16 May 2013

Shanks Group plc

Shanks Group plc, a leading international sustainable waste management business, today announces its results for the year ended 31 March 2013.

Continuing Operations

	2013	2012*	Change % Reported	Change % Constant Currency**
Revenue	£670.0m	£750.1m	-11%	-7%
EBITDA	£84.8m	£102.4m	-17%	-12%
Trading profit	£41.3m	£53.4m	-23%	-18%
Underlying free cash flow	£48.8m	£43.0m	13%	19%
Underlying profit before tax	£26.5m	£37.3m	-29%	-24%
Non-trading and exceptional items	£(61.8)m	£(7.4)m	n/a	n/a
(Loss) profit before tax (statutory basis)	£(35.3)m	£29.9m	n/a	n/a
Underlying EPS	5.0p	7.0p	-29%	-23%
Basic EPS (statutory basis)	(8.9)p	6.5p	n/a	n/a
Dividend per share	3.45p	3.45p	-	-

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.
** The comparative amounts have been restated as a result of the early adoption of IAS 19 (revised) Employee Benefits.*
*** Not adjusted for the effect of small acquisitions.*

Financial Summary

- Resilient performance against the backdrop of very challenging Solid Waste markets.
- Revenue, underlying profit before tax and underlying EPS down at constant currency.
- Total cost savings of £17m delivered, with £11m operational savings plus £6m savings through structural cost programme, including headcount reduction of 310 full time employees.
- Robust balance sheet, with lower than expected core net debt at £177.3m and EBITDA ratio of 2.0x.
- Final dividend maintained at 2.35p per share, reflecting confidence in medium term growth.
- Non-trading and exceptional charges of £61.8m in line with guidance previously reported and principally reflecting restructuring and impairment in Solid Waste.

Business Overview

- Business reorganised into market-facing segments: Solid Waste, Hazardous Waste, Organics and UK Municipal.
- Good profit performances in Organics (up 7%*), UK Municipal (up 80%) and Hazardous Waste unchanged maintaining record prior year performance.
- Solid Waste (down 50%*) affected by impact of recessionary markets and record construction lows.
- Structural cost programmes on track to reduce costs by £20m per annum by 2015/16.
- Investment programme continues to deliver expected returns, is well funded and has a promising pipeline.

** At constant currency*

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

"*This has been a challenging and transformational year for Shanks. Against a backdrop of very difficult markets, we have reorganised the Group into four market-facing segments to enable us to manage the business more effectively and create a platform for future growth."*

"This new structure is already delivering benefits and, while Solid Waste end markets are expected to remain challenging in the year ahead, Shanks is on track to emerge a leaner, more focused and stronger business for the future. As a sign of confidence in the Group's medium-term growth prospects, the Board is pleased to propose a maintained final dividend for the year."

Notes:

1. The final dividend of 2.35p per share will be paid on 2 August 2013 to shareholders on the register at close of business on 5 July 2013.
2. Management will be holding an analyst presentation at 9:30 a.m. today, 16 May at the offices of College Hill, The Registry, Royal Mint Court, London, EC3N 4QN.
3. Webcast details for the presentation at 9.30 a.m.
   – www1.axisto.co.uk/webcasting/investis
   – Conference code: 10581391
   – Telephone conference +44 (0) 20 8817 9301 or UK toll free 0800 634 5205
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.

CEO Statement

Introduction

It has been a challenging, yet transformational, year for Shanks. Whilst we have faced tough market conditions which have clearly impacted the performance of the business, we have also made significant progress in positioning the Group for the future.

During the year, we have taken decisive and effective action to respond to the immediate market headwinds. This included launching a structural cost programme which will deliver over £20m annual savings by 2015/16. We are on track with our plans, with significant capacity reductions implemented and 310 employees having left the business during the financial year. We have also managed cash tightly and maintain a strong balance sheet despite our reduced current earnings.

In parallel with protecting our short-term position, we have made good progress with building a platform for growth. We successfully reorganised the Group into four new market-facing divisions: Solid Waste, Hazardous Waste, Organics and UK Municipal. This structure enables us to manage the business much more effectively and is already delivering benefits. In the last year, we also created a new Executive Committee through a combination of new hires and internal promotions. Finally, we are actively continuing to manage our portfolio and have already sold some non-core assets.

In the short-term, market conditions look set to remain challenging, especially in Solid Waste. However, the underlying growth opportunities for the Group remain in place and we are well underway with repositioning Shanks for sustained profit growth and long-term value creation. I am therefore confident that Shanks is on track to emerge leaner, more focused and much stronger for the future.

Performance Overview

The Group delivered a resilient performance given the challenging market conditions. Our revenues fell by 11% (7% at constant currency) to £670.0m (2012: £750.1m), primarily due to revenue being £76m lower in Solid Waste. As a result of these lower volumes and significant pricing pressure, our trading profit before non-trading and exceptional items fell by 23% (18% at constant currency) to £41.3m (2012: £53.4m). Underlying earnings per share fell by 29% to 5.0p (2012: 7.0p).

At a divisional level, we delivered revenue increases and record trading profits in UK Municipal and Organics, and a broadly flat performance in Hazardous Waste against a particularly strong 2011/12. We also remained on track with delivering investment programme returns and savings from our cost programmes. However, these strong performances and management actions were more than offset by the challenges in Solid Waste where trading profit was down 54%.

We are pleased to report that our cash position at year end was better than the Board's expectations. Our core net debt was significantly lower at £177.3m and therefore, despite reduced earnings, our net debt to EBITDA ratio was 2.0 times, comfortably within our covenant level of 3.0 times. This performance highlights the strength of our underlying cash generation and management's effectiveness at delivering on things directly in its control.

Market Context

After delivering a good set of results in the year ended 31 March 2012 and a robust start to the year, volumes in the Solid Waste markets contracted significantly as the Eurozone returned to recession. This effect was compounded by the ongoing impact of austerity measures in Europe and exceptionally weak underlying industrial and construction markets. Our largest market, the Netherlands, was particularly soft, with construction volumes falling by more than 7% in 2012 and new residential building permits at their lowest levels since 1953. Between June and September

2012, the price of almost all recyclates fell sharply – in some case by as much as 60%. As a result, recyclate revenues fell by approximately £10m versus the prior year, with the majority of this falling to our bottom line. In addition, the reduction in waste volumes has created over-capacity in the market, which has led to lower gate fees and ongoing pricing pressure.

It is hard to call if we have "reached the bottom" or when we will do so. Whilst we have started to see some prices stabilise in recent months, we are not expecting a recovery in the short term.

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. For instance, the Dutch government has recently announced measures to increase recycling to 83% by 2015, and in the last 12 months the UK government has reconfirmed its renewable obligations certificates (ROCs) approach to anaerobic digestion.

We will benefit from the legislative and other long-term drivers that will phase out landfill. Our sustainable solutions reduce greenhouse gas emissions, recycle natural resources and limit fossil fuel dependency – and critically they do so in a cost-effective and less capital intensive way than other waste management alternatives. We believe that our competitive position will also be further strengthened by our actions to become the lowest cost operator in our target markets.

New Group Structure and Management Team

After joining the Group in February last year, it became increasingly apparent to me that Shanks had some core businesses that addressed very different end markets. These businesses have specific characteristics, but were grouped together within country organisations. In July 2012, we formally reorganised the Group into four market-facing divisions: Solid Waste, Hazardous Waste, Organics and UK Municipal. This reorganisation has already had a profound and positive impact on the way that we run the business and is fundamental to the Group's future. Each division has specific customer needs, competitive positions, core competencies, cost structures and capital needs. We have already implemented cost actions and capital allocations that reflect these differences.

To deliver our divisional strategies and derive significant value from being a Group, we have created a new Executive Committee made up of both seasoned Shanks leaders and a number of new hires from outside the sector. All major Group decisions are brought to this Committee, so that we benefit from the combination of collective waste management experience, together with recent leadership and best practices from a range of blue-chip global businesses.

Decisive and Effective Cost Action

The clarity provided by the new organisation, combined with the market downturn experienced from the middle of last year, resulted in us taking decisive action on structural overcapacity and inefficiency in our Solid Waste business. We announced with our interim results a structural cost reduction programme that will reduce our cost base by more than £20m by 2015/16. To put this in context, we will make a saving equivalent to 75% of our 2012/13 underlying profit before tax.

The structural cost programme will result in a total reduction in headcount of around 420 people across our UK and Benelux Solid Waste businesses. The programme also includes the closure of a number of transfer stations and smaller materials recycling facilities (MRFs) around the Group, as we optimise our capacity utilisation. In addition, we are planning to implement a shared service centre in each of Belgium and the Netherlands in order to streamline our currently decentralised support functions.

We have made good progress on this plan. Our targeted saving of £5m in 2012/13 has been delivered and we are on track to deliver a saving of £14m in 2013/14. At 31 March 2013 310 people had already left the business. In addition to the savings identified in the structural cost programme, we have also continued to pursue other forms of operational cost reduction – for example, renegotiating off-take agreements that will save over £3m next year.

We manage our business portfolio actively and have already taken steps to dispose of non-core assets that are not delivering the required returns. In the past year, we have sold our Foronex transport business for £6.2m, realising a profit of £1.4m, and also exited Belgium ground-works. Shortly after the year end we also exited our last UK landfill by selling our joint venture share in Caird Bardon Ltd for a small consideration. We are in the process of closing the sale of our Netherlands Headquarters for €8m, given that it had become surplus to requirements in our new structure.

Future Vision

Our new organisation and new management team, coupled with progress on structural cost action and portfolio management, have created a strong "platform for growth". This platform is aligned with our consistent vision to be the leading provider of sustainable waste management solutions in our target markets.

We retain our unique focus on providing sustainable and cost-effective alternatives to landfill and mass incineration. We are also focusing our efforts increasingly in selected target markets that have strong sustainable growth drivers and characteristics that enable Shanks to gain a competitive advantage. This aspiration reflects opportunities in our current growth markets, such as North American Organics, and also our commitment to be highly selective about where we will operate and deploy further capital in the future.

Shanks will continue to create value by making products from material that is otherwise thrown away. In so doing, we meet a growing long-term need and can generate sustainable and increasing returns for our shareholders.

Evolving Strategy for Growth

Our overarching strategy of "making more from waste" remains consistent. However, the new Group structure with four market-facing divisions has led to our strategy evolving into one which is more market-oriented. The core pillars of this strategy are therefore now aligned with each division and aim to generate growth in each of our distinct markets.

1. **Improve the profitability of our Solid Waste businesses.** We will continue to face challenging market conditions in Solid Waste. We have already taken significant action to offset headwinds and will continue to streamline our organisation and operations in the years ahead. We are also increasingly focusing our activities in regions and areas where we can be the lowest cost operator through local scale and productivity advantages. Our cost actions will be supplemented by commercial activity in both securing waste and the sale of our products. Our strategy is focused on returning this business to previous profitability levels.

2. **Broaden the scope of our Hazardous Waste business.** Our Hazardous Waste business delivers superior returns through its symbiotic range of treatments and operational excellence. We will build on this profitable base by investing in more water treatment capacity. In parallel, we will expand the range of waste inputs that we treat with our existing assets and will broaden our commercial coverage. While short-term performance improvement will be muted by the strong contribution of some profitable one-time projects in the last two years, our strategy will deliver sustained profit growth in this division over the medium term.

3. **Expand the Organics footprint in target geographies.** The foundation of our Organics business is leadership in the highly advanced Dutch market. Our unique design, build, own and operate business model also provides us with distinct competitive edge which we will leverage to expand in target markets. This will include successfully ramping-up new UK assets and developing co-processing with Dutch A-brand customers. We will also expand our North

American footprint by delivering proven solutions that meet the emerging diversion requirements of that market.

4. **Grow the UK Municipal long-term contract business.** We are well-placed to grow in the UK PFI market with established contracts, together with over £200m capital committed to projects in construction. We will deliver continued improvements in our operational contracts and will profitably ramp-up newly commissioned assets. Our medium-term growth will be underpinned by the successful construction of significant new sustainable waste management infrastructure. We expect this strategy to deliver top-line growth with similar operating margins.

While we are increasingly clear about the actions needed to deliver growth in each division, we will continue to deliver value by leveraging our Group capabilities and scale. At a strategic level, our four divisional strategies are underpinned by two key Group strategies that span all our businesses.

5. **Develop world-class capabilities in a cohesive Group culture.** We are already using the breadth of the Group's capabilities to accelerate growth. For example, in Canada our positioning is being enhanced by the combination of Dutch Organics leadership and UK PFI experience. We are also benefiting from our improving organisational design, hiring and talent development. Going forward, we will further increase our focus on building Group capabilities. This will include the introduction of a formal continuous improvement function across the Group and an initiative to improve commercial effectiveness.

6. **Actively manage the Group's portfolio.** We are actively managing our wide portfolio of assets to improve the quality of our earnings and the return on capital employed. This has already involved some small disposals and our focus in this area continues. In particular, we are exploring the sale of underperforming or non-core assets in order to concentrate our resources on areas where we have a long-term capability to generate attractive returns. Overall, we are focused on deploying capital in areas where we are confident of sustainable advantage and higher growth, including potential bolt-on acquisitions – such as the purchase of the glass mono-stream business, Van Tuijl, last year.

Outlook

Assuming no further material decline in the challenging solid waste markets, our structural cost programme combined with an increased focus on commercial execution should deliver an improved solid waste divisional performance in 2013/14.

Longer term, we are well underway towards creating a strong platform for growth. The foundation for this is a leaner organisation that is more focused on winning in its target markets. The longer-term growth drivers in our business remain attractive and I am therefore confident that the Group will deliver increased returns for shareholders in the future.

Peter Dilnot
Group Chief Executive

Finance Director's Review

Financial Review

Revenue and trading profit

Revenue in 2012/13 decreased by 11% to £670.0m (7% at constant currency), with sharp falls in both Solid Waste Benelux and UK.

Trading profit, before non-trading and exceptional items, fell by 23% to £41.3m (18% at constant currency). Strong growth in Organics and UK Municipal was offset by the challenging conditions in the Solid Waste businesses. Group central services, which comprise the Group's head office functions, reduced in the year as a result of lower bonuses and incentives as well as a number of one-off costs in the prior year.

	Revenue				Trading Profit			
	Year ended				Year ended			
	Mar 13	Mar 12	Change %		Mar 13	Mar 12	Change %	
	£m	£m	Reported	CER	£m	£m	Reported	CER
Solid Waste Benelux	330.9	387.8	-15%	-9%	16.3	26.2	-38%	-34%
Solid Waste UK	59.8	78.8	-24%	-24%	(3.2)	2.3	-239%	-239%
Hazardous Waste	139.4	149.6	-7%	-1%	19.1	21.2	-10%	-4%
Organics	35.9	34.4	4%	11%	5.3	5.2	2%	7%
Municipal Waste UK	110.9	106.8	4%	4%	9.2	5.1	80%	80%
Group central services	-	-			(5.4)	(6.6)	18%	18%
Inter-segment revenue	(6.9)	(7.3)			-	-		
Total	**670.0**	**750.1**	**-11%**	**-7%**	**41.3**	**53.4**	**-23%**	**-18%**

Other profit and loss items

Other non-trading and exceptional items

The market challenges of the past year and our active response to them has resulted in a significant number of non-trading and exceptional items. Non-trading and exceptional items of £61.8m (2012: £7.4m) were incurred in the year, with cash costs being £20m (2012: £nil). These items are further explained in note 3 to the financial statements and include:

- Amortisation of intangible assets acquired in business combinations of £3.6m (2012: £3.7m)
- Charges relating to a structural cost reduction programme of £32.5m (2012: £nil), including non cash impairments of property, plant and equipment of £20.0m.
- Goodwill and intangibles impairment charge of £19.4m (2012: £2.5m) relating to certain Scottish recycling assets, a Belgian sorting centre and a landfill site and a loss-making ground works business in the Netherlands.
- Net litigation settlement of £6.0m (2012: £nil) following agreement of outstanding legal cases in Hazardous Waste.
- The exit from our remaining UK landfill investment was completed on 21 April 2013 with the sale of our joint venture share in Caird Bardon Limited. The investment was written down and held as for sale at the end of March 2013 which resulted in a charge of £3.9m.
- Gain from exiting transport activities in Foronex in Belgium of £1.4m (2012: £nil).
- A net onerous contract charge of £5.9m (2012: £nil) has arisen spread across both Belgium and the UK and relates to increased onerous contract provisions taken on a few long term contracts offset by releases following reassessment of others.

- The accounting for processing costs and liabilities relating to unprocessed waste held at certain facilities in the UK was not aligned with the policy in the rest of the Group and bringing this into line has led to a one-off charge of £1.5m (2012: £nil).
- A number of other one-off charges and associated costs of £2.5m.
- Financing fair value measurements credit of £0.1m (2012: charge of £0.8m).

The operating loss on a statutory basis, after taking account of all non-trading and exceptional items, was £20.6m (2012: profit of £46.8m).

Finance costs
Excluding the change in fair value of derivatives and the interest on PFI funding, the core interest charge has reduced by £0.4m in the year.

Profit before taxation
The Group has adopted the amendment to IAS 19 (revised) Employee Benefits early, and this has resulted in a restatement of the prior year profit before tax number which has decreased by £1.5m to reflect the reduced income from the defined benefit pension scheme. Underlying profit before tax and before non-trading and exceptional items has fallen £10.8m from £37.3m to £26.5m. Profit before tax on a statutory basis has decreased from £29.9m to a loss of £35.3m.

Taxation
The taxation charge for the year was a credit of £0.1m (2012: charge of £4.2m). The underlying tax charge of £6.8m equated to an effective rate of 25.7% down from 26.0% last year. The exceptional tax credit of £6.9m includes a net credit of £4.9m for non-trading and exceptional items of which a significant proportion are non taxable. Also included is £2.0m (2012: £5.2m) related to a favourable judgement issued with regard to certain tax liabilities in Belgium.

Earnings per Share (EPS)
Underlying EPS, which excludes the effect of non-trading and exceptional items, decreased at constant currency by 23% to 5.0p per share. Basic EPS decreased from 6.5p per share to a loss of 8.9p per share.

Dividend
The Board is recommending a final dividend per share of 2.35p (2012: 2.35p). The final dividend will be paid on 2 August 2013 to shareholders on the register on 5 July 2013. Dividend cover, based on earnings before non-trading and exceptional items, is 1.45 times (2012: 2.0 times).

Cash flow performance

	Mar 13 £m	Mar 12 £m
EBITDA	84.8	102.4
Working capital movement and other	(1.8)	1.6
Net replacement capital expenditure	(24.6)	(40.4)
Interest and tax	(9.6)	(20.6)
Underlying free cash flow	**48.8**	**43.0**
Net growth capital expenditure	(28.3)	(37.9)
Acquisitions and disposals	(7.0)	(6.8)
Restructuring spend	(7.0)	-
Dividends paid	(13.7)	(13.3)
PFI funding and other	(5.5)	5.2
Net core cash flow	**(12.7)**	**(9.8)**
Free cash flow conversion	**118%**	**81%**

A summary of the cash flows in relation to core funding is shown in the table above. The strong focus on cash management and tight control of capital expenditure has continued and resulted in a free cash flow conversion of 118% (2012: 81%). The ratio of replacement capital spend to depreciation was 54%, significantly below last year's 78%. We plan a return to 2011/12 levels of capital expenditure next year. The lower cash interest and tax spend in the year was due to net tax receipts following prior year repayments primarily in the Netherlands compared to a net payable position last year. Also at the start of the prior year a number of loan refinancing fees were settled relating to the February 2011 bank refinancing. The acquisitions and disposals spend of £7.0m included the final earn out payment in relation to the acquisition of Orgaworld net of proceeds from the exit of the transport activities in Foronex in Belgium. The prior year PFI funding and other total included the receipt of £8.7m further to a court decision in respect of a claim for business interruption in the Netherlands.

Our structural cost reduction programme

Our structural cost reduction programme is expected to deliver £20m of cost savings per annum by 2015/16 and £6m of savings were delivered in the current year. The expected timing of the savings and the charges is set out in the table below:

	P&L charge			Timing of charge			Expected benefit			
£m	Cash	Non Cash	Total	12/13	13/14	14/15	12/13	13/14	14/15	15/16
Benelux Solid Waste	13	8	21	15	5	1	3	8	9	9
UK Solid Waste	3	11	14	14	-	-	2	4	4	4
Other divisions	4	1	5	4	1	-	1	1	1	1
Solid Waste shared services	8	-	8	-	7	1	-	-	2	3
Procurement	-	-	-	-	-	-	-	1	2	3
	28	20	48	33	13	2	6	14	18	20

The status of the principal actions is as follows, with further detail provided in the divisional reviews:

- Benelux Solid Waste: On track. 180 out of a planned total of 275 heads had left the business as at 31 March 2013.
- UK Solid Waste: On track. 124 out of a planned total of 150 heads had left the business as at 31 March 2013.
- Other divisions: completed.
- Solid Waste shared services: feasibility phase complete and planning underway for implementation by mid 2014.
- Procurement: On track. These specific savings are linked to the restructuring of the Benelux and the introduction of shared services and a procurement centre of excellence.

Our investment activities and performance

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. As at 31 March 2013, £145m has been invested. The divisional split of the investment to date has been: Organics £80m (55%), Solid Waste £49m (34%) and Hazardous Waste £16m (11%).

As at 31 March 2013, £65m of the investment portfolio was considered fully operational and it delivered a post-tax return of 12.1% in the year (2012: 12.2%). The portfolio as a whole delivered a post tax return of 12.4%. As might be expected, post-tax return has varied according to division, with strong returns from the Hazardous Waste investments, sound but increasing returns from the Organics portfolio, and mixed returns from the Solid Waste investments due to the market volatility.

There were no other new growth assets under construction at year end. The Board has, however, approved an investment totalling £5m in capacity expansion in Hazardous Waste. This investment will largely take place in 2014/15 once permitting is secured.

UK Municipal programme
To support growth of the UK Municipal division's PFI and PPP contracts, the Group is currently undertaking a large investment programme. In the year ended 31 March 2013 our PFI financial assets increased by £59.7m to £125.5m. This increase related to Barrow MBT facility (£9m), BDR (£14m) and Wakefield (£36m). 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. Timing differences do occur between drawing down funds and making payments, and any additional investment in the form of subordinated debt or approved capital over-runs would be funded by the Group's existing facilities. In the next twelve months, we expect our PFI financial assets to increase by up to £70m as the BDR and Wakefield construction phases accelerate.

Treasury and cash management

Core net debt and gearing ratios
The net core cash outflow of £12.7m, together with an adverse exchange effect on the translation into Sterling of the Group's Euro and Canadian Dollar denominated debt, has increased core debt by £16.5m to £177.3m. This represents a covenant ratio of 2.0 times EBITDA which is well within the banking limits of 3.0 times. The value of non-recourse debt lent directly to the PFI funding entities was £100.1m (2012: £45.4m).

Debt structure and strategy
Core borrowings, excluding PFI/PPP non-recourse borrowings, are almost all long term. At 31 March 2013, the Group's bank financing was a €200m term loan and multicurrency revolving credit facility with six major banks entered into on 2 February 2011 and expiring in June 2015. At 31 March 2013, €128m equivalent of the facility was drawn. The margin varies on a ratchet fixed by the Net Debt:EBITDA ratio. The financial covenants of this facility are principally the ratio of Net Debt:EBITDA of less than 3.00:1, interest cover of not less than 3.00:1 and a minimum net worth of £225m. The five year retail bonds of €100m, issued in October 2010 to investors in Belgium and Luxembourg have an annual coupon of 5.0% and are quoted on the London Stock Exchange. The senior notes issued under the Group's Pricoa private placement include €18m at a fixed interest rate of 6.98% with repayment due in September 2013 and €40m of seven year senior notes issued in April 2011 at a fixed interest rate of 5.025%.

The Group also has access to £28.4m of undrawn uncommitted working capital facilities with various banks. Cash flows are pooled at a country level and each operation is tasked with operating within the limits of the locally available working capital facilities.

Each of the Group's PFI/PPP projects has senior debt facilities which contribute approximately 85% of the capital funding required. These facilities are secured on the future cash flows of the PFI/PPP companies with no recourse to the Group as a whole. Repayment of these facilities, and any equity bridge facility in respect of the remaining capital funding, commences when construction is complete and concludes one to two years prior to the expiry of the PFI/PPP contract period. The maximum which could be drawn down under these facilities at 31 March 2013 was £167.7m. Interest rates are fixed by means of interest rate swaps at the time of contract inception.

Operating Review

Solid Waste

Strategy – Benelux
Our strategy is to improve profitability by achieving cost leadership through scale and operational efficiency in target regions. In parallel, we will drive excellent commercial execution and optimise our product mix. These actions are focused on both improving the quality of our earnings and returns on operating assets.

Our product strategy includes increasing production from our mono stream facilities such as Kluivers and Van Tuijl, and increasing production of high calorific fuels such as Icopellets from Icova and solid recovered fuel (SRF) from Gent.

Financial performance – Benelux
Overall revenues and trading profit, excluding exchange, were down on the prior year by 9% and 34% respectively as a result of reduced volumes and continued pricing pressures net of savings of £3.2m from the restructuring programme. Total Dutch solid waste volumes were flat year on year with C&D volumes down 10%. Overall in Belgium the impact was less severe with C&D volumes down 3% which was compensated by stable I&C volumes. Trading margins in Belgium have remained stable across the year with the decline in the Netherlands due to competitive pricing and lower recyclate pricing.

	Revenue				Trading Profit			
	Year ended				Year ended			
	Mar 13	Mar 12	Change		Mar 13	Mar 12	Change	
	€m	€m	€m	%	€m	€m	€m	%
Netherlands Solid Waste	231.0	253.0	(22.0)	-9%	11.9	19.7	(7.8)	-40%
Belgium Solid Waste	109.4	113.1	(3.7)	-3%	8.4	8.4	-	0%
Belgium Others	84.1	100.9	(16.8)	-17%	9.3	11.0	(1.7)	-15%
Divisional central services	-	-	-		(9.5)	(8.8)	(0.7)	
Intra-segment revenue	(18.3)	(18.8)	0.5		-	-		
Total €m	**406.2**	**448.2**	**(42.0)**	**-9%**	**20.1**	**30.3**	**(10.2)**	**-34%**
Total £m (at average rate)	**330.9**	**387.8**	**(56.9)**	**-15%**	**16.3**	**26.2**	**(9.9)**	**-38%**

	Trading Margin		Return on Operating Assets	
Netherlands Solid Waste	5.2%	7.8%	4.3%	9.6%
Belgium Solid Waste	7.7%	7.4%		
Belgium Others	11.1%	10.9%	24.7%	22.1%
Total	**4.9%**	**6.8%**	**8.1%**	**12.7%**

Operational review - Benelux
This has been a year of almost unprecedented change, in which we have taken decisive action to address the challenging market conditions. We believe that the actions taken already and those planned for the coming year will strengthen the Solid Waste Division for the future.

Implementing the new organisation
The Benelux Solid Waste Division was created in July 2012, amalgamating the largest part of the previous Netherlands country organisation with the Belgium division. Michael van Hulst, Division Managing Director, has created a streamlined new management structure, with the Netherlands reduced from nine operating regions to three: North, Central and South West. Most of the existing brands have been retained because of their strong recognition in the local markets, but the commercial structure has been reshaped to enable more efficient operation. Administration will be

centralised into a shared service centre in Amersfoort. Belgium has been restructured into Wallonia (including Brussels) and Flanders regions.

Delivering significant structural cost reduction

£15m of the targeted £20m savings from the Group's structural cost programme are to take place in Benelux Solid Waste. The programme can be divided into capacity and cost reduction (£9m), shared services (£3m) and procurement (£3m). Good progress has been made already, with cost savings of £3m realised in 2012/13 and we are on track to deliver a further £9m in 2013/14. Actions taken in 2012/13 included:

- the removal by the end of year of 180 from a total target of 275 heads;
- the closure of the Van Vliet Puin recycling transfer station at Wateringen;
- the conversion of turning and sorting lines at Burgerbrug, the Hague and Amersfoort into transfer stations for onward shipment to larger MRFs; and
- the completion of the feasibility phase of the shared services project, with a plan approved for the creation of shared services centres in Brussels and in Amersfoort.

Continuing success in core markets

We have also maintained or increased our market share in the face of a changing competitive landscape, and won or renewed some significant contracts over the past year, despite the overall market challenges. These wins included:

- nationwide waste treatment for leading Dutch construction company Dura Vermeer;
- waste collection and treatment for Rabobank's regional banking network of over 200 banks; and
- recycling over 15,000 tonnes of brown glass for Heineken.

Successful implementation of new assets

We have successfully commissioned new assets in Hook of Holland and in Van Tuijl. The Hook of Holland composting facility serves the local horticultural industry by treating green waste. The facility has been built with a state of the art closed composting system which not only meets stringent environmental targets, but also reduces the composting time from around 18 months to just six weeks, while greatly increasing capacity and reducing working capital employed. In addition, the Van Tuijl glass processing business has installed a further glass line that has doubled capacity.

Disposal of non-core assets

We sold the transport activities of the Foronex wood business (including property) in Belgium for £6.2m. The profit on disposal of £1.4m has been treated as an exceptional item.

Outlook – Benelux

We continue to face ongoing volume and price pressure in our core Solid Waste markets and as such, it is hard to call if we have "reached the bottom" or when we will do so. Whilst we have started to see some prices stabilise in recent months, we are not expecting a recovery in the short term.

Delivery of our structural cost programme and excellent commercial execution should offset the continuing short-term headwinds and position the division for a resumption of growth. Governments in both Belgium and the Netherlands continue to increase the regulations related to waste recycling. Longer-term, the outlook remains positive due to the continuing drive for higher recycling levels and our strong market position.

Strategy - UK

Our strategy in UK Solid Waste is to improve profitability by continued streamlining of our operations and by securing local volumes through excellent commercial execution. We will also leverage our cost advantage against landfill (landfill tax rose again in April 2013 to £72 per tonne) to gain share in target regions and increase diversion. We also seek collaboration with our UK Municipal assets where there are mutual benefits to be achieved.

Financial performance - UK
Revenue in the year fell by 24% to £59.8m, with collection and recycling tonnages down by 12% and 17% respectively. The division made a loss after central costs of £3.2m compared with a profit of £2.3m last year which included a profit of £1.9m from a specific contract in relation to the contaminated land services business

	Revenue				Trading Profit			
	Year ended				Year ended			
	Mar 13	Mar 12	Change		Mar 13	Mar 12	Change	
	£m	£m	£m	%	£m	£m	£m	%
Solid Waste	59.8	78.8	(19.0)	-24%	(0.7)	5.8	(6.5)	-112%
Divisional central services	-	-	-		(2.5)	(3.5)	1.0	
Total	**59.8**	**78.8**	**(19.0)**	**-24%**	**(3.2)**	**2.3**	**(5.5)**	**-239%**

	Trading Margin		Return on Operating Assets	
Total	**-5.4%**	**2.9%**	**-6.1%**	**5.3%**

Operational review - UK
We took decisive action in the light of volume declines, particularly in Scotland where we reduced costs by £2.4m in the year. Actions included mothballing our Blochairn co-mingled MRF and reducing headcount by 124 (12% of the UK work force). In April 2013, we reorganised UK Solid Waste to bring the operations closer to their local markets and we expect to save a further £2m in 2013/14.

There have been significant commercial successes, including the securing of the Silverburn shopping centre contract in Glasgow. We are also pleased to have commissioned our state of the art Kettering MRF just before year end, with production capabilities performing in line with expectations.

Outlook - UK
Unless there is a recovery in volumes and recyclate pricing, we expect the UK market to remain very challenging in 2013/14.

<u>Hazardous Waste</u>

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

- Expand water treatment storage and treatment capacity and capabilities;
- Accelerate the transformation of Reym into an industrial service provider as opposed to solely cleaning activities (Total Care Solution); and
- Maximise throughput in the soil treatment and pyro facilities, including the completion of storage expansion, the sourcing of new waste types and seeking further international soil business.

Financial performance
Excluding exchange, revenues have decreased by 1% to €170.9m and profits by 4% to €23.4m. During the prior year ATM benefited from the storage and treatment of waste water from a large remediation project. Overall trading margins have declined slightly in the year with improvements at Reym compensating a shortfall in ATM.

	Revenue				Trading Profit			
	Year ended				Year ended			
	Mar 13	Mar 12	Change		Mar 13	Mar 12	Change	
	€m	€m	€m	%	€m	€m	€m	%
Hazardous Waste	170.9	172.9	(2.0)	-1%	25.3	26.4	(1.1)	-4%
Divisional central services	-	-	-		(1.9)	(1.9)	-	
Total €m	**170.9**	**172.9**	**(2.0)**	**-1%**	**23.4**	**24.5**	**(1.1)**	**-4%**
Total £m (at average rate)	**139.4**	**149.6**	**(10.2)**	**-7%**	**19.1**	**21.2**	**(2.1)**	**-10%**
	Trading Margin				Return on Operating Assets			
Total	**13.7%**	**14.2%**			**36.2%**	**40.6%**		

Operational review
Hazardous Waste delivered another strong performance, with a continuing focus on customer service and operational efficiency delivering sustained strong returns in the face of significant pricing pressure.

Reym performed particularly well, with outstanding levels of asset utilisation across the busy periods. The enhancement of systems from order intake and planning to project execution has continued and this has resulted in benefits from the optimal deployment and utilisation of the experienced teams and their equipment. Reym also saw growth in its offshore cleaning business and also in its Total Care Solution offering, in which cleaning, transport and waste management are combined in one package.

ATM also delivered a strong performance, driven in part by an exceptional international soil contract for highly contaminated soil that delivered good margins. Despite underlying soil markets being more challenging, the potential order book is strong, although the timing of the start of some projects is uncertain in the current market. The waste water segment also performed strongly, with a record number of ships being cleaned at our jetty.

Outlook
As previously announced, the performance of Hazardous Waste in the current year will be impacted by the completion of high margin contracts in thermal soil treatment. However, with good returns and a strong defensible position, we will invest in additional capacity that will deliver medium term organic growth.

Organics

Strategy
The core strategy of the Organics Division is to:

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

Financial performance
Revenues grew by 11% to €44.0m and profits by 7% to €6.5m with growth coming from the improved performance in the UK and Belgium. Trading margins in the Netherlands and Canada have slipped back slightly compared to the prior year.

	Revenue				Trading Profit			
	Year ended				Year ended			
	Mar 13	Mar 12	Change		Mar 13	Mar 12	Change	
	€m	€m	€m	%	€m	€m	€m	%
Netherlands	17.8	18.2	(0.4)	-2%	3.3	3.4	(0.1)	-3%
Canada	18.4	17.5	0.9	5%	4.4	4.5	(0.1)	-2%
Other Organics	7.8	4.1	3.7	90%	-	(0.6)	0.6	100%
Divisional central services	-	-	-		(1.2)	(1.2)	-	
Total €m	**44.0**	**39.8**	**4.2**	**11%**	**6.5**	**6.1**	**0.4**	**7%**
Total £m (at average rate)	**35.9**	**34.4**	**1.5**	**4%**	**5.3**	**5.2**	**0.1**	**2%**

	Trading Margin		Return on Operating Assets	
Netherlands	18.5%	18.7%	6.4%	7.3%
Canada	23.9%	25.7%	10.3%	12.0%
Other Organics	0.0%	-14.6%	0.2%	-3.0%
Total	**14.8%**	**15.3%**	**6.7%**	**7.0%**

Operational review
The Organics Division had a solid year, delivering modest growth, principally from the ramping up of assets in the UK and Belgium.

The Netherlands had a good year operationally. A third combined heat and power (CHP) engine is being installed at our flagship site in Amsterdam which will increase our installed capacity to 5.6 megawatt (MW) when it is commissioned over the summer. The Biocel AD facility also achieved record performance with a gas output of 107m^3 per tonne of input.

A key contract was renewed for the medium term with Albert Heijn, the leading Dutch supermarket brand, and a further contract was won with McCain. We also secured a new waste water treatment contract from a leading biodiesel manufacturer, in partnership with our Reym business. Our small AD facility in Belgium also delivered good growth and an improved performance.

In the UK, our joint venture in Energen Biogas at Cumbernauld successfully ramped up production and moved into profit. In October 2012, we signed a power purchase agreement with Marks and Spencer (M&S) to deliver up to 19,000 MWh of green electricity per annum to them and we also contracted to process the company's organic waste. This has helped M&S achieve their sustainability targets, whilst underpinning the commercial performance of the Cumbernauld site. Construction work has largely been completed on our new AD facility at Westcott Park in Buckinghamshire, which will be commissioned over the summer and move into production in the second half. It is expected to reach profitability in 2014/15. We also made good progress in Wales, where we have been awarded preferred bidder status for South West Wales and remain in the process for Heads of Valleys and Cardiff.

Our Canadian business delivered a steady performance during the year. Volumes at our London, Ontario, facility were marginally down on the prior year, as we have been operating the facility below its maximum levels while upgrades to the odour management systems have been made. The Ottawa facility had another strong year. In early 2012, the Canadian Government licensed us to use ammonium sulphate (an odour abatement system by-product) as a land applied fertiliser, further increasing the complete conversion of waste to usable products.

Outlook
The Organics business is expected to deliver good progress in 2013/14 on the back of commissioning of the third CHP engine in Amsterdam, increased Canadian volumes, further growth from the UK and Belgian facilities and commissioning of Westcott Park which will begin to generate EBITDA returns.

UK Municipal

Strategy
Our strategy is to deliver sustained operational excellence under our current contracts and to successfully commission the two major contracts which are currently in build phase. We will continue to work with our customer at Derby to progress that contract through planning and towards an affordable financial solution. We remain alert to opportunities to assist other potential customers without a current solution to their waste diversion requirements and continue to bid for outstanding contracts where we feel we have an advantage.

Financial performance
Revenue has increased by 4% in the year and trading profit before divisional central services by 25% to £13.5m. Trading margin of 8.3% (2012: 4.8%) has been restated to include bid costs and an allocation of divisional central services.

	Revenue				Trading Profit			
	Year ended				Year ended			
	Mar 13	Mar 12	Change		Mar 13	Mar 12	Change	
	£m	£m	£m	%	£m	£m	£m	%
PFI/PPP contracts	110.9	106.8	4.1	4%	13.5	10.8	2.7	25%
Divisional central services	-	-	-		(4.3)	(5.7)	1.4	
Total	**110.9**	**106.8**	**4.1**	**4%**	**9.2**	**5.1**	**4.1**	**80%**
	Trading Margin							
Total	**8.3%**	**4.8%**						

Operational review
UK Municipal had a very good year, delivering strong growth through improved performance and diversion within existing assets, while also making good progress with new assets. Financial improvement has come from implementing changes we have agreed by working closely with our customers to create a mutual benefit.

Good operating performances from Derby, Cumbria, ELWA and Argyll & Bute saw operating margins increase to 8.3% (after central costs). We also made solid progress in reducing losses at Dumfries & Galloway, and amendments to the operating contract have resulted in a reduction in the onerous contract provision.

In January 2013, we achieved financial close on the 25 year £750m Wakefield PFI contract after prolonged negotiations in a complex and increasingly challenging financing environment. We will build a residual waste facility at South Kirkby, comprising two MRFs, an autoclave, in-vessel composting and an anaerobic digestion facility, processing up to 230,000 tonnes of waste per annum. This will raise Wakefield Metropolitan District Council’s landfill diversion towards 90% and construction is due to start next year and the site will be commissioned in late 2015.

In March 2013, we were pleased to commission a new 75,000 tonne MBT facility under our Cumbria PFI contract. This £22m facility has been built at Barrow in south Cumbria to complement the initial MBT built near Carlisle in north Cumbria. Some 150,000 tonnes per annum of waste can be treated at the two sites. Barrow was commissioned slightly ahead of schedule and on budget.

In October 2012, we gained planning consent for the proposed treatment solution for Derby city and county councils at Sinfield Lane in Derby. This was subject to further appeal, which was turned down in March 2013 and we continue to support the customer through the final stages of the process.

In February 2013, we broke ground on the construction phase of our 25 year £720m contract with Barnsley, Doncaster and Rotherham (BDR) councils. Construction of this 265,000 tonne per annum MBT and AD site is on schedule, and is due to commission in late 2015.

Outlook
While our performance in 2012/13 benefitted from a number of success fees for projects which are not expected to recur, the medium term outlook for the UK Municipal Division is positive, with growth coming primarily from the new assets being commissioned.

Consolidated Income Statement

For the year ended 31 March 2013

	Note	2013 Trading £m	2013 Non trading & exceptional items £m	2013 Total £m	2012 Restated* Trading £m	2012 Restated* Non trading & exceptional items £m	2012 Restated* Total £m
Revenue	2	**670.0**	**–**	**670.0**	750.1	–	750.1
Cost of sales		**(566.1)**	**(12.8)**	**(578.9)**	(622.9)	(3.7)	(626.6)
Gross profit (loss)		**103.9**	**(12.8)**	**91.1**	127.2	(3.7)	123.5
Administrative expenses		**(62.6)**	**(49.1)**	**(111.7)**	(73.8)	(2.9)	(76.7)
Operating profit (loss)	2,3	**41.3**	**(61.9)**	**(20.6)**	53.4	(6.6)	46.8
Finance income	4	**6.2**	**0.1**	**6.3**	4.9	–	4.9
Finance charges	4	**(21.3)**	**–**	**(21.3)**	(21.1)	(0.8)	(21.9)
Income from associates		**0.3**	**–**	**0.3**	0.1	–	0.1
Profit (loss) before taxation	2	**26.5**	**(61.8)**	**(35.3)**	37.3	(7.4)	29.9
Taxation	5	**(6.8)**	**6.9**	**0.1**	(9.7)	5.5	(4.2)
Profit (loss) for the year		**19.7**	**(54.9)**	**(35.2)**	27.6	(1.9)	25.7
Profit (loss) attributable to:							
– Owners of the parent		**19.6**	**(54.9)**	**(35.3)**	27.6	(1.9)	25.7
– Non-controlling interest		**0.1**	**–**	**0.1**	–	–	–
		19.7	**(54.9)**	**(35.2)**	27.6	(1.9)	25.7
Earnings per share attributable to owners of the parent (pence per share)							
– basic	7	**5.0**	**(13.9)**	**(8.9)**	7.0	(0.5)	6.5
– diluted	7	**5.0**	**(13.9)**	**(8.9)**	7.0	(0.5)	6.5

*The comparative amounts have been restated as a result of the early adoption of IAS 19 (revised) Employee Benefits.

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2013

	2013 £m	Restated* 2012 £m
(Loss) profit for the year	**(35.2)**	25.7
Exchange gain (loss) on translation of foreign subsidiaries	**5.4**	(19.6)
Fair value movement on cash flow hedges	**(13.8)**	(12.1)
Deferred tax on fair value movement on cash flow hedges	**3.0**	2.8
Actuarial loss on defined benefit pension scheme	**(4.2)**	(14.5)
Deferred tax on actuarial loss on defined benefit pension scheme	**0.9**	3.5
Other comprehensive loss for the year, net of tax	**(8.7)**	(39.9)
Total comprehensive loss for the year	**(43.9)**	(14.2)

*The comparative amounts have been restated as a result of the early adoption of IAS 19 (revised) Employee Benefits.

The notes on pages 22 to 31 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at 31 March 2013

	Note	**As at 31 March 2013 £m**	As at 31 March 2012 £m
Assets			
Non-current assets			
Intangible assets		**251.8**	271.4
Property, plant and equipment	8	**375.3**	390.9
Investments		**5.6**	6.7
Financial assets relating to PFI/PPP contracts		**117.5**	59.3
Trade and other receivables		**5.9**	7.4
Deferred tax assets		**16.0**	15.9
		772.1	751.6
Current assets			
Inventories		**11.0**	10.5
Financial assets relating to PFI/PPP contracts		**8.0**	6.5
Trade and other receivables		**147.8**	153.8
Derivative financial instruments		**–**	0.1
Current tax receivable		**1.8**	2.9
Cash and cash equivalents		**75.4**	59.8
		244.0	233.6
Assets classified as held for sale	9	**3.3**	–
		247.3	233.6
Total assets		**1,019.4**	985.2
Liabilities			
Non-current liabilities			
Borrowings PFI/PPP non-recourse net debt		**(87.5)**	(36.0)
Other		**(234.5)**	(217.8)
Derivative financial instruments		**(30.8)**	(17.2)
Other non-current liabilities		**(2.3)**	(5.4)
Deferred tax liabilities		**(41.6)**	(42.1)
Provisions	10	**(38.7)**	(49.8)
Defined benefit pension scheme deficit	11	**(8.8)**	(7.6)
		(444.2)	(375.9)
Current liabilities			
Borrowings PFI/PPP non-recourse net debt		**(12.6)**	(9.4)
Other		**(18.2)**	(2.8)
Trade and other payables		**(202.2)**	(214.1)
Current tax payable		**(6.8)**	(8.0)
Provisions	10	**(18.4)**	(4.4)
		(258.2)	(238.7)
Liabilities directly associated with assets classified as held for sale	9	**(3.3)**	–
		(261.5)	(238.7)
Total liabilities		**(705.7)**	(614.6)
Net assets		**313.7**	370.6
Equity attributable to owners of the parent			
Called up share capital		**39.7**	39.7
Share premium		**99.8**	99.4
Exchange reserve		**41.4**	36.0
Retained earnings		**132.7**	195.5
		313.6	370.6
Non-controlling interest		**0.1**	–
Total equity		**313.7**	370.6

The notes on pages 22 to 31 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2013

	Note	Called up share capital £m	Share premium £m	Exchange reserve £m	Restated* Retained earnings £m	Non-controlling interest £m	Total equity £m
Balance at 1 April 2012		**39.7**	**99.4**	**36.0**	**195.5**	**–**	**370.6**
(Loss) profit for the year		**–**	**–**	**–**	**(35.3)**	**0.1**	**(35.2)**
Other comprehensive income:							
Exchange gain on translation of foreign subsidiaries		**–**	**–**	**5.4**	–	**–**	**5.4**
Fair value movement on cash flow hedges		**–**	**–**	**–**	**(13.8)**	**–**	**(13.8)**
Actuarial loss on defined benefit pension scheme		**–**	**–**	**–**	**(4.2)**	**–**	**(4.2)**
Tax in respect of other comprehensive income items		**–**	**–**	**–**	**3.9**	**–**	**3.9**
Total comprehensive income (loss) for the year		–	–	**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	6	**–**	–	**–**	**(13.7)**	**–**	**(13.7)**
Balance as at 31 March 2013		**39.7**	**99.8**	**41.4**	**132.7**	**0.1**	**313.7**
Balance at 1 April 2011		39.7	99.4	55.6	202.7	–	397.4
Profit for the year		–	–	–	25.7	–	25.7
Other comprehensive income:							
Exchange loss on translation of foreign subsidiaries		–	–	(19.6)	–	–	(19.6)
Fair value movement on cash flow hedges		–	–	–	(12.1)	–	(12.1)
Actuarial loss on defined benefit pension schemes		–	–	–	(14.5)	–	(14.5)
Tax in respect of other comprehensive income items		–	–	–	6.3	–	6.3
Total comprehensive (loss) income for the year		–	–	(19.6)	5.4	–	(14.2)
Share-based compensation		–	–	–	0.7	–	0.7
Dividends	6	–	–	–	(13.3)	–	(13.3)
Balance as at 31 March 2012		39.7	99.4	36.0	195.5	–	370.6

*The comparative amounts have been restated as a result of the early adoption of IAS 19 (revised) Employee Benefits.

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 22 to 31 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 March 2013

	Note	**2013 £m**	2012 £m
Cash flows from operating activities	12	**67.7**	109.9
Income tax received (paid)		**1.9**	(7.1)
Net cash generated from operating activities		**69.6**	102.8
Investing activities			
Purchases of intangible assets		**(1.7)**	(1.4)
Purchases of property, plant and equipment		**(53.1)**	(78.8)
Proceeds from exiting transport activities in Foronex in Belgium		**6.2**	–
Disposals of property, plant and equipment		**4.7**	5.4
Outflows in respect of PFI/PPP arrangements under the financial asset model		**(57.2)**	(13.5)
Capital received in respect of PFI/PPP financial assets		**4.2**	3.0
Finance income		**6.1**	4.0
Acquisition of subsidiary and other businesses		**–**	(4.1)
Payment of deferred consideration		**(13.2)**	(5.6)
Other unlisted investment purchase		**(1.7)**	–
Disposal of subsidiary and other businesses		**–**	1.0
Repayment of (Increase in) loans granted to joint ventures		**2.5**	(0.4)
Net cash used in investing activities		**(103.2)**	(90.4)
Financing activities			
Finance charges and loan fees paid		**(17.6)**	(17.4)
Return (deposit) of restricted funds		**5.6**	(5.6)
Proceeds from issuance of ordinary shares		**0.4**	–
Dividends paid		**(13.7)**	(13.3)
Proceeds from the issuance of senior notes		**–**	35.5
Repayment of senior notes		**–**	(15.9)
Proceeds from bank borrowings		**27.6**	–
Proceeds from PFI/PPP net debt		**55.6**	9.7
Repayment of PFI/PPP net debt		**(0.9)**	(0.7)
Repayments of obligations under finance leases		**(2.8)**	(3.8)
Net cash from (used in) financing activities		**54.2**	(11.5)
Net increase (decrease) in cash and cash equivalents		**20.6**	0.9
Effect of foreign exchange rate changes		**0.6**	(1.2)
Cash and cash equivalents at beginning of year		**54.2**	54.5
Cash and cash equivalents at end of year		**75.4**	54.2

The notes on pages 22 to 31 are an integral part of these consolidated financial statements.

Notes to the Financial Statements

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 figures and financial information for the year ended 31 March 2013 are extracted from but do not constitute the statutory financial statements for that year. The figures and financial information are audited. The income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended 31 March 2012 and the balance sheet as at 31 March 2012 have been derived from the full Group accounts published in the Annual Report and Accounts 2012 which have been delivered to the Registrar of Companies and on which the report of the independent auditors was unqualified and did not contain a statement under section 498 of the Companies Act 2006. The statutory accounts for the year ended 31 March 2013 will be filed with the Registrar of Companies in due course.

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and related interpretations adopted by the European Union (EU) and therefore comply with Article 4 of the EU IAS Regulation and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The Group has applied all accounting standards and interpretations issued relevant to its operations and effective for accounting periods beginning on 1 April 2012. The IFRS accounting policies have been applied consistently to all periods presented and throughout the Group for the purpose of the consolidated financial statements, including the early adoption of IAS 19 (revised) Employee Benefits.

The Group has early adopted IAS 19 (revised) Employee Benefits with a date of initial application of 1 April 2012 and changed its basis for determining the income or expense related to the defined benefit scheme. The impact on the Group has been to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined pension liability. This has reduced the defined benefit income recognised in net finance charges in the Income Statement for the year ended 31 March 2012 by £1.5m and the related tax charge by £0.4m, with the corresponding adjustments in the Statement of other Comprehensive Income. The effect has been to reduce basic, diluted and underlying earnings per share by 0.2p with no change to the balance sheet net deficit position. The Group did not previously apply the corridor approach therefore this amendment has had no impact.

Changes in presentation

The Group has changed the composition of reportable segments. This has been undertaken following the implementation of a new management structure which is aligned with the Group's core activities and to reflect the information provided to the chief operating decision maker in order to assess performance and to make decisions on allocating resources. As required under IFRS 8 Operating Segments, the Group has restated the corresponding items of segment information for earlier periods. The previous format is also included for information purposes.

Finance income is now included within Investing activities in the cash flow to be in line with IAS 7 Statement of Cash Flows.

Non GAAP performance measures

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 property, plant and equipment. Reconciliations are set out in note 3.

Notes to the Financial Statements (continued)

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.

Following the implementation of a new management structure more closely aligned with the core activities of the Group, the operating segments have been restated 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, wood trading activities and the operation of a sand quarry.
Solid Waste UK	The collection, recycling and treatment of non-hazardous waste in the UK.
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 Group 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 segment information following the new reportable segment format is as follows:

Revenue

	2013 £m	2012 £m
Netherlands Solid Waste	**188.3**	218.8
Belgium Solid Waste	**89.0**	97.9
Belgium Other	**68.5**	87.3
Intra-segment revenue	**(14.9)**	(16.2)
Solid Waste Benelux	**330.9**	387.8
Solid Waste UK	**59.8**	78.8
Hazardous Waste	**139.4**	149.6
Netherlands	**14.5**	15.8
Canada	**15.0**	15.1
Other Organics	**6.4**	3.5
Organics	**35.9**	34.4
UK Municipal	**110.9**	106.8
Inter-segment revenue	**(6.9)**	(7.3)
Total revenue	**670.0**	750.1
Group	**660.0**	737.2
Share of joint ventures	**10.0**	12.9
Total revenue	**670.0**	750.1

Notes to the Financial Statements (continued)

2. Segmental reporting (continued)

Segment Results

	2013 £m	Restated* 2012 £m
Netherlands Solid Waste	**9.7**	17.1
Belgium Solid Waste	**6.9**	7.2
Belgium Other	**7.5**	9.6
Divisional central services	**(7.8)**	(7.7)
Solid Waste Benelux	**16.3**	26.2
Solid Waste UK	**(0.7)**	5.8
Divisional central services	**(2.5)**	(3.5)
Solid Waste UK	**(3.2)**	2.3
Hazardous Waste	**20.6**	22.8
Divisional central services	**(1.5)**	(1.6)
Hazardous Waste	**19.1**	21.2
Netherlands	**2.6**	2.9
Canada	**3.7**	3.9
Other Organics	**–**	(0.6)
Divisional central services	**(1.0)**	(1.0)
Organics	**5.3**	5.2
UK Municipal	**13.5**	10.8
Divisional central services	**(4.3)**	(5.7)
UK Municipal	**9.2**	5.1
Group central services	**(5.4)**	(6.6)
Total trading profit (before finance charges)	**41.3**	53.4
Non trading and exceptional items	**(61.9)**	(6.6)
Total operating (loss) profit	**(20.6)**	46.8
Group	**(20.8)**	48.4
Share of joint ventures	**0.2**	(1.6)
Total operating (loss) profit	**(20.6)**	46.8
Finance charges	**(21.3)**	(21.9)
Finance income	**6.3**	4.9
Income from associates	**0.3**	0.1
(Loss) profit before taxation	**(35.3)**	29.9

*The comparative finance income amount has been restated as a result of the early adoption of IAS 19 (revised) Employee Benefits.

Notes to the Financial Statements (continued)

The reportable segments as prepared under the previous format of geography are as follows:

Revenue

	Netherlands		Belgium		UK		Canada		Total	
	2013 £m	2012 £m	**2013 £m**	2012 £m	**2013 £m**	2012 £m	**2013 £m**	2012 £m	**2013 £m**	2012 £m
Solid Waste	**188.3**	218.8	**110.0**	127.5	**56.9**	64.8	–	–	**355.2**	411.1
Hazardous Waste	**139.4**	149.6	**40.5**	47.6	**0.3**	8.5	–	–	**180.2**	205.7
Organics	**14.5**	15.8	–	–	**3.0**	0.5	**15.0**	15.1	**32.5**	31.4
UK Municipal-PFI/PPP Contracts	**–**	–	–	–	**110.9**	106.8	–	–	**110.9**	106.8
Landfill and Power	**–**	–	**7.8**	10.2	**3.4**	5.8	–	–	**11.2**	16.0
Sand Quarry	**–**	–	**2.6**	2.9	–	–	–	–	**2.6**	2.9
Intra-segment revenue	**(3.6)**	(4.5)	**(14.9)**	(16.2)	**(0.8)**	(0.3)	–	–	**(19.3)**	(21.0)
	338.6	379.7	**146.0**	172.0	**173.7**	186.1	**15.0**	15.1	**673.3**	752.9
Inter-segment revenue									**(3.3)**	(2.8)
Total revenue									**670.0**	750.1
Group									**660.0**	737.2
Share of joint ventures									**10.0**	12.9
Total revenue									**670.0**	750.1

Segment Results

	Netherlands		Belgium		UK		Canada		Total	
										Restated*
	2013 £m	2012 £m	**2013 £m**	2012 £m	**2013 £m**	2012 £m	**2013 £m**	2012 £m	**2013 £m**	2012 £m
Solid Waste	**9.7**	17.1	**7.5**	7.9	**(0.7)**	4.2	**–**	–	**16.5**	29.2
Hazardous Waste	**20.6**	22.8	**2.6**	2.8	**0.1**	1.9	**–**	–	**23.3**	27.5
Organics	**1.6**	2.2	**–**	–	**–**	(0.5)	**3.7**	3.9	**5.3**	5.6
UK Municipal-PFI/PPP Contracts	**–**	–	**–**	–	**13.5**	10.8	**–**	–	**13.5**	10.8
Landfill and Power	**–**	–	**3.8**	5.4	**(0.1)**	(0.3)	**–**	–	**3.7**	5.1
Sand Quarry	**–**	–	**0.5**	0.6	**–**	–	**–**	–	**0.5**	0.6
PFI bid team	**–**	–	**–**	–	**(0.8)**	(1.5)	**–**	–	**(0.8)**	(1.5)
Country central services	**(4.0)**	(3.9)	**(5.3)**	(5.7)	**(6.0)**	(7.7)	**–**	–	**(15.3)**	(17.3)
	27.9	38.2	**9.1**	11.0	**6.0**	6.9	**3.7**	3.9	**46.7**	60.0
Group central services									**(5.4)**	(6.6)
Total trading profit (before finance charges)									**41.3**	53.4
Non-trading and exceptional items									**(61.9)**	(6.6)
Total operating (loss) profit									**(20.6)**	46.8
Group									**(20.8)**	48.4
Share of joint ventures									**0.2**	(1.6)
Total operating (loss) profit									**(20.6)**	46.8
Finance charges									**(21.3)**	(21.9)
Finance income									**6.3**	4.9
Income from associates									**0.3**	0.1
(Loss) profit before taxation									**(35.3)**	29.9

*The comparative finance income amount has been restated as a result of the early adoption of IAS 19 (revised) Employee Benefits.

Notes to the Financial Statements (continued)

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.

	2013 £m	2012 £m
Amortisation of acquisition intangibles	**3.6**	3.7
Impairment of goodwill and acquisition intangibles	**19.4**	2.5
Restructuring charge	**12.5**	–
Impairment of property, plant and equipment	**20.0**	–
Provision for disposal of joint venture in UK landfill	**3.9**	–
Gain from exiting transport activities in Foronex in Belgium	**(1.4)**	–
Net litigation settlement in Hazardous Waste	**(6.0)**	–
Net onerous contract provision	**5.9**	–
UK unprocessed waste	**1.5**	–
Other exceptional items	**2.5**	–
Reassessment of contingent consideration	**–**	(1.6)
Write off of investment in a joint venture arrangement	**–**	2.0
Total non-trading and exceptional items in operating (loss) profit	**61.9**	6.6
Change in fair value of derivatives	**(0.1)**	0.8
Tax on non-trading and exceptional items	**(4.9)**	(0.3)
Exceptional tax	**(2.0)**	(5.2)
Total non-trading and exceptional items in (loss) profit after taxation	**54.9**	1.9

Given the recent declines in trading activity across all Solid Waste businesses, an impairment charge of £19.4m has been recognised relating to certain Scottish recycling assets, a Belgian sorting centre and a landfill site and a loss-making ground works business in the Netherlands. The charge in the prior year of £2.5m related to changes in market conditions and volumes delivered to our small UK joint venture landfill.

A range of structural cost initiatives has been implemented which have resulted in £12.5m of restructuring charges in the year. The charge represents settlement costs for those employees already notified of redundancy together with associated costs.

As part of the structural cost programme, there has been an impairment of £20.0m of property, plant and equipment, reflecting in particular recycling assets in Scotland where there has been a change in market dynamics and facilities have been mothballed in the light of the operating conditions. The charge also includes the write down of the Netherlands central offices to their recoverable value, as they are no longer required given the new divisional organisation, and the impairment of the Foronex biomass production facility.

The exit from our remaining UK landfill investment was completed on 21 April 2013 with the sale of our joint venture share in Caird Bardon Limited. The investment was written down and held as for sale at the end of March 2013 which resulted in a charge of £3.9m.

Following a decision to exit from the transport activity in Foronex, our Belgian biomass and wood trading subsidiary, trucks and property were sold to a third party which resulted in a gain of £1.4m.

Following the final settlement of outstanding legal cases in Hazardous Waste a net credit of £6.0m arose in the year.

A net onerous contract charge of £5.9m has arisen spread across both Belgium and the UK and relates to increased onerous contract provisions taken on a few long term contracts offset by releases following reassessment of others.

The accounting for processing costs and liabilities relating to unprocessed waste held at certain facilities in the UK was not aligned with the policy in the rest of the Group and bringing this into line has led to a one-off charge of £1.5m.

In the prior year £1.6m of contingent consideration was reassessed and settled in relation to a UK acquisition which took place in the year ended March 2011.

In the prior year the Group recognised a charge of £2.0m following the loss of control and subsequent impairment of the investment in a joint venture arrangement as a result of difficulties in the construction of a biomass plant and changes in market conditions.

The exceptional tax credit of £2.0m (2012: £5.2m) related to a favourable judgement issued with regard to certain tax liabilities in Belgium.

Trading profit to EBITDA	**2013 £m**	2012 £m
Trading profit (before finance charges)	**41.3**	53.4
Depreciation of property, plant and equipment	**43.2**	50.5
Amortisation of intangible assets (excluding acquisition intangibles)	**2.0**	1.1
Non-exceptional gains on property, plant and equipment	**(1.7)**	(2.5)
Non cash landfill related expense and provisioning	**–**	(0.1)
EBITDA	**84.8**	102.4

Notes to the Financial Statements (continued)

4. Net finance charges

	2013 £m	Restated* 2012 £m
Finance charges		
Interest payable on PFI/PPP non-recourse net debt	**5.1**	3.8
Interest payable on borrowings wholly repayable within five years	**10.2**	10.4
Interest payable on borrowings repayable after five years	**1.6**	1.7
Share of interest of joint ventures	**0.1**	0.1
Unwinding of discount on provisions	**2.9**	3.2
Unwinding of discount on deferred consideration payable	**0.1**	0.5
Interest charge on the retirement pension scheme	**0.3**	–
Amortisation of loan fees	**1.0**	1.4
Total finance charges	**21.3**	21.1
Finance income		
Interest receivable on financial assets relating to PFI/PPP contracts	**(5.1)**	(3.1)
Unwinding of discount on deferred consideration receivable	**(0.2)**	(0.3)
Interest income on bank deposits	**(0.2)**	(0.2)
Interest receivable on other loans and receivables	**(0.7)**	(1.1)
Interest income on the retirement pension scheme	**–**	(0.2)
Total finance income	**(6.2)**	(4.9)
Change in fair value of derivatives at fair value through P&L	**(0.1)**	0.8
Net finance charges	**15.0**	17.0

*The comparative amounts have been restated as a result of the early adoption of IAS 19 (revised) Employee Benefits.

5. Taxation

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

		2013 £m	Restated* 2012 £m
Current tax:	UK corporation tax		
	– Prior year	**–**	0.1
	Overseas tax		
	– Current year	**1.9**	4.1
	– Prior year	**(2.3)**	(0.8)
	Exceptional	**(2.0)**	(5.2)
Total current tax		**(2.4)**	(1.8)
Deferred tax			
– Origination and reversal of temporary differences in the current year		**3.7**	5.6
– Adjustment in respect of prior year		**(1.4)**	0.4
Total deferred tax		**2.3**	6.0
Total tax (credit) charge for the year		**(0.1)**	4.2

*The comparative amounts have been restated as a result of the early adoption of IAS 19 (revised) Employee Benefits.

The overseas tax credit of £2.3m in respect of the prior year included a £1.2m tax credit in relation to a tax deduction for the impairment of a loan to a joint venture following the loss of control and subsequent impairment of the net assets in the year ended 31 March 2012 and a £1.3m tax credit in respect of additional tax relief received for capital expenditure in the Netherlands.

The exceptional tax credit of £2.0m (2012: £5.2m) relates to a favourable judgement issued with regard to certain tax liabilities in Belgium.

Notes to the Financial Statements (continued)

5. Tax (continued)

The tax on the Group's (loss) profit for the year differs from the UK standard rate of tax of 24% (2012: 26%) as explained below:

	2013 £m	Restated* 2012 £m
Total (loss)profit before taxation	**(35.3)**	29.9
Tax (credit) charge based on UK tax rate of 24% (2012: 26%)	**(8.5)**	7.8
Effects of:		
Adjustment to tax charge in respect of prior years	**(3.7)**	(0.3)
Profits taxed at overseas tax rates	**(1.0)**	0.3
Non-taxable/non-deductible items	**0.2**	(1.0)
Non deductible impairments of goodwill	**4.7**	0.6
Non deductible impairment of property, plant and equipment	**2.9**	–
Non deductible provision for disposal of joint venture in landfill	**0.9**	–
Unrecognised tax losses	**5.7**	1.6
Change in tax rate	**0.7**	0.4
Exceptional	**(2.0)**	(5.2)
Total tax (credit) charge for the year	**(0.1)**	4.2

*The comparative amounts have been restated as a result of the early adoption of IAS 19 (Employee Benefits).

A reduction in the UK corporation tax rate from 24% to 23% (effective from 1 April 2013) was substantively enacted on 3 July 2012. The March 2013 budget statement also announced an intention to reduce the main rate of corporation tax to 21% (effective from 1 April 2014) and then 20% (effective from 1 April 2015). This will reduce the Group's future current tax charge accordingly. The UK deferred tax at 31 March 2013 has been calculated based on the rate of 23% which was substantively enacted at the balance sheet date.

6. Dividends

	2013 £m	2012 £m
Amounts recognised as distributions to equity holders in the year:		
Final dividend paid for the year ended 31 March 2012 of 2.35p per share (2011: 2.25p)	**9.3**	8.9
Interim dividend paid for the year ended 31 March 2013 of 1.1p per share (2012: 1.1p)	**4.4**	4.4
	13.7	13.3
Proposed final dividend for the year ended 31 March 2013 of 2.35p per share (2012: 2.35p)	**9.3**	9.3
Total dividend per share	**3.45p**	3.45p

7. Earnings per share

	2013	Restated* 2012
Number of shares		
Weighted average number of ordinary shares for basic earnings per share	**397.1m**	396.8m
Effect of share options in issue	**0.1m**	0.4m
Weighted average number of ordinary shares for diluted earnings per share	**397.2m**	397.2m
Calculation of basic (losses) earnings per share and underlying earnings per share		
(Losses) earnings for basic earnings per share being profit for the year attributable to owners of the parent (£m)	**(35.3)**	25.7
Non-trading and exceptional items (net of tax) (£m)	**56.9**	7.1
Exceptional tax credit (£m)	**(2.0)**	(5.2)
Earnings for underlying basic earnings per share attributable to owners of the parent (£m)	**19.6**	27.6
Basic (losses) earnings per share	**(8.9p)**	6.5p
Underlying earnings per share (see note below)	**5.0p**	7.0p
Calculation of diluted (losses) earnings and underlying diluted earnings per share		
(Losses) earnings for basic earnings per share being profit for the year attributable to owners of the parent (£m)	**(35.3)**	25.7
Effect of dilutive potential ordinary shares (£m)	**–**	–
(Losses) earnings for diluted earnings per share (£m)	**(35.3)**	25.7
Diluted (losses) earnings per share	**(8.9p)**	6.5p
Underlying diluted earnings per share	**5.0p**	7.0p

*The comparative amounts have been restated as a result of the early adoption of IAS 19 (revised) Employee Benefits.

The Directors believe that adjusting basic earnings per share for the effect of the amortisation of acquisition intangibles (excluding landfill void and computer software), the change in value of interest rate swaps 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 Financial Statements (continued)

8. Property, plant and equipment

During the year ended 31 March 2013, the Group acquired assets with a cost of £53.1m (2012: £80.2m), disposed of assets with a net book value of £6.9m (2012: £17.2m) and charged depreciation of £43.2m (2012: £50.5m). An impairment charge of £20.0m (2012: £nil) has been recognised. Details of the major growth projects are as described in the finance review.

At 31 March 2013, the Group had capital commitments of £7.3m (2012: £19.3m).

9. Assets classified as held for sale

	2013 £m
Assets classified as held for sale	**3.3**
Liabilities directly associated with assets classified as held for sale	**(3.3)**
	–

Assets and liabilities held for sale at 31 March 2013 reflect the assets and liabilities of the joint venture Caird Bardon Limited along with the associated liabilities directly attributable to the disposal. This investment was sold on 21 April 2013.

10. Provisions

	Site restoration and aftercare £m	Restructuring £m	Other £m	Total £m
At 31 March 2012	28.7	–	25.5	54.2
Provided in the year	0.1	10.6	10.6	21.3
Released in the year	–	–	(10.9)	(10.9)
Finance charges – unwinding of discount	1.3	–	1.6	2.9
Utilised in the year	(0.1)	(6.2)	(4.9)	(11.2)
Transfer to asset held for sale	(0.6)	–	–	(0.6)
Reclassified from accruals	–	–	0.6	0.6
Exchange	0.1	0.1	0.6	0.8
At 31 March 2013	**29.5**	**4.5**	**23.1**	**57.1**
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	0.1	–	4.3	4.4
Non-current	28.6	–	21.2	49.8
At 31 March 2012	28.7	–	25.5	54.2

Site restoration

The site restoration provision as at 31 March 2013 related to the cost of final capping and covering of the landfill sites. The Group's minimum unavoidable costs have been reassessed at the year end and the net present value fully provided for. These costs are expected to be paid over a period of up to 25 years from the balance sheet date and may be impacted by a number of factors including changes in legislation and technology.

Aftercare

Post-closure costs of landfill sites, including such items as monitoring, gas and leachate management and licensing, have been estimated by management based on current best practice and technology available. These costs may be impacted by a number of factors including changes in legislation and technology. The dates of payments of these aftercare costs are uncertain but are anticipated to be over a period of approximately 30 years from closure of the relevant landfill site.

Restructuring

The restructuring provision relates to redundancy and related costs incurred in the structural cost reduction programme which has been implemented in the year. Costs of £10.6m have been reflected and £6.2m has been utilised to date. As at 31 March 2013 the majority of the affected employees had left the Group's employment with the remainder due to depart during the first half of the new year.

Other

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 is to be utilised over the period of the contracts to which they relate with the latest date being 2029. Under the terms of the agreements for the disposal of the UK landfill and power and other UK operations, the Group has given a number of warranties and indemnities to the purchasers which may give rise to payments.

Included within other provisions at 31 March 2012 was £8.7m (€10.5m) received following a court decision in respect of a claim for business interruption in the Netherlands that occurred in 2002. The court's decision has been confirmed during the year and the case has now been settled which has resulted in a release of the provision during the year.

Notes to the Financial Statements (continued)

11. Defined benefit pension scheme

The Group's principal pension scheme is the Shanks Group Pension Scheme which covers eligible UK employees and has both funded defined benefit and defined contribution sections. The amounts recognised in the balance sheet were as follows:

	2013 £m	2012 £m
Present value of funded obligations	**(142.4)**	(125.5)
Fair value of plan assets	**133.6**	117.9
Liability	**(8.8)**	(7.6)
Related deferred tax asset	**2.0**	1.7
Net pension liability	**(6.8)**	(5.9)

The only significant changes in the pension assumptions from those presented in the annual financial statements for the year ended 31 March 2012 were the discount rate applied and the RPI inflation rate. The discount rate applied to the UK retirement benefit plans has moved from 4.8% to 4.4% and RPI inflation moved from 3.4% to 3.5% both in line with market data.

12. Notes to the statement of cash flows

	2013 £m	2012 £m
(Loss) profit before tax	**(35.3)**	29.9
Fair value (gain) loss on financial instruments	**(0.1)**	0.8
Finance costs net	**15.1**	16.2
Income from associates	**(0.3)**	(0.1)
Amortisation and impairment of intangible assets	**25.0**	7.3
Depreciation and impairment of property, plant and equipment	**63.2**	50.5
Impairment of investment	**0.6**	–
Exceptional gain from exiting transport activities in Foronex in Belgium	**(1.4)**	–
Exceptional provisions/write off of investment in a joint venture arrangement	**3.9**	2.0
Non-exceptional gain on disposal of property, plant and equipment	**(1.7)**	(2.5)
Exceptional gain on contingent consideration	**–**	(1.6)
Non cash exceptional	**0.5**	–
Net (decrease) increase in provisions	**(0.1)**	(2.2)
Payments to fund defined benefit pension scheme deficit	**(3.1)**	(1.8)
Share-based compensation	**0.5**	0.7
Operating cash flows before movement in working capital	**66.8**	99.2
Increase in inventories	**(0.5)**	(0.8)
Decrease in receivables	**7.4**	14.3
Decrease in payables	**(6.0)**	(11.5)
Cash generated by operations	**67.7**	101.2
Receipt from business interruption claim in the Netherlands	**–**	8.7
Cash flows from operating activities	**67.7**	109.9

Consolidated movement in net debt

	2013 £m	2012 £m
Net increase in cash and cash equivalents	**20.6**	0.9
Net increase in borrowings and finance leases	**(79.5)**	(13.9)
(Release) deposit of restricted funds	**(5.6)**	5.6
Capitalisation of loan fees	**0.2**	–
Total cash flows in net debt	**(64.3)**	(7.4)
Finance leases entered into during the year	**(2.9)**	–
Amortisation of loan fees	**(1.0)**	(1.3)
Exchange (loss) gain	**(3.0)**	9.9
Movement in net debt	**(71.2)**	1.2
Net debt at beginning of year	**(206.2)**	(207.4)
Net debt at end of year	**(277.4)**	(206.2)

Notes to the Financial Statements (continued)

12. Notes to the statement of cash flows (continued)

	As at 1 April 2012	Cash flows	Other non-cash changes	Exchange movements	As at 31 March 2013
	£m	£m	£m	£m	£m
Cash and cash equivalents	59.8	15.0	–	0.6	75.4
Bank loans	(82.6)	(27.6)	(0.5)	(1.6)	(112.3)
Senior notes	(48.1)	–	(0.1)	(0.7)	(48.9)
Retail bonds	(82.4)	0.2	(0.4)	(1.2)	(83.8)
Finance leases	(7.5)	2.8	(2.9)	(0.1)	(7.7)
Total core net debt	(160.8)	(9.6)	(3.9)	(3.0)	(177.3)
PFI/PPP non-recourse net debt	(45.4)	(54.7)	–	–	(100.1)
Total net debt	(206.2)	(64.3)	(3.9)	(3.0)	(277.4)

13. 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 that advice that the action is unlikely to succeed or a sufficiently reliable estimate of the potential obligation cannot be made.

Under the terms of the sale agreement with Terra Firma for the disposal of the Group's landfill and power operations in 2004, the Group gave a number of indemnities and warranties relating to the disposed operations for which appropriate provisions are held.

At the start of the year the Group held a provision of £2.9m (€3.5m) relating to a claim from authorities for operating outside of permitted volumes in the period 1997 to 1999 at a location in the Netherlands. A decision that £6.0m (€7.1m) was payable was issued by the Court and the Group has decided not to appeal this ruling and has recognised an exceptional charge of £3.2m (€3.6m) in the Income Statement in order to make full provision for the damages. The claim relates to the period prior to the acquisition of the Netherlands group of companies in 2000 and accordingly any settlement may be recoverable from the previous owners under the sale and purchase agreement. Any such recovery represents a contingent asset at 31 March 2013 and no receivable for a potential payment from the previous owners will be recorded until its receipt is virtually certain.

14. Post balance sheet event

On 21 April 2013 the Group sold its joint venture share in Caird Bardon Limited for a small consideration.

APPENDIX

The following additional information, summarised from the Shanks Group plc Annual Report and Accounts 2013, is disclosed in accordance with Disclosure and Transparency Rule 6.3.5.

1. Principal Risks and Uncertainties affecting the Group

Liquidity risk - that the Group may generate insufficient cash to invest and grow.
Waste volumes - that incoming waste arising in the market may fall.
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 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.

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

The 2013 Annual Report which is expected to be published on 14 June 2013 contains a responsibility statement in compliance with DTR 4.1.12. This states that on 16 May 2013, the date of the approval of the Annual Report, the Directors confirm that to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group: and
- the Business Review in the Annual Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

The financial information set out above does not constitute the Company's full statutory accounts for the year ended 31 March 2012 or 2013, but is derived from those accounts. Statutory accounts for 2011/12 have been delivered to the Registrar of Companies and those for 2012/13 will be delivered following the Company's Annual General Meeting on Thursday 25 July 2013. The auditors have reported on those accounts; their reports were unqualified and did not contain statements under Section 498(2) or (3) of the Companies Act 2006.

The following changes to the Board of Directors of Shanks Group plc since the 2012 Annual Report are noted;
On 26 August 2012 Mr Chris Surch resigned from the Board.
Mr Toby Woolrych and Ms Marina Wyatt were appointed to the Board on 27 August 2012 and 2 April 2013 respectively.

A list of current directors is shown on the Company website.