8 November 2012

Shanks Group plc

Shanks Group plc, a leading international sustainable waste management business, today announces its results for the six months ended 30 September 2012.

Continuing Operations

	2012	2011*	Change % Reported	Change % Constant Currency**
Revenue	**£339.6m**	**£397.7m**	**-15%**	**-8%**
EBITDA	**£43.6m**	**£53.7m**	**-19%**	**-11%**
Trading profit	**£21.7m**	**£28.1m**	**-23%**	**-15%**
Underlying free cash flow	**£10.2m**	**£18.3m**	**-44%**	**-34%**
Underlying profit before tax	**£14.3m**	**£20.2m**	**-29%**	**-22%**
Profit before tax (statutory basis)	**£7.0m**	**£17.3m**	**-60%**	**-54%**
Underlying EPS	**2.7p**	**3.8p**	**-29%**	**-21%**
Basic EPS (statutory basis)	**1.6p**	**4.3p**	**-63%**	**-56%**
Dividend per share	**1.1p**	**1.1p**	**-**	**-**

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

- Performance in line with revised expectations following the recent trading update.
- Revenue down 8% at constant currency to £339.6m.
- Underlying profit before tax down 22% at constant currency to £14.3m.
- Underlying EPS down 29% to 2.7p per share.
- Interim dividend maintained at 1.1p per share, reflecting confidence in medium term growth.
- Robust balance sheet with core net debt at £188.1m and EBITDA ratio of 2.1x.

Business Overview

- Business reorganised into market facing segments of Solid Waste, UK Municipal, Organic Waste and Hazardous Waste.
- Solid Waste markets in UK and Netherlands adversely affected by recession and record lows in construction output.
- Announcing today structural cost programmes that will reduce costs by £20m per annum by 2015/16.
- Organics, Hazardous Waste and UK Municipal segments continue to perform well, with aggregate profit improvement of £2.1m (22% at constant currency).
- Strong progress in Organics with a new 30,000 ton contract extension in York, Canada, and good progress in SW Wales Municipal anaerobic digestion (AD).
- Good progress in the UK Municipal pipeline, with planning approval at Derby.
- Investment programme continues to deliver expected returns, and is well funded and with promising pipeline.

Commenting on the results, Peter Dilnot, Group Chief Executive of Shanks Group plc, said: "While Solid Waste markets have deteriorated sharply, our Hazardous Waste, Organics and UK Municipal businesses have continued to perform well. We have launched programmes that will deliver significant cost savings over the next three years. We have accelerated the implementation of our growth strategy by reorganising the business into market facing segments.

With strong market positions, a clear strategy, robust balance sheet and our ongoing investment programme we remain confident in the Group's medium term growth prospects.

Reflecting this confidence, the Board is maintaining the interim dividend level and we are on track to deliver our revised expectations for the full year."

Notes:

1. The interim dividend of 1.1p per share will be paid on 11 January 2013 to shareholders on the register at close of business on 7 December 2012.
2. Management will be holding an analyst presentation at 9:30 a.m. today, 8 November at the offices of College Hill, The Registry, Royal Mint Court, London, EC3N 4QN.
3. Audio dial in details for the presentation at 9.30 a.m.
   – Telephone conference +44 (0)20 7136 2050 or UK toll free 0800 279 4841
   – Confirmation code: 9164049
   – Slide Share Link: www.storm-events.co.uk/webcasts/live/08112012_01
4. A copy of this announcement is available on the Company's website, (www.shanksplc.com), as will be the presentation being made today to financial institutions.

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Forward-looking statements

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

STRATEGY

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

In the past six months, the business structure of the Group has been reorganised to focus on our four market facing segments of Solid Waste, UK Municipal, Organic Waste and Hazardous Waste. This new organisation greatly increases our focus on the strategic positioning and the discrete performance drivers required to succeed in each segment.

OVERVIEW

	Revenue				Trading Profit			
	Six months ended				Six months ended			
	Sep 12	Sep 11	Change		Sep 12	Sep 11	Change	
	£m	£m	£m	%	£m	£m	£m	%
Solid Waste Benelux	167.1	204.4	(37.3)	-18%	9.4	13.9	(4.5)	-32%
Solid Waste UK	32.5	45.0	(12.5)	-28%	(2.2)	2.4	(4.6)	-192%
Municipal Waste UK	57.1	55.0	2.1	4%	4.2	0.7	3.5	500%
Organics	18.3	17.6	0.7	4%	3.1	3.2	(0.1)	-3%
Hazardous Waste	67.7	79.7	(12.0)	-15%	9.9	11.2	(1.3)	-12%
Group Central Services	-	-	-		(2.7)	(3.3)	0.6	18%
Inter-segment revenue	(3.1)	(4.0)	0.9		-	-	-	
Total	**339.6**	**397.7**	**(58.1)**	**-15%**	**21.7**	**28.1**	**(6.4)**	**-23%**

In the first six months of 2012/13, three of the Group's four business segments – Organics, Hazardous Waste and UK Municipal – have performed well and in line with our expectations. However, as previously announced, a significant deterioration in market conditions in Solid Waste has impacted the performance of this business, particularly in the UK and the Netherlands. In addition to our ongoing operational cost reductions, we have announced today a range of structural cost initiatives that are expected to save £20m per annum by 2015/16. The combination of these significant structural cost initiatives together with the ongoing strategic investment programme will deliver profit growth going forward, not dependent on any upturn in market conditions.

Group revenue in the six months to September 2012 fell by 8% at constant currency to £339.6m (2011: £397.7m). Revenue grew in the Group's Organics and UK Municipal segments, but there was a sharp fall in UK Solid Waste, principally in Scotland, and in the Netherlands, primarily due to a reduction in construction and demolition volumes. Solid Waste profits were impacted by a combination of reduced volumes, pricing pressure and lower recyclate prices. Some of this impact has been offset by structural cost initiatives but, with the full benefit of the initiatives not yet realised, underlying profit before tax fell by 22% at constant currency to £14.3m (2011: £20.2m). The Group maintained its balance sheet in line with expectations. Core net debt was £188.1m at the period end, representing a net debt to EBITDA ratio of 2.1x, well below the Group's covenant levels.

The Organics Division delivered a good first half performance, with revenue growth in the UK and Canada. The Cumbernauld facility in Scotland performed well as it ramps up towards full operating performance.

The Hazardous Waste Division also delivered a first half in line with our expectations, with profit broadly flat compared with the prior year (when the business benefited from one-off income). Margins increased as a result of improved asset utilisation.

UK Municipal (PFI/PPP) continued to grow in line with our plans, delivering a strong profit increase to £4.2m. Margins after allocation of central cost continued to improve and are now 7.4% (2011: 1.3%). All major contracts performed strongly, and encouraging progress continues to be made with the pipeline of new projects, including Barnsley, Doncaster and Rotherham (BDR), Wakefield, Derby and Derry.

UK Solid Waste suffered extremely challenging conditions, primarily as a result of reduced volumes in Scotland, and falling recyclate prices, which reached post-credit crunch lows during the second quarter. Benelux Solid Waste also suffered from challenging conditions, most particularly in Dutch construction markets, where market activity contracted to near record lows. In response to these challenging conditions, we implemented a first round of structural cost programmes. We are also committed to deliver longer term cost savings, including the introduction of a shared services function for Benelux Solid Waste.

The Group's robust balance sheet has allowed us to continue to invest in strategic growth opportunities and the investment portfolio delivered post tax returns of 12.3% (2011: 12.1%). In the next six months we expect to commission our AD plant at Westcott Park and to commence operations at our new mechanical biological treatment (MBT) plant in Barrow, part of the Cumbria PPP contract.

The Group delivered an underlying free cash flow of £10.2m in the first half, slightly below our expectations due to the conditions in the Solid Waste market and the timing of a number of cash receipts that will now benefit the second half. A range of further initiatives is underway to ensure that the Group maintains a broadly cash neutral position before exceptional items in the second half, without constraining or delaying the investment programmes. The business has a good ability to manage its cash flows and net debt remains well managed.

Reflecting the Board's confidence both in the restructuring programmes announced today and in the medium term growth prospects for the business, we are pleased to announce an interim dividend of 1.1p per share maintained in line with last year. Over the medium term, the Board continues to anticipate a dividend cover of 2.0 to 2.5 times.

On the organisation front, Chris Surch resigned as Group Finance Director and left the Group at the end of August 2012. We thank him for his dedicated service and wish him well in the future. His replacement, Toby Woolrych, was appointed at the end of August, joining from Consort Medical plc. The Executive Committee has been further strengthened by the appointment of Michelle Cummins as Group HR Director shortly before the period end.

Outlook

Shanks' strategy to deliver growth from sustainable waste management is robust and supported by long term growth drivers. We are tackling the headwinds in our Solid Waste markets with structural cost reduction plans that will significantly improve the profitability of the business. We will continue to benefit from increasing returns from our ongoing strategic investment programme and the strong performance of the UK Municipal portfolio. We are also well positioned to deliver significant gains from the inherent operational gearing in the business as and when market conditions improve.

Reflecting this confidence, the Board is maintaining the interim dividend level and we are on track to deliver our revised expectations for the full year.

STRUCTURAL COST REDUCTION PROGRAMME

Overview

We are taking decisive action on structural costs to offset the very challenging conditions in Solid Waste in addition to the £8.8m of operational cost savings delivered in the first half through the ordinary course of business. The structural cost initiatives announced today will save £20m per annum by 2015/16 and over £50m in total over the next three years.

The initiatives are broken into four main areas:

- Structural cost initiatives that have been agreed and are being, or have already been, implemented. These amount to £6m of savings per annum, of which the current year benefit will be £4m.
- Structural cost initiatives that have been agreed in outline and are now under consultation with affected employees or are shortly to be put into action. They will, if agreed, be implemented before year end. These amount to £7m of savings per annum, of which the current year benefit will be £1m.
- Shared service centre, Solid Waste Benelux. This initiative will, by its nature, take longer to execute. The shared service centre is expected to save £4m per annum from 2015/16.
- Procurement savings: the reorganisation and the future shared services centre will enable more efficient procurement. These opportunities are expected to be around £3m by 2015/16.

These initiatives are discussed in more detail below.

Benelux Solid Waste

In total, up to £15m of annualised structural cost savings are targeted to be delivered in Benelux over the next three years, with a benefit in the second half of this year of £2m and in 2013/14 of £6m.

The majority of the targeted headcount reductions is in our operations and support functions. Reductions in commercial resources have been minimised to ensure focus is retained on winning new business. The principal actions taken or planned are as follows:

- We have already reduced our workforce by around 85 heads in the Netherlands across all the businesses. We have closed three sorting lines and one transfer station. In Belgium we have reduced cost through streamlining of the senior management structure following the integration with Netherlands Solid Waste.
- We plan to reduce headcount by a further 70 heads in the Netherlands including the closure of a further sorting line and a stone crushing satellite operation. We also plan to reduce headcount in Belgium by 70-90 heads, with a focus on rationalising under-performing assets or surplus capacity.
- The Benelux shared service centre is planned to be fully operational by March 2014, with activities and processes being gradually transferred to it from the second half of 2013. When the centre is fully operational, headcount will reduce by an estimated 40 heads.
- Centralisation of procurement through the shared service centre will deliver savings through shared best practice and economies of scale.

UK Solid Waste

We have also adjusted the cost base of the UK Solid Waste business to reflect the challenging market conditions:

- In September a reduction in headcount of around 60 heads was completed that will save an annualised £2m.
- In October we entered into consultation with our workforce concerning the rationalisation of some of our Scottish assets that will, subject to the outcome of the consultation, reduce headcount by a further 70 heads and will save a further annualised £3m.

Financial costs and benefits

In total, the structural cost initiatives are targeted to deliver an annual benefit of £20m by 2015/16 for a cash cost of £28m, with a payback of 1.3 years. These initiatives will save £5m in the current year, £13m in 2013/14 and £18m in 2014/15.

The recognition criteria under IAS 37 require that provisions can only be reflected when a constructive obligation exists. The exceptional charges are therefore recognised at the time that we enter into discussions with the individuals affected. We have recognised charges of £5.1m this half year and the remaining charges are expected to be taken through the second half of this year and during next year. The quantum and timing of these charges have been estimated as follows:

All figures in £m	Cash Charge	Timing of charge 12/13 H1	12/13 H2	13/14 Total	Timing of benefit 12/13	13/14	14/15	15/16
Benelux Solid Waste	12	2	8	2	2	6	7	7
UK Solid Waste	3	2	1	-	2	5	5	5
Other divisions	3	1	2	-	1	1	1	1
Solid Waste shared services	10	-	1	9	-	-	3	4
Procurement	-	-	-	-	-	1	2	3
	28	5	12	11	5	13	18	20

In addition, if the difficult markets persist into the second half, it is possible non-cash impairment charges may arise.

DIVISIONAL REVIEW

The divisional review is presented in accordance with the new organisational structure. For consistency, the financial information is also presented in the previous format in Note 2 to the interim financial statements. The commentary refers to performance variances in local currency unless otherwise stated, with the impact of currency movements excluded.

Benelux Solid Waste

	Revenue				Trading Profit			
	Six months ended				Six months ended			
	Sep 12	Sep 11	Change		Sep 12	Sep 11	Change	
	€m	€m	€m	%	€m	€m	€m	%
Netherlands Solid Waste	117.3	129.6	(12.3)	-9%	6.7	10.6	(3.9)	-37%
Belgium Solid Waste	56.1	58.4	(2.3)	-4%	5.5	4.0	1.5	38%
Belgium Others	44.4	52.5	(8.1)	-15%	4.5	4.6	(0.1)	-2%
Divisional Central Services	-	-	-		(5.0)	(3.4)	(1.6)	
Intra-segment revenue	(9.6)	(9.0)	(0.6)		-	-		
Total €m	**208.2**	**231.5**	**(23.3)**	**-10%**	**11.7**	**15.8**	**(4.1)**	**-26%**
Total £m (at average rates)	**167.1**	**204.4**	**(37.3)**	**-18%**	**9.4**	**13.9**	**(4.5)**	**-32%**
Trading Margin								
Netherlands Solid Waste	5.7%	8.2%						
Belgium Solid Waste	9.8%	6.8%						
Belgium Others	10.1%	8.8%						
Total Trading Margin	**5.6%**	**6.8%**						

As indicated, market conditions in the Benelux region worsened over the six months ended 30 September 2012, most particularly in the Netherlands construction and demolition segment. Dutch construction and demolition volumes fell by 17% compared with the prior period and pricing by 6%. Dutch housing permits issued fell to the lowest level since the great floods of 1953. Dutch industrial and commercial waste markets were also under pressure, with volumes down 6% and prices down 3%. Over-capacity and economic stresses in the Dutch incinerator market continued to place pressure on gate fees. The Belgian market was also challenging, but less severe than in the Netherlands. Subdued construction and demolition volumes (down 1%) were offset by stable industrial and commercial volumes (up 2%).

Revenues fell by 10% at constant currency to €208.2m (£167.1m) and trading profit fell by 26% to €11.7m (£9.4m). Almost all of the reduction in trading profit was in the Netherlands and a large majority of this impact can be attributed to the construction and demolition market. The Belgian business was largely able to maintain profitability, despite a reduction in revenues, with a strong performance from Foronex offsetting weaker sand quarry and landfill revenues. During the period, around €0.9m of cost was transferred from Belgium Solid Waste to the Belgian shared service centre in divisional central services.

Notwithstanding the market challenges, the Solid Waste Benelux division still competed vigorously in the market over the period, winning some significant new business. In September the business signed a contract with Dura Vermeer to handle their nationwide waste collection and disposal. The Van Tuijl glass monostream acquisition also performed well in its first full six month period in the Group, contributing to segment profitability. A contract with Heineken has recently been signed to collect waste from 250 of its pubs via

Icova's Mokum Mariteam canal collection service. We also completed a major investment at our Hook of Holland facility which offers composting services to the key surrounding horticulture industry. The rebuilt facility incorporates improved composting technology that dramatically reduces the composting time and improves the site's capacity, economics and environmental footprint.

Solid Waste UK

	Revenue				Trading Profit			
	Six months ended				Six months ended			
	Sep 12	Sep 11	Change		Sep 12	Sep 11	Change	
	£m	£m	£m	%	£m	£m	£m	%
Solid Waste	32.5	45.0	(12.5)	-28%	(0.7)	4.4	(5.1)	-116%
Divisional central services	-	-	-		(1.5)	(2.0)	0.5	
Total	**32.5**	**45.0**	**(12.5)**	**-28%**	**(2.2)**	**2.4**	**(4.6)**	**-192%**
Trading Margin								
Solid Waste	**-2.2%**	**9.8%**						
Total Trading Margin	**-6.8%**	**5.3%**						

Market conditions in UK Solid Waste deteriorated sharply over the six months to 30 September 2012. Collection and recycling tonnages were down by 12% and 11% respectively. The Scottish market was particularly challenging, with pressure on both volume and gate fees. Recyclate prices, which play a larger part in UK profitability than in the Benelux, fell sharply in the second quarter, reducing income by £2m. A combination of adverse recyclate price and mix meant that, in September, recyclate revenues were down by 60% on the prior period last year. Whilst gate fees should over time adjust both for lower recyclate prices and increasing costs to landfill, the uplift may not be experienced in the short term.

Revenues in the six months to 30 September 2012 fell by 28% to £32.5m and the division made a loss after central costs of £2.2m as opposed to a profit last year of £2.4m. However, the previous year included a profit of £1.4m arising from a one-off contract in relation to the contaminated land services business. All of the losses are attributable to the deterioration in Scotland, with the English assets making a profit before allocation of central costs. Central costs have been allocated between the UK Municipal and UK Solid Waste divisions based on volume and headcount analysis.

The Solid Waste UK division continued to execute on its commercial strategy and won a number of new commercial contracts, including in Bedfordshire and at the Silverburn shopping centre in Scotland where we helped raise recycling rates from 9% to over 90% in just six weeks.

UK Municipal

	Revenue				Trading Profit			
	Six months ended				Six months ended			
	Sep 12	Sep 11	Change		Sep 12	Sep 11	Change	
	£m	£m	£m	%	£m	£m	£m	%
PFI/PPP contracts	57.1	55.0	2.1	4%	6.8	4.8	2.0	42%
Divisional central services	-	-	-		(2.6)	(4.1)	1.5	
Total	**57.1**	**55.0**	**2.1**	**4%**	**4.2**	**0.7**	**3.5**	**500%**
Trading Margin *	**7.4%**	**1.3%**						

**Trading margin has been restated to include an allocation of divisional central services. Previously this would have been reported as a trading margin of 11.9% (2011: 8.8%)*

Much of our focus in the UK in recent years has been on growing our UK Municipal activities. The UK Municipal market is, to a large extent, immune from some of the broader commercial challenges affecting the industrial and construction markets with profit driven by exceptional operational delivery to the contracted terms. Long term contracts underpin the significant capital investments required and pricing mechanisms adjust for material fluctuations in waste arising.

In the six months ended 30 September 2012, the UK Municipal division continued to perform strongly, with revenue increasing by 4% and trading profit before divisional central services by 42% to £6.8m. Operating margins, after allocation of central costs including bid costs, increased from 1.3% to 7.4% on the back of the operating efficiencies delivered.

All PFI/PPP contracts performed well, and negotiations are proceeding at Dumfries and Galloway to improve the operating environment going forward. The Barrow MBT plant (which is part of the Cumbria PPP) was completed ahead of schedule in September and is expected to have completed commissioning in December. We have commenced construction of the operating assets for the BDR contract which are scheduled to be fully operational in late 2014.

Good progress continues to be made with the funnel of new opportunities. Wakefield is progressing and we hope to achieve financial close in the second half of the year. We were also pleased to have gained planning permission for our Derby facility. We await the outcome of our bid for Derry, which is due to be determined before 31 March 2013. Beyond the PFI/PPP-linked opportunities, we are selectively engaging in commercial discussions with a number of authorities which have yet to determine their landfill diversion strategies.

Organics

	Revenue				Trading Profit			
	Six months ended				Six months ended			
	Sep 12	Sep 11	Change		Sep 12	Sep 11	Change	
	€m	€m	€m	%	€m	€m	€m	%
Netherlands	9.5	9.9	(0.4)	-4%	2.2	2.4	(0.2)	-8%
Canada	9.6	8.2	1.4	17%	2.3	2.1	0.2	10%
Other Organics	3.7	1.8	1.9	106%	-	(0.3)	0.3	100%
Divisional central services	-	-	-		(0.7)	(0.6)	(0.1)	
Total €m	**22.8**	**19.9**	**2.9**	**15%**	**3.8**	**3.6**	**0.2**	**6%**
Total £m (at average rate)	**18.3**	**17.6**	**0.7**	**4%**	**3.1**	**3.2**	**(0.1)**	**-3%**
Trading Margin								
Netherlands	23.2%	24.2%						
Canada	24.0%	25.6%						
Other Organics	0.0%	-16.7%						
Total Trading Margin	**16.7%**	**18.1%**						

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

The Organics division performed well over the six months to 30 September 2012. Revenues grew by 15% to €22.8m (£18.3m) and profits by 6% to €3.8m (£3.1m). Trading margins in the Netherlands and Canada slipped back slightly compared with the corresponding period last year, mainly due to one-off items in the prior period, but improved in the UK.

In the Netherlands, Orgaworld generated record green energy production of 18.3MWh at Lelystad and Amsterdam, up 7% on the prior period. In the UK, Cumbernauld continued to ramp up production. We were pleased to sign a power purchase agreement with Marks & Spencer (M&S), one of the suppliers of food waste to Cumbernauld, under the terms of which we will supply M&S with the total renewable energy output of the plant. This integrated solution is both economically efficient and allows M&S to achieve their demanding sustainability targets. Our Westcott Park AD plant is nearing completion, with production due to commence in the first calendar half of 2013. Our business in Canada also had a good first half and we were delighted to gain a further 30,000 ton contract with the Region of York, Ontario.

The pipeline of growth opportunities remains encouraging, particularly in Canada and Wales, where a number of requests for proposal are progressing well.

Hazardous Waste

	Revenue				Trading Profit			
	Six months ended				Six months ended			
	Sep 12	Sep 11	Change		Sep 12	Sep 11	Change	
	€m	€m	€m	%	€m	€m	€m	%
Hazardous Waste	84.3	90.3	(6.0)	-7%	13.3	13.5	(0.2)	-1%
Divisional central services	-	-	-		(0.9)	(1.0)	0.1	
Total €m	**84.3**	**90.3**	**(6.0)**	**-7%**	**12.4**	**12.5**	**(0.1)**	**-1%**
Total £m (at average FX rates)	**67.7**	**79.7**	**(12.0)**	**-15%**	**9.9**	**11.2**	**(1.3)**	**-12%**
Trading Margin	**14.7%**	**13.8%**						

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

The division performed in line with expectations in the six months ended 30 September 2012, with revenue down 7% at €84.3m (£67.7m) but trading profit was broadly flat at €12.4m (£9.9m). A like for like comparison to prior year is difficult because in the prior period ATM benefited from particularly strong income in storing and treating waste water from a remediation project. In the current year, ATM has benefitted from some large contracts to process contaminated soil from abroad, and order levels in general remain strong. Reym delivered a good performance in the first six months. A programme to enhance utilisation of the cleaning teams and their specialist equipment has been particularly successful and operating margins consequently improved.

Hazardous Waste has been, and will continue to be, a focus for capital investment due to its strong customer contracts and potential returns on capital. ATM is currently constructing larger and more advanced soil thermal treatment facilities and we will subsequently invest in enhancing its paint and solvent treatment assets.

FINANCE REVIEW

Revenue and trading profits

Revenue from continuing operations fell by 8% to £339.6m (15% including the impact of currency movements). Three quarters of the revenue reduction was in the Solid Waste divisions, primarily in Scotland and in the Netherlands from the construction and demolition sector.

Trading profits fell by 15% to £21.7m (23% including the impact of currency), with margin pressure in Solid Waste offset somewhat by margin growth in Hazardous Waste and UK Municipal. An analysis of cost pressures is set out below.

H1 versus H1 profit causal

The following table summarises the effect of the external and internal business drivers on the change in trading profit. Sterling strengthened against the Euro during the period resulting in a 10% decrease in the value of Euro denominated profits.

	£m	Explanation
Half year ended 30 September 2011	**28.1**	
Market factors		
Cost pressures	(7.1)	As explained below
Net price	2.2	Increases in UK municipal net of decreases in Solid Waste
Recyclates	(3.5)	Solid Waste activities in both UK and Netherlands
Volumes	(11.2)	Primarily Solid Waste and non repeat Hazardous contracts
Management actions		
Cost savings & bid costs	10.1	Ongoing operational savings and lower bid activity of £1.3m
Projects and investments	4.7	Year on year profit improvement
Divestments	0.5	Small asset divestments
At constant currency	23.8	
Effect of currency	(2.1)	
Half year ended 30 September 2012	**21.7**	

The operating review has explained the market conditions prevailing in the Group's market segments, which are shown here in a tabular form. The cost pressures include inflationary increases as well as increased landfill tax and higher disposal costs, some of which have been offset by increases in prices under municipal and other larger contracts.

The projects and investments value of £4.7m includes the year-on-year profit impact of strategic investments. The principal growth projects which contributed in the period were the ATM waste water and soil treatment improvements, the Orgaworld Amsterdam AD plant, and sorting line improvements in the Netherlands and Belgium.

Operating profit on a statutory basis, which takes into account non-trading and exceptional items including the amortisation of acquisition intangibles and the initial restructuring charges, has decreased 45% from £26.2m to £14.4m.

Profit before tax on a statutory basis has decreased 60% from £17.3m to £7.0m including the impact of non-trading and exceptional items in the period.

H1 to H2 trading outlook

We are not anticipating any material change in the very challenging Solid Waste market conditions experienced in the second quarter or any improvement in recyclate prices. We will, however, benefit by £4m in the second half from our structural cost programmes. New assets being commissioned in the second half will not make a material profit contribution to the current year but will position us well for future growth.

The Board believes that the benefit of revenue from our continuing business and the structural cost programmes now underway will deliver full year results in line with the Board's expectations.

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

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

Total non-trading and exceptional items of £7.3m (2011: £2.9m) include:

- Amortisation of intangible assets acquired in business combinations of £1.8m (2011: £1.9m)
- Gain from exiting transport activities in Foronex, Belgium of £1.0m (2011:£nil)
- Financing fair value remeasurement charge of £nil (2011: £1.0m)
- Restructuring provisions of £5.1m (2011: £nil)
- Other provisions of £1.4m (2011: £nil)

Net finance costs

As a result of the early adoption of IAS 19 (Revised) Employee Benefits the net finance charge for the prior year has been restated and increased by £0.6m to £9.0m. Overall net finance costs have declined by £1.5m in the period of which £0.7m is attributable to the change in the average rate of exchange and no charge for the change in fair value of derivatives (2011: £1.0m).

Taxation

The average tax rate on underlying profits has been maintained at 26% (2011: 26%) based on management's best estimate of the weighted average annual tax rate expected for the full financial year.

An exceptional tax credit of £2.0m (2011: £4.3m) 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 by 29% to 2.7p per share (2011: 3.8p). Basic EPS from continuing operations decreased from 4.3p per share to 1.6p per share.

Dividend

As outlined above, the Board has approved an interim dividend of 1.1p per share (2011:1.1p) that will be paid on 11 January 2013, to shareholders on the register at the close of business on 7 December 2012.

Retirement Benefits

At 30 September 2012, the retirement benefit obligation relating to the UK pension scheme showed a deficit of £11.0m compared with a deficit of £7.6m at 31 March 2012. The Group has adopted the revised provisions of IAS19 in the current year, with the effect of increasing the notional non-cash interest charge to the accounts by £0.6m. The Group currently funds the deficit of the scheme at a rate of £3.0m per annum. The defined benefit scheme in the UK, which has been closed to new entrants for over ten years, is currently undergoing its triennial valuation.

Directors' valuation of PFI assets

The Directors' valuation of the Net Present Value of the PFI assets has been increased by 10% to £88m, based on updated conservative projections. This value is not recorded in the Group's balance sheet. A revaluation of the PFI assets will take place prior to year end in accordance with management's policy and further progress in the PFI pipeline.

Return on Capital

The Group return on operating assets (excluding debt, tax and goodwill) has fallen from 15.4% to 13.5%. The post tax return on capital employed was 6.2% compared with 6.7% at 30 September 2011.

Cash Flow

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

	Sep 12 £m	Sep 11 £m
EBITDA	43.6	53.7
Working capital movement and other	(14.3)	(7.0)
Net replacement capital expenditure	(12.5)	(20.5)
Interest and tax	(6.6)	(7.9)
Underlying free cash flow	**10.2**	**18.3**
Net growth capital expenditure	(11.7)	(14.4)
Acquisitions and Disposals	(11.0)	(1.0)
Restructuring spend	(2.3)	-
Dividends paid	(9.3)	(8.9)
PFI funding and other	(8.9)	(5.3)
Net core cash flow	**(33.0)**	**(11.3)**
Free cash flow conversion	**47%**	**65%**

Free cash flow conversion is defined as underlying free cash flow divided by trading profit

The Group's business model allows for tight control of capital expenditure and generates strong operating cash flows. The cash flow for the six months ended 30 September 2012 was a little lower than planned, mainly due to conditions in Solid Waste and the timing of certain working capital flows. In particular, a £4m payment that was expected in the first half was received in early October.

The ratio of replacement capital spend to depreciation was well controlled at 54% for the period compared to 78% last year.

The cash interest and tax spend in the period was reduced by 16% to £6.6m as a result of prior year tax refunds in the Netherlands and lower interest payments.

Growth capital spend of £11.7m included the UK AD facility at Westcott Park, ATM soil treatment improvements and further investments in the Amsterdam AD facility.

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

The exchange rate on the Euro has moved from 1.20 at 31 March 2012 to 1.26 at 30 September 2012.

Net debt and borrowings

The net cash outflow of £33m, offset by £6m benefit on the translation into Sterling of the Group's Euro and Canadian Dollar denominated debt, has increased core debt by £27m to £188.1m. Core net debt remains in line with our plans at 2.1x EBITDA and is expected to remain at a similar level by year end.

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

All figures in £m	Facility	Drawn	Term
€100m Belgian retail bond	79.5	79.5	Oct-15
€18m PRICOA 1	14.4	14.4	Sep-13
€40m PRICOA 2	31.8	31.8	Apr-18
Term & revolving credit facility	159.1	120.3	Jun-15
Total debt and facilities	284.8	246.0	
Finance leases		6.0	
Loan fee amortisation		(2.3)	
Cash		(61.6)	
Core net debt		188.1	

€18m (£14.4m) of PRICOA private placement falls due for repayment in September 2013 and has consequently been reclassified within current liabilities in the Group's interim balance sheet.

Debt accumulated in the special purpose vehicles (SPVs) created for the financing of PFI/PPP programmes is separate from the Group core debt and is secured over the assets of the SPVs with no recourse to the Group as a whole. At 30 September 2012 this amounted to £60m (2011: £41m). While PFI assets are under construction, there are periods when the timing of draw downs from the non recourse debt differs from the outflows required and the Group may temporarily fund the project. This amounted to £6m, which is included in the "PFI funding and other line" in our cash flow statement. These outflows are expected to reverse over the build phase as construction works are formally signed off in the SPVs.

Principal risks and uncertainties

The Group operates a risk management framework to identify, assess and control the most serious risks facing the Group and the Board believes that the key risks and associated mitigation strategies have not changed in the period. The 2012 Annual Report (pages 44 to 47) provides a discussion of the Group's principal risks and uncertainties and these are as follows:

- Sufficient waste volumes
- Interest rate and foreign exchange risk including the impact of instability of the Euro
- Market and legislative drivers
- Long term contracts with municipalities
- Price competition for incoming waste streams and recyclate material sales
- Project management of capital investments in our infrastructure

- Succession planning
- Plant availability and insurance
- Fuel pricing
- The health and safety environment

Looking forwards over the remainder of the financial year, the biggest areas of risk focus for the Group concern waste volumes, price competition and recyclate pricing in the Solid Waste market. The structural cost programme outlined above is expected to address the risks to profitability caused by the difficult market conditions. This programme is subject to detailed risk control in order to ensure successful completion on time.

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

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

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

There have been two amendments to the Board of Directors of Shanks Group plc since the 2012 Annual Report, namely Mr Chris Surch resigned from the Board on 26 August 2012 and Mr Toby Woolrych was appointed to the Board on 27 August 2012. A list of current Directors is maintained on the Shanks Group plc website: www.shanksplc.com.

By order of the Board

P Dilnot
Group Chief Executive
8 November 2012

T Woolrych
Group Finance Director
8 November 2012

Consolidated Interim Income Statement (unaudited)

First half ended 30 September 2012

		First half 2012/13			First half 2011/12 Restated*		
		Trading	Non trading & exceptional items	Total	Trading	Non trading & exceptional items	Total
	Note	£m	£m	£m	£m	£m	£m
Continuing operations							
Revenue	2	**339.6**	**-**	**339.6**	397.7	-	397.7
Cost of sales		**(286.7)**	**(3.3)**	**(290.0)**	(330.9)	(1.9)	(332.8)
Gross profit		**52.9**	**(3.3)**	**49.6**	66.8	(1.9)	64.9
Administrative expenses		**(31.2)**	**(4.0)**	**(35.2)**	(38.7)	-	(38.7)
Operating profit (loss)	2,3	**21.7**	**(7.3)**	**14.4**	28.1	(1.9)	26.2
Finance charges		**(10.4)**	**-**	**(10.4)**	(10.1)	(1.0)	(11.1)
Finance income		**2.9**	**-**	**2.9**	2.1	-	2.1
Net finance charges	2	**(7.5)**	**-**	**(7.5)**	(8.0)	(1.0)	(9.0)
Income from associates		**0.1**	**-**	**0.1**	0.1	-	0.1
Profit (loss) before taxation	2	**14.3**	**(7.3)**	**7.0**	20.2	(2.9)	17.3
Taxation	3,4	**(3.7)**	**3.1**	**(0.6)**	(5.3)	5.1	(0.2)
Profit (loss) for the period attributable to shareholders		**10.6**	**(4.2)**	**6.4**	14.9	2.2	17.1
Earnings per share							
– basic	5	**2.7p**	**(1.1)p**	**1.6p**	3.8p	0.5p	4.3p
– diluted	5	**2.7p**	**(1.1)p**	**1.6p**	3.8p	0.5p	4.3p

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

Consolidated Interim Statement of Comprehensive Income (unaudited)

First half ended 30 September 2012

	First half 2012/13 £m	Restated* First half 2011/12 £m
Profit for the period	**6.4**	17.1
Exchange loss on translation of foreign operations	**(15.1)**	(9.3)
Change in fair value of cash flow hedging financial instruments	**(8.6)**	(9.4)
Actuarial loss on defined benefit pension schemes	**(4.7)**	(16.7)
Tax in respect of other comprehensive income items	**2.8**	6.6
Other comprehensive loss for the period, net of tax	**(25.6)**	(28.8)
Total comprehensive loss for the period	**(19.2)**	(11.7)

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

The notes on pages 21 to 31 are an integral part of these consolidated interim financial statements.

Consolidated Interim Balance Sheet (unaudited)

As at 30 September 2012

	Note	**As at 30 September 2012 £m**	As at 30 September 2011 £m	As at 31 March 2012 £m
Non-current assets				
Intangible assets		**258.7**	280.7	271.4
Property, plant and equipment		**376.1**	393.9	390.9
Other investments and loans to joint ventures		**6.6**	7.5	6.7
Financial assets relating to PFI/PPP contracts		**73.9**	49.5	59.3
Trade and other receivables		**7.2**	10.1	7.4
Deferred tax assets		**18.0**	17.8	15.9
		740.5	759.5	751.6
Current assets				
Inventories		**9.7**	9.9	10.5
Financial assets relating to PFI/PPP contracts		**7.0**	4.5	6.5
Trade and other receivables		**154.0**	163.6	153.8
Derivative financial instruments		**-**	-	0.1
Current tax receivable		**2.9**	-	2.9
Cash and cash equivalents		**61.6**	52.5	59.8
		235.2	230.5	233.6
Total assets		**975.7**	990.0	985.2
Liabilities				
Non-current liabilities				
Borrowings - PFI/PPP non-recourse net debt		**(50.3)**	(46.6)	(36.0)
- Other		**(233.5)**	(210.2)	(217.8)
Derivative financial instruments		**(24.1)**	(16.2)	(17.2)
Other non-current liabilities		**(1.6)**	(2.9)	(5.4)
Deferred tax liabilities		**(41.3)**	(39.0)	(42.1)
Provisions	8	**(46.9)**	(38.0)	(49.8)
Retirement benefit obligations	9	**(11.0)**	(10.7)	(7.6)
		(408.7)	(363.6)	(375.9)
Current liabilities				
Borrowings - PFI/PPP non-recourse net debt		**(9.8)**	(5.4)	(9.4)
- Other		**(16.2)**	(8.6)	(2.8)
Derivative financial instruments		**(1.8)**	-	-
Trade and other payables		**(182.8)**	(216.9)	(214.1)
Current tax payable		**(4.8)**	(10.7)	(8.0)
Provisions	8	**(9.3)**	(7.7)	(4.4)
		(224.7)	(249.3)	(238.7)
Total liabilities		**(633.4)**	(612.9)	(614.6)
Net assets		**342.3**	377.1	370.6
Equity attributable to shareholders				
Ordinary shares		**39.7**	39.7	39.7
Share premium		**99.4**	99.4	99.4
Exchange reserve		**20.9**	46.3	36.0
Retained earnings		**182.3**	191.7	195.5
Total equity		**342.3**	377.1	370.6

The notes on pages 21 to 31 are an integral part of these consolidated interim financial statements.

Consolidated Interim Statement of Changes in Equity (unaudited)

First half ended 30 September 2012

	Note	Share capital £m	Share premium £m	Exchange reserve £m	Restated* Retained earnings £m	Total equity £m
Balance at 1 April 2012		**39.7**	**99.4**	**36.0**	**195.5**	**370.6**
Profit for the period		-	-	-	6.4	6.4
Other comprehensive loss		-	-	(15.1)	(10.5)	(25.6)
Total comprehensive loss for the period		**-**	**-**	**(15.1)**	**(4.1)**	**(19.2)**
Share based compensation		-	-	-	0.2	0.2
Dividends	6	-	-	-	(9.3)	(9.3)
Balance at 30 September 2012		**39.7**	**99.4**	**20.9**	**182.3**	**342.3**
Balance at 1 April 2011		39.7	99.4	55.6	202.7	397.4
Profit for the period		-	-	-	17.1	17.1
Other comprehensive loss		-	-	(9.3)	(19.5)	(28.8)
Total comprehensive loss for the period		-	-	(9.3)	(2.4)	(11.7)
Share based compensation		-	-	-	0.3	0.3
Dividends	6	-	-	-	(8.9)	(8.9)
Balance at 30 September 2011		39.7	99.4	46.3	191.7	377.1

*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 21 to 31 are an integral part of these consolidated interim financial statements.

Consolidated Interim Statement of Cash Flows (unaudited)

First half ended 30 September 2012

	Note	First half 2012/13 £m	First half 2011/12 £m
Net cash from operating activities	10	**21.9**	42.9
Investing activities			
- Purchases of intangible assets		**(1.2)**	(0.6)
- Purchases of property, plant and equipment		**(25.5)**	(36.3)
- Proceeds from exiting transport activities in Foronex in Belgium		**2.2**	-
- Disposals of property, plant and equipment		**2.5**	1.7
- Outflows in respect of PFI/PPP arrangements under the financial asset model		**(24.1)**	(9.7)
- Capital received in respect of PFI/PPP financial assets		**2.9**	1.6
- Acquisition of subsidiary and other businesses		**-**	(0.1)
- Payment of deferred consideration		**(13.2)**	(1.5)
- Disposal of subsidiary and other businesses		**-**	0.5
- Income received from other investments		**-**	0.1
- Net movement on loans granted to joint ventures		**-**	(0.4)
Net cash used in investing activities		**(56.4)**	(44.7)
Financing activities			
- Finance charges and loan fees paid		**(6.7)**	(7.2)
- Finance income		**2.7**	1.9
- Dividends paid		**(9.3)**	(8.9)
- Proceeds from the issuance of senior notes		**-**	35.5
- Repayment of senior notes		**-**	(15.9)
- Other increase (decrease) in net borrowings		**51.8**	(2.7)
- Repayments of obligations under finance leases		**(1.4)**	(2.2)
Net cash from financing activities		**37.1**	0.5
Net increase (decrease) in cash and cash equivalents		**2.6**	(1.3)
Effect of foreign exchange rate changes		**(0.5)**	(0.7)
Cash and cash equivalents at beginning of period		**54.2**	54.5
Cash and cash equivalents at end of period		**56.3**	52.5

The notes on pages 21 to 31 are an integral part of these consolidated interim financial statements.

Notes to the Consolidated Interim Financial Statements (unaudited)

1. Basis of Preparation

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

The condensed interim financial statements should be read in conjunction with the Annual Report and Accounts 2012, which have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union. The Annual Report and Accounts 2012 are available from the Company's website www.shanksplc.com.

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

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

Statement of Compliance

This condensed set of consolidated interim financial information for the six months ended 30 September 2012 has been prepared in accordance with the Disclosure and Transparency Rules of the United Kingdom Financial Services Authority and with IAS 34, Interim Financial Reporting as adopted by the European Union.

These primary statements and selected notes comprise the unaudited interim consolidated financial results of the Group for the six months ended 30 September 2012 and 2011, together with the audited results for the year ended 31 March 2012. These interim financial results do not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006.

The comparative figures as at 31 March 2012 have been extracted, except where restated for revised reporting segments and early adoption of IAS 19 (revised) Employee Benefits, from the Group's statutory Annual Report and Accounts for that financial year but do not constitute those accounts. Those statutory accounts for the year ended 31 March 2012 were approved by the Board of Directors on 17 May 2012 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 498 of the Companies Act 2006.

The condensed interim financial information was approved by the Board of Directors on 8 November 2012.

Significant Accounting Policies

The results have been prepared applying the accounting policies and presentation that were used in the preparation of the Annual Report and Accounts 2012 except as described below. Taxes on income in the interim periods are accrued using the estimated tax rate that would be applicable to expected total annual profit or loss. The following changes are expected to be reflected in the Group's consolidated financial statements as at and for the year ended 31 March 2013.

Change in accounting policy

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 defined benefit plan.
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 six months ended 30 September 2011 by £0.6m and the related tax charge by £0.1m, with the corresponding adjustments in other comprehensive income. The effect has been to reduce both basic and underlying earnings per share by 0.1p with no change to the balance sheet net deficit position.

There are no other new standards effective for the first time in the current financial period with significant impact on the consolidated results or financial position.

Notes to the Consolidated Interim Financial Statements (unaudited)

1. Basis of Preparation – continued

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.

Estimates

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

In preparing these condensed consolidated interim financial statements, the nature of the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation were the same as those that were applied to the Annual Report and Accounts 2012, except as disclosed on page 97. With effect from 1 April 2012, the Group has revised upwards the estimated useful life of elements of Plant and Machinery, following a review of the residual value and the useful life of the Group's Property, Plant and Equipment.

Exchange Rates

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

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

Closing Rates

Value of £1	**30 September 2012**	30 September 2011	Change	**30 September 2012**	31 March 2012	Change
Euro	**1.26**	1.16	8.3%	**1.26**	1.20	4.8%
Canadian dollar	**1.59**	1.62	(2.0)%	**1.59**	1.60	(0.4)%

Average Rates

Value of £1	**30 September 2012**	30 September 2011	Change
Euro	**1.25**	1.13	10.0%
Canadian dollar	**1.59**	1.58	0.2%

Underlying business performance

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

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

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

Notes to the Consolidated Interim Financial Statements (unaudited)

2. Segmental reporting

The Group's chief operating decision maker is considered to be the Board of Directors. The Group's operating segments are determined with reference to the information provided to the Board of Directors in order for it to allocate the Group's resources and to monitor the performance of the Group.

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 - this includes Netherlands Solid Waste and all operations in Belgium. Solid Waste is primarily sorting and reprocessing of commercial, industrial and construction related waste. 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 - non-hazardous solid waste collections, transfer, recycling and treatment.

Municipal Waste UK - long-term PFI/PPP waste treatment contracts for the processing of municipal solid waste.

Organics - anaerobic digestion and composting of organic waste from municipal and industrial sectors.

Hazardous Waste - the reprocessing and recycling of contaminated soil, water and other contaminated materials.

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	**First half 2012/13 £m**	First half 2011/12 £m
Netherlands Solid Waste	**94.2**	114.5
Belgium Solid Waste	**45.1**	51.4
Belgium Other	**35.6**	46.4
Intra-segment revenue	**(7.8)**	(7.9)
Solid Waste Benelux	**167.1**	204.4
Solid Waste UK	**32.5**	45.0
Municipal Waste UK	**57.1**	55.0
Netherlands	**7.6**	8.7
Canada	**7.7**	7.3
Other Organics	**3.0**	1.6
Organics	**18.3**	17.6
Hazardous Waste	**67.7**	79.7
Inter-segment revenue	**(3.1)**	(4.0)
Total revenue	**339.6**	397.7
Group	**333.8**	391.6
Share of joint ventures	**5.8**	6.1
Total revenue	**339.6**	397.7

Notes to the Consolidated Interim Financial Statements (unaudited)

2. Segmental reporting - continued

Segment Results	First half 2012/13 £m	Restated* First half 2011/12 £m
Netherlands Solid Waste	**5.4**	9.3
Belgium Solid Waste	**4.4**	3.6
Belgium Other	**3.6**	4.1
Divisional central services	**(4.0)**	(3.1)
Solid Waste Benelux	**9.4**	13.9
Solid Waste UK	**(0.7)**	4.4
Divisional central services	**(1.5)**	(2.0)
Solid Waste UK	**(2.2)**	2.4
Municipal Waste UK	**6.8**	4.8
Divisional central services	**(2.6)**	(4.1)
Municipal Waste UK	**4.2**	0.7
Netherlands	**1.8**	2.0
Canada	**1.9**	1.9
Other Organics	**-**	(0.2)
Divisional central services	**(0.6)**	(0.5)
Organics	**3.1**	3.2
Hazardous Waste	**10.6**	12.0
Divisional central services	**(0.7)**	(0.8)
Hazardous Waste	**9.9**	11.2
Group central services	**(2.7)**	(3.3)
Total trading profit	**21.7**	28.1
Amortisation of acquisition intangibles	**(1.8)**	(1.9)
Exceptional items	**(5.5)**	-
	(7.3)	(1.9)
Total operating profit	**14.4**	26.2
Group	**14.5**	26.8
Share of joint ventures	**(0.1)**	(0.6)
Total operating profit	**14.4**	26.2
Interest payable	**(10.4)**	(11.1)
Interest receivable	**2.9**	2.1
Net finance charges	**(7.5)**	(9.0)
Income from associates	**0.1**	0.1
Profit before tax for the period	**7.0**	17.3

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

Notes to the Consolidated Interim Financial Statements (unaudited)

2. Segmental reporting - continued

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

Revenue	**First half 2012/13 £m**	First half 2011/12 £m
Solid Waste	**94.2**	114.5
Hazardous Waste	**67.7**	79.7
Organic Treatment	**7.6**	8.7
Intra-segment revenue	**(1.7)**	(2.4)
Netherlands	**167.8**	200.5
Solid Waste	**56.1**	67.9
Hazardous Waste	**20.9**	24.1
Landfill	**2.2**	3.2
Power	**1.7**	2.5
Sand Quarry	**1.5**	1.6
Intra-segment revenue	**(7.8)**	(7.9)
Belgium	**74.6**	91.4
Solid Waste	**29.8**	34.9
Hazardous Waste	**0.1**	7.0
Organic Treatment	**1.3**	0.1
Municipal – PFI/PPP Contracts	**57.1**	55.0
Landfill and Power	**3.4**	3.1
Intra-segment revenue	**(0.8)**	-
UK	**90.9**	100.1
Organic Treatment	**7.7**	7.3
Canada	**7.7**	7.3
Inter-segment revenue	**(1.4)**	(1.6)
Total revenue	**339.6**	397.7
Group	**333.8**	391.6
Share of joint ventures	**5.8**	6.1
Total revenue	**339.6**	397.7

Notes to the Consolidated Interim Financial Statements (unaudited)

2. Segmental reporting - continued

Segment Results	**First half 2012/13 £m**	Restated* First half 2011/12 £m
Solid Waste	**5.4**	9.3
Hazardous Waste	**10.6**	12.0
Organic Treatment	**1.3**	1.7
Country central services	**(1.7)**	(2.1)
Netherlands	**15.6**	20.9
Solid Waste	**4.4**	3.6
Hazardous Waste	**1.6**	1.3
Landfill	**0.7**	0.9
Power	**1.0**	1.5
Sand Quarry	**0.4**	0.3
Country central services	**(3.0)**	(2.0)
Belgium	**5.1**	5.6
Solid Waste	**(0.6)**	3.2
Hazardous Waste	**-**	1.4
Organic Treatment	**(0.1)**	(0.1)
Municipal – PFI/PPP Contracts	**6.8**	4.8
PFI bid team	**(0.5)**	(1.8)
Landfill and Power	**(0.1)**	(0.2)
Country central services	**(3.6)**	(4.3)
UK	**1.9**	3.0
Organic Treatment	**1.8**	1.9
Canada	**1.8**	1.9
Group central services	**(2.7)**	(3.3)
Total trading profit	**21.7**	28.1
Amortisation of acquisition intangibles	**(1.8)**	(1.9)
Exceptional items	**(5.5)**	-
	(7.3)	(1.9)
Total operating profit	**14.4**	26.2
Group	**14.5**	26.8
Share of joint ventures	**(0.1)**	(0.6)
Total operating profit	**14.4**	26.2
Interest payable	**(10.4)**	(11.1)
Interest receivable	**2.9**	2.1
Net finance charges	**(7.5)**	(9.0)
Income from associates	**0.1**	0.1
Profit before tax for the period	**7.0**	17.3

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

Notes to the Consolidated Interim Financial Statements (unaudited)

3. Reconciliation of non-trading and exceptional items

Non-trading and exceptional items	First half 2012/13 £m	First half 2011/12 £m
Amortisation of acquisition intangibles	**1.8**	1.9
Gain from exiting transport activities in Foronex in Belgium	**(1.0)**	-
Restructuring charge	**5.1**	-
Onerous contract provision	**1.4**	-
Total non-trading and exceptional items in operating profit	**7.3**	1.9
Change in fair value of derivatives	**-**	1.0
Tax on non-trading and exceptional items	**(1.1)**	(0.8)
Exceptional tax	**(2.0)**	(4.3)
Total non-trading and exceptional items in profit after tax	**4.2**	(2.2)

Following the decision to exit from the transport activity in Foronex, our Belgian biomass and wood trading subsidiary, trucks were sold to a third party which resulted in a gain of £1.0m.

A range of structural cost initiatives has been implemented in the period which have resulted in £5.1m of restructuring charges in the period. The charge to date represents settlement costs for those employees already notified of redundancy together with associated costs.

The exceptional tax credit of £2.0m (2011/12: £4.3m) relates to a favourable judgement issued with regard to certain tax liabilities in Belgium.

Trading profit to EBITDA	First half 2012/13 £m	First half 2011/12 £m
Trading profit	**21.7**	28.1
Depreciation of property, plant and equipment	**22.1**	25.9
Amortisation of intangibles assets (excl. acquisition intangibles)	**1.0**	0.6
Non-exceptional gains on property, plant and equipment	**(1.3)**	(0.9)
Non cash landfill related expense and provisioning	**0.1**	-
EBITDA	**43.6**	53.7

4. Tax

Tax expense is recognised based on management's best estimate of the weighted average annual tax rate expected for the full financial year. The estimated average underlying annual tax rate for the year to 31 March 2013 is 26.0% (2011/12: 26.1% restated).

Notes to the Consolidated Interim Financial Statements (unaudited)

5. Earnings per share

	First half 2012/13	Restated* First half 2011/12
Number of shares		
Weighted average number of ordinary shares for basic earnings per share	**396.8m**	396.8m
Effect of share options in issue	**0.3m**	0.3m
Weighted average number of ordinary shares for diluted earnings per share	**397.1m**	397.1m
Calculation of basic and underlying basic earnings per share		
Earnings for basic earnings per share being profit for the period (£m)	**6.4**	17.1
Non-trading and exceptional items (net of tax) (£m) (see note 3)	**4.2**	(2.2)
Earnings for underlying basic earnings per share (£m)	**10.6**	14.9
Basic earnings per share	**1.6p**	4.3p
Underlying earnings per share (see note below)	**2.7p**	3.8p
Calculation of diluted earnings per share		
Earnings for basic earnings per share being profit for the period (£m)	**6.4**	17.1
Effect of dilutive potential ordinary shares (£m)	**-**	-
Earnings for diluted earnings per share (£m)	**6.4**	17.1
Diluted earnings per share	**1.6p**	4.3p

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

The Directors believe that adjusting earnings per share for the effect of the amortisation of acquisition intangibles (excluding landfill void and computer software) 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.

6. Dividends

	First half 2012/13 £m	First half 2011/12 £m
Amounts recognised as distributions to equity holders in the period:		
Final dividends	**9.3**	8.9
Interim dividend per share	**1.1p**	1.1p

An interim dividend of 1.1p per share was approved by the Board on 8 November 2012 and will be paid on 11 January 2013 to shareholders on the register at close of business on 7 December 2012. In 2011/12 an interim dividend of 1.1p per share was paid. The final dividend for 2011/12 of 2.35p per share (2010/11: 2.25p) was approved by the shareholders at the Annual General Meeting on 19 July 2012 and was paid on 1 August 2012.

Notes to the Consolidated Interim Financial Statements (unaudited)

7. Property, plant and equipment

During the six months ended 30 September 2012, the Group acquired assets with a cost of £23.3m (2011/12: £33.2m), disposed of assets with a net book value of £2.1m (2011/12: £0.8m) and charged depreciation of £22.1m (2011/12: £25.9m). The major growth projects are as described in the finance review.

At 30 September 2012, the Group had capital commitments of £82.0m (2011/12: £40.1m). This included £66.1m (2011/12: £17.6m) in relation to financial asset expenditure for the Cumbria PPP and BDR PFI contracts.

8. Provisions

	Restructuring	Site restoration and aftercare	Other	Total
	£m	£m	£m	£m
At 31 March 2012	-	28.7	25.5	54.2
Provided – cost of sales	1.5	0.2	-	1.7
Provided – admin costs	3.6	-	1.4	5.0
Finance charges – unwinding of discount	-	0.5	0.8	1.3
Utilised	(2.4)	(0.1)	(1.6)	(4.1)
Exchange	-	(1.4)	(0.5)	(1.9)
At 30 September 2012	**2.7**	**27.9**	**25.6**	**56.2**
Current	**2.3**	**0.7**	**6.3**	**9.3**
Non-current	**0.4**	**27.2**	**19.3**	**46.9**
At 30 September 2012	**2.7**	**27.9**	**25.6**	**56.2**
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
Current	-	0.3	7.4	7.7
Non-current	-	28.4	9.6	38.0
At 30 September 2011	-	28.7	17.0	45.7

A range of structural cost initiatives has been implemented in the period which will result in restructuring charges. For those plans announced by 30 September 2012, costs of £5.1m have been reflected and £2.4m has been utilised to date.

Other provisions principally cover onerous contracts, leases, warranties and indemnities.

During the year ended 31 March 2012, £8.7m (€10.5m) was received following a court decision in respect of a claim for business interruption in the Netherlands that occurred in 2002. The receipt of the amount was conditional on a parent company guarantee. The court's decision was appealed and there has been no further development in the six month period. Until the outcome of the appeal is known with greater certainty the Directors believe that the item should remain within provisions.

Notes to the Consolidated Interim Financial Statements (unaudited)

9. Retirement benefit obligations

The amounts recognised in the income statement were as follows:

	First half 2012/13	Restated* First half 2011/12
	£m	£m
Current service costs	0.4	0.4
Net interest on the net defined benefit liability	0.2	(0.2)
	0.6	0.2

*Net interest on the defined benefit liability has been restated for the first half 2011/12 as a result of the early adoption of IAS19 (revised) Employee Benefits. The impact for the six month period was a £0.6m reduction in interest income with no impact on current service costs or the net liability position.

The amounts recognised in the balance sheet were as follows:

	As at 30 September 2012	**As at 30 September 2011**	As at 31 March 2012
	£m	**£m**	£m
Present value of scheme liabilities	(132.1)	(118.7)	(125.5)
Market value of scheme assets	121.1	108.0	117.9
Net pension deficit	(11.0)	(10.7)	(7.6)

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 2.8% both in line with market data.

10. Net cash from operating activities

	First half 2012/13	Restated* First half 2011/12
	£m	£m
Profit before tax from continuing operations	7.0	17.3
Fair value losses on financial instruments	-	1.0
Finance costs net	7.5	8.0
Amortisation of intangible assets	2.8	2.5
Depreciation of property, plant and equipment	22.1	25.9
Non-exceptional gain on disposal of property, plant and equipment	(1.3)	(0.9)
Exceptional gain from exiting transport activities in Foronex in Belgium	(1.0)	-
Net increase (decrease) in provisions	1.2	(2.4)
Income from associates	(0.1)	(0.1)
Share based compensation	0.2	0.3
Operating cash flows before movement in working capital	38.4	51.6
Decrease (increase) in inventories	0.2	(0.4)
(Increase) decrease in receivables	(8.1)	7.9
Decrease in payables	(6.0)	(13.2)
Cash generated by operations	24.5	45.9
Income taxes paid	(2.6)	(3.0)
Net cash from operating activities	21.9	42.9

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

Notes to the Consolidated Interim Financial Statements (unaudited)

11. Net debt

Consolidated movement in net debt

	First half 2012/13 £m	First half 2011/12 £m
Net increase (decrease) in cash and cash equivalents	**2.6**	(1.3)
Net increase in borrowings and finance leases	**(50.4)**	(14.7)
Amortisation of loan fees	**(0.6)**	(0.6)
Capitalisation of loan fees	**0.2**	0.1
Exchange gain	**6.2**	5.6
Movement in net debt	**(42.0)**	(10.9)
Net debt at beginning of period	**(206.2)**	(207.4)
Net debt at end of period	**(248.2)**	(218.3)

Analysis of net debt

	At 30 September 2012 £m	At 30 September 2011 £m	At 31 March 2012 £m
Cash and cash equivalents	61.6	52.5	59.8
Current borrowings	(26.0)	(14.0)	(12.2)
Non-current borrowings	(283.8)	(256.8)	(253.8)
Total Group net debt	(248.2)	(218.3)	(206.2)
Core Business net debt	(188.1)	(166.3)	(160.8)
PFI/PPP non-recourse net debt	(60.1)	(52.0)	(45.4)
Total Group net debt	(248.2)	(218.3)	(206.2)

	At 30 September 2012 £m	At 30 September 2011 £m	At 31 March 2012 £m
Cash and cash equivalents as above	**61.6**	52.5	59.8
Less: deposits with a maturity of three months or more (restricted funds)	**(5.3)**	-	(5.6)
	56.3	52.5	54.2

Short-term deposits include restricted funds of £5.3m (2011: £nil), held in relation to a legal claim in the Netherlands.

12. Related party transactions

The Group's significant related parties remain as disclosed in note 32 of the Annual Report and Accounts 2012. There were no material differences in related parties or related party transactions in the period compared to the prior period.

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

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 and as the appeal process remains uncertain the established provision remains appropriate. The claim relates to the period prior to the acquisition of the Netherlands group of companies in 2000 and accordingly any payment to the authorities may be recoverable from the previous owners under the sale and purchase agreement. Any such recovery represents a contingent asset at 30 September 2012 and no receivable for a potential payment from the previous owners will be recorded until its receipt is virtually certain.

Independent review report to Shanks Group plc

Introduction

We have been engaged by the company to review the condensed consolidated interim financial information in the half-yearly financial report for the six months ended 30 September 2012 which comprises the consolidated interim income statement and consolidated interim statement of comprehensive income, consolidated interim balance sheet, consolidated interim statement of changes in equity, consolidated interim statement of cash flows and related notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

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

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

Our responsibility

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial information in the half-yearly financial report for the six months ended 30 September 2012 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

PricewaterhouseCoopers LLP
Chartered Accountants
8 November 2012
London

Notes:

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

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