6 November 2014

Shanks Group plc

Shanks Group plc (LSE: SKS), the international waste-to-product business, today announces its interim results for the six months ended 30 September 2014.

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

"As previously reported, it has been a challenging six months for Shanks due to an increasingly difficult Benelux solid waste market. However, we are confident that the actions we are taking to address these market pressures and improve our operational efficiency will support a stronger second half and a full year result in line with our revised expectations.

"Our three growth divisions are continuing to deliver against their strategic objectives and the Group is well positioned to deliver profitable growth over the longer term from our portfolio of market leading businesses."

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 was either sold or exited from in the last financial year.

	2014	2013*	Change %	Change % Constant Currency
Revenue	**£304.8m**	**£323.8m**	**-6%**	**-1%**
EBITDA	**£38.5m**	**£46.2m**	**-17%**	**-11%**
Trading profit	**£18.1m**	**£25.9m**	**-30%**	**-25%**
Underlying free cash flow	**£12.7m**	**£23.1m**	**-45%**	**-42%**
Underlying profit before tax	**£11.2m**	**£18.3m**	**-39%**	**-35%**
Exceptional and non-trading items	**£(19.8)m**	**£(5.5)m**		
Loss after tax (statutory basis)	**£(9.8)m**	**£(17.6)m**	**45%**	**40%**
Underlying EPS	**2.1p**	**3.4p**	**-38%**	**-33%**
Basic loss per share (statutory basis)	**(2.5)p**	**(4.4)p**	**45%**	**40%**
Dividend per share	**1.1p**	**1.1p**	**-**	**-**

**The 2013 comparatives have been restated following the adoption of IFRS 11 and the associated requirement to equity account joint ventures. 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

- Performance in line with trading statement issued on 26 September 2014
- Revenue down 1% at constant currency to £304.8m
- EBITDA down 11% at constant currency to £38.5m
- Underlying profit before tax down 35% at constant currency to £11.2m
- Underlying EPS down 33% at constant currency to 2.1p per share
- Exceptional and non-trading items of £19.8m, £11.1m being non-cash impairment of historic goodwill in relation to Netherlands Solid Waste
- Balance sheet remains robust, with core net debt of £150m and Net Debt:EBITDA ratio of 2.1x
- Interim dividend maintained at 1.1p per share, reflecting confidence in medium term

Business Overview

- Increasingly challenging markets in Solid Waste Benelux have outweighed positive impact from continuing delivery of business improvement initiatives
- Dutch solid waste market fundamentals are showing some signs of improvement although the timing of the benefit is uncertain
- Robust underlying performance from Hazardous Waste, albeit impacted in first half by commissioning of new equipment and associated temporary shutdown
- Good progress with Hazardous Waste investment programme to increase capacity and range of treatment capability
- Organics performing well and in line with our expectations, with encouraging progress in Canadian bid funnel
- Strong performance from UK Municipal with increased profits, good progress with major build programmes and financial close achieved to build and operate £145m facility for 27-year Derby PPP contract
- Group is well positioned for future profitable growth with portfolio of market leading businesses in all key target segments
- Continued focus on managing our business portfolio to increase returns and accelerate growth through acquisitions and disposals

Outlook

The increasingly challenging market conditions in Solid Waste Benelux and non-recurring operational disruptions in Hazardous Waste have significantly impacted our first half performance. With increased capacity in Hazardous Waste and improvement actions expected to stabilise profitability in Solid Waste, the Board is confident that the Group will meet its revised expectations for the full year ending 31 March 2015.

Longer term, Shanks' growth drivers remain attractive. There is a growing need for cost-effective and sustainable waste-to-product technologies which Shanks is uniquely placed to meet. We have a clear strategy to deliver profitable growth and attractive returns in each division. This is based on continued investment in new infrastructure that will generate increased high-quality earnings in our growth divisions, together with building competitive strength and capability in Solid Waste, so that we are well positioned to benefit as markets recover.

Notes:

1. The interim dividend of 1.1p per share will be paid on 9 January 2015 to shareholders on the register at close of business on 5 December 2014.
2. Management will be holding an analyst presentation at 9:30 a.m. today, 6 November at Smeaton's Vaults at The Brewery, 52 Chiswell Street London EC1Y 4SD.
3. Webcast details for the presentation at 9.30 a.m.
   – Webcast: www.shanksplc.com
   – Telephone conference:

United Kingdom	020 3059 8125
Belgium	028 948067
Netherlands	020 7946721
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.

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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.

INTRODUCTION

Shanks Group plc is a leading international waste-to-product business, with market leading positions in its four operating divisions. It is delivering on a clear long term strategy for growth, through sustained investment in attractive segments of the waste-to-product market.

The six months ended 30 September 2014 saw significant additional pressure in the challenged Benelux solid waste market which, as previously announced, has impacted the Group's performance and profit expectations for the year. While there are signs that the fundamentals of the Netherlands solid waste market are starting to show some signs of improvement, the Group will continue to very directly manage the immediate commercial challenges in the Benelux Solid Waste division. Our other divisions are performing as expected, with the exception of the previously disclosed non-recurring operational factors in Hazardous Waste.

STRATEGY

Our strategy is focused on making products from waste as a cost-effective and sustainable alternative to landfill and mass incineration. The need for such solutions continues to increase due to regulation and legislation, and due to society's determination to protect the environment and promote the re-use of materials. Shanks has leading positions in its target markets and a unique portfolio of businesses, capabilities and technologies.

The Group has four market-facing divisions: Solid Waste Benelux, Hazardous Waste, Organics and UK Municipal. The Group has set out clear strategies 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; and
- **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 to:

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

MARKET BACKGROUND

Conditions in the Benelux solid waste market, in particular the Netherlands, became increasingly challenging in the first half. The end markets for construction and commercial waste remained weak, and over-capacity and aggressive pricing by competitors have continued to exert downward pressure on pricing and volumes. We have also experienced reduced recyclate volumes and prices, which has directly impacted profitability.

Looking forward, we see four fundamental drivers in the Netherlands solid waste market that are starting to show signs of improvement:

- Housing permit applications increased significantly in 2014, meaning that residential house-building activity may show its first signs of growth next year;

- Incinerator gate fees have been rising due to Dutch capacity becoming fully utilised as a result of the import of waste (mainly from the UK). This is important as incinerators can act as direct competition to recyclers for certain commercial waste streams;
- Incineration gate fees are expected to be further increased by the proposed introduction of a €13 per tonne tax on incineration from 1 January 2015. This will result in recycling activities, including those operated by Shanks, becoming more financially attractive; and
- Further consolidation in the solid waste recycling market is anticipated due to the unsustainably low margins and/or high debt levels of a number of competitors.

The timing of the impact of these changes on us is uncertain and we continue to be cautious about 'calling the bottom' of the market. However, we do believe that the current market conditions are unsustainable and the fundamentals of volume, capacity, price and legislation are starting to show some early signs of improvement. Furthermore, over the last two years Shanks has developed competitive advantages and capabilities that position it well to benefit from a recovery.

In the Hazardous Waste Division, the international soil market continues to provide volumes that comfortably offset more challenging domestic market conditions. The waste water market has also remained robust, albeit with some volatility in volumes arising from shipping. In the Dutch industrial cleaning market we continue to see price pressure, combined with the postponement of a number of large shutdowns in the petrochemical industry. However, our unique combination of hazardous waste businesses, international reach and increasing storage capacity allows us to operate successfully across our target markets.

The organics market has remained in line with our expectations. As previously reported, the renewal price for some long-term Dutch organics contracts has softened. However, we have seen strong demand due to regulatory changes in certain geographies such as Scotland. More importantly, significant growth opportunities are becoming available in Canada for long-term municipal contracts for the treatment of organic waste. This will continue to be a growth market in the years ahead as Canada seeks to divert far more of its waste from landfill.

The UK Municipal Division is underpinned by long-term contracts which are less prone to macro market dynamics. With austerity budgets impacting our customers, we are actively working with them to seek ways to reduce the costs of waste management, for mutual benefit.

Despite the current market challenges, there remains a fundamental and growing need to manage waste without damaging the environment, and this is underpinned by continuing legislation and regulation. Governments in all the territories in which we operate are actively seeking to increase diversion and recycling rates. Our unique focus on recycling and our deep experience with waste-to-product technologies therefore positions us well for the future.

OVERVIEW

Continuing Operations	Revenue				Trading Profit			
	Six months ended				Six months ended			
	Sep 14	Sep 13	Change %		Sep 14	Sep 13	Change %	
	£m	£m	Reported	CER	£m	£m	Reported	CER
Solid Waste Benelux	149.6	164.4	-9%	-3%	5.7	10.6	-46%	-44%
Hazardous Waste	69.2	75.2	-8%	-2%	8.0	11.1	-28%	-23%
Organics	15.7	18.4	-15%	-6%	1.9	3.1	-39%	-34%
UK Municipal	74.9	70.5	6%	6%	5.3	4.7	13%	13%
Group central services	-	-			(2.8)	(3.6)	22%	22%
Inter-segment revenue	(4.6)	(4.7)			-	-		
Total	**304.8**	**323.8**	**-6%**	**-1%**	**18.1**	**25.9**	**-30%**	**-25%**

CER = at constant exchange rate. Comparatives for 2013 have been restated following the adoption of IFRS 11 and the associated requirement to equity account for joint ventures.

Group revenue on continuing operations fell by 1% at constant currency in the six months ended September 2014 (2013: £323.8m). Trading profit fell by 25% at constant currency to £18.1m (2013: £25.9m), and underlying profit before tax fell by 35% at constant currency to £11.2m (2013: £18.3m). Core net debt was better than expected at £150m at the period end, representing a net debt to EBITDA ratio of 2.1x, well within the Group's covenant levels.

The Solid Waste Benelux Division reported a trading profit of £5.7m, a reduction of 44% at constant currency on revenues down by 3%. The profit reduction reflected weaker recyclate income, gate fee pricing and product mix, as previously reported.

The Hazardous Waste Division reported a revenue fall of 2% and a trading profit reduction of 23% at constant currency to £8.0m. The underlying performance of the division was robust, with the reported figures impacted by the previously disclosed operational issues and a two week major shutdown which did not occur in the first half last year.

The Organics Division is performing in line with expectations. The decline in trading profits of 34% at constant currency to £1.9m was driven by the planned renewal of a major contract at lower margins in the Netherlands, lower processed volumes in Canada and increased bidding costs for important growth opportunities in Canada.

UK Municipal, a key growth driver for the Group, continued to grow in line with our plans, delivering a 13% trading profit increase to £5.3m on revenue growth of 6%. Progress continues to be on track with the construction phase of the Barnsley, Doncaster and Rotherham (BDR) and Wakefield PFI contracts. We were also delighted to secure financial close and commence construction of the Derby PPP project with our joint venture partner Interserve Group plc.

Group Central Services costs fell by 22% to £2.8m in the first half due to the release of incentive accruals that will not be paid in the current year.

The Group continues to invest in opportunities that are expected to deliver sustained growth with attractive returns. In the first half, Shanks invested £5m in growth capital, the vast majority of which relates to increasing capacity in the Hazardous Waste Division. The fully operational investment portfolio delivered slightly reduced post-tax returns of 13.3% (March 2014: 13.5%). The Group also oversaw the expenditure of £31m of non-recourse debt into the new projects in the UK Municipal Division.

The Group delivered an underlying free cash flow of £12.7m (2013: £23.1m) in the first half. An ongoing focus on working capital and on capital discipline in replacement capital helped to deliver a robust performance, although there was higher replacement capital spend than in the prior period, as previously guided. Our stronger than expected net debt position was assisted by the timing of cash flows in the municipal programme build phases.

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

H1 to H2 Trajectory

Historically the Group has a seasonal bias towards the first half, driven by construction activity, organic growing seasons and the impact of winter weather on the second half. However, a number of factors mean that this year we expect a stronger second half, relative to the historic trend. These factors include:

- a significant uplift from greater throughput in Hazardous Waste due to the investment programme and no further planned major shutdowns;
- increased impact from our cost programmes in Solid Waste Netherlands, which are expected to contribute €0.8m in the second half;
- further contribution from commercial effectiveness initiatives in Netherlands Solid Waste which are focused on improving profitability, including targeted price increases, exit from loss making contracts and greater focus in our commercial activities;
- increased volumes for our London facility in Ontario; and
- improved performance of our Amsterdam anaerobic digestion (AD) facility compared with last year when it was commissioning a new dryer and engine.

These factors, which have either been executed or are in advanced planning, underpin our confidence in achieving the second half profit performance. Nevertheless, it is not possible to ensure complete immunity from matters beyond our control, such as a further short- term deterioration in the market. Our forecasts have continued to assume an exchange rate of €1.25:£1. The translation impact of a 1 cent movement in the exchange rate on our underlying profit before tax is around £0.2m on a full year basis.

Outlook

The increasingly challenging market conditions in Solid Waste Benelux and non-recurring operational disruptions in Hazardous Waste have significantly impacted our first half performance. With increased capacity in Hazardous Waste and improvement actions expected to stabilise profitability in Solid Waste, the Board is confident that the Group will meet its revised expectations for the full year ending 31 March 2015.

Longer term, Shanks' growth drivers remain attractive. There is a growing need for cost-effective and sustainable waste-to-product technologies which Shanks is uniquely placed to meet. We have a clear strategy to deliver profitable growth and attractive returns in each division. This is based on continued investment in new infrastructure that will generate increased high-quality earnings in our growth divisions, together with building competitive strength and capability in Solid Waste, so that we are well positioned to benefit as markets recover.

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 14	Sep 13	Change		Sep 14	Sep 13	Change	
	€m	€m	€m	%	€m	€m	€m	%
Netherlands Solid Waste	108.8	112.3	(3.5)	-3%	4.5	7.7	(3.2)	-42%
Belgium Solid Waste	53.5	54.9	(1.4)	-3%	2.7	3.4	(0.7)	-21%
Belgium Others	31.7	35.2	(3.5)	-10%	4.6	6.1	(1.5)	-25%
Divisional central services	-	-	-		(4.8)	(4.8)	-	
Intra-segment revenue	(7.9)	(10.1)	2.2		-	-	-	
Total €m	**186.1**	**192.3**	**(6.2)**	**-3%**	**7.0**	**12.4**	**(5.4)**	**-44%**
Total £m (at average rate)	**149.6**	**164.4**	**(14.8)**	**-9%**	**5.7**	**10.6**	**(4.9)**	**-46%**

	Trading Margin		Return on Operating Assets	
Netherlands Solid Waste	4.1%	6.9%	5.0%	4.9%
Belgium Solid Waste	5.0%	6.2%	43.2%	32.5%
Belgium Others	14.5%	17.3%		
Total	**3.8%**	**6.4%**	**9.2%**	**9.0%**

Comparatives for 2013 have been restated following the adoption of IFRS 11 and the associated requirement to equity account for joint ventures.

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

Trading profits in the Solid Waste Benelux Division over the six months ended 30 September 2014 fell by 44% to €7.0m on revenues that were down by 3% to €186.1m.

Revenue in the Netherlands fell by 3% due to a combination of weaker mix, price and recyclate income. Volumes were flat overall, with declines in rubble, glass, wood and landfill offset by increases in green waste and sludges. Construction activity was particularly weak during late July and August, recovering slightly in September. Overall, the combination of price and adverse mix impacted profit by €3m. Recyclate prices continued to be under pressure, dropping further in the second quarter, such that revenue from recyclates fell by €2m. Glass and rubble were particularly challenged.

In response to an end market where few of the participants are currently making sustainable returns, we are implementing a comprehensive commercial effectiveness programme in the Netherlands to focus commercial activity in areas of higher margin or greater competitive strength.

Volumes in Belgium Solid Waste were slightly ahead of last year (up 1%), but ongoing price competition led to a 2% fall in commercial pricing compared with prior year. Solid Waste in Wallonia performed strongly, growing trading profit by 14% on revenues down by 4%. Solid Waste in Flanders made a small loss on revenues down by 4% due to challenges in the solid recovered fuel (SRF) market that are expected to improve in the fourth quarter. In our broader Belgian businesses (Belgium Others), there was ongoing pressure in Hazardous Waste, especially in Industrial Cleaning Wallonia, and a declining performance as expected from the landfill and landfill power. Shanks Wood Products reported lower profit than last year due in part to reduced demand over the summer, but the business is expected to deliver stronger results in the second half due to strong demand from the electricity generation sector.

The structural cost programme continues to deliver benefits, with both Shared Service Centres going live. They have taken on all financial and payroll services during the first half, and will deliver sustained improvement initiatives as the transferred processes are fully integrated. In addition to the structural cost reduction programme, management has begun to introduce continuous improvement activities. These have included projects to reduce transport costs, increase sorting line productivity and improve Icopower fuel pellet production. These continuous improvement initiatives, which include both targeted projects and the conversion of sites to lean manufacturing processes, are expected to play an increasing part of the Division's sustainable cost reduction activities going forward.

Hazardous Waste

	Revenue				Trading Profit			
	Six months ended				Six months ended			
	Sep 14	Sep 13	Change		Sep 14	Sep 13	Change	
	€m	€m	€m	%	€m	€m	€m	%
Hazardous Waste	86.1	88.1	(2.0)	-2%	10.8	14.1	(3.3)	-23%
Divisional central services	-	-	-		(0.8)	(1.1)	0.3	
Total €m	**86.1**	**88.1**	**(2.0)**	**-2%**	**10.0**	**13.0**	**(3.0)**	**-23%**
Total £m (at average rate)	**69.2**	**75.2**	**(6.0)**	**-8%**	**8.0**	**11.1**	**(3.1)**	**-28%**

	Trading Margin		Return on Operating Assets	
Total	**11.6%**	**14.8%**	**28.5%**	**35.6%**

The Hazardous Waste Division comprises ATM, one of Europe's largest treatment facilities which processes contaminated soil, water, sludges and packed chemical waste, and Reym, one of the leading industrial cleaning companies in the Netherlands.

The Division continues to perform robustly but delivered a reduced first half due to the timing of its annual shutdown and non-recurring operational issues as new equipment was installed. Revenues were down by 2% due to lower volumes processed and trading profit fell by 23% to €10.0m. Thermal soil intake remained strong, with unprocessed inventory rising by 60,000 tonnes during the period. Water intake was broadly flat compared to last year, with periods of strong intake interspersed with comparatively quieter periods: reinforcing the potential benefit of our new water storage tanks that are under construction. Underlying industrial cleaning activities at Reym were sound, although there were fewer major shutdowns by major petrochemical clients compared with the previous year.

The investment programme has continued to be implemented on budget and largely on time. The new ESP fume scrubber was installed in September, a few weeks behind plan, but has immediately demonstrated a strong improvement in environmental performance since commissioning. The new ESP is expected to allow optimised throughput of a broader range of contaminated soils in the second half. Iron sludge handling equipment was also installed, and a fourth washer will also be commissioned in the second half to complete the upgrading of our thermal soil plant. On the waterside, the new storage tanks are on schedule for completion by the end of March. The degassing line and new boiler are also fully commissioned and performing as expected. We were also pleased to break ground on the new Theemsweg facility in the heart of Rotterdam harbour that will act as a collection point for waste water and sludges, as well as being a well located depot for Reym's industrial cleaning activities.

Organics

	Revenue				Trading Profit			
	Six months ended				Six months ended			
	Sep 14	Sep 13	Change		Sep 14	Sep 13	Change	
	€m	€m	€m	%	€m	€m	€m	%
Netherlands	10.0	10.3	(0.3)	-3%	1.4	2.3	(0.9)	-39%
Canada	8.2	8.5	(0.3)	-4%	1.8	1.8	-	0%
Other Organics	2.0	2.7	(0.7)	-26%	0.1	-	0.1	n/a
Divisional central services	-	-	-		(0.8)	(0.5)	(0.3)	
Total €m	**20.2**	**21.5**	**(1.3)**	**-6%**	**2.5**	**3.6**	**(1.1)**	**-34%**
Total £m (at average rate)	**15.7**	**18.4**	**(2.7)**	**-15%**	**1.9**	**3.1**	**(1.2)**	**-39%**
UK Joint Venture (£m)	1.2	0.9	0.3	33%	0.3	0.1	0.2	130%

	Trading Margin		Return on Operating Assets	
Netherlands	14.0%	22.3%	1.8%	6.9%
Canada	22.0%	21.2%	8.5%	9.6%
Other Organics	5.0%	0.0%	-0.1%	-0.4%
Total	**12.4%**	**16.7%**	**3.6%**	**6.7%**

Results for Canada shown at constant currency. Comparatives for 2013 have been restated following the adoption of IFRS 11 and the associated requirement to equity account for joint ventures.

The Organics Division comprises the Orgaworld business in the Netherlands and Canada, plus the AD facilities in Belgium and the UK. Following the introduction of IFRS 11, the growing profits of our joint venture in Scotland are now shown in the income from joint ventures and associates line in the Income Statement. For information, the associated revenue and trading profits have been included in the table above.

The Organics Division performed as expected over the six months to 30 September 2014 with revenue falling by 6% and trading profit by 34% to €2.5m. The Netherlands delivered a good performance from its composting facilities, but this was offset by the successful renewal of a long term contract for its Biocel facility on reduced terms as previously indicated. The two Canadian composting facilities both performed well. The London facility continued to produce record low levels of odour following installation of new equipment last year and we are well positioned to steadily increase volumes in the second half. We were also delighted to extend our long-term contract with the City of York to 2027, underpinning a significant proportion of the capacity of the London facility for the long term. Other Organics continued to show progress, with the Belgian AD facility in Roeselare increasing revenues and profits in the period. The drop in revenue relates to a marginal UK contract in the prior period that has now ended. Westcott Park continued in commissioning phase as changes were made to some operational equipment, but is now ramping up volumes on plan and with an encouraging performance. Our AD facility in Cumbernauld, Scotland, has also performed well, with a significant increase in trading profit to £0.3m. We have recently committed, with our partners, to a significant expansion in capacity to meet strong local demand. The new capacity will be commissioned in the first half of 2015.

The bidding process for two further facilities in Canada has made good progress. A final bid has been submitted for one opportunity, and we have been selected as one of four final bidders for another. Bid costs have been taken mostly through Divisional Central Services and are in line with prior guidance.

UK Municipal

	Revenue				Trading Profit			
	Six months ended				Six months ended			
	Sep 14	Sep 13	Change		Sep 14	Sep 13	Change	
	£m	£m	£m	%	£m	£m	£m	%
UK Municipal	74.9	70.5	4.4	6%	7.8	7.2	0.6	8%
Divisional central services	-	-	-		(2.5)	(2.5)	-	
Total	**74.9**	**70.5**	**4.4**	**6%**	**5.3**	**4.7**	**0.6**	**13%**
	Trading Margin							
Total	**7.1%**	**6.7%**						

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 as profit is 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 volumes. Shanks has a good track record of working closely in partnership with councils in order to deliver high diversion rates and cost savings.

In the six months ended 30 September 2014, the UK Municipal Division continued to perform strongly, with revenue increasing by 6% and trading profit by 13% to £5.3m. The strong revenue growth was driven principally by growth of the Derby contract and stability or modest growth across all other projects.

All contracts showed an improvement in performance, particularly the Derby interim services contract benefitting from the focus on continuous improvement and improved rates of diversion and recycling.

The build phases at Barnsley Doncaster and Rotherham (BDR) and Wakefield continue on plan and to budget. The associated large scale civil works are largely complete and equipment installation is underway. Waste is due to be taken in for trials before year end, and we anticipate full service commencement on schedule in the first half of 2015/16. These two complex projects have involved the expenditure of £200m to develop facilities which can generate products from approximately 500,000 tonnes of waste instead of the waste going to landfill.

We were also delighted to secure financial close on our Derby PPP contract. The construction of this £145m gasification facility is being managed by Interserve Group plc, our 50% joint venture partner in the Derby SPV. The facility is expected to commission in 2017.

On 4 August 2014, there was a major fire at Frog Island, London, one of the two MBT facilities serving the ELWA contract. Despite the severity of the fire, we have been able to continue to serve the customer and to meet diversion targets. We have just received permission to bring Frog Island back into partial operation, while full reinstatement is expected to take up to a year. On the basis of insurance cover, we continue to forecast no material impact to trading profit as a result of the fire.

FINANCE REVIEW

Revenue and profit

Revenue from continuing operations decreased by 1% at constant currency to £304.8m (6% at actual rates). UK Municipal grew by 6%, but there were declines in Solid Waste Benelux due to market conditions and in Hazardous Waste due to the plant shutdown and non-recurring operational issues.

Trading profit from continuing operations, before non-trading and exceptional items, decreased by 25% at constant currency to £18.1m (30% at actual rates). The principal drivers of this performance were market pricing, volumes and recyclate income in Solid Waste Benelux, combined with a temporary loss of capacity in Hazardous Waste.

The operating result from continuing operations on a statutory basis, which takes into account non-trading and exceptional items, was a loss of £1.8m (2013: profit of £20.2m).

The loss before tax from continuing operations on a statutory basis including the impact of non-trading and exceptional items in the period was £8.6m (2013: profit of £12.8m).

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 £19.8m (2013: £5.5m), of which cash items amounted to £4.8m (2013: £0.8m), include:

- Amortisation of intangible assets acquired in business combinations of £1.0m (2013: £1.1m).
- Non-cash impairment of goodwill of £11.1m (2013: £nil) in Solid Waste Netherlands as a result of the lower performance in the division.
- Restructuring charges and associated costs of £3.3m (2013: £2.1m).
- Contractual issues in Organics Canada, including the write-off of trade receivables and associated operating and legal costs relating to the arbitration ruling in Ottawa of £3.0m (2013: £0.1m). The ruling has been appealed.
- ELWA fire costs in the first half of £1.0m (2013: £nil), which we expect to be recovered from insurance in the second half.
- Exit from Jaartsveld soil washing activities of £0.3m (2013: £nil).
- Acquisition costs of £0.2m (2013: £nil).
- Financing fair value measurements credit of £0.1m (2013: £0.2m).

Net finance costs

Net finance costs decreased by £0.5m in the period primarily as a result of lower discount unwind charges following provision releases in March 2014. The higher level of finance income is due to an increase in interest receivable on financial assets relating to PFI/PPP contracts as the build programme for the BDR and Wakefield contracts progresses which 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 24.0% (2013: 25.2%) based on management's best estimate of the weighted average annual tax rate expected for the full financial year.

Earnings per share (EPS)

Underlying EPS from continuing operations, which excludes the effect of non-trading and exceptional items, decreased by 38% to 2.1p per share (2013: 3.4p). Basic EPS from continuing operations decreased from 2.4p per share to a loss of 2.5p per share.

Dividend

As outlined above, the Board has approved an interim dividend of 1.1p per share (2013: 1.1p) that will be paid on 9 January 2015, to shareholders on the register at the close of business on 5 December 2014.

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 2014, the net retirement benefit deficit relating to the UK scheme was £15.4m compared with £10.5m at 31 March 2014. The increase in the deficit reflected the further fall in the discount rate in the period. The latest actuarial valuation of the scheme was at 5 April 2012 and a recovery plan of £3.0m per annum to eliminate the deficit 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 unchanged from 31 March 2014 at £110m 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 fell from 15.1% at 31 March 2014 to 13.2% at 30 September 2014. The total Group post-tax return on capital employed was 5.8% compared with 6.0% at 31 March 2014.

Investment programme

The Group has had a stated strategy of investing in sustainable waste management infrastructure, with a target post-tax return of 12-15% on fully operational assets. At 30 September 2014, £90m of the investment portfolio was considered fully operational and it delivered a post-tax return of 13.3%. The portfolio as a whole delivered a post-tax return of 10.6%.

The investment in the UK Municipal programme remains on track as the BDR and Wakefield construction phases accelerate. For the period to 30 September 2014, the PFI financial assets increased by £47m to £242m. 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. The Derby PPP contract is a joint venture with Interserve Group plc and consequently it is equity accounted for with no financial asset or associated debt being recognised separately in the Group's financial statements.

Cash Flow

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

	Sep 14 £m	Sep 13 £m
EBITDA	38.4	44.9
Working capital movement and other	(0.5)	(9.4)
Net replacement capital expenditure	(17.4)	(7.1)
Interest and tax	(7.8)	(5.3)
Underlying free cash flow	**12.7**	**23.1**
Growth capital expenditure	(5.4)	(12.6)
Acquisitions and disposals	0.4	1.3
Restructuring spend	(3.6)	(4.6)
Dividends paid	(9.3)	(9.3)
PFI funding	1.8	(9.6)
Other	(3.1)	1.0
Net core cash flow	**(6.5)**	**(10.7)**
Free cash flow conversion	**70%**	**95%**

All numbers above include both continuing and discontinued operations
Free cash flow conversion is defined as underlying free cash flow divided by trading profit
Core cash flow excludes any movements of joint venture interests now equity accounted in line with the adoption of IFRS 11

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 2014. Working capital benefitted from a settlement from a UK Municipal debtor in September which last year was received in October.

Replacement capital is higher than last year as it includes a truck replacement programme in Belgium and the replacement of the ESP fume scrubber at ATM. As previously forecast, the ratio of net replacement capital spend to depreciation at 87% was significantly higher than last year's 33%.

The cash interest and tax spend in the period at £7.8m was 47% higher than last year as a result of timing on tax payments in the Netherlands and annual payment for the July 2013 retail bond.

Growth capital spend of £5.4m was principally in Hazardous Waste and included the initial spend on the storage tanks and the incremental capacity proportion of the ESP fume scrubber.

The acquisitions and disposals income of £0.4m in the current period reflects the sale of UK Solid Waste assets held for sale last March and a small tuck-in acquisition in Solid Waste Netherlands.

The PFI funding line in the table above for the prior year included the subordinated debt payment made in April 2013 in relation to the Cumbria PPP contract.

The exchange rate on the Euro has moved from 1.21 at 31 March 2014 to 1.28 at 30 September 2014.

Net debt and borrowings

The net core cash outflow of £6.5m, offset by £10.0m benefit on the translation into Sterling of the Group's Euro and Canadian Dollar denominated debt and loan fee amortisation, has decreased core debt by £3.1m to £149.8m. Core net debt was significantly better than expectations at the half year as a result of the timing of PFI cash drawdowns compared to payments and the unexpected early receipt of a UK Municipal client payment. Net debt to EBITDA was 2.1x, comfortably in line with our covenants. The trading profit to interest ratio which remains within our covenants has fallen to 3.1x, as a result of a weak last 12 month average. With a stronger comparative second half forecast, including the removal of UK Solid Waste losses from our historic calculations, we expect this ratio to sharply increase by year end. Overall, net debt is expected to be around £185m at year end, in line with original guidance despite the reduction of profit outlook earlier in the year.

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	77.9	77.9	Oct-15
€40m PRICOA senior notes	31.2	31.2	Apr-18
€100m Belgian retail bond	77.9	77.9	Jul-19
Term & revolving credit facility	140.3	43.6	Jan-19
Total debt and facilities	327.3	230.6	
Finance leases		11.5	
Loan fees		(2.4)	
Cash		(89.9)	
Core net debt		149.8	

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 2014 this amounted to £193.2m (31 March 2014: £151.2m). 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 2014 Annual Report (pages 46 to 51) 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 planning – 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.
- Operational failures – a material failure at one of our core facilities, particularly ATM.

Looking forward over the remainder of the financial year, the biggest areas of risk focus for the Group concern waste volumes linked to both market and weather conditions, pricing competition and recyclate pricing in the solid waste market. We are also focused on ensuring that capacity ramps in Hazardous Waste as planned. Fire remains a significant risk in waste treatment but we continue to implement improvements to mitigate this risk.

Statement of the Directors' responsibilities

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 have been no amendments to the Board of Directors of Shanks Group plc since the 2014 Annual Report. A list of current Directors is maintained on the Shanks Group plc website: www.shanksplc.com.

By order of the Board

P Dilnot
Group Chief Executive
6 November 2014

T Woolrych
Group Finance Director
6 November 2014

Consolidated Interim Income Statement (unaudited)

First half ended 30 September 2014

		First half 2014/15			First half 2013/14 restated*		
	Note	**Trading £m**	**Non-trading & exceptional items £m**	**Total £m**	Trading £m	Non-trading & exceptional items £m	Total £m
Revenue	2	**304.8**	-	**304.8**	323.8	-	323.8
Cost of sales		**(257.0)**	**(2.5)**	**(259.5)**	(269.7)	(5.0)	(274.7)
Gross profit		**47.8**	**(2.5)**	**45.3**	54.1	(5.0)	49.1
Administrative expenses		**(29.7)**	**(17.4)**	**(47.1)**	(28.2)	(0.7)	(28.9)
Operating profit (loss)	2,3	**18.1**	**(19.9)**	**(1.8)**	25.9	(5.7)	20.2
Finance income	2	**6.8**	**0.1**	**6.9**	4.3	0.2	4.5
Finance charges	2	**(14.0)**	-	**(14.0)**	(12.0)	-	(12.0)
Share of results from associates and joint ventures		**0.3**	-	**0.3**	0.1	-	0.1
Profit (loss) before taxation	2	**11.2**	**(19.8)**	**(8.6)**	18.3	(5.5)	12.8
Taxation	3,4	**(2.7)**	**1.6**	**(1.1)**	(4.6)	1.4	(3.2)
Profit (loss) for the period from continuing operations		**8.5**	**(18.2)**	**(9.7)**	13.7	(4.1)	9.6
Discontinued operations							
Loss for the period from discontinued operations	5	**(0.1)**	-	**(0.1)**	(1.3)	(25.9)	(27.2)
Profit (loss) for the period		**8.4**	**(18.2)**	**(9.8)**	12.4	(30.0)	(17.6)
Attributable to:							
Owners of the parent		**8.4**	**(18.2)**	**(9.8)**	12.3	(30.0)	(17.7)
Non-controlling interest		-	-	-	0.1	-	0.1
		8.4	**(18.2)**	**(9.8)**	12.4	(30.0)	(17.6)
Basic earnings (loss) per share (pence per share)							
Continuing operations	6	**2.1**	**(4.6)**	**(2.5)**	3.4	(1.0)	2.4
Discontinued operations	6	**-**	**-**	**-**	(0.3)	(6.5)	(6.8)
		2.1	**(4.6)**	**(2.5)**	3.1	(7.5)	(4.4)
Diluted earnings (loss) per share (pence per share)							
Continuing operations	6	**2.1**	**(4.6)**	**(2.5)**	3.4	(1.0)	2.4
Discontinued operations	6	**-**	**-**	**-**	(0.3)	(6.5)	(6.8)
		2.1	**(4.6)**	**(2.5)**	3.1	(7.5)	(4.4)

*The comparatives have been restated following the adoption of IFRS 11, see note 1 for details.

Consolidated Interim Statement of Comprehensive Income (unaudited)

First half ended 30 September 2014

	First half 2014/15 £m	First half 2013/14 £m
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign subsidiaries	**(12.2)**	(1.7)
Fair value movement on cash flow hedges	**(8.2)**	13.9
Deferred tax on fair value movement of cash flow hedges	**1.6**	(3.7)
	(18.8)	8.5
Items that will not be reclassified to profit or loss:		
Actuarial loss on defined benefit pension scheme	**(7.5)**	(5.5)
Deferred tax on actuarial loss on defined benefit pension scheme	**1.5**	0.8
	(6.0)	(4.7)
Other comprehensive (loss) income for the period, net of tax	**(24.8)**	3.8
Loss for the period	**(9.8)**	(17.6)
Total comprehensive loss for the period	**(34.6)**	(13.8)
Attributable to:		
Owners of the parent	**(34.1)**	(13.4)
Non-controlling interest	**(0.5)**	(0.4)
	(34.6)	(13.8)
Total comprehensive loss attributable to owners of the parent arising from:		
Continuing operations	**(34.0)**	13.8
Discontinued operations	**(0.1)**	(27.2)
	(34.1)	(13.4)

Consolidated Interim Balance Sheet (unaudited)

As at 30 September 2014

	Note	30 September 2014 £m	Restated* 30 September 2013 £m	Restated* 31 March 2014 £m
Assets				
Non-current assets				
Intangible assets		**186.5**	230.4	211.1
Property, plant and equipment		**308.1**	330.3	322.7
Investments		**8.6**	8.2	8.4
Financial assets relating to PFI/PPP contracts		**214.3**	145.2	187.4
Trade and other receivables		**2.2**	2.8	2.5
Deferred tax assets		**15.6**	12.6	12.3
		735.3	729.5	744.4
Current assets				
Inventories		**8.8**	11.4	9.4
Financial assets relating to PFI/PPP contracts		**28.2**	9.8	8.2
Trade and other receivables		**130.1**	153.9	138.2
Current tax receivable		**0.2**	1.9	1.9
Cash and cash equivalents		**89.9**	83.6	104.2
		257.2	260.6	261.9
Assets classified as held for sale	5	**3.5**	11.8	3.2
		260.7	272.4	265.1
Total assets		**996.0**	1,001.9	1,009.5
Liabilities				
Non-current liabilities				
Borrowings - PFI/PPP non-recourse net debt		**(134.5)**	(119.3)	(149.5)
Borrowings - Other		**(236.4)**	(260.0)	(253.8)
Derivative financial instruments	12	**(23.3)**	(16.7)	(15.0)
Other non-current liabilities		**(0.3)**	(1.3)	(1.2)
Deferred tax liabilities		**(35.6)**	(41.1)	(38.8)
Provisions	10	**(34.2)**	(37.9)	(33.3)
Defined benefit pension scheme deficit	11	**(19.3)**	(12.9)	(13.1)
		(483.6)	(489.2)	(504.7)
Current liabilities				
Borrowings - PFI/PPP non-recourse net debt		**(58.7)**	(2.0)	(1.7)
Borrowings - Other		**(3.3)**	(2.7)	(3.3)
Derivative financial instruments	12	**(0.9)**	-	(1.0)
Trade and other payables		**(202.1)**	(197.0)	(203.1)
Current tax payable		**(8.9)**	(7.7)	(10.6)
Provisions	10	**(8.3)**	(12.0)	(11.6)
		(282.2)	(221.4)	(231.3)
Total liabilities		**(765.8)**	(710.6)	(736.0)
Net assets		**230.2**	291.3	273.5
Equity				
Share capital		**39.8**	39.7	39.8
Share premium		**100.0**	99.8	99.9
Exchange reserve		**24.4**	39.7	36.6
Retained earnings		**66.7**	112.4	97.4
Equity attributable to owners of the parent		**230.9**	291.6	273.7
Non-controlling interest		**(0.7)**	(0.3)	(0.2)
Total equity		**230.2**	291.3	273.5

*The comparatives have been restated following the adoption of IFRS 11, see note 1 for details.

Consolidated Interim Statement of Changes in Equity (unaudited)

First half ended 30 September 2014

	Note	Share capital £m	Share premium £m	Exchange reserve £m	Retained earnings £m	Non-controlling interest £m	Total equity £m
Balance at 1 April 2014		**39.8**	**99.9**	**36.6**	**97.4**	**(0.2)**	**273.5**
Loss for the period		**-**	**-**	**-**	**(9.8)**	**-**	**(9.8)**
Other comprehensive loss		**-**	**-**	**(12.2)**	**(12.1)**	**(0.5)**	**(24.8)**
Total comprehensive loss for the period		**-**	**-**	**(12.2)**	**(21.9)**	**(0.5)**	**(34.6)**
Share-based compensation		**-**	**-**	**-**	**0.4**	**-**	**0.4**
Movement on tax arising on share-based compensation		**-**	**-**	**-**	**0.1**	**-**	**0.1**
Proceeds from exercise of employee options		**-**	**0.1**	**-**	**-**	**-**	**0.1**
Dividends	7	**-**	**-**	**-**	**(9.3)**	**-**	**(9.3)**
Balance as at 30 September 2014		**39.8**	**100.0**	**24.4**	**66.7**	**(0.7)**	**230.2**
Balance at 1 April 2013		39.7	99.8	41.4	132.7	0.1	313.7
(Loss) profit for the period		-	-	-	(28.3)	0.1	(28.2)
Other comprehensive (loss) income		-	-	(4.8)	5.7	(0.4)	0.5
Total comprehensive loss for the period		-	-	(4.8)	(22.6)	(0.3)	(27.7)
Share-based compensation		-	-	-	0.7	-	0.7
Movement on tax arising on share-based compensation		-	-	-	0.3	-	0.3
Proceeds from exercise of employee options		0.1	0.1	-	-	-	0.2
Dividends		-	-	-	(13.7)	-	(13.7)
Balance as at 31 March 2014		39.8	99.9	36.6	97.4	(0.2)	273.5
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 as at 30 September 2013		39.7	99.8	39.7	112.4	(0.3)	291.3

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.

Consolidated Interim Statement of Cash Flows (unaudited)

First half ended 30 September 2014

	Note	**First half 2014/15 £m**	Restated* First half 2013/14 £m
Cash flows from operating activities	13	**31.0**	25.3
Income tax paid		**(1.6)**	(1.4)
Net cash generated from operating activities		**29.4**	23.9
Investing activities			
Purchases of intangible assets		**(0.4)**	(0.1)
Purchases of property, plant and equipment		**(19.2)**	(19.6)
Acquisition of business assets		**(0.4)**	-
Disposals of property, plant and equipment		**0.6**	9.5
Proceeds from exiting UK Solid Waste		**0.8**	-
Outflows in respect of PFI/PPP arrangements under the financial asset model		**(38.6)**	(30.5)
Capital received in respect of PFI/PPP financial assets		**2.2**	1.2
Finance income		**2.3**	2.8
Receipt of deferred consideration		**0.1**	-
Proceeds from disposal of joint venture and other assets		**-**	1.3
Net cash used in investing activities		**(52.6)**	(35.4)
Financing activities			
Finance charges and loan fees paid		**(8.6)**	(7.2)
Dividends paid	7	**(9.3)**	(9.3)
Proceeds from issuance of ordinary shares		**0.1**	-
Proceeds from the issuance of retail bonds		**-**	86.1
Repayment of senior notes		**-**	(15.2)
Net repayment of bank borrowings		**(8.4)**	(52.2)
Proceeds from PFI/PPP net debt		**39.1**	32.3
Repayment of PFI/PPP net debt		**(0.9)**	(12.2)
Repayments of obligations under finance leases		**(1.4)**	(1.4)
Net cash generated from financing activities		**10.6**	20.9
Net (decrease)increase in cash and cash equivalents		**(12.6)**	9.4
Effect of foreign exchange rate changes		**(1.7)**	(0.7)
Cash and cash equivalents at the beginning of the period		**104.2**	74.9
Cash and cash equivalents at the end of the period		**89.9**	83.6

*The comparatives have been restated following the adoption of IFRS 11, see note 1 for details.

Notes to the Consolidated Interim Financial Statements (unaudited)

1. Basis of Preparation

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

This condensed set of consolidated interim financial statements for the six months ended 30 September 2014 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. They should be read in conjunction with the 2014 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 2014 Annual Report and Accounts are available from the Company's website www.shanksplc.com.

These primary statements and selected notes comprise the unaudited interim consolidated financial results of the Group for the six months ended 30 September 2014 and 2013 (restated), together with the audited results for the year ended 31 March 2014 (restated). 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 2014 have been extracted from the Group's statutory Annual Report and Accounts for that financial year and have been restated as a result of adoption of IFRS 11, but do not constitute those accounts. Those statutory accounts for the year ended 31 March 2014 were approved by the Board of Directors on 15 May 2014 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 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 Board of Directors approved the condensed consolidated interim financial statements on 6 November 2014 which have been reviewed by PricewaterhouseCoopers but not been audited (see page 33).

Accounting Policies and Principal Risks
The results have been prepared applying the accounting policies and presentation that were used in the preparation of the 2014 Annual Report and Accounts with the exception of IFRS 11 Joint Arrangements 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. Other new standards have no significant impact on the consolidated results or financial position in the current financial period.

Under IFRS 11 Joint Arrangements, effective for the Group from 1 April 2014, joint arrangements are classified as either joint operations or joint ventures, depending upon the Group's contractual rights to the assets and obligations for the liabilities of the arrangements, rather than the legal structure of the joint arrangement. The amendments require joint ventures to be accounted for under the equity method and joint operations to be reported recognising the Group's share of assets, liabilities, revenues and expenses. The nature of the Group's joint arrangements has been evaluated and they have been classified as either joint operations or joint ventures. The adjustments on application of IFRS 11 relate to the change in accounting from proportionate consolidation to equity accounting for a number of the joint arrangements which have been concluded to fall within the definition of joint ventures.

The comparative figures have been restated to reflect the change in accounting policy, the Group's profit after tax and total net assets are unchanged. The table below shows the impact on the Group's condensed consolidated interim financial statements in relation to a reduction in revenue, profit, cash and borrowings for the joint ventures which are no longer proportionately consolidated:

	September 2014 £m	September 2013 £m	March 2014 £m
Revenue	2.0	1.5	3.0
Operating profit	0.5	0.2	0.3
Cash	0.3	0.4	0.4
Borrowings - Other	3.3	3.5	3.5

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

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 2014 and can be found on pages 102 and 103 of the 2014 Annual Report and Accounts.

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, as shown in note 3.

Non-trading and exceptional items
Items classified as non-trading and exceptional are disclosed separately due to their size or incidence to enable a better understanding of performance. These include, but are not limited to, significant impairments, restructuring of the activities on an entity including employee severance costs, aborted acquisition and disposal transaction costs, onerous contracts, significant provision releases and significant profit or loss on disposal of properties. A full listing of those items presented as non-trading and exceptional is shown in note 3.

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 2014**	30 September 2013	Change	31 March 2014	Change
Euro	**1.28**	1.20	7.3%	1.21	6.1%
Canadian dollar	**1.81**	1.66	8.8%	1.84	(1.5)%

Average Rates

Value of £1	**30 September 2014**	30 September 2013	Change
Euro	**1.25**	1.17	6.6%
Canadian dollar	**1.83**	1.58	15.2%

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 reportable segments are determined with reference to the information provided to the Board of Directors in order for it to allocate the Group's resources and to monitor the performance of the Group.

The reportable segments are aligned with the core activities of the Group and are as follows:

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

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

The segmental results, which do not include any amounts for discontinued operations, are as follows:

Revenue	**First half 2014/15 £m**	Restated* First half 2013/14 £m
Netherlands Solid Waste	**87.5**	96.0
Belgium Solid Waste	**43.0**	46.9
Belgium Other	**25.5**	30.1
Intra-segment revenue	**(6.4)**	(8.6)
Solid Waste Benelux	**149.6**	164.4
Hazardous Waste	**69.2**	75.2
Netherlands	**8.0**	8.8
Canada	**6.1**	7.3
Other Organics	**1.6**	2.3
Organics	**15.7**	18.4
UK Municipal	**74.9**	70.5
Inter-segment revenue	**(4.6)**	(4.7)
Total revenue from continuing operations	**304.8**	323.8

*The comparatives have been restated following the adoption of IFRS 11, see note 1 for details.

Notes to the Consolidated Interim Financial Statements (unaudited)

2. Segmental reporting - continued

Segment results	First half 2014/15 £m	Restated* First half 2013/14 £m
Netherlands Solid Waste	**3.6**	6.6
Belgium Solid Waste	**2.2**	2.9
Belgium Other	**3.8**	5.2
Divisional central services	**(3.9)**	(4.1)
Solid Waste Benelux	**5.7**	10.6
Hazardous Waste	**8.6**	12.1
Divisional central services	**(0.6)**	(1.0)
Hazardous Waste	**8.0**	11.1
Netherlands	**1.2**	2.0
Canada	**1.3**	1.6
Other Organics	**0.1**	-
Divisional central services	**(0.7)**	(0.5)
Organics	**1.9**	3.1
UK Municipal	**7.8**	7.2
Divisional central services	**(2.5)**	(2.5)
UK Municipal	**5.3**	4.7
Group central services	**(2.8)**	(3.6)
Total trading profit	**18.1**	25.9
Non-trading and exceptional items	**(19.9)**	(5.7)
Total operating (loss) profit from continuing operations	**(1.8)**	20.2
Finance income	**6.9**	4.5
Finance charges	**(14.0)**	(12.0)
Share of results from associates and joint ventures	**0.3**	0.1
(Loss) profit before tax and discontinued operations	**(8.6)**	12.8

*The comparatives have been restated following the adoption of IFRS 11, see note 1 for details.

Notes to the Consolidated Interim Financial Statements (unaudited)

3. 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 2014/15 £m	First half 2013/14 £m
Continuing operations		
Amortisation of acquisition intangibles	**1.0**	1.1
Impairment of goodwill	**11.1**	-
Restructuring charges	**3.3**	2.1
Contractual issues in Organics Canada	**3.0**	0.1
Costs relating to the fire at a UK Municipal site	**1.0**	-
Exit from soil washing activities in Netherlands Hazardous Waste	**0.3**	-
Acquisition costs	**0.2**	-
Impairment of assets in the Netherlands due to a fire	**-**	3.2
Other asset impairments	**-**	0.6
Hazardous Waste net litigation recovery	**-**	(1.4)
Total non-trading and exceptional items in operating (loss) profit	**19.9**	5.7
Change in fair value of derivatives	**(0.1)**	(0.2)
Tax on non-trading and exceptional items	**(1.6)**	(1.4)
Continuing non-trading and exceptional items in (loss) profit after tax	**18.2**	4.1
Discontinued operations		
Discontinued operations (further details in note 5)	**-**	23.9
Credit issues with regard to deferred consideration	**-**	2.0
Total non-trading and exceptional items in loss after tax	**18.2**	30.0

Non-cash impairment of goodwill of £11.1m (2013/14: £nil) in Solid Waste Netherlands as a result of lower performance in the division, see note 8 for further details.

A range of structural cost initiatives have been implemented which have resulted in £3.3m (2013/14: £2.1m) of restructuring charges. The charge includes settlement costs for those employees already notified of redundancy together with associated costs.

Contractual issues in Organics Canada, including the write-off of trade receivables and associated operating and legal costs relating to arbitration ruling in Ottawa of £3.0m (2013/14: £0.1m). The ruling has been appealed.

Costs incurred as a result of the fire at the ELWA facility in London of £1.1m (2013/14: £nil) which we expect to be recovered by insurance in the second half.

Exit from Jaartsveld soil washing activities of £0.3m (2013/14: £nil).

Acquisition costs of £0.2m (2013/14: £nil).

Reconciliation of trading profit to EBITDA from continuing operations	**First half 2014/15 £m**	Restated* First half 2013/14 £m
Trading profit	**18.1**	25.9
Depreciation of property, plant and equipment	**18.8**	20.4
Amortisation of intangible assets (excluding acquisition intangibles)	**1.3**	1.1
Non-exceptional gains on property, plant and equipment	**(0.2)**	(1.3)
Non cash landfill related expense and provisioning	**0.5**	0.1
EBITDA from continuing operations	**38.5**	46.2

*The comparatives have been restated following the adoption of IFRS 11, see note 1 for details.

4. Tax

Tax expense is recognised based on management's best estimate of the full year effective tax rate on expected full year profits to March 2015. The estimated average underlying annual tax rate on continuing operations for the year to 31 March 2015 is 24.0% (2013/14: 25.2%).

The Finance Act 2013 included legislation to reduce the main rate of UK corporation tax from 23% to 21% from 1 April 2014 and then to 20% by 1 April 2015. As a result the UK deferred tax for the period has been calculated based on the rate of 20% (2013/14: 20%).

Notes to the Consolidated Interim Financial Statements (unaudited)

5. Assets classified as held for sale and discontinued operations

Assets classified as held for sale

	As at 30 September 2014 £m	As at 30 September 2013 £m	As at 31 March 2014 £m
Goodwill and other intangibles	**-**	1.9	-
Property, plant and equipment	**3.5**	9.9	3.2
Assets classified as held for sale	**3.5**	11.8	3.2

The assets at 30 September 2014 include £2.4m relating to the exit from UK Solid Waste as further described below and £1.1m in relation to the Jaartsveld land and buildings following the decision to exit from soil washing activities at this location.

Discontinued operations

On 15 October 2013 the Group signed a binding agreement to sell the majority of its UK Solid Waste business to Biffa Waste Services Limited (Biffa) and that transaction was completed on 31 December 2013. It 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 were presented within discontinued operations in the Income Statement and the assets to be sold were presented separately in the Balance Sheet. Assets held for sale at 31 March 2014 and 30 September 2014 were principally the material recycling facility at Kettering.

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

Income Statement	**First half 2014/15 £m**	First half 2013/14 £m
Revenue	**0.3**	27.3
Cost of sales	**(0.3)**	(24.7)
Administrative expenses	**(0.1)**	(4.2)
Trading loss before exceptional and non-trading items	**(0.1)**	(1.6)
Exceptional and non-trading items	**-**	(24.0)
Operating loss before finance costs and tax on discontinued operations	**(0.1)**	(25.6)
Finance costs	**-**	(0.1)
Loss before tax on discontinued operations	**(0.1)**	(25.7)
Taxation	**-**	0.5
Loss after tax on discontinued operations	**(0.1)**	(25.2)

The prior period exceptional and non-trading items included a loss of £23.1m to recognise remeasurement of the disposal assets to their fair value less costs to sell. The prior period taxation credit of £0.5m included £0.1m in relation to the remeasurement to fair value less costs to sell.

In addition to the £25.2m loss after tax on discontinued operations in the prior period, a £2.0m charge was reflected for credit issues with regard to deferred consideration.

Cash Flow Statement	**First half 2014/15 £m**	First half 2013/14 £m
Net cash flows generated from (used in) operating activities	**0.3**	(1.6)
Net cash flows generated from (used in) investing activities	**0.8**	(0.8)
Net cash flows used in financing activities	**-**	(0.1)
Net cash flows generated from (used in) discontinued operations	**1.1**	(2.5)

Notes to the Consolidated Interim Financial Statements (unaudited)

6. Earnings per share

	First half 2014/15	First half 2013/14
Number of shares		
Weighted average number of ordinary shares for basic earnings per share	**397.8m**	397.5m
Effect of share options in issue	**0.3m**	0.2m
Weighted average number of ordinary shares for diluted earnings per share	**398.1m**	397.7m
Continuing operations		
(Loss) profit attributable to owners of the parent used to determine basic and diluted earnings per share (£m)	**(9.7)**	9.5
Non-trading and exceptional items (net of tax) (£m) (see note 3)	**18.2**	4.1
Earnings attributable to owners of the parent for underlying basic and underlying diluted earnings per share (£m)	**8.5**	13.6
Basic and diluted (loss) earnings per share	**(2.5)p**	2.4p
Underlying and underlying diluted earnings per share (see note below)	**2.1p**	3.4p
Discontinued operations		
Loss attributable to owners of the parent used to determine basic and diluted earnings per share (£m)	**(0.1)**	(27.2)
Non-trading and exceptional items (net of tax) (£m) (see note 3)	**-**	25.9
Loss attributable to owners of the parent for underlying basic and underlying diluted earnings per share (£m)	**(0.1)**	(1.3)
Basic and diluted loss per share	**-**	(6.8)p
Underlying and underlying diluted loss per share (see note below)	**-**	(0.3)p
Total operations		
Loss attributable to owners of the parent used to determine basic and diluted earnings per share (£m)	**(9.8)**	(17.7)
Non-trading and exceptional items (net of tax) (£m) (see note 3)	**18.2**	30.0
Earnings attributable to owners of the parent for underlying basic and underlying diluted earnings per share (£m)	**8.4**	12.3
Basic and diluted loss per share	**(2.5)p**	(4.4)p
Underlying and underlying diluted earnings per share (see note below)	**2.1p**	3.1p

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.

7. Dividends

	First half 2014/15 £m	First half 2013/14 £m
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 March 2014 of 2.35p per share (2013: 2.35p)	**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 6 November 2014 and will be paid on 9 January 2015 to shareholders on the register at close of business on 5 December 2014. In 2013/14 an interim dividend of 1.1p per share was paid. The final dividend for 2013/14 of 2.35p per share (2012/13: 2.35p) was approved by the shareholders at the Annual General Meeting on 25 July 2014 and was paid on 1 August 2014.

Notes to the Consolidated Interim Financial Statements (unaudited)

8. Intangible assets

A goodwill impairment charge of £11.1m (2013/14: £nil) has been recognised in relation to the Netherlands Solid Waste cash generating unit (CGU) as a result of lower performance in the division. This impairment has been recognised in the Solid Waste Benelux segment. The Group estimates the recoverable amount of a CGU using a value in use model by projecting cash flows for the next five years together with a terminal value using a growth rate. The discount rate applied was 8% and the growth rate used in the annuity was 2% which are unchanged from 31 March 2014. The key assumption underpinning the recoverable amount was forecast revenue and trading profit. The carrying value of the goodwill of the Netherlands Solid Waste CGU was £55.7m following the impairment.

9. Property, plant and equipment

During the six months ended 30 September 2014, the Group acquired assets with a cost of £21.1m (2013/14: £18.3m), disposed of assets with a net book value of £0.4m (2013/14: £8.2m), charged depreciation of £18.8m (2013/14: £20.6m restated) and charged an impairment of £0.2m (2013/14: £11.1m). The major growth projects are as described in the Finance Review.

At 30 September 2014 the Group had capital commitments of £11.0m (2013/14: £9.9m).

10. Provisions

	Site restoration and aftercare £m	Restructuring £m	Other £m	Total £m
At 1 April 2014*	30.3	3.3	11.3	44.9
Provided in the period	0.6	1.1	-	1.7
Released in the period	-	(0.1)	(0.2)	(0.3)
Finance charges – unwinding of discount	0.7	-	0.4	1.1
Utilised in the period	(0.2)	(1.8)	(0.9)	(2.9)
Exchange	(1.7)	(0.1)	(0.2)	(2.0)
At 30 September 2014	**29.7**	**2.4**	**10.4**	**42.5**
Current	**0.8**	**2.3**	**5.2**	**8.3**
Non-current	**28.9**	**0.1**	**5.2**	**34.2**
At 30 September 2014	**29.7**	**2.4**	**10.4**	**42.5**
Current	1.7	2.8	7.1	11.6
Non-current	28.6	0.5	4.2	33.3
At 31 March 2014	30.3	3.3	11.3	44.9
Current	0.1	2.1	9.8	12.0
Non-current	29.3	0.3	8.3	37.9
At 30 September 2013	29.4	2.4	18.1	49.9

*The opening position has been restated following the adoption of IFRS 11, see note 1 for details.

The site restoration provision relates to the cost of final capping and covering of the landfill sites. These costs 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. 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. 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 provisions relate to redundancy and related costs incurred in the structural cost reduction programme. During the period a further £1.1m (2013/14: £0.6m) of costs has been reflected and £1.8m has been utilised (2013/14: £2.7m). It is anticipated that the majority of the current portion will be paid during the second half of the year.

Other provisions principally cover onerous contracts, onerous leases, warranties and indemnities. Onerous contracts are provided at the net present value of the operating losses of the onerous contracts. The provision is to be utilised over the period of the contracts to which they relate with the latest date being 2029. Under the terms of agreements for the disposal of UK operations, the Group has given a number of warranties and indemnities to the purchasers which may give rise to future payments.

Notes to the Consolidated Interim Financial Statements (unaudited)

11. Defined benefit pension scheme

The amounts recognised in the Income Statement were as follows:

	First half 2014/15 £m	First half 2013/14 £m
Current service cost	**0.1**	0.2
Interest expense on scheme net liabilities	**0.3**	0.2
	0.4	0.4

The amounts recognised in the balance sheet were as follows:

	As at 30 September 2014 £m	As at 30 September 2013 £m	As at 31 March 2014 £m
Present value of funded obligations	**(160.4)**	(144.4)	(148.0)
Fair value of plan assets	**141.1**	131.5	134.9
Pension scheme deficit	**(19.3)**	(12.9)	(13.1)
Related deferred tax asset	**3.9**	2.6	2.6
Net pension liability	**(15.4)**	(10.3)	(10.5)

During the period the main change to the pension assumptions has been the fall in the discount rate due to a decline in bond yields. This has resulted in an increase in the value of the scheme liabilities.

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 and liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

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 periods.

Valuation techniques used to derive Level 2 fair values
The fair values of interest rate swaps, forward foreign exchange contracts and fuel derivatives are determined by discounting the future cash flows using the applicable period-end yield curve.

The fair values of the retail bonds and senior notes are based on cash flows discounted using a rate based on the effective interest rate of the borrowing.

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

	As at 30 September 2014 £m	As at 30 September 2013 £m	As at 31 March 2014 £m
Liabilities			
Derivative financial instruments	**24.2**	16.7	16.0
Retail bonds	**162.1**	168.5	168.6
Senior notes	**34.4**	36.6	36.3
	220.7	221.8	220.9

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

Offsetting financial assets
PFI/PPP cash and cash equivalents are offset against the non-recourse gross debt as they are subject to offsetting arrangements enforceable in the event of the default on debt facilities.

Notes to the Consolidated Interim Financial Statements (unaudited)

13. Notes to the statement of cash flows

	First half 2014/15 £m	Restated* First half 2013/14 £m
(Loss) profit before tax	**(8.6)**	12.8
Fair value gain on financial instruments	**(0.1)**	(0.2)
Finance income	**(6.8)**	(4.3)
Finance charges	**14.0**	12.0
Share of results from associates and joint ventures	**(0.3)**	(0.1)
Operating (loss) profit from continuing operations	**(1.8)**	20.2
Operating loss from discontinued operations	**(0.1)**	(27.6)
Amortisation and impairment of intangible assets	**13.4**	2.8
Depreciation and impairment of property, plant and equipment	**19.0**	24.0
Fair value adjustments in relation to the UK Solid Waste exit	**-**	23.1
Current asset write offs	**-**	2.0
Non-exceptional gain on disposal of property, plant and equipment	**(0.2)**	(1.4)
Net decrease in provisions	**(1.5)**	(7.4)
Payments to fund defined benefit pension scheme	**(1.5)**	(1.5)
Share-based compensation	**0.4**	0.7
Operating cash flows before movement in working capital	**27.7**	34.9
Decrease (increase) in inventories	**0.1**	(0.4)
Decrease (increase) in receivables	**2.1**	(8.3)
Increase (decrease) in payables	**1.1**	(0.9)
Cash flows from operating activities	**31.0**	25.3

*The comparatives have been restated following the adoption of IFRS 11, see note 1 for details.

Consolidated movement in net debt

	First half 2014/15 £m	Restated* First half 2013/14 £m	Restated* Full year 2013/14 £m
Net (decrease) increase in cash and cash equivalents	**(12.6)**	9.4	31.2
Net increase in borrowings and finance leases	**(28.4)**	(37.4)	(62.3)
Capitalisation of loan fees	**-**	0.7	2.4
Total cash flows in net debt	**(41.0)**	(27.3)	(28.7)
Finance leases entered into during the period	**(3.7)**	(2.8)	(5.8)
Deferred interest on PFI/PPP non-recourse debt	**(3.8)**	(1.1)	(4.0)
Amortisation of loan fees	**(0.4)**	(0.6)	(1.4)
Exchange gain	**10.0**	5.7	10.1
Movement in net debt	**(38.9)**	(26.1)	(29.8)
Net debt at beginning of period	**(304.1)**	(274.3)	(274.3)
Net debt at end of period	**(343.0)**	(300.4)	(304.1)

*The comparatives have been restated following the adoption of IFRS 11, see note 1 for details.

Movement in net debt	At 1 April 2014* £m	Cash flows £m	Other non-cash changes £m	Exchange movements £m	**At 30 September 2014 £m**
Cash and cash equivalents	104.2	(12.6)	-	(1.7)	**89.9**
Bank loans	(50.1)	8.4	(0.2)	(0.3)	**(42.2)**
Senior notes	(32.9)	-	-	1.9	**(31.0)**
Retail bonds	(164.3)	-	(0.2)	9.5	**(155.0)**
Finance leases	(9.8)	1.4	(3.7)	0.6	**(11.5)**
Total core net debt	(152.9)	(2.8)	(4.1)	10.0	**(149.8)**
PFI/PPP non-recourse net debt	(151.2)	(38.2)	(3.8)	-	**(193.2)**
Total net debt	(304.1)	(41.0)	(7.9)	10.0	**(343.0)**

*The opening position has been restated following the adoption of IFRS 11, see note 1 for details.

Notes to the Consolidated Interim Financial Statements (unaudited)

13. Notes to the statement of cash flows - continued

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

	First half 2014/15 £m	First half 2013/14 £m
Net cash generated from operating activities	**29.4**	23.9
Exclude provisions and restructuring spend	**5.5**	8.6
Exclude payments to fund defined benefit pension scheme	**1.5**	1.5
Include finance charges and loan fees paid	**(8.6)**	(8.3)
Include finance income received	**2.3**	4.5
Include purchases of intangible assets	**(0.4)**	(0.1)
Include purchases of replacement items of property, plant and equipment	**(17.6)**	(16.5)
Include proceeds from disposals of property, plant & equipment	**0.6**	9.5
Underlying free cash flow	**12.7**	23.1

14. Related party transactions

The Group's significant related parties are its subsidiaries as disclosed in note 35 of the 2014 Annual Report and Accounts.

Following financial close of the Derby City and Derbyshire PPP Municipal contract, Resource Recovery Solutions (Derbyshire) Holdings Limited, previously a wholly owned subsidiary, is now a joint venture and therefore a related party of the Group. There were no material transactions in the period or prior half year period.

15. Contingent 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.

Independent review report to Shanks Group plc

Report on the condensed consolidated interim financial statements

Our conclusion
We have reviewed the condensed consolidated interim financial statements, defined below in the half-yearly report of Shanks Group plc for the six months ended 30 September 2014. Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements are 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.

This conclusion is to be read in the context of what we say in the remainder of this report.

What we have reviewed
The condensed consolidated interim financial statements, which are prepared by Shanks Group plc comprise:
- the Consolidated Interim Income Statement and Consolidated Interim Statement of Comprehensive Income for the period ended 30 September 2014;
- the Consolidated Interim Balance Sheet as at 30 September 2014;
- the Consolidated Interim Statement of Changes in Equity for the period then ended;
- the Consolidated Interim Statement of Cash Flows for the period then ended; and
- the Notes to the Consolidated Interim Financial Statements.

As disclosed in note 1, the financial reporting framework that has been applied in the preparation of the full annual financial statements of Shanks Group plc is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

The condensed consolidated interim financial statements included in the half-yearly report have been prepared in accordance with the International Accounting Standard 34 'Interim Financial Reporting', as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

What a review of condensed consolidated interim financial statements involves
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.

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.

Responsibilities for the condensed consolidated interim financial statements and the review

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

Our responsibility is to express to the company a conclusion on the condensed consolidated interim 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 complying with the Disclosure and Transparency Rules of the Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, 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.

PricewaterhouseCoopers LLP
Chartered Accountants
London
6 November 2014

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.