13	Sep 12	Change		Sep 13	Sep 12	Change	
	€m	€m	€m	%	€m	€m	€m	%
Netherlands	10.3	9.5	0.8	8%	2.3	2.2	0.1	5%
Canada	9.1	9.6	(0.5)	-5%	2.0	2.3	(0.3)	-15%
Other Organics	3.8	3.7	0.1	3%	0.1	-	0.1	n/a
Divisional central services	-	-	-		(0.5)	(0.7)	0.2	
Total €m	**23.2**	**22.8**	**0.4**	**2%**	**3.9**	**3.8**	**0.1**	**3%**
Total £m (at average rate)	**19.3**	**18.3**	**1.0**	**5%**	**3.2**	**3.1**	**0.1**	**3%**

	Trading Margin		Return on Operating Assets	
Netherlands	22.3%	23.2%	6.9%	6.3%
Canada	22.0%	24.0%	9.6%	11.0%
Other Organics	2.6%	0.0%	1.3%	-1.9%
Total	**16.8%**	**16.7%**	**6.8%**	**6.6%**

Results for Canada shown at constant currency

The Organics Division comprises the Orgaworld business in the Netherlands and Canada, plus the anaerobic digestion facilities in Belgium and the UK.

The Organics Division performed steadily over the six months to 30 September 2013. The Netherlands delivered a strong performance from its composting facilities, with overall revenue rising by 8% and trading profit by 5%. The Greenmills AD facility in Amsterdam made good progress with commissioning a third CHP engine and a digestate dryer. The Canadian business was down 15% in local currency largely as a result of increased bid costs in the region. Ongoing volume limits to manage odour concerns at the London facility were largely offset by local cost savings. Revenues increased slightly at our Cumbernauld joint venture and the business remained modestly profitable.

The new Westcott Park AD facility in the UK experienced a few months delay in commissioning due to the insolvency of a supplier, but is now taking in waste and has conducted successful trial runs of both CHP engines. The three bids for municipal organic waste in South Wales are progressing and we are working with the Welsh Government and the local authorities to finalise planning for the new facility. The pipeline of opportunity in Canada and the USA continues to develop well.

UK Municipal

	Revenue				Trading Profit			
	Six months ended				Six months ended			
	Sep 13	Sep 12	Change		Sep 13	Sep 12	Change	
	£m	£m	£m	%	£m	£m	£m	%
PFI/PPP contracts	70.5	59.0	11.5	19%	7.2	7.3	(0.1)	-1%
Divisional central services	-	-	-		(2.5)	(2.9)	0.4	
Total	**70.5**	**59.0**	**11.5**	**19%**	**4.7**	**4.4**	**0.3**	**7%**
	Trading Margin							
Total	**6.7%**	**7.5%**						

The Division now includes the Elstow facility transferred from UK Solid Waste

The UK Municipal Division is a key growth driver for the Group. Shanks is a UK market leader in providing mechanical biological treatment (MBT) and AD solutions to divert municipal waste from landfill. The UK Municipal market is, to a large extent, immune from some of the broader commercial challenges affecting the industrial and construction markets with profit driven by exceptional operational delivery to the contracted terms. Long term contracts underpin the significant capital investments required and pricing mechanisms adjust for material fluctuations in waste arising. Shanks has a good track record in working closely in partnership with councils in order to deliver high diversion rates and cost savings.

In the six months ended 30 September 2013, the UK Municipal division continued to perform strongly, with revenue increasing by 19% and trading profit by 7% to £4.7m. The strong revenue growth was a result of the first year of operation of the Wakefield contract, at modest profitability during the initial phase, offset by a reduction in one-off success fees received last year.

All PFI/PPP contracts performed as expected, and negotiations are proceeding at Dumfries and Galloway to improve the operating environment going forward. The Barrow MBT facility (which is part of the Cumbria PPP) was briefly closed as a result of a fly infestation in the exceptionally warm weather, but has since returned to full processing and is delivering excellent waste diversion levels.

The build phase at BDR and Wakefield progressed well in the period, with a ground breaking ceremony at Wakefield in July. We were also pleased to support Derby City Council and Derbyshire County Council as they successfully defended an appeal against the planning permission granted to build a new treatment facility in Derby.

FINANCE REVIEW

Revenue and profit

Revenue from continuing operations increased by 5% to £325.3m, unchanged at constant currency. A decline of 7% in Benelux Solid Waste was offset by revenue growth in Hazardous Waste and UK Municipal.

Trading profit from continuing operations, before non-trading and exceptional items, increased by 8% to £26.1m (2% at constant currency), with good growth in Benelux Solid Waste and Hazardous Waste as described in the earlier Divisional Review. Group central services, which comprise the Group’s head office functions, increased in the period as a result of a number of one-off credits in the prior year in addition to the restoration of routine incentive accruals.

Operating profit from continuing operations on a statutory basis, which takes into account non-trading and exceptional items, increased 11% from £18.4m to £20.4m.

Profit before tax from continuing operations on a statutory basis including the impact of non-trading and exceptional items in the period increased 15% from £11.1m to £12.8m.

H1 to H2 trading outlook

The Group has a seasonal bias to stronger trading in the first half of the financial year over the second, with slowdowns in Organics, construction & demolition waste and industrial cleaning markets in the winter months. Challenging market conditions are also expected to continue in the solid waste market with weak volumes and lower metal recyclate prices not forecast to recover. Hazardous Waste is expected to continue to deliver a strong performance in line with last year.

The Board remains confident that results for the year ended 31 March 2014 will be in line with its expectations.

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 of £5.5m (2012: £5.7m) include:

- Amortisation of intangible assets acquired in business combinations of £1.1m (2012: £1.3m)
- Restructuring charges and associated costs of £2.1m (2012: £4.0m)
- Impairment of assets in the Netherlands of £3.2m (2012: £nil) following a fire, with the recognition of the insurance recovery expected to be reflected in the second half
- Recovery from an old litigation case in Hazardous Waste of £1.4m (2012: £nil)
- Other items of £0.7m (2012: onerous contract charge of £1.4m)
- In the prior year a gain from exiting transport activities in Foronex, Belgium of £1.0m
- Financing fair value remeasurement credit of £0.2m (2012: £nil)

Net finance costs

Net finance costs increased marginally by £0.3m in the period. The higher level of finance income is due to an increase in interest receivable on financial assets relating to PFI/PPP contracts as the build programme continues for the BDR and Wakefield contracts and this is mirrored by an increase in interest payable on non-recourse PFI/PPP debt.

Taxation

The average tax rate on underlying profits from continuing operations was 25.2% (2012: 25.6%) based on management's best estimate of the weighted average annual tax rate expected for the full financial year.

In the prior year an exceptional tax credit of £2.0m related to a favourable judgement issued with regard to certain tax liabilities in Belgium.

Earnings per share (EPS)

Underlying EPS from continuing operations, which excludes the effect of non-trading and exceptional items, increased by 9% to 3.4p per share (2012: 3.1p). Basic EPS from continuing operations decreased from 2.5p per share to 2.4p per share.

Discontinued operations

On 15 October 2013, the Group announced the exit from its UK Solid Waste activities. In accordance with IFRS 5, Non-current Assets Held for Sale and Discontinued Operations, the net results of these operations being sold are presented within discontinued operations in the income statement and the assets of the discontinued operations are presented separately in the balance sheet. Further details are set out in note 5 to the consolidated interim financial statements.

	Revenue				Trading Profit			
	Six months ended				Six months ended			
	Sep 13	Sep 12	Change		Sep 13	Sep 12	Change	
	£m	£m	£m	%	£m	£m	£m	%
UK Solid Waste	27.3	30.6	(3.3)	-11%	(0.3)	(1.2)	0.9	75%
Divisional central services	-	-	-		(1.3)	(1.2)	(0.1)	
Total	**27.3**	**30.6**	**(3.3)**	**-11%**	**(1.6)**	**(2.4)**	**0.8**	**33%**

Revenues in UK Solid Waste continued to fall by 11% in the six months ended 30 September 2013 to £27.3m. The strong cost actions taken last year improved the trading profit performance before divisional central services to a reduced loss of £0.3m (2012: £1.2m). However, after the allocation of divisional central services, the resultant loss was £1.6m (2012: £2.4m).

Dividend

As outlined above, the Board has approved an interim dividend of 1.1p per share (2012: 1.1p) that will be paid on 10 January 2014, to shareholders on the register at the close of business on 6 December 2013.

Retirement Benefits

The Group operates a defined benefit pension scheme for certain UK employees which was closed to new entrants in September 2002. At 30 September 2013, the net retirement benefit deficit relating to the UK scheme was £10.3m compared with £6.8m at 31 March 2013. The increase in the deficit reflected the lower than expected returns on assets in the period. The latest actuarial valuation of the scheme was at 5 April 2012 and a funding plan of £3.0m per annum over seven years has been agreed with the trustees. This payment profile will be reconsidered at the next actuarial valuation which is due at 5 April 2015.

Directors' valuation of PFI assets

The Directors' valuation of the net present value of the PFI assets remains at £88m based on updated conservative projections. This value is not recorded in the Group's balance sheet.

Return on Capital

The Group return on operating assets (excluding debt, tax and goodwill) from continuing operations has increased from 14.2% at 31 March 2013 to 14.8% at 30 September 2013. The total Group post-tax return on capital employed was 5.8% compared with 5.4% at 31 March 2013.

Investment programme

Since 2008, the Group has had a stated strategy of investing up to £250m in sustainable waste management infrastructure, with a target post-tax return of 12-15% on fully operational assets. Following the recently announced exit from Solid Waste activities in the UK, the associated assets of £20m have been removed from the reporting of the investment portfolio. At 30 September 2013, £90m of the investment portfolio was considered fully operational and it delivered a post-tax return of 14.3%. The portfolio as a whole delivered a post-tax return of 12.2%.

The investment in the UK Municipal programme remains on track as the BDR and Wakefield construction phases accelerate. For the period to 30 September 2013, the PFI financial assets increased by £29.5m to £155.0m. The asset increases are broadly matched by increases in non-recourse debt that is lent directly to the PFI funding entities with no recourse to the Group as a whole.

Cash Flow

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

	Sep 13 £m	Sep 12 £m
EBITDA	45.3	43.6
Working capital movement and other	(9.7)	(14.3)
Net replacement capital expenditure	(7.1)	(12.5)
Interest and tax	(5.4)	(6.6)
Underlying free cash flow	**23.1**	**10.2**
Net growth capital expenditure	(12.6)	(11.7)
Acquisitions and disposals	1.3	(11.0)
Restructuring spend	(4.6)	(2.3)
Dividends paid	(9.3)	(9.3)
PFI funding and other	(8.6)	(8.9)
Net core cash flow	**(10.7)**	**(33.0)**
Free cash flow conversion	**95%**	**47%**

All numbers above include both continuing and discontinued operations
Free cash flow conversion is defined as underlying free cash flow divided by trading profit

The strong focus on cash management and tight control of capital expenditure has continued and resulted in a strong cash performance in the six months ended 30 September 2013. Working capital flows in the prior period were affected by the adverse timing of a £4m payment that was received in early October.

The lower ratio of net replacement capital spend to depreciation of 32% will be offset by an increased level of spend in the second half.

The cash interest and tax spend in the period was reduced by 18% to £5.4m as a result of timing on tax payments in Belgium and the Netherlands.

Growth capital spend of £12.6m included a number of improvements at ATM, further investments in the Amsterdam AD facility and the completion of the UK AD facility at Westcott Park.

The acquisitions and disposals spend of £11m in the prior period included the final earn out payment in relation to the acquisition of Orgaworld.

The “PFI funding and other line” in the table above includes a net outflow of £9.7m in relation to PFI as the subordinated debt payment was made in April 2013 in relation to the Cumbria PPP contract following the completion of the build.

The exchange rate on the Euro has moved from 1.18 at 31 March 2013 to 1.20 at 30 September 2013.

Net debt and borrowings

The net core cash outflow of £10.7m, offset by £5.7m benefit on the translation into Sterling of the Group’s Euro and Canadian Dollar denominated debt, has increased core debt by

£4.9m to £182.2m. Core net debt remains in line with our plans at 2.1x EBITDA and is expected to remain at a similar level by year end.

Core borrowings, excluding PFI/PPP non recourse borrowings, are almost all long term, as outlined in the table below.

All figures in £m	Available	Drawn	Term
€100m Belgian retail bond	83.6	83.6	Oct-15
€40m PRICOA senior notes	33.4	33.4	Apr-18
€100m Belgian retail bond	83.6	83.6	Jul-19
Term & revolving credit facility	112.0	55.0	Jun-15
Total debt and facilities	312.6	255.6	
Finance leases		9.0	
Term loans in UK Organics JV		3.6	
Loan fees		(2.0)	
Cash		(84.0)	
Core net debt		182.2	

On 30 July 2013 the Group issued a further €100m of six year bonds to retail investors in Belgium and Luxembourg at an annual coupon of 4.23%. On 13 September 2013 the Group repaid €18m of senior notes at their maturity.

Debt accumulated in the special purpose vehicles (SPVs) created for the financing of 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. At 30 September 2013 this amounted to £121.3m (31 March 2013: £100.1m). While PFI assets are under construction, there are periods when the timing of draw downs from the non recourse debt differs from the outflows required and the Group may temporarily fund any difference.

Principal risks and uncertainties

The Group operates a risk management framework to identify, assess and control the most serious risks facing the Group and the Board believes that the key risks and associated mitigation strategies have not changed in the period. The 2013 Annual Report (pages 50 to 54) provides a discussion of the Group's principal risks and uncertainties and these are as follows:

- Waste volumes - that incoming waste arising in the market may fall.
- Liquidity risk - that the Group may generate insufficient cash to invest and grow.
- Pricing competition - that market pricing may put pressure on our margins.
- Talent development/leadership – that we may lack the required management capabilities.
- Long term contracts - that we enter into long-term contracts on disadvantageous terms.
- Credit risk - that we are unable to refinance our debt cost effectively.
- Safety, health and environmental compliance - that we incur reputational damage, cost or business interruption through failure to comply.
- Recyclate pricing - that the value we receive for recycled products falls.
- Fire and business continuity – business interruption costs arising from a physical disaster.
- Project execution - that we fail to deliver our investment and cost reduction programmes.
- ICT failure - that ICT failure causes business interruption or loss.

Looking forwards over the remainder of the financial year, the biggest areas of risk focus for the Group concern waste volumes, pricing competition and recyclate pricing in the solid waste market. The structural cost programme is expected to address the risks to profitability caused by the difficult market conditions. Fire remains a significant risk in waste treatment.

Shanks Group plc
Responsibility statement of the Directors in respect of the Half Year Financial Report

The Directors confirm that these condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting as adopted by the European Union and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related-party transactions in the first six months and any material changes in the related-party transactions described in the last Annual Report.

There has been one amendment to the Board of Directors of Shanks Group plc since the 2013 Annual Report, namely that Mr Peter Johnson resigned from the Board on 25 July 2013. A list of current Directors is maintained on the Shanks Group plc website: www.shanksplc.com.

By order of the Board

P Dilnot	T Woolrych
Group Chief Executive	Group Finance Director
7 November 2013	7 November 2013

Consolidated Interim Income Statement (unaudited)

First half ended 30 September 2013

	Note	**First half 2013/14** Trading £m	Non trading & exceptional items £m	Total £m	First half 2012/13 Restated* Trading £m	Non trading & exceptional items £m	Total £m
Revenue	2	**325.3**	**-**	**325.3**	309.0	-	309.0
Cost of sales		**(270.8)**	**(5.0)**	**(275.8)**	(257.2)	(2.8)	(260.0)
Gross profit		**54.5**	**(5.0)**	**49.5**	51.8	(2.8)	49.0
Administrative expenses		**(28.4)**	**(0.7)**	**(29.1)**	(27.7)	(2.9)	(30.6)
Operating profit (loss)	2,3	**26.1**	**(5.7)**	**20.4**	24.1	(5.7)	18.4
Finance income	2	**4.2**	**0.2**	**4.4**	2.9	-	2.9
Finance charges	2	**(12.1)**	**-**	**(12.1)**	(10.3)	-	(10.3)
Income from associates		**0.1**	**-**	**0.1**	0.1	-	0.1
Profit (loss) before taxation	2	**18.3**	**(5.5)**	**12.8**	16.8	(5.7)	11.1
Taxation	3,4	**(4.6)**	**1.4**	**(3.2)**	(4.3)	3.0	(1.3)
Profit (loss) for the period from continuing operations		**13.7**	**(4.1)**	**9.6**	12.5	(2.7)	9.8
Discontinued operations							
Loss for the period from discontinued operations	5	**(1.3)**	**(25.9)**	**(27.2)**	(1.9)	(1.5)	(3.4)
Profit (loss) for the period		**12.4**	**(30.0)**	**(17.6)**	10.6	(4.2)	6.4
Attributable to:							
Owners of the parent		**12.3**	**(30.0)**	**(17.7)**	10.6	(4.2)	6.4
Non-controlling interest		**0.1**	**-**	**0.1**	-	-	-
		12.4	**(30.0)**	**(17.6)**	10.6	(4.2)	6.4
Basic earnings (loss) per share (pence per share)							
- continuing operations	6	**3.4**	**(1.0)**	**2.4**	3.1	(0.6)	2.5
- discontinued operations	6	**(0.3)**	**(6.5)**	**(6.8)**	(0.4)	(0.5)	(0.9)
		3.1	**(7.5)**	**(4.4)**	2.7	(1.1)	1.6
Diluted earnings (loss) per share (pence per share)							
- continuing operations	6	**3.4**	**(1.0)**	**2.4**	3.1	(0.6)	2.5
- discontinued operations	6	**(0.3)**	**(6.5)**	**(6.8)**	(0.4)	(0.5)	(0.9)
		3.1	**(7.5)**	**(4.4)**	2.7	(1.1)	1.6

*The comparatives have been restated to classify the UK Solid Waste segment as a discontinued operation.

The notes on pages 23 to 33 are an integral part of these consolidated interim financial statements.

Consolidated Interim Statement of Comprehensive Income (unaudited)

First half ended 30 September 2013

	First half 2013/14 £m	First half 2012/13 £m
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign subsidiaries	**(1.7)**	(15.1)
Fair value movement on cash flow hedges	**13.9**	(8.6)
Deferred tax on fair value movement of cash flow hedges	**(3.7)**	1.8
	8.5	(21.9)
Items that will not be reclassified to profit or loss:		
Actuarial loss on defined benefit pension scheme	**(5.5)**	(4.7)
Deferred tax on actuarial loss on defined benefit pension scheme	**0.8**	1.0
	(4.7)	(3.7)
Other comprehensive profit (loss) for the period, net of tax	**3.8**	(25.6)
(Loss) profit for the period	**(17.6)**	6.4
Total comprehensive loss for the period	**(13.8)**	(19.2)
Total comprehensive loss attributable to:		
Owners of the parent	**(13.4)**	(19.2)
Non-controlling interest	**(0.4)**	-
	(13.8)	(19.2)
Total comprehensive loss attributable to owners of the parent arising from:		
Continuing operations	**13.8**	(15.8)
Discontinued operations	**(27.2)**	(3.4)
	(13.4)	(19.2)

The notes on pages 23 to 33 are an integral part of these consolidated interim financial statements.

Consolidated Interim Balance Sheet (unaudited)

As at 30 September 2013

	Note	30 September 2013 £m	30 September 2012 £m	31 March 2013 £m
Assets				
Non-current assets				
Intangible assets		**232.0**	258.7	251.8
Property, plant and equipment		**334.9**	376.1	375.3
Investments		**5.7**	6.6	5.6
Financial assets relating to PFI/PPP contracts		**145.2**	73.9	117.5
Trade and other receivables		**2.8**	7.2	5.9
Deferred tax assets		**12.9**	18.0	16.0
		733.5	740.5	772.1
Current assets				
Inventories		**11.4**	9.7	11.0
Financial assets relating to PFI/PPP contracts		**9.8**	7.0	8.0
Trade and other receivables		**155.1**	154.0	147.8
Current tax receivable		**1.9**	2.9	1.8
Cash and cash equivalents		**84.0**	61.6	75.4
		262.2	235.2	244.0
Assets classified as held for sale	5	**11.8**	-	3.3
		274.0	235.2	247.3
Total assets		**1,007.5**	975.7	1,019.4
Liabilities				
Non-current liabilities				
Borrowings - PFI/PPP non-recourse net debt		**(119.3)**	(50.3)	(87.5)
Borrowings - Other		**(263.4)**	(233.5)	(234.5)
Derivative financial instruments	11	**(16.7)**	(24.1)	(30.8)
Other non-current liabilities		**(1.3)**	(1.6)	(2.3)
Deferred tax liabilities		**(41.1)**	(41.3)	(41.6)
Provisions	9	**(38.7)**	(46.9)	(38.7)
Defined benefit pension scheme deficit	10	**(12.9)**	(11.0)	(8.8)
		(493.4)	(408.7)	(444.2)
Current liabilities				
Borrowings - PFI/PPP non-recourse net debt		**(2.0)**	(9.8)	(12.6)
Borrowings - Other		**(2.8)**	(16.2)	(18.2)
Derivative financial instruments	11	**-**	(1.8)	-
Trade and other payables		**(198.3)**	(182.8)	(202.2)
Current tax payable		**(7.7)**	(4.8)	(6.8)
Provisions	9	**(12.0)**	(9.3)	(18.4)
		(222.8)	(224.7)	(258.2)
Liabilities directly associated with assets classified as held for sale	5	**-**	-	(3.3)
		(222.8)	(224.7)	(261.5)
Total liabilities		**(716.2)**	(633.4)	(705.7)
Net assets		**291.3**	342.3	313.7
Equity				
Share capital		**39.7**	39.7	39.7
Share premium		**99.8**	99.4	99.8
Exchange reserve		**39.7**	20.9	41.4
Retained earnings		**112.4**	182.3	132.7
Equity attributable to owners of the parent		**291.6**	342.3	313.6
Non-controlling interest		**(0.3)**	-	0.1
Total equity		**291.3**	342.3	313.7

The notes on pages 23 to 33 are an integral part of these consolidated interim financial statements.

Consolidated Interim Statement of Changes in Equity (unaudited)

First half ended 30 September 2013

	Note	Share capital £m	Share premium £m	Exchange reserve £m	Retained earnings £m	Non-controlling interest £m	Total equity £m
Balance at 1 April 2013		**39.7**	**99.8**	**41.4**	**132.7**	**0.1**	**313.7**
(Loss) profit for the period		-	-	-	**(17.7)**	**0.1**	**(17.6)**
Other comprehensive (loss) income		-	-	**(1.7)**	**6.0**	**(0.5)**	**3.8**
Total comprehensive loss for the period		-	-	**(1.7)**	**(11.7)**	**(0.4)**	**(13.8)**
Share-based compensation		-	-	-	**0.7**	-	**0.7**
Dividends	7	-	-	-	**(9.3)**	-	**(9.3)**
Balance at 30 September 2013		**39.7**	**99.8**	**39.7**	**112.4**	**(0.3)**	**291.3**
Balance at 1 April 2012		39.7	99.4	36.0	195.5	-	370.6
(Loss) profit for the period		-	-	-	(35.3)	0.1	(35.2)
Other comprehensive income (loss)		-	-	5.4	(14.1)	-	(8.7)
Total comprehensive income (loss) for the period		-	-	5.4	(49.4)	0.1	(43.9)
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		-	0.4	-	-	-	0.4
Dividends		-	-	-	(13.7)	-	(13.7)
Balance at 31 March 2013		39.7	99.8	41.4	132.7	0.1	313.7
Balance at 1 April 2012		39.7	99.4	36.0	195.5	-	370.6
Profit for the period		-	-	-	6.4	-	6.4
Other comprehensive loss		-	-	(15.1)	(10.5)	-	(25.6)
Total comprehensive loss for the period		-	-	(15.1)	(4.1)	-	(19.2)
Share-based compensation		-	-	-	0.2	-	0.2
Dividends	7	-	-	-	(9.3)	-	(9.3)
Balance at 30 September 2012		39.7	99.4	20.9	182.3	-	342.3

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.

The notes on pages 23 to 33 are an integral part of these consolidated interim financial statements.

Consolidated Interim Statement of Cash Flows (unaudited)

First half ended 30 September 2013

	Note	**First half 2013/14 £m**	First half 2012/13 £m
Cash flows from operating activities	12	**25.5**	24.5
Income tax paid		**(1.4)**	(2.6)
Net cash generated from operating activities		**24.1**	21.9
Investing activities			
Purchases of intangible assets		**(0.1)**	(1.2)
Purchases of property, plant and equipment		**(19.6)**	(25.5)
Proceeds from exiting transport activities in Foronex in Belgium		**-**	2.2
Disposals of property, plant and equipment		**9.5**	2.5
Outflows in respect of PFI/PPP arrangements under the financial asset model		**(32.2)**	(24.1)
Capital received in respect of PFI/PPP financial assets		**1.2**	2.9
Finance income		**4.4**	2.7
Payment of deferred consideration		**-**	(13.2)
Proceeds from disposal of joint venture and other assets		**1.3**	-
Net cash used in investing activities		**(35.5)**	(53.7)
Financing activities			
Finance charges and loan fees paid		**(8.4)**	(6.7)
Dividends paid		**(9.3)**	(9.3)
Proceeds from the issuance of retail bonds		**86.1**	-
Repayment of senior notes		**(15.2)**	-
(Repayment of)/proceeds from bank borrowings		**(52.3)**	37.1
Proceeds from PFI/PPP net debt		**33.4**	15.2
Repayment of PFI/PPP net debt		**(12.2)**	(0.5)
Repayments of obligations under finance leases		**(1.4)**	(1.4)
Net cash from financing activities		**20.7**	34.4
Net increase in cash and cash equivalents		**9.3**	2.6
Effect of foreign exchange rate changes		**(0.7)**	(0.5)
Cash and cash equivalents at the beginning of the period		**75.4**	54.2
Cash and cash equivalents at the end of the period		**84.0**	56.3

The notes on pages 23 to 33 are an integral part of these consolidated interim financial statements.

Notes to the Consolidated Interim Financial Statements (unaudited)

1. Basis of Preparation

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

The condensed interim financial statements should be read in conjunction with the 2013 Annual Report and Accounts, which have been prepared in accordance with International Financial Reporting Standards (IFRS) and related interpretations as adopted by the European Union. The 2013 Annual Report and Accounts are available from the Company's website www.shanksplc.com.

The condensed set of financial statements included in this interim financial report has been prepared on a going concern basis as the Directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future.

The Finance Review includes consideration of the principal risks and uncertainties affecting the Group in the remaining six months of the year.

Statement of Compliance

This condensed set of consolidated interim financial information for the six months ended 30 September 2013 has been prepared in accordance with the Disclosure and Transparency Rules of the United Kingdom Financial Conduct Authority and with IAS 34, Interim Financial Reporting as adopted by the European Union.

These primary statements and selected notes comprise the unaudited interim consolidated financial results of the Group for the six months ended 30 September 2013 and 2012 (restated), together with the audited results for the year ended 31 March 2013. These interim financial results do not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006.

The comparative figures as at 31 March 2013 have been extracted from the Group's statutory Annual Report and Accounts for that financial year but do not constitute those accounts. Those statutory accounts for the year ended 31 March 2013 were approved by the Board of Directors on 16 May 2013 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 498 of the Companies Act 2006.

The condensed interim financial information was approved by the Board of Directors on 7 November 2013.

Discontinued operations

On 15 October 2013 the Group announced that it had signed a binding agreement to sell the majority of its UK Solid Waste business to Biffa Waste Services Limited. It was also announced that the decision had been taken and processes were underway to sell the remaining UK Solid Waste facilities except for the Elstow facility which serves municipal customers in Bedfordshire. In accordance with IFRS 5, Non-current Assets Held for Sale and Discontinued Operations, the net results of these operations being sold are presented within discontinued operations in the Income Statement and the assets of the discontinued operations are presented separately in the Balance Sheet. See note 5 for further details.

Significant Accounting Policies

The results have been prepared applying the accounting policies and presentation that were used in the preparation of the 2013 Annual Report and Accounts with the exception of discontinued operations as referred to above and as noted below. Taxes on income in the interim periods are accrued using the estimated tax rate that would be applicable to expected total annual profit or loss.

IFRS 13 Fair Value Measurement is applicable for the March 2014 year end. The financial instruments disclosures, as required by IAS 34 paragraph 16A (j) have been included in note 11.

Amendment to IAS 1 Presentation of financial statements is effective for annual periods beginning on or after 1 July 2012 and requires items presented in the statement of other comprehensive income to be separated into two groups based on whether or not these items may be reclassified to the Income Statement in the future. This amendment has been applied in the preparation of these consolidated interim financial statements.

Other amendments had no significant impact on the consolidated results or financial position in the current financial period.

Notes to the Consolidated Interim Financial Statements (unaudited)

1. Basis of Preparation – continued

Estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the nature of the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation were the same as those that were applied to financial statements for the year ended 31 March 2013 and can be found on page 85 of the 2013 Annual Report and Accounts.

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 period.

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

Closing Rates

Value of £1	**30 September 2013**	30 September 2012	Change	**30 September 2013**	31 March 2013	Change
Euro	**1.20**	1.26	(4.8)%	**1.20**	1.18	1.2%
Canadian dollar	**1.66**	1.59	4.7 %	**1.66**	1.54	7.9%

Average Rates

Value of £1	**30 September 2013**	30 September 2012	Change
Euro	**1.17**	1.25	(6.0)%
Canadian dollar	**1.58**	1.59	(0.3)%

Underlying business performance

The Group believes that trading profit, underlying profit before tax, underlying profit after tax, underlying free cash flow, underlying earnings per share and EBITDA (earnings before interest, tax, depreciation and amortisation) provide useful information on underlying trends to shareholders. These measures are used by the Group for internal performance analysis and incentive compensation arrangements for employees.

The terms 'trading profit', 'exceptional items' and 'underlying' are not defined terms under IFRS and may therefore not be comparable with similarly titled profit measures reported by other companies. It is not intended to be a substitute for, or superior to, GAAP measurements of profit.

The term 'underlying' refers to the relevant measure being reported for continuing operations excluding exceptional items, financing fair value remeasurements and amortisation of acquisition intangibles, excluding landfill void and computer software. 'Trading profit' is defined as continuing operating profit before amortisation of acquisition intangibles and exceptional items. EBITDA comprises trading profit before depreciation, amortisation and profit or loss on disposal of plant, property and equipment. Reconciliations are set out in note 3.

Notes to the Consolidated Interim Financial Statements (unaudited)

2. Segmental reporting

The Group's chief operating decision maker is considered to be the Board of Directors. The Group's operating segments are determined with reference to the information provided to the Board of Directors in order for it to allocate the Group's resources and to monitor the performance of the Group. The Group's Solid Waste UK operation has been treated as discontinued as described in more detail in note 1 and note 5. The segment measures do not include any amounts for these discontinued operations.

The operating segments are aligned with the core activities of the Group, as follows:

Solid Waste Benelux	The collection, recycling and treatment of non-hazardous waste in the Netherlands and Belgium. The other activities in Belgium include landfill disposal and power generation from landfill gas, industrial cleaning activities, biomass processing and the operation of a sand quarry.
Hazardous Waste	The reprocessing and recycling of contaminated soil, water and other contaminated materials. Industrial cleaning of heavily contaminated industrial plant.
Organics	The collection and treatment of food waste, garden waste and other organic materials.
UK Municipal	Long-term PFI/PPP contracts providing recycling and waste management services to local authorities in the UK.

The profit measure the Board of Directors uses to evaluate performance is trading profit. Trading profit is operating profit before the amortisation of acquisition intangibles (excluding landfill void and computer software) and exceptional items. The Group accounts for inter-segment trading on an arm's length basis.

The segmental results, which do not include any amounts for discontinued operations, and the reconciliation of the segment measures to the respective statutory items in the Income Statement are as follows:

Revenue	**First half 2013/14 £m**	Restated* First half 2012/13 £m
Netherlands Solid Waste	**96.0**	94.2
Belgium Solid Waste	**46.9**	45.1
Belgium Other	**30.7**	35.6
Intra-segment revenue	**(8.6)**	(7.8)
Solid Waste Benelux	**165.0**	167.1
Hazardous Waste	**75.2**	67.7
Netherlands	**8.8**	7.6
Canada	**7.3**	7.7
Other Organics	**3.2**	3.0
Organics	**19.3**	18.3
UK Municipal	**70.5**	59.0
Inter-segment revenue	**(4.7)**	(3.1)
Total revenue from continuing operations	**325.3**	309.0
Group	**322.5**	305.8
Share of joint ventures	**2.8**	3.2
Total revenue from continuing operations	**325.3**	309.0

*The comparatives have been restated to classify the UK Solid Waste segment as a discontinued operation.

Notes to the Consolidated Interim Financial Statements (unaudited)

2. Segmental reporting - continued

Results	First half 2013/14 £m	Restated* First half 2012/13 £m
Netherlands Solid Waste	**6.6**	5.4
Belgium Solid Waste	**2.9**	4.4
Belgium Other	**5.3**	3.6
Divisional central services	**(4.1)**	(4.0)
Solid Waste Benelux	**10.7**	9.4
Hazardous Waste	**12.1**	10.6
Divisional central services	**(1.0)**	(0.7)
Hazardous Waste	**11.1**	9.9
Netherlands	**2.0**	1.8
Canada	**1.6**	1.9
Other Organics	**0.1**	-
Divisional central services	**(0.5)**	(0.6)
Organics	**3.2**	3.1
UK Municipal	**7.2**	7.3
Divisional central services	**(2.5)**	(2.9)
UK Municipal	**4.7**	4.4
Group central services	**(3.6)**	(2.7)
Total trading profit	**26.1**	24.1
Non trading and exceptional items	**(5.7)**	(5.7)
Total operating profit from continuing operations	**20.4**	18.4
Finance income	**4.4**	2.9
Finance charges	**(12.1)**	(10.3)
Income from associates	**0.1**	0.1
Profit before tax and discontinued operations	**12.8**	11.1

*The comparatives have been restated to classify the UK Solid Waste segment as a discontinued operation.

Net assets

Following the UK Solid Waste segment being classified as discontinued Intangible assets and Property, plant and equipment have reduced, further details are provided in note 5.

Notes to the Consolidated Interim Financial Statements (unaudited)

3. Reconciliation of non-trading and exceptional items

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

	First half 2013/14 £m	Restated* First half 2012/13 £m
Continuing operations		
Amortisation of acquisition intangibles	**1.1**	1.3
Restructuring charges	**2.1**	4.0
Impairment of assets in the Netherlands following a fire	**3.2**	-
Hazardous Waste litigation recovery	**(1.4)**	-
Other exceptional items	**0.7**	-
Onerous contract provision	**-**	1.4
Gain from exiting transport activities in Foronex in Belgium	**-**	(1.0)
Total non-trading and exceptional items in operating profit	**5.7**	5.7
Change in fair value of derivatives	**(0.2)**	-
Tax on non-trading and exceptional items	**(1.4)**	(1.0)
Exceptional tax	**-**	(2.0)
Continuing non-trading and exceptional items in profit after tax	**4.1**	2.7
Discontinued operations		
Discontinued operations (further details in note 5)	**23.9**	1.5
Credit issues with regard to deferred consideration	**2.0**	-
Total non-trading and exceptional items in profit after tax	**30.0**	4.2

*The comparatives have been restated to classify the UK Solid Waste segment as a discontinued operation.

A range of structural cost initiatives has been implemented which have resulted in £2.1m (2012/13: £4.0m) of restructuring charges. The charge includes settlement costs for those employees already notified of redundancy together with associated costs.

During August 2013 there was a fire at a facility in the Netherlands and a number of buildings and assets were destroyed. These assets have been impaired in the period with no recognition of any insurance receivable at 30 September. Discussions with the insurers are ongoing, the claim is valid and full payment is expected to be received in the second half.

During the year ended March 2013 the Group recognised full provision for a claim from the authorities for operating outside of permitted volumes in the period 1997 to 1999 at a location in the Netherlands. The claim relates to trading in the period prior to the acquisition of the Netherlands group of companies in 2000 and during the period a settlement of £1.4m has been recovered from the previous owners under the sale and purchase agreement.

Trading profit from continuing operations to EBITDA	**First half 2013/14 £m**	First half 2012/13 £m
Trading profit	**26.1**	24.1
Depreciation of property, plant and equipment	**20.6**	21.1
Amortisation of intangible assets (excluding acquisition intangibles)	**1.1**	1.0
Non-exceptional gains on property, plant and equipment	**(1.3)**	(1.3)
Non cash landfill related expense and provisioning	**0.1**	0.1
EBITDA from continuing operations	**46.6**	45.0

4. Tax

Tax expense is recognised based on management's best estimate of the full year effective tax rate based on expected full year profits to March 2014. The estimated average underlying annual tax rate on continuing operations for the year to 31 March 2014 is 25.2% (2012/13: 25.6%).

The Finance Act 2012 included legislation to reduce the main rate of UK corporation tax from 24% to 23% from 1 April 2013. The March 2013 budget statement announced that the rate would be further reduced to 21% from 1 April 2014 and then 20% by 1 April 2015. These further reductions were substantially enacted in the Finance Act 2013 on 2 July 2013 and as a result the UK deferred tax for the period has been calculated based on the rate of 20% (2012/13: 23%).

Notes to the Consolidated Interim Financial Statements (unaudited)

5. Discontinued operations and assets classified as held for sale

	As at 30 September 2013 £m	As at 30 September 2012 £m	As at 31 March 2013 £m
Assets classified as held for sale	**11.8**	-	3.3
Liabilities directly associated with assets classified as held for sale	**-**	-	(3.3)
	11.8	-	-

The assets classified as held for sale at 30 September 2013 relate to the exit from UK Solid Waste, see below for details. The assets and liabilities held for sale at 31 March 2013 relate to the joint venture, Caird Bardon Limited, this investment was sold on 21 April 2013.

Discontinued operations

On 15 October 2013 the Group announced that it had signed a binding agreement to sell the majority of its UK Solid Waste business to Biffa Waste Services Limited ('Biffa'). It was also announced that the decision had been taken and processes were underway to sell the remaining UK Solid Waste facilities except for Elstow which serves municipal customers. In accordance with IFRS 5, Non-current Assets Held for Sale and Discontinued Operations, the net results of these operations being sold are presented within discontinued operations in the Income Statement and the assets and associated liabilities to be transferred of the discontinued operations are presented separately in the Balance Sheet. Assets held for sale at 30 September 2013 include those being sold to Biffa along with other material recycling facilities at Blochairn and Kettering.

The tables below show the results of the discontinued operations which are included in the Group Income Statement, Group Balance Sheet and Group Cash Flow Statement respectively.

Income Statement	**First half 2013/14 £m**	First half 2012/13 £m
Revenue	27.3	30.6
Cost of sales	(24.7)	(29.5)
Administrative expenses	(4.2)	(3.5)
Trading loss before exceptional and non-trading items	(1.6)	(2.4)
Exceptional and non-trading items	(24.0)	(1.6)
Finance costs	(0.1)	(0.1)
Loss before tax on discontinued operations	(25.7)	(4.1)
Taxation	0.5	0.7
Loss after tax on discontinued operations	(25.2)	(3.4)

The exceptional and non-trading items include a loss of £23.1m to recognise the remeasurement of the disposal assets to their fair value less costs to sell. The taxation credit includes a £0.1m credit for exceptional and non-trading items.

Balance Sheet	As at 30 September 2013 £m
Goodwill and other intangibles	1.9
Property, plant and equipment	9.9
Total assets classified as held for sale	11.8

Cash Flow Statement	**First half 2013/14 £m**	First half 2012/13 £m
Net cash flows used in operating activities	(1.6)	(2.5)
Net cash flows from investing activities	(0.8)	(0.3)
Net cash flows from financing activities	(0.1)	(0.1)
Net cash flows from discontinued operations	(2.5)	(2.9)

In addition to the £25.2m, a £2.0m charge has been reflected in the period for credit issues with regard to deferred consideration.

Notes to the Consolidated Interim Financial Statements (unaudited)

6. Earnings per share

	First half 2013/14	First half 2012/13
Number of shares		
Weighted average number of ordinary shares for basic earnings per share	**397.5m**	396.8m
Effect of share options in issue	**0.2m**	0.3m
Weighted average number of ordinary shares for diluted earnings per share	**397.7m**	397.1m
Continuing operations		
Earnings for basic and diluted earnings per share being profit for the period attributable to owners of the parent (£m)	**9.5**	9.8
Non-trading and exceptional items (net of tax) (£m) (see note 3)	**4.1**	2.7
Earnings for underlying basic and underlying diluted earnings per share attributable to owners of the parent (£m)	**13.6**	12.5
Basic and diluted earnings per share	**2.4p**	2.5p
Underlying and underlying diluted earnings per share (see note below)	**3.4p**	3.1p
Discontinued operations		
Earnings for basic and diluted earnings per share being profit for the period attributable to owners of the parent (£m)	**(27.2)**	(3.4)
Non-trading and exceptional items (net of tax) (£m) (see note 3)	**25.9**	1.5
Earnings for underlying basic and underlying diluted earnings per share attributable to owners of the parent (£m)	**(1.3)**	(1.9)
Basic and diluted loss per share	**(6.8)p**	(0.9)p
Underlying and underlying diluted loss per share (see note below)	**(0.3)p**	(0.4)p
Total operations		
Earnings for basic and diluted earnings per share being profit for the period attributable to owners of the parent (£m)	**(17.7)**	6.4
Non-trading and exceptional items (net of tax) (£m) (see note 3)	**30.0**	6.2
Exceptional tax credit (£m)	**-**	(2.0)
Earnings for underlying basic and underlying diluted earnings per share attributable to owners of the parent (£m)	**12.3**	10.6
Basic and diluted (loss) earnings per share	**(4.4)p**	1.6p
Underlying and underlying diluted earnings per share (see note below)	**3.1p**	2.7p

The Directors believe that adjusting earnings per share for the effect of the amortisation of acquisition intangibles (excluding landfill void and computer software), the change in fair value of derivatives and exceptional items enables comparison with historical data calculated on the same basis. Exceptional items are those items that need to be disclosed separately on the face of the Income Statement, because of their size or incidence, to enable a better understanding of performance.

Notes to the Consolidated Interim Financial Statements (unaudited)

7. Dividends

	First half 2013/14 £m	First half 2012/13 £m
Amounts recognised as distributions to equity holders in the period:		
Final dividends	**9.3**	9.3
Interim dividend per share	**1.1p**	1.1p

An interim dividend of 1.1p per share was approved by the Board on 7 November 2013 and will be paid on 10 January 2014 to shareholders on the register at close of business on 6 December 2013. In 2012/13 an interim dividend of 1.1p per share was paid. The final dividend for 2012/13 of 2.35p per share (2011/12: 2.35p) was approved by the shareholders at the Annual General Meeting on 25 July 2013 and was paid on 2 August 2013.

8. Property, plant and equipment

During the six months ended 30 September 2013, the Group acquired assets with a cost of £18.3m (2012/13: £23.3m), disposed of assets with a net book value of £8.2m (2012/13: £2.1m) and charged depreciation of £20.8m (2012/13: £22.1m). Following the decision to exit UK Solid Waste as described in note 5, assets were impaired by £11.1m to their fair value less costs to sell of £9.9m which has been transferred to assets held for sale. The major growth projects are as described in the finance review.

At 30 September 2013, the Group had capital commitments of £9.9m (2012/13: £15.9m).

9. Provisions

	Site restoration and aftercare £m	Restructuring £m	Other £m	Total £m
At 31 March 2013	29.5	4.5	23.1	57.1
Provided in the period	0.4	0.6	-	1.0
Finance charges – unwinding of discount	0.7	-	0.6	1.3
Utilised in the period	(0.1)	(2.7)	(5.6)	(8.4)
Exchange	(0.3)	-	-	(0.3)
At 30 September 2013	**30.2**	**2.4**	**18.1**	**50.7**
Current	**0.1**	**2.1**	**9.8**	**12.0**
Non-current	**30.1**	**0.3**	**8.3**	**38.7**
At 30 September 2013	**30.2**	**2.4**	**18.1**	**50.7**
Current	0.1	4.2	14.1	18.4
Non-current	29.4	0.3	9.0	38.7
At 31 March 2013	29.5	4.5	23.1	57.1
Current	0.7	2.3	6.3	9.3
Non-current	27.2	0.4	19.3	46.9
At 30 September 2012	27.9	2.7	25.6	56.2

The site restoration provision relates to the cost of final capping and covering of the landfill sites, these are expected to be paid over a period of up to 25 years from the balance sheet date and may be impacted by a number of factors including changes in legislation and technology. The aftercare provision is for post-closure costs of landfill sites, including such items as monitoring, gas and leachate management and licensing. The dates of payments of these aftercare costs are uncertain but are anticipated to be over a period of approximately 30 years from closure of the relevant landfill site.

The restructuring provision relates to redundancy and related costs incurred in the structural cost reduction programme which started last year. During the period a further £0.6m (2012/13: £5.1m) of costs has been reflected and £2.7m has been utilised (2012/13: £2.4m). It is expected that the majority of the costs relating to affected employees will be paid during the second half of the year.

Other provisions principally cover onerous contracts, leases, warranties and indemnities. Onerous contracts are provided at the net present value of the operating losses of the onerous contracts. The provision will be utilised over the period of the contracts to which they relate with the latest date being 2029.

Notes to the Consolidated Interim Financial Statements (unaudited)

10. Defined benefit pension scheme

The amounts recognised in the Income Statement were as follows:

	First half 2013/14 £m	First half 2012/13 £m
Current service costs	0.2	0.4
Net interest on the net defined benefit liability	0.2	0.2
	0.4	0.6

The amounts recognised in the balance sheet were as follows:

	As at 30 September 2013 £m	As at 30 September 2012 £m	As at 31 March 2013 £m
Present value of scheme liabilities	(144.4)	(132.1)	(142.4)
Market value of scheme assets	131.5	121.1	133.6
Defined benefit pension scheme deficit	(12.9)	(11.0)	(8.8)
Related deferred tax asset	2.6	2.5	2.0
Net pension liability	(10.3)	(8.5)	(6.8)

There have been no significant changes in the pension assumptions from those presented in the annual financial statements for the year ended 31 March 2013. The net pension liability has increased mainly due to lower than expected returns on assets during the period.

11. 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 and 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 period.

Valuation techniques used to derive Level 2 fair values
The fair values of interest rate swaps and forward foreign exchange contracts are calculated using a discounted cash flow approach. The contractual future cash flows are discounted using interest rates extracted from observable yield curves or forward exchange rates quoted in an active market.

Financial instruments at fair value

	As at 30 September 2013 £m	As at 30 September 2012 £m	As at 31 March 2013 £m
Liabilities			
Derivative financial instruments	16.7	25.9	30.8

Carrying amounts versus fair values
The fair value of the retail bonds was £168.5m (September 2012: £82.1m, March 2013: £87.5m) compared to a carrying value of £165.9m (September 2012: £78.6m, March 2013: £83.8m) and the fair value of the senior notes was £36.6m (September 2012: £50.6m, March 2013: £53.3m) compared to a carrying value of £33.2m (September 2012: £46.0m, March 2013: £48.9m). 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 Interim Financial Statements (unaudited)

12. Notes to the statement of cash flows

	First half 2013/14 £m	First half 2012/13 £m
Profit before tax	**12.8**	11.1
Fair value gain on financial instruments	**(0.2)**	-
Finance income	**(4.2)**	(2.9)
Finance charges	**12.1**	10.3
Income from associates	**(0.1)**	(0.1)
Operating profit from continuing operations	**20.4**	18.4
Operating loss from discontinued operations	**(2.5)**	(4.0)
Amortisation of intangible assets	**2.8**	2.8
Depreciation and impairment of property, plant and equipment	**24.2**	22.1
Exceptional gain from exiting transport activities in Foronex in Belgium	**-**	(1.0)
Non-exceptional gain on disposal of property, plant and equipment	**(1.4)**	(1.3)
Net (decrease) increase in provisions	**(7.4)**	2.8
Payments to fund defined benefit pension scheme deficit	**(1.5)**	(1.6)
Share-based compensation	**0.7**	0.2
Operating cash flows before movement in working capital	**35.3**	38.4
(Increase) decrease in inventories	**(0.4)**	0.2
Increase in receivables	**(7.5)**	(8.1)
Decrease in payables	**(1.9)**	(6.0)
Cash flows from operating activities	**25.5**	24.5

Consolidated movement in net debt

	First half 2013/14 £m	First half 2012/13 £m
Net increase in cash and cash equivalents	**9.3**	2.6
Net decrease in borrowings and finance leases	**(38.4)**	(50.4)
Capitalisation of loan fees	**0.7**	0.2
Total cash flows in net debt	**(28.4)**	(47.6)
Finance leases entered into during the period	**(2.8)**	-
Amortisation of loan fees	**(0.6)**	(0.6)
Exchange gain	**5.7**	6.2
Movement in net debt	**(26.1)**	(42.0)
Net debt at beginning of period	**(277.4)**	(206.2)
Net debt at end of period	**(303.5)**	(248.2)

	At 1 April 2013 £m	Cash flows £m	Other non-cash changes £m	Exchange movements £m	**At 30 September 2013 £m**
Cash and cash equivalents	75.4	9.3	-	(0.7)	**84.0**
Bank loans	(112.3)	52.3	(0.4)	2.4	**(58.0)**
Senior notes	(48.9)	15.2	-	0.4	**(33.3)**
Retail bonds	(83.8)	(85.4)	(0.2)	3.5	**(165.9)**
Finance leases	(7.7)	1.4	(2.8)	0.1	**(9.0)**
Total core net debt	(177.3)	(7.2)	(3.4)	5.7	**(182.2)**
PFI/PPP non-recourse net debt	(100.1)	(21.2)	-	-	**(121.3)**
Total net debt	(277.4)	(28.4)	(3.4)	5.7	**(303.5)**

On 30 July 2013 the Group issued €100m of six year bonds listed on the London Stock Exchange to investors in Belgium and Luxembourg at an annual coupon of 4.23%.

On 13 September 2013 the Group repaid €18m of senior notes at their maturity.

Notes to the Consolidated Interim Financial Statements (unaudited)

13. Related party transactions

The Group's significant related parties remain as disclosed in note 34 of the 2013 Annual Report and Accounts. There were no material differences in related parties or related party transactions in the period compared to the prior period.

14. Contingent assets and liabilities

Provision is made for the Directors' best estimate of all known claims and all 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 advice, that the action is unlikely to succeed or a sufficiently reliable estimate of the potential obligation cannot be made.

15. Post balance sheet events

On 14 October 2013 the Group signed a binding agreement to sell the majority of its UK Solid Waste business to Biffa Waste Services Limited. The cash consideration payable is £9.5m on a debt free and working capital free basis, the net cash inflow after transaction and restructuring costs is expected to be approximately £8m. The transaction is expected to complete by the end of December 2013 following TUPE consultation and is conditional on routine regulatory clearances. Adjustments to the carrying value of the assets being sold have been recognised in these interim financial statements.

Independent review report to Shanks Group plc

Introduction

We have been engaged by the company to review the condensed consolidated interim financial statements in the half-yearly report for the six months ended 30 September 2013, which comprises the Consolidated Interim Income Statement, the Consolidated Interim Statement of Comprehensive Income, the Consolidated Interim Balance Sheet, the Consolidated Interim Statement of Changes in Equity, the Consolidated Interim Statement of Cash Flows and related notes. We have read the other information contained in the half-yearly report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed consolidated interim financial statements.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting,' as adopted by the European Union.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of the Disclosure and Transparency Rules of the Financial Conduct Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of consolidated interim financial statements in the half-yearly report for the six months ended 30 September 2013 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

PricewaterhouseCoopers LLP
Chartered Accountants
London
7 November 2013

Notes:

(i) The maintenance and integrity of the Shanks Group plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial report since they were initially presented on the website.

(ii) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.