ROBUST PERFORMANCE IN A CHALLENGING ENVIRONMENT

Shanks Group plc
Annual Report & Accounts 2010

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Shanks Group.

Shanks Group is Europe's largest listed independent waste management company operating in the Netherlands, Belgium, the UK and Canada, providing its customers with sustainable solutions to their waste and environmental obligations

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Front cover image shows part of the new (Greenmills) Orgaworld fermentation and waste water treatment plant under construction in the Amsterdam harbour area.

Disclaimer

This document contains certain forward-looking statements with respect to the operations, performance and financial condition of the Shanks Group. 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 document and, except to the extent legally required, Shanks Group undertakes no obligation to revise or update such forward-looking statements.

Highlights

"Our vision is to be Europe's leading provider of sustainable waste management solutions. Shanks is a well managed Group with good strategic positioning in the evolving European waste markets"

Adrian Auer
Chairman

14.9%

EBITDA/Revenue Margin
2008/9
15.5%

107%

Underlying Free Cash Flow Conversion
2008/9
55%

3.0p

per Share
Total Dividend
2008/9
1.7p per share

74%

Overall Recycling and Recovery Rate
2008/9
70%

Shanks Waste Processing Systems

Beyond waste minimisation, reuse and recycling are the next preferred steps in the waste hierarchy. Shanks turns customers' waste into a resource through innovative technology.

Recycling and Recovery

Waste is received and goes through a variety of mechanical and manual processes to obtain maximum recovery of materials. These materials are sorted into categories such as cardboard and paper, aluminium, glass, wood and metals. Each category can then re-enter the manufacturing process as a valuable commodity.

Organic Treatment

Organic waste may be separated from general waste at source, diverting the most biodegradable and methane producing waste from landfill. Through specialist processing the carbon in these products can be returned to the soil as compost and fertiliser. Biogas produced from natural biological activity can also be fully captured and turned into a green energy source.

7,390,000

tonnes of waste handled by Shanks

Creating value

Shanks' Materials Recycling Facilities (MRFs) and Mechanical Biological Treatment facilities (MBTs) are designed to reduce the amount of waste going to landfill by recovering, recycling and reusing as much material as possible.

1,000,000

tonnes of organic waste treatment capacity

Anaerobic digestion

Anaerobic digestion is one of several organic waste treatment processes. It breaks down organic waste – such as food, farm manure and waste water – into compost in an oxygen-free environment. The process creates fertiliser and biogas, which can be used as a fuel. As the waste is composted in a closed building it takes up less space, creates fewer odours and is processed faster.

1. One Vision

To be Europe's leading provider of sustainable waste management solutions

1.1 VISION

Context

Across the world governments are urging the waste industry to support them in recovering more resources and energy from waste. Legislation and fiscal incentives are increasingly used to encourage the move away from landfill. This trend is driven by recognition of the role that more sustainable forms of waste management can play in accelerating the move to a low carbon economy and building a society that recognises the value of the earth's finite resources. The preferred approach is reflected in the Waste Hierarchy embedded in European and national waste legislation.

Positioning

Shanks is firmly positioning itself in the recycling and energy recovery area of the hierarchy. Following recent divestments, Shanks has only minimal amounts of landfill left within its treatment portfolio. Through investment in new technologies and processes, we are developing an infrastructure that can provide sustainable solutions that firstly maximise the recovery of reusable resources and then process the residue into renewable energy. This approach is also known as "zero waste".

Strategy

Our vision is an ambitious but achievable one. Whilst Shanks is not, and is unlikely to be, the largest waste company in Europe, we are a major player with high market share in the Benelux. We already operate with high levels of recycling and are a market leader in implementing such technologies as Anaerobic Digestion, Mechanical Biological Treatment and the production of high calorific value fuel from waste. Our growth strategy is to build upon this expertise and develop a reputation as the leading provider of sustainable alternatives to landfill and incineration.

ORGANIC PROCESSING

Orgaworld operate a 100,000 tonnes per annum anaerobic digestion and 75,000 tonnes per annum tunnel composting facility in the municipality of Lelystad in the Netherlands

1 million tonnes

The Shanks Group has capacity to treat over 1 million tonnes per annum of organic waste including garden waste, food waste and municipal solid waste through a network of organic waste treatment plants in the Netherlands, Belgium, the UK and Canada.

2. Two Drivers of Value

Future value will be driven by the actions we are taking to benefit from the economic recovery and from our strategic investments

2.1 ECONOMIC RECOVERY

Significant elements of the business are subject to the economic cycle and we have experienced a downturn during the recent worldwide recession. Due to the relatively high margins on incremental volumes, higher activity levels associated with the economic recovery will benefit the business significantly. This potential benefit has been enhanced by the further actions we have been taking to reduce the cost base.

2.2 STRATEGIC INVESTMENTS

As outlined in the next section, our strategy is to focus on three growth areas. To increase the rate of success in these areas we are undergoing a programme of significant strategic investments in each area. These investments, which we have continued to make during the recession, are outlined in the Chief Executive's Statement. We are targeting a 15% return on our investments.

The Group has remained focused on its long term strategic goals and during the year the Group invested £30 million in growth projects

£30m
in growth projects

WASTE COLLECTION

The Shanks Group runs more than 1,400 collection and transport vehicles from 100 operating centres

74% recycling & recovery rate

During the year Shanks Group's operations handled 7.39 million tonnes of waste of which 5.48 million tonnes of material were recovered: an overall recycling and recovery rate of 74%, up from 70% in the previous year.

3. Three Growth Areas

Focused on becoming the leader in sustainable waste management, we have identified three growth areas

3.1 RECYCLING

Beyond waste minimisation, reuse and recycling are the next preferred steps in the waste hierarchy. Governments have increased tax on landfill to make the recycling of waste an economically viable alternative. Typically this involves large sorting centres or MRFs (material recycling facilities) to separate mixed waste into its different parts which can then be sent for further more specialist processing. These recovered materials include paper, plastics, cardboard and glass from commercial waste and wood, rubble, metal and sand from construction waste. Shanks operates a network of 65 sorting centres across the Group and also has specialist centres for turning the residue left after recycling into a fuel for industry known as SRF (solid recovered fuel).

Our strategy is to invest in the development of further MRF facilities where Shanks has a strong market presence. This will allow us to divert the waste we collect into our new sorting centres as well as attract third party waste by offering a gate fee below the local disposal alternatives.

3.2 ORGANIC PROCESSING

The separation at source of organic waste from general waste is growing rapidly because it has the dual benefit of removing the most biodegradable (methane producing) waste from landfill and also because through specialist processing it can be turned into valuable products. Typically 50% of general waste is organic in its nature. Through specialist processing the carbon in these products can be returned to the soil as compost or fertiliser and biogas produced from the natural biological activity can be fully captured and turned into a green energy source.

Organic processing is one of the fastest growing segments within the waste sector. Shanks has its own specialist business called Orgaworld which is an experienced and innovative company that uses both composting and anaerobic digestion technology to process organic waste into these end products.

Our strategy is to share this expertise across the Group and use it to develop organics businesses in our key markets. We have also seen the opportunity to use the competitive advantage that Orgaworld has to develop specialist business in new markets such as Canada. The Group is investing in a number of new facilities in the UK, Canada and the Netherlands and expects to make attractive returns on these investments as they are commissioned. We believe that the ability of anaerobic digestion plants to be relatively quickly built compared to other forms of renewable energy such as wind, nuclear and solar will increase their attractiveness to governments and private companies looking to meet their carbon reduction and renewable energy commitments.

3.3 MUNICIPAL PFI CONTRACTS

The UK Government is bound by the EU Landfill Directive which requires it to reduce substantially the amount of municipal waste it sends to landfill. It is required to meet specific reduction milestones in 2010, 2013 and 2020. To meet these significant reductions which peak at a 65% reduction from 1995 levels by 2020, the Government needs to both increase recycling and build alternative infrastructure to take waste diverted from landfill. This requires an estimated investment of around £10bn which is already underway.

Central Government is providing PFI credits to local authorities to allow them to procure turnkey solutions from the private sector. These entail competitive procurement processes to build new infrastructure and operate it for around 25 years. Shanks is active in this market and already operates four contracts involving annual throughput of around 800,000 tonnes. Our goal is to secure further contracts to grow this to around 1.5m tonnes which would represent annual revenue of around £140m.

MUNICIPAL CONTRACTS

Construction of the Hespin Wood Mechanical Biological Treatment (MBT) facility underway as part of Shanks' 220,000 tonnes per annum Cumbria contract

Cumbria County Council

Cumbria County Council has chosen Shanks to develop two MBT facilities, each treating 75,000 tonnes of waste per annum and to manage Cumbria's existing household waste recycling centres. The new facilities will increase the amount of recyclable material and also produce Solid Recovered Fuel.

4. Four Countries

Shanks Group is a major player in the Netherlands, Belgium and the UK, with an expanding Organics business in Canada

The Group's organisational structure reflects the national nature of the markets in which it operates with divisions in the Netherlands, Belgium, the UK and Canada. This reflects the essentially local nature of waste management and the need for close familiarity with local regulation which varies substantially between countries. Operations are managed through the Group Executive Committee comprising the Group Chief Executive, the Group Finance Director and the Country Managing Directors. This allows for entrepreneurial management at a local level within a strong central framework that ensures consistency, accountability and the sharing of ideas and technology where appropriate across the Group.

4.1 THE NETHERLANDS

Revenue: £354m, 52% of the Group
Trading profit: £36.7m, 67% of the Group

The Netherlands has had some of the most advanced environmental legislation in Europe in place for some time. They also have high levels of landfill tax (currently circa €107 per tonne). These, together with the geological characteristics of the country, have resulted in a low reliance on landfill with incineration being the predominant final disposal route. The higher cost and limited capacity of final disposal outlets has made sorting and recycling in the Netherlands more viable and overall the amount of waste sent to landfill is circa 3% – 4% and overall recycling rates are approximately 86%.

4.2 BELGIUM

Revenue: £176m, 26% of the Group
Trading profit: £14.0m, 26% of the Group

In Belgium, environmental responsibility is devolved to the three Regions: Flanders, Wallonia and Brussels. Flemish environmental legislation and landfill tax levels are very similar to those in the Netherlands resulting in similar market characteristics with high levels of recycling, a reliance on incineration for final disposal and very little landfill. In the Walloon Region landfill tax on Industrial & Commercial waste rose significantly on 1 January 2010 to an effective rate of €90 per tonne, which will promote increased recycling and other forms of energy recovery.

Group Waste Activities	
Solid Waste	Non-hazardous solid waste collections, transfer, recycling and treatment
Landfill and Power	Landfill disposal (including contaminated soils) and power generation from landfill gas
Hazardous Waste	Principally contaminated waste including industrial cleaning, transport, treatment (including contaminated soils) and disposal and contaminated land remediation
Organic Treatment	Anaerobic digestion and tunnel composting of source segregated organic waste streams
PFI Contracts	Long-term UK municipal waste treatment contracts

4.3 THE UK

Revenue: £147m, 21% of the Group

Trading profit: £2.1m, 4% of the Group

The UK has historically relied heavily on landfill. The imposition of the European Landfill Directive and the UK Government's policy of doubling the rate of landfill tax from £40 per tonne to £80 per tonne by 2014 will have a major impact on both the municipal and industrial & commercial sectors. Implementation of the Directive requires waste disposal authorities to develop new strategies to reduce the amount of Biodegradable Municipal Waste that they send to landfill to fall by one quarter between 2010 and 2013. In addition, consultation is currently ongoing to ban certain waste streams to landfill which will further increase the need for alternatives such as recycling and organic processing.

4.4 CANADA

Revenue: £8m, 1% of the Group

Trading profit: £1.9m, 3% of the Group

In Canada there is strong public opinion against landfill, which in some areas has led to a shortage of consented capacity. As in Europe there is a drive to reduce waste going to landfill. Orgaworld in the Netherlands identified an opportunity in the Canadian market to offer biological treatment of source segregated organic municipal waste, a market which has significant potential in terms of volumes and to date has few competitors.

5. Five Strategic Objectives

We will pursue our vision through a clear strategy

5.1 **INVEST to drive organic growth where returns are greatest.**

5.2 **DEVELOP our infrastructure further to support sustainable waste management and conversion of waste to renewable energy.**

5.3 **SHARE our core capabilities and technologies within the Group.**

5.4 **MAXIMISE asset utilisation and minimise unit costs.**

5.5 **CONTINUE to use acquisitions to improve asset utilisation and re-orient the portfolio to high growth markets.**

102,220
megawatt hours

Energy generated from Shanks' operations amounts to 102,220 megawatt hours

RECYCLING AND RECOVERY

The Icopower facility in the Netherlands manufactures high calorific value pellets from industrial and commercial waste for use as a fuel in heating and power plants

Solid Recovered Fuel

Solid Recovered Fuel (SRF) is manufactured from residual household waste. More than 60% of the energy of SRF is derived from carbon neutral biomass and so provides a potent source of renewable energy. The use of SRF can displace fossil fuels and their associated CO_2 emissions.

6. Six Critical Success Factors

To achieve the Group's strategy, we have identified six factors critical to the success of our business

6.1 ENTREPRENEURIAL and focused on customer service, maintaining the local approach that distinguishes it from competitors.

6.2 A COST LEADER that maximises productivity and asset utilisation with continuous improvement attitude throughout all levels of the business.

6.3 WELL INFORMED, engaged and motivated employees who have a safe and healthy workplace.

6.4 SYSTEMS AND PEOPLE in place to maximise the development and exchange of technology, processes, knowledge and skills for the benefit of the whole Group.

6.5 A CULTURE of executing well to maximise growth, margin and cash.

6.6 A GOOD CORPORATE CITIZEN including a commitment to high environmental standards and being green.

For each critical success factor Key Performance Indicators have been identified to ensure that progress can be monitored. Also identified, where relevant, are Key Market Indicators that will allow the Group to react quickly to changing market conditions to ensure that the Critical Success Factors are achieved in all market conditions. This process should ensure that the focus is maintained on implementing the Group's Strategy and achieving the Vision in all circumstances.

Average number of employees throughout the Group during the year was 4,239

4,239
employees

WASTE TO ENERGY

Biogas production at Shanks' 250,000 tonnes per annum waste treatment facility at Roeselare in West Flanders, Belgium

Biogas

The fuel manufactured from biogas can be used to power collection vehicles and reduce carbon footprint. The energy manufactured from biogas is classified as renewable power and can be sold and distributed as 'green energy' either directly to customers or back into the National Grid.

Chairman's Statement

"The Board is confident that the Group can deliver real growth in shareholder value over the medium term"
Adrian Auer

It has been a very challenging year for the waste industry, with all the major players reporting reductions in revenue and profitability as the sharp downturn in economic activity reduced the amount of waste produced. In mainland Europe this resulted in significant over capacity in incineration which contributed to a sharp downward pressure on prices in Solid Waste.

In addition to adjusting to these difficult market conditions, during the year the Company has also successfully navigated its way through a number of significant corporate challenges.

Despite the uncertainties brought about by the credit squeeze, which continued for some months, at the beginning of 2009 the Group's medium term banking facility was re-negotiated. This created the platform to strengthen our capital structure and in June 2009 the Group completed a Rights Issue which was successful in raising net proceeds of £66.9m. The Board would like to thank shareholders for their support for the Issue which achieved an acceptance rate of 96%.

On 7 December 2009 the Board announced that it had received an unsolicited and highly conditional approach from a private equity firm, subsequently identified as the Carlyle Group, valuing the Company at 135p per share. Although the Board believed strongly that a price higher than 150p was a more appropriate reflection of the Group's value, following consultation with major shareholders the Board agreed to provide Carlyle with detailed due diligence access, in order to support an improved offer price.

However, on 8 March 2010 Carlyle indicated that it would reduce any final offer it might make to 120p. In response the Board were unanimous in rejecting what they believed to be a material undervaluation of Shanks and discussions with Carlyle were terminated.

Throughout the engagement with Carlyle the sole objective of the Board was to secure for shareholders a price that in its opinion and that of our advisors, reflected the true value of the Company. We were not able to achieve this and regretfully, in discharging this duty to shareholders, significant advisory costs were incurred and the senior management of the Company were diverted from the day-to-day demands of the business for an extended period.

However, the Board is confident that the Group can deliver real growth in shareholder value over the medium term. Shanks is a well managed Group with good strategic positioning in the evolving European waste markets. We have maintained investment through this recession and the compelling regulatory and legislative drivers remain in place.

Financial Performance

In line with declining waste volumes, and the pricing pressures in mainland Europe, underlying profit before tax fell by 24% to £33.2m, on revenues down 0.2%. Given the severity of the downturn and our relatively high exposure to construction markets, this represents a commendable outcome, with the worst effects of the recession mitigated by reducing the cost base and tight control of cash resources.

3p

total dividend per share for the year

Shanks Group RIDDOR accident rate per 100,000 employees
(Reporting of Injuries, Diseases and Dangerous Occurrence Regulations)

6%

reduction in number of reportable accidents

While adapting to this recessionary environment the Group has remained focused on its long term strategic goals and during the year the Group invested £30m in growth projects. These investments, together with the higher operational gearing resulting from the reductions in the cost base, will enhance our ability to grow earnings as markets recover.

Financial Position

Despite the impact of the recession on our profitability, through the careful stewardship of the Group's cash resources and with the benefit of the proceeds from the Rights Issue, gearing remained well within our target of less than 2.5 times EBITDA.

Dividend

Underlying earnings per share for the year was 6.5p. Consistent with the dividend policy set out at the time of the Rights Issue, the Board will be recommending a final dividend of 2.0p per share. Looking forward, it is the Board's intention to pursue a progressive dividend policy within a range of 2.0 to 2.5 times cover over the medium term.

People

It is to the great credit of all the employees of the Company that during a year of unprecedented adverse market conditions, and through the uncertainty caused by the approach from the Carlyle Group, their dedication and focus has been undiminished. Once again, the Board wishes to record its sincere appreciation for this continued commitment to the future of the Company.

I would also like to take this opportunity to thank my Board colleagues for their commitment and wise counsel in what has been a particularly eventful year.

As I reported last year we were pleased to welcome Chris Surch as Group Finance Director in May 2009. I am very pleased to report that Chris has settled in quickly and is making a valuable contribution both to the executive management team and the Group Board.

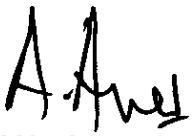
Corporate Governance

The Board continues to place great emphasis on corporate governance best practice. The Company's Articles of Association were amended at the last AGM in order to provide for the annual re-election of all Non-executive Directors including the Chairmen of our Board Committees and myself. Further amendments are being proposed to our Articles at this year's AGM in compliance with the final provisions introduced by the Companies Act 2006.

Corporate Responsibility

The Group continues to increase its focus on corporate responsibility. During the year the Group published its first Group Corporate Responsibility Report which set out nine clear commitments the Group is making to improve our corporate responsibility performance. In this year's report we will publish progress against those commitments and set out some quantified targets for carbon avoidance, employee wellbeing and recycling and recovery rates.

The waste management industry remains a potentially hazardous place to work and we operate strict standards of health and safety throughout the Group. During the year the Group was successful in reducing the number of reportable accidents by 6%. We also adopted our Vision Zero which aims to stimulate a culture of continuous improvement and a relentless commitment to managing out all avoidable accidents.



Adrian Auer
Chairman

Chief Executive's Statement

"In the face of some very challenging economic conditions, we have made good progress on the delivery of our key priorities and delivered a robust performance"
Tom Drury

The last twelve months have proved eventful for Shanks with the Rights Issue and the unsolicited approach from the Carlyle Group absorbing a significant amount of management time. Throughout the year however, I have been mindful that these corporate activities must not allow us to be deflected from the need to maintain momentum towards our short and medium term goals in what are extremely competitive and rapidly changing markets.

We have a clear strategy based on our vision of Shanks becoming Europe's leading provider of sustainable waste management solutions through investment in recycling, organic processing and UK PFI projects. The introduction of green energy subsidies for organic technologies from Toronto to Amsterdam and the increasing use of landfill bans and rising taxes confirm the compelling industry drivers upon which our strategy is based. The opening of Europe's largest industrial wet anaerobic digestion facility in the port of Amsterdam reinforces Shanks' leading position in this rapidly growing market.

As evidence of the value being created in our PFI activities, the Board has for the first time this year published a Directors' valuation of its existing PFI portfolio. Recent improvements in the operational performance of existing projects allow us to identify a valuation of £65m to £80m.

Together with the steady pursuit of our medium term goals we are focused on delivering in the near term. Against the backdrop of a deep recession exacerbated by the coldest winter in Europe for thirty years this has proved to be a challenging year. Nevertheless, the overall Group performance was creditable and compares well with our European peers.

Financial Performance

Underlying profit before tax fell by £10.7m (24%) to £33.2m on revenues down 0.2%. The profit impact of the recession is estimated at £20-£25m and includes lower volumes, lower recyclate prices and pricing pressure not offsetting underlying cost increases. In addition to the recession the business has been impacted by the harsh weather conditions and the decline in Belgian Landfill following the increase in taxes on 1 January 2010. To mitigate the above we have delivered on the previously announced £10m cost programme, made additional savings through lower waste disposal costs of £10m and improved the margins within PFI.

Furthermore we have maintained a tight control of the cash resources through strong working capital management and lower maintenance capital expenditure.

While adapting to this recessionary environment, the Group has remained focused on its long term strategic goals and during the year the Group invested £30m in growth projects. These investments, together with the higher operational gearing resulting from the reductions in the cost base, will enhance our ability to grow earnings as markets recover.

Progress during the year

At the Rights Issue a number of near term priorities were identified and I am pleased to report good progress against them:

£20m
cost savings

Reduce debt and hold below 2.5 times EBITDA
The net debt to EBITDA ratio was 1.8 times at the end of March 2010.

Achieve cost savings of £10m per annum
Savings of £10m achieved with a further £10m of savings in waste disposal costs.

Reduce maintenance capex as a percentage of depreciation to around 50%
Target achieved with an actual outcome of 53% (96% in 2008/09).

Make targeted divestments of non core assets and improve operating cash flow
Avondale landfill joint venture sold for £27m of which £21m has been received. The sale of PFI equity was interrupted by the Carlyle approach and the Board is now evaluating the most appropriate time to sell.

Maintain investment in our focused growth strategy
£30m of growth capex was invested this year and it has remained a very high priority for the Group that we continue to invest in our strategy. Progress in implementing the key projects is highlighted below.

These near term priorities have run in parallel with progress towards the five strategic objectives I set when I joined as Group Chief Executive:

1. Invest to drive organic growth where returns are greatest
Organic revenue declined by 5% as a consequence of the economic downturn. Returns from new projects began to contribute to trading profits and we continue to see a number of new projects within our strategic focus able to generate returns in excess of our target of 15%.

2. Develop our infrastructure further to support sustainable waste management
In organics we commissioned a new 100,000 tonnes per annum composting facility in Ottawa and this is producing good quality compost from municipal household waste. We also started construction work on our first UK organics plant, an anaerobic digestion plant in Cumbernauld Scotland, which is expected to commission this Autumn. Finally we made very good progress with the flagship Greenmills project in the port of Amsterdam which will be operational in June and will process 100,000 tonnes per annum of organic waste through anaerobic digestion and 300,000 tonnes per annum of waste water. Further phases of the project could see the production of high quality fertiliser pellets and the production of bio ethanol from organic waste.

In recycling, we have made further upgrades to our recycling/solid recovered fuel plant in Ghent to increase its recycling rate and have completed most of the work on our new 150,000 tonnes per annum recycling centre which will open in Glasgow in the Autumn.

We remain active bidders for UK PFI projects which will help the UK Government meet its landfill diversion targets. Work has started on the mechanical biological treatment (MBT) plants in our recently signed Cumbria contract. We have moved successfully through the short listing stages of a number of MBT opportunities and after a couple of early disappointments in our energy-from-waste partnership with Wheelabrator Technologies Inc, we have secured some strong positions in that market as well. With Shanks in the final four bidders or better in six opportunities we remain confident of meeting our goal of securing 1.5m tonnes under management.

Chief Executive's Statement

continued

"We have continued our progress towards establishing a culture that is characterised as entrepreneurial within a clear central framework and direction"

3. Share our core capabilities and technologies within the Group

Orgaworld has supported the launch of our organics business in the UK and has designed the new plant we will commission in Cumbernauld. They have also assisted the UK team in making operational improvements to our MBT plants.

In the Benelux we have seen improving co-operation in the management of wood waste across the region. As there has been a shortage of waste in the Netherlands we were the first company to secure a licence to export pre-treated waste from the UK to the Netherlands where it is being processed into fuel pellets at our Icova facility.

4. Maximise asset utilisation and minimise unit costs

I am pleased with the progress made in both our Netherlands and Belgian operations to move from a plant based view of asset utilisation to a country level view. This has allowed us to move waste across various facilities and either mothball existing plants or avoid new capital expenditure. As an example we are now feeding our Ghent recycling facility with waste from Brussels, avoiding capital investment in Brussels and improving substantially the utilisation at Ghent which now runs on a twenty four hour basis. I expect further progress in this area this year as we become more sophisticated in measuring and managing capacity utilisation.

5. Continue to use acquisitions to improve asset utilisation and re-orient the portfolio to high growth markets

Given the economic conditions we have not made any significant acquisitions this year.

Culture

We have continued our progress towards establishing a culture that is characterised as entrepreneurial within a clear central framework and direction. Our local managers have demonstrated this attitude through their innovative approach to realising cost savings and their ability to retain their customers during the downturn. Alongside this we have moved, through our "Fit for the Future" programme, towards a more consistent way of managing resources across the Group. We have also begun to implement a more structured performance and programme management framework that will allow us to deliver more consistently and effectively.

Outlook

In the face of some very challenging economic conditions, we have made good progress on the delivery of our key priorities and delivered a robust performance.

In the near term we will continue to focus on maintaining our strong customer relationships, investing in our strategy and protecting our balance sheet strength.

A robust performance

107%
free cash flow conversion

We are encouraged by preliminary indications towards the end of our final quarter that we are through the worst of the downturn in waste volumes with recyclate prices also on an upward trend. However, we expect conditions to remain challenging in the near term for our construction related businesses. Furthermore, the significant impact of the expected decline in Belgian Landfill following the introduction of the new tax regime and potential currency headwinds will constrain the growth potential in the near term. Overall we anticipate trading for 2010/11 to be in line with the Board's expectations.

In the medium term, we remain confident that a combination of returns from our strategic investments and relatively high margins on incremental volumes arising from the economic recovery will generate strong growth.

Tom Drury
Group Chief Executive

Market Overview

Across the world, governments are urging the waste industry to support them in recovering more resources and energy from waste

Waste management is an essential service. In the societies where the Group operates there is a high level of regulation and enforcement. It is a sophisticated industry using advanced technologies.

In the European Union (EU) the level of environmental regulation is high, however unlike trade regulations there are no common standards for waste management. EU legislation on waste sets minimum standards which member nations must meet, however each member state is free to exceed these standards in order to follow their own political and environmental agendas. The result is that, within the EU, national regulations differ and there is no single market.

The waste management market is subdivided into non-hazardous and hazardous waste. The former tends to be a local business, as the relatively low unit cost of treatment makes transport a significant part of the overall cost. Hazardous waste treatment costs tend to be higher making it a more regional or national business.

Both the public and the private sectors are active in the waste market. The degree of privatisation varies across Europe; it is high in the UK and France but lower in Germany, the Netherlands and Belgium. Advancing EU legislation is necessitating substantial investment in new infrastructure. This investment combined with budgetary constraints is driving privatisation initiatives in many EU countries. Within the private sector, consolidation of the industry has been a feature for many years.

Within the national markets a further distinction is made between "collection, transfer and recycling" and "treatment and disposal". Historically the former has had low barriers to entry and comprised both large and small players. However increasing recycling requirements are leading to greater investment in infrastructure which is moving this market towards the larger players. Treatment and disposal have high barriers to entry as facilities tend to be capital intensive and projects have long gestation periods. These activities are the domain of larger well capitalised companies, often multinationals.

The market is also split between the Industrial and Commercial (I&C) sector and the municipal sector. In most EU countries the municipalities have a statutory duty to deal with household waste, which they either do themselves or sub-contract to the private sector. Due to the larger volumes controlled by the municipalities and their longer term outlook, the municipal sector is typified by large, long-term contracts which tend to be five to ten years for collection and often in excess of twenty years for treatment and disposal. In the I&C sector the volumes generated by individual entities tend to be relatively small and their outlooks are shorter. This market therefore tends to be typified by shorter term contracts.

Market Trends and Drivers

Across the world, governments are urging the waste industry to support them in recovering more resources and energy from waste. They are providing economic incentives to increase recycling through taxation on landfill and in some cases incineration, alongside subsidies for treatment processes that support the production of renewable energy from waste. The general market trend can be summarised as:

- Less waste
- Increased materials recovery
- Energy from waste
- Less landfill

The high level factors behind this are climate change, the price and security of supply of fossil fuels and an increasing appreciation within society of the need to develop sustainable waste solutions. These factors are driving a convergence between the waste, energy intensive and power industries.

In terms of specific legislative and market drivers these are summarised as follows:

The European Landfill Directive – biodegradable waste in landfill is a major source of methane emissions to the atmosphere. Methane is a potent greenhouse gas with twenty one times the impact of a carbon dioxide emission of the same mass. A key objective of this Directive is to significantly reduce the landfilling of biodegradable waste, a major component of municipal waste. Based on 1995 levels, the Directive requires a 25% reduction by 2010, 50% by 2013 and 65% by 2020. The Directive also aims to reduce the polluting impact of landfills by substantially restricting other types of waste that may be landfilled.

Landfill tax – a significant mechanism being used by many European states to divert waste from landfill to more environmentally acceptable options such as recycling and energy recovery. In particular the UK Government has announced that landfill tax rates will increase by £8 per tonne per annum to £80 per tonne by 2014/15. The level from 1 April 2010 was £48 per tonne.

Energy prices and surety of supply – these have increased the pressure to find alternative fuels; waste is one of these.

Carbon emissions quotas – these have further increased the cost of using fossil fuels. Waste derived fuels can be exempt from carbon emissions calculations, increasing interest in this source of fuel.

Renewable electricity – many waste based electricity generation projects qualify for renewable electricity subsidies and credits, available in various forms across Europe. This is because a major component of waste derived fuels comprises renewable short carbon cycle materials, for example; wood, paper and other vegetable matter.

European Waste Framework Directive – the revised European Waste Framework Directive published in November 2008 provides further legislative support for recovering more resources and energy from waste by setting minimum energy recovery criteria and introducing statutory recycling targets for member states to achieve by 2020 both for municipal waste, 50%, and construction and demolition waste, 70%.

Industrial Activity – Underpinning the key regulatory drivers referred to earlier, is the level of industrial activity. Approximately 85% of the Group's activities are derived from I&C and Construction and Demolition (C&D) activities. There is a close relationship between the level of industrial activity and the amount of waste generated. GDP is therefore a key market indicator, albeit there is a time lag between movements in GDP and underlying business activity in different sectors of our business. The activity in the C&D sector is particularly important and although there is a time lag, the activity of the Group does mirror the cyclicality in these underlying markets.

The effects of these drivers vary by territory and are explained in the Business Reviews by country.

Business Review.Group

The Group is a major player in the Netherlands, Belgium and the UK, with an expanding Organics business in Canada

The Group is a major player in the Netherlands, Belgium and the UK, with an expanding Organics business in Canada. There are also some small operations in France close to the Belgian border which are managed from Belgium and included in the Belgian financial results. The Netherlands remains the main source of the Group's profits contributing before Group Central Services 67% with Belgium contributing 26% and the remaining 7% split between the UK and Canada.

The Group's organisational structure reflects the national nature of the markets in which it operates, with divisions in the Netherlands, Belgium, the UK and Canada. This reflects the essentially local nature of waste management and the need for close familiarity with local regulation which varies substantially between countries. Operations are managed through the Group Executive Committee comprising the Group Chief Executive, the Group Finance Director and the Country Managing Directors. This allows for entrepreneurial management at a local level within a strong central framework that ensures consistency, accountability and the sharing of ideas and technology where appropriate across the Group. A major project is currently underway to drive standardisation into the way we measure performance. This will support further initiatives to improve efficiency, for example utilisation of assets and lower unit costs, throughout the organisation.

Key Performance Indicators (KPIs)

The Group's KPIs can be divided into three categories; health and safety, environmental and operational.

Health and Safety

Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR) is UK law which requires companies to report specified serious accidents and incidents to the Health and Safety Executive. The Group requires all of its operations, no matter which country they are based in, to report monthly in this common format. Minor incidents are also reported. RIDDOR KPIs are referred to in the Corporate Responsibility section of this Report.

Environmental

The Group closely monitors compliance with environmental permits at its locations. All issues are reviewed at monthly divisional meetings and, at least quarterly, at Group Board level. Details of prosecutions during 2009/10 are given in the Corporate Responsibility section of this Report.

Operational

The number of waste activities undertaken by the Group is significant, with each site involved in differing ranges of activities. The performance indicators used to monitor these activities are varied but in broad terms can be categorised (with examples) as follows:

Collections – volumes, prices, truck productivity

Treatment – volumes, disposal prices, recycling rates, labour productivity

Recyclates – volumes and prices

Landfill – volumes and prices

Power – megawatt hours and prices

Plant utilisation – productivity rates

Energy from Waste – green energy (electricity and heat) certificates, plant productivity

Administration – query volumes and time to resolve

Previously these operational KPIs were only used at a local level; however as referred to above, a major project is underway to collect and analyse these at a country and central level to enable more insights into the business to drive improvements across the Group. Part of the project is to enhance the management information systems to support the collection of the information.

In addition, there are financial KPIs, common to all of the businesses, namely revenue, trading profit, margins, underlying free cash flow and return on investment.

Group Revenue and Trading Profit by Geographical Region

	Revenue				Trading Profit			
	2010	2009	Variance		2010	2009	Variance	
	£m	£m	£m	%	£m	£m	£m	%
Netherlands	354	356	(2)	-1%	36.7	44.9	(8.2)	-18%
Belgium	176	180	(4)	-2%	14.0	19.5	(5.5)	-28%
United Kingdom	147	147	-	-	2.1	1.0	1.1	114%
Canada	8	5	3	75%	1.9	1.2	0.7	61%
Central Services	(1)	(2)	1	-	(3.6)	(4.9)	1.3	27%
Total	684	686	(2)	0%	51.1	61.7	(10.6)	-17%
Discontinued	1	11	(10)		0.3	4.7	(4.4)	-
	685	697	(12)	-2%	51.4	66.4	(15.0)	-23%

Business Review. The Netherlands

The strategic goal for the Dutch operations is to maintain the strong operating margins and underlying free cash flow

Market

The Dutch Solid Waste market is advanced, with approximately 80% of the overall waste volumes of circa 60m tonnes being recycled. Volumes sent to landfill are very low at approximately 3% to 4%. Within these volumes the construction and demolition market is important and accounts for approximately one third of the whole waste market. The other major sectors are general commercial and industrial and municipal.

The major players in addition to Shanks include AVR Van Gansewinkel and Sita with a number of other strong regional players.

In Hazardous Waste, this is a more specialist market and the number of players is smaller due to the investment required to establish efficient competitive operations.

Activities

There are three divisions: Solid Waste, Hazardous Waste and Organic Treatment. The Solid Waste business comprises 22 recycling and transfer sites many of which are substantial in size, together with supporting collection vehicle fleets of 450 vehicles. Overall the businesses typically recycle and divert from landfill or incineration more than 80% of the waste they process. In normal times, the business derives approximately half its trading profit from Construction and Demolition (C&D) waste, the other half being from more general Industrial and Commercial (I&C) waste and other activities. In the current recession the split is 45% for C&D and 55% for I&C. There is limited work from the municipal sector, although this has increased in the current year, following the success of winning several bulky waste contracts. The business is principally based in the populous Randstad area to the west of the country, where we have strong market positions.

The Hazardous Waste business comprises two units: Afvalstoffen Terminal Moerdijk (ATM), a treatment plant and Reym, which focuses on industrial cleaning. ATM is one of the world's largest single site hazardous waste facilities, processing almost 1.5 million tonnes of low contamination hazardous waste per annum. There are three principal processes: thermal treatment of contaminated soils, pyrolysis of paint waste and biological and physio-chemical treatment of aqueous wastes. Reym supplies industrial cleaning services to the oil and gas, petrochemical and other industries. Again both these businesses have good market positions being market leaders in their respective activities.

Organic Treatment comprises the Orgaworld business which consists of a number of treatment facilities for organic wastes by wet or dry anaerobic digestion (AD) or tunnel composting. These waste streams originate from industry, mainly from food processing companies and supermarkets, and source segregated organic municipal waste streams.

Strategy

The strategic goal for the Dutch operations is to maintain the strong operating margins and underlying free cash flow we currently enjoy and, over the long term, grow both the Solid and Hazardous Waste businesses ahead of gross domestic product. This will be achieved by:

- realising the benefits of our 'Fit for the Future' programme designed to strengthen our market position and reduce costs through a more standardised business model across Shanks Netherlands;
- upgrading existing recycling facilities to improve their efficiency and thereby maintain our market leadership in processing costs;
- moving into new markets such as bulky and electrical waste and exploring potential new mono-streams;
- expanding our organics footprint with the opening of the Greenmills facility;
- investing in the expansion of the Hazardous Waste facilities, particularly the waste water division which is growing strongly;
- continuing the successful track record of tuck-in acquisitions; and
- maintaining the current strong cash generation from the business.

Operational Review – trends, performance and outlook
Overall trading profit after £2.6m of exchange gains was 18% down on last year. The key developments were:

- Solid Waste underlying revenues fell 10%, impacted by the economic downturn and C&D exposure;
- £2m profit drag from lower recyclate prices but upward trend through the second half;
- robust performance from Hazardous Waste and Organics; and
- management actions, particularly cost reduction initiatives and lower Hazardous Waste disposal costs have mitigated adverse volume and pricing trends.

The Solid Waste business was impacted significantly by the economic downturn, particularly in the C&D sector. The underlying decline in revenue of 10% reflected lower volumes and increased pricing pressure. The downturn was exacerbated by the worst weather conditions in thirty years which impacted the business from mid December to early March. The cost reduction plans have somewhat mitigated the downturn and the full year target of €5m was exceeded. In addition, actions have been taken to offset the downturn by pushing into new markets. We have successfully entered the Dutch municipal market with contracts for 50,000 tonnes of bulky waste, 38,000 tonnes of municipal collection and most recently a contract to collect and sort electrical waste.

Netherlands Revenue and Trading Profit by Activity

	Revenue				Trading Profit			
	2010	2009	Variance		2010	2009	Variance	
	€m	€m	€m	%	€m	€m	€m	%
Solid Waste	246	274	(28)	-10%	27.3	38.4	(11.1)	-29%
Hazardous Waste	144	151	(7)	-5%	16.4	18.8	(2.4)	-13%
Organic Treatment	13	12	1	9%	2.2	1.9	0.3	16%
Country Central Services	(4)	(5)	1	–	(4.5)	(4.5)	–	0%
Total (€m)	399	432	(33)	-8%	41.4	54.6	(13.2)	-24%
Total (£m at average FX rate)	354	356	(2)	-1%	36.7	44.9	(8.2)	-18%

Netherlands Trading Margins by Activity

	Trading Margin		
	2010	2009	Variance
	%	%	%
Solid Waste	11.1	14.0	(2.9)
Hazardous Waste	11.4	12.4	(1.0)
Organic Treatment	16.7	15.6	1.1
Total	10.4	12.6	(2.2)

Business Review. The Netherlands

continued

Orgaworld continues to trade satisfactorily in its home market

The Solid Waste activity currently derives approximately 45% of its trading profit from C&D waste, with the balance being from more general I&C waste together with landfill and groundworks. All sectors of the business have been impacted by the economic cycle. In the year, C&D and I&C (excluding landfill) volumes were down 11% and 4% respectively. The profitability of the Solid Waste business was also impacted by the significant changes in recyclate prices. The significant downturn in the first half has been offset by a significant upward trend in the second half in both paper and metal prices. However, the net adverse impact for the year 2009/10 was around £2m. Indications are that these higher recyclate prices will continue for the foreseeable future as the underlying driver is the continued strong economic growth in Asia. Actions have also been taken to reduce the cost of disposal to incinerators which has provided a small benefit in the second half and will deliver an increased benefit next year.

Excess capacity in the Continental European incineration market is exerting downward pressure on prices. Although there is no direct impact on our business, we are taking action to mitigate any indirect consequences. This includes the renegotiation of disposal costs referred to above, the cost savings delivered this year and the plans to make additional cost savings that are well advanced and will benefit future years.

In Hazardous Waste, both ATM and Reym held up reasonably well throughout the year. Through continued investment ATM has maintained its relatively low unit costs and, despite quite significant pricing pressure and lower soil volumes, has been able to maintain gross margins through ongoing cost reduction initiatives. Volumes in the waste water treatment plant are up on the prior year and investment in increased water treatment storage facilities is being made. Reym has benefited from its close alignment with the oil industry which has remained relatively robust during the downturn. The order books for ATM and Reym remain strong.

Our Organic Treatment activity, Orgaworld, continues to trade satisfactorily in its home market of the Netherlands, generating trading margins of 20%. Overall margins are lower reflecting the increase in business development costs as we increase our efforts to expand into new regions. A large 100,000 tonne per annum anaerobic digestion (AD) facility and 300,000 tonne waste water facility in Amsterdam, known as the Greenmills project, will come on line in June. This is the largest industrial AD facility of its kind in Europe.

Outlook

The actions taken during the harshest trading conditions for many years, including reducing costs, maintaining the customer base and continuing to invest for growth position this business well for the economic recovery in the medium term.

Business Review. Belgium

Sustainable competitive advantage by securing long term energy from waste outlets at lower costs than landfill or mass burn incineration

Market
In Belgium, environmental responsibility is devolved to the three Regions: Flanders, Wallonia and Brussels. Flemish environmental legislation and landfill tax levels are very similar to those in the Netherlands resulting in similar market characteristics; high levels of recycling, a reliance on incineration for final disposal and very little landfill.

In the Walloon Region landfill tax on I&C waste rose significantly on 1 January 2010 to an effective rate of €80 per tonne, which will promote increased recycling and other forms of energy recovery. Also, the Walloon Region have adopted a strict interpretation of the Landfill Directive requirement for pre-treatment of non-hazardous waste which stopped residual waste collected from households from being landfilled without pre-treatment.

The Brussels Region has little landfill capacity. It has its own incinerator but beyond that it is reliant on the other Regions for final disposal.

Activities
The activities in Belgium are broken down into Solid Waste, Landfill and Power, Hazardous Waste and a Sand Quarry. The Solid Waste business is similar to that in the Netherlands, however the division is less reliant on the C&D sector and also includes the operation of municipal waste collection contracts, the largest being for the City of Liege under a ten year contract which was renewed in 2005. Solid Waste also includes Foronex. This business, which was acquired in 2008, is principally focused on the growing wood biomass market. It also has a number of subsidiary activities including wood trading, tree bark and animal bedding.

The Landfill and Power operations are situated in Mont St Guibert in Wallonia where we have one of the largest landfills in the Walloon Region. A major source of income for this operation is from the generation of renewable electricity from the methane produced as the biodegradable waste decays.

The Hazardous Waste division comprises industrial cleaning activities and a main treatment centre at Roeselare in West Flanders. The industrial cleaning businesses service the steel, cement, chemical and other large industries across Belgium and also in northern France. The treatment facility specialises in the preparation of waste derived fuels and minerals for the cement industry which has major installations in both the east and west of Wallonia. Like ATM in the Netherlands, the treatment facility also treats contaminated waste water streams using physio-chemical and biological processes. It obtains green certificates for the electricity and heat it produces.

The Sand Quarry is adjacent to the landfill in Wallonia and is a profitable but small activity.

Strategy
In Belgium the strategy is to grow the I&C and Foronex based biomass Solid Waste businesses to replace the declining contribution from landfill. By focusing on solid recovered fuel (SRF) and biomass production we will be able to create sustainable competitive advantage by securing long term energy from waste outlets at lower costs than landfill or mass burn incineration.

Further opportunities exist to invest in additional green energy production at our Landfill and Hazardous Waste plants. These have already been partly realised through the development of a bio-digester to create green energy on the Roeselare site, which has now been commissioned.

Operational Review – trends, performance and outlook
Overall trading profit after £1.0m of exchange gains was 28% down on the prior year. The key developments were:

- Solid Waste volumes fell 4% and prices 2% but second half trends more stable;
- Foronex impacted by economic headwinds and revenue fell 17%. Management actions included the decision to exit from loss making Animal Bedding, good price increases and cost savings;
- Landfill profit decline impacted ahead of schedule with further significant drag expected in 2010/11; and
- Hazardous Waste impacted by the recession and the previously announced restructuring plan to reduce costs has mitigated the impact.

Business Review. Belgium

continued

Benefits from investments made in both Solid Waste and Hazardous Waste will improve performance

Although market conditions in the Belgian Solid Waste business have been more challenging than originally anticipated, the Solid Waste business excluding Foronex has performed relatively well with stable I&C volumes and declines in C&D resulting in overall volume decline of 4%. The second half has seen some stabilisation and in the final quarter, despite the weather, volumes were up on the third quarter. Also, in recent months there has been upward price pressure in certain regions. In addition, investments in the SRF line in Ghent have been made that will increase the throughput and reduce costs in the coming year.

The Foronex wood based markets have been adversely impacted by the weak economic backdrop. Overall revenue was down 17% year on year and the business was loss making. The downturn in revenue has been partly mitigated by management action to reduce costs and increase prices (overall by 10%) particularly for previously low margin contracts. One of the key attractions of the business is its ability to produce fuel for the biomass industry from the wood waste and by-products it handles. An investment recently completed at the Bree facility to increase the supply of wood product into the electricity industry is now contributing after initial start up difficulties. Significant new contracts have also been signed with key electricity producers. A recent strategic review has reconfirmed the attractive growth potential within the biomass market. The management of the business has been strengthened and a decision made to exit the Animal Bedding business. This business unit was a major contributor to the losses in the current year. We are confident that Foronex will make a significant contribution to the results in the coming year.
As anticipated, the Hazardous Waste business has experienced lower revenue and profits. The previously announced restructuring plan to reduce the cost base of the manual cleaning business has been implemented and is now starting to benefit results. The investments in the green energy plant are also now contributing to the results.

Landfill profitability declined by 22% principally associated with the January 2010 increase in landfill tax and bans on landfilling of municipal solid waste.

The Power business remains relatively stable although looking forward power prices are currently lower.

Outlook

As anticipated Landfill volumes going forward will be at a significantly lower level than in 2009/10 and overall trading conditions are expected to remain challenging until the underlying economic recovery is fully established. Actions taken in the Foronex business and the benefits from investments made in both Solid Waste and Hazardous Waste will improve performance over time.

Belgium Revenue and Trading Profit by Activity

	Revenue				Trading Profit			
	2010	2009	Variance		2010	2009	Variance	
	€m	€m	€m	%	€m	€m	€m	%
Solid Waste	144	154	(10)	-6%	5.3	9.7	(4.4)	-46%
Landfill	15	20	(5)	-24%	5.7	7.3	(1.6)	-22%
Power	7	7	–	0%	4.6	4.8	(0.2)	-4%
Hazardous Waste	51	60	(9)	-14%	3.9	5.7	(1.8)	-31%
Sand Quarry	3	4	(1)	-10%	0.8	1.4	(0.6)	-47%
Country Central Services	(21)	(26)	5	15%	(4.5)	(5.3)	0.8	16%
Total (€m)	199	219	(20)	-9%	15.8	23.6	(7.8)	-33%
Total								
(£m at average FX rates)	**176**	**180**	**(4)**	**-2%**	**14.0**	**19.5**	**(5.5)**	**-28%**

Belgium Trading Margins by Activity

	Trading Margin		
	2010	2009	Variance
	%	%	%
Solid Waste	3.7	6.3	(2.6)
Landfill & Power	47.4	44.9	2.5
Hazardous Waste	7.7	9.6	(1.9)
Sand Quarry	21.7	36.7	(15.0)
Total	8.0	10.8	(2.8)

Business Review.UK

In the municipal market we will continue to bid for new PFI residual waste contracts, using those that we win as a base from which to expand our I&C business

Market

The UK's historical heavy reliance on landfill means that the imposition of the European Landfill Directive is having a major impact, particularly on the municipal sector. Implementation of the Directive requires waste disposal authorities to develop new strategies to reduce the amount of Biodegradable Municipal Waste (BMW) that they send to landfill. Based on 1995 levels, the Directive requires a 25% reduction in BMW landfilled by 2010, 50% by 2013 and 65% by 2020. The UK Trade and Investment authority has reported that the investment in new infrastructure required to achieve this is between £9bn and £11bn.

In an endeavour to secure least cost compliance the Government has introduced the Landfill Allowance Trading Scheme (LATS), a tradeable permit scheme between local authorities. Here authorities who overachieve against their landfill diversion requirements may sell their overachievement to an underachieving authority. Failure by an authority either to meet its diversion requirements or to secure the necessary LATS, results in a £150 per tonne penalty for the excess.

Also, discussions are now ongoing with DEFRA and the EU to define the total remit of the "municipal" legislation under the EU Landfill Directive and it is likely that the rules that currently apply to municipal waste will be extended to elements of I&C waste.

As part of the 2009 Budget, the Government announced a strengthening of the existing drivers for diverting I&C waste from landfill and provision of further financial support for alternative ways to deal with waste (including reuse, recycling, energy from waste and anaerobic digestion). The key element of this was an increase in the standard rate of landfill tax by £8 per tonne on 1 April each year. The November 2009 Pre-Budget report has extended the time period by one year such that the rate of landfill tax will increase from £40 per tonne in 2009 to £80 per tonne by 1 April 2014. There are also ongoing discussions to redefine what constitutes a taxable disposal of waste, so that a greater proportion of waste that ends up in landfill (including materials used for cover and in construction of a landfill site) is taxable.

Another driver for the I&C waste market is the restriction of the type of waste that can be landfilled. A significant milestone of the European Landfill Directive is the restriction on landfilling of untreated non-hazardous waste. The Government has introduced new legislation which required pre-treatment of non-hazardous waste prior to landfilling from October 2007. Whilst the authorities have taken a fairly soft-handed approach to the enforcement of this legislation initially, it is expected it will be applied more rigorously in the future.

Activities

The UK comprises Solid Waste collection and recycling, four Municipal PFI contracts, contaminated land services and has recently set up an organic processing division.

The Solid Waste business, which has both I&C and C&D customers is focused in three regions: Scotland, the East Midlands and the Northern Home Counties. The four 25 year Municipal PFI contracts include providing waste disposal services for local authorities in East London, Dumfries and Galloway, Argyll and Bute and Cumbria. We are currently in the process of bidding for a number of further PFI contracts using both MBT and EFW technology. The contaminated land services business provides advice and organises the treatment and disposal for various clean-up projects. The organic processing business uses biodegradable organic waste to produce biogas energy and high quality compost.

Strategy

In the UK, the aim is to make Shanks the preferred alternative to landfill. In the I&C waste area, we are building a resource management and reprocessing business with improved margins by utilising the Benelux knowledge and experience in this area. We are focusing on building density in the three regions where we already have critical mass. Having established an enabling platform of a strong regional business with a differentiated and profitable business model, we may in future consider more aggressive consolidation options.

In the municipal market, as well as running our existing plants as efficiently as possible, we will continue to bid for new PFI residual waste contracts, using those that we win as a base from which to expand our I&C business.

At the same time we intend to secure a share of the significant UK demand for anaerobic digestion and composting both in the municipal and I&C sectors using Orgaworld as our base technology but also other technologies as appropriate.

In recent years we have established ourselves as a leading player in the PFI market with the first mechanical biological treatment (MBT) plant in the UK operational since 2006. With a substantial number of opportunities coming to market that require alternative solutions, as announced last year, we have improved our technical offering through the strategic partnership with Wheelabrator Technologies Inc. This has enabled us to offer Energy from Waste solutions in addition to our MBT technology provided by EcoDeco.

The vision is to build on what is now essentially a logistics business plus PFI and to develop an integrated recycling and organics business incorporating an expanded PFI portfolio.

Operational Review – trends, performance and outlook

The results of the UK are presented to reflect the sale of the Avondale joint venture as a discontinued operation. The key developments for the year were:

- driven by a transformed and improving PFI result, trading profits increased by £1.4m and operating margin increased from 2.1% to 3.1%;
- Solid Waste volumes fell 8% (only 1% in the second half) and the profit impact was mitigated by price increases and cost reductions;
- Cumbrian PFI performed well, ELWA improved recycling performance and margins;
- short listed stage on six PFI opportunities; and
- Directors' valuation of the existing PFI portfolio of £65m to £80m.

United Kingdom Revenue and Trading Profit by Activity

	Revenue				Trading Profit			
	2010	2009	Variance		2010	2009	Variance	
	£m	£m	£m	%	£m	£m	£m	%
Solid Waste	65	73	(8)	-11%	5.5	6.3	(0.8)	-4%
Landfill & Power	6	5	1	22%	0.9	0.9	–	0%
Hazardous Waste	6	20	(14)	-71%	0.9	1.7	(0.8)	-48%
PFI Contracts	70	49	21	42%	2.4	(0.4)	2.8	734%
Country Central Services	–	–	–	–	(5.2)	(5.4)	0.2	4%
UK Operations	147	147	–	0%	4.5	3.1	1.4	44%
PFI Bid Team	–	–	–		(2.4)	(2.1)	(0.3)	-11%
Total	147	147	–	0%	2.1	1.0	1.1	114%
Discontinued operations	1	11	(10)		0.3	4.7	(4.4)	
	148	158	(10)	-6%	2.4	5.7	(3.3)	-58%

Business Review.UK

continued

An integrated recycling and organics business incorporating an expanded PFI portfolio

United Kingdom Trading Margins by Activity

	Trading Margin		
	2010 %	2009 %	Variance %
Solid Waste	8.4	8.7	(0.3)
Landfill & Power	14.9	18.0	(3.1)
Hazardous Waste	15.1	8.6	6.5
PFI Contracts	3.5	(0.8)	4.3
UK Operations	3.1	2.1	1.0

In Solid Waste, due to the difficult economic backdrop, trading conditions have been challenging. Overall trading volumes in the core Solid Waste collections business were down by 8% though this has been in part mitigated by price increases together with strong action on costs where the restructuring programme implemented last year has delivered in line with expectations.

The downturn in the UK construction market has adversely impacted our Hazardous Waste activities which comprise the contaminated land services business. Here the number of site decontamination jobs from general construction activities is down substantially and we have consequently lowered our headcount to reduce costs.

The contribution from our existing PFI portfolio was significantly up on the previous year partly due to the contribution from Cumbria, which achieved financial close during the period and is performing well. The margins on this contract are in line with our expectations. Planning permission for the two MBT facilities has been received and construction of the Hespin Wood facility has commenced. Management actions have helped the ELWA PFI to show significantly improved results versus last year. The margin improvement is in line with our expectations and we expect to make further improvement in 2010/11.

The Scottish PFI contracts continue to have weak financial performance which is expected. A provision has been made against the Dumfries and Galloway contract this year and further details are given in the Financial Review.

The PFI market remains active with many authorities now beginning their procurement processes. PFI bid costs were up £0.3m at £2.4m reflecting increased bidding activity. The next two years will see a large number of deals being closed. We believe that our extensive experience in bidding combined with the quality and breadth of our offering positions us well to win our share of tenders. During the year we have proceeded to the next stage of a number of bids.

On the basis that we are now achieving the expected margins at ELWA following our improvement programme and at Cumbria, to assist the market in valuing our PFI stakes, a Directors' valuation has been performed. Using the cash flows of the financing vehicles and the operating contracts discounted at circa 0.8% the Directors estimate the value of the existing PFI contracts to be £65m to £80m.

Following the launch of Orgaworld in the UK we recently announced a joint venture with Energen Biogas. The partnership will develop and operate a 60,000 tonnes per year Anaerobic Digestion (AD) plant capable of generating enough renewable electricity to power up to 3,000 homes.

Legislative support for landfill diversion strategy continues to strengthen and as a result the UK has significant growth potential

The plant will utilise proven Orgaworld AD technology to process a range of organic materials including supermarket waste, household and commercial kitchen waste, food processing waste and organic materials generated by existing Shanks operations. The process will produce a high quality fertiliser for use on agricultural land and generate up to 3MW of renewable electricity. The site has been chosen as a result of the Scottish Government's clear strategic objectives to minimise the quantities of both commercial and municipal waste sent to landfill and maximise recycling. It will provide a cost effective alternative to landfill and help local authorities and businesses increase their recycling rates. The facility is under construction and is due to open in Autumn 2010.

Outlook

Legislative support for landfill diversion strategy continues to strengthen and as a result the UK has significant growth potential. We remain confident that the actions we are taking, including our strategic investments, put us in a strong position to take advantage. Although, as in the other territories, the near term economic environment means that conditions remain challenging, we are confident that we will achieve significant benefit from the upturn.

Business Review. Canada

A market which has significant potential

Market and Strategy

As part of the Orgaworld acquisition completed in April 2007 the Group acquired an operation in Canada. In Canada there is strong public opinion against landfill, which in some areas has led to a shortage of consented capacity. As in Europe there is a drive to reduce waste going to landfill. Orgaworld identified an opportunity in the Canadian market to offer biological treatment of source segregated organic municipal waste, a market which has significant potential in terms of volumes and to date has few competitors.

Both Canadian sites are backed by long term municipal contracts.

Operational Review – trends, performance and outlook

During the year trading profit increased to £1.9m (2008/9: £1.2m) and the key factors were:

- strong growth in revenue and trading profit despite construction damage related issues at the London, Ontario plant. A 23% operating margin was achieved; and
- Ottawa commissioned on schedule at the end of January and is now ramping up as planned.

Outlook

We are pursuing further opportunities elsewhere in Canada which could support additional plants in this territory. We expect continued good progress in both growth and margins.

Financial Review

Revenue
Revenue from continuing operations decreased £1.6m to £683.5m. Excluding the effects of currency translation of £39m, revenue was 5% down on the prior year.

Profit
Details of the Group's trading performance are given in the country Business Reviews. Group Central Services relates to the cost of the small headquarters which includes the Group finance, treasury, tax and company secretarial functions. The results in the year benefited from the reversal of charges for equity settled share-based payments as vesting conditions will not be met and cost containment. Overall costs reduced from £4.9m to £3.6m.

The Euro has continued to strengthen against Sterling in the year causing a 6% enhancement to Euro denominated profits.

Operating profit on a statutory basis, after taking account of all exceptional items and amortisation of acquisition intangibles, has decreased 39% from £59.2m to £35.8m.

Non trading and exceptional items excluded from underlying profits
Certain items are excluded from trading profit and underlying profit due to their size, nature or incidence to enable a better understanding of performance. Total non trading and exceptional items of £13.6m (2008/9: £14.6m) include:

- Amortisation of intangible assets acquired in a business combination £3.9m (2008/9: £3.8m);
- Profit on disposal of properties £nil (2008/9: £3.3m);
- Financing fair value remeasurements £1.7m credit (2008/9: £12.1m charge); and
- Exceptional operating items £11.4m as described below (2008/9: £2.0m).

In view of the continuing losses on the Dumfries and Galloway PFI operating contract a reassessment of the future profits was undertaken. This together with a change in the discount rate to 8% to reflect recent market changes has resulted in a one-off non cash accounting provision of £6.7m for this contract.

As referred to in the Business Review of Belgium a decision has been taken to exit the loss making Animal Bedding business of Foronex. Taking into account the expected realisation of the assets, the net write off amounts to £1.9m.

Professional fees of £2.7m have been incurred as a result of the unsolicited approach made by the Carlyle Group.

In addition a number of relatively small one off adjustments relating to non trading items have been made. The net of these is a £0.1m charge.

Net Finance Costs
Finance charges excluding the change in fair value of interest rate swaps have increased £0.1m to £17.9m (2008/9: £17.8m).

Finance charges on core borrowings increased £0.1m to £19.0m (2008/9: £18.9m). This included a decrease in core borrowing levels and bank interest rates of £4.2m, adverse effect of exchange of £0.8m and an increase in loan fee amortisation of £3.2m. The increase in loan fee amortisation relates to fees of £7.4m incurred in the refinancing in April 2009 which are being written off over a two year period.

Net Financial Income from PFI remained constant at £1.1m. This comprises interest income on the financial assets arising on the UK PFI contracts net of the interest charge on the PFI net debt before taking into account the International Accounting Standard (IAS) 39 change in market value of financial instruments.

The IAS39 change in market value of financial instruments relates to interest rate swaps which fix the interest rate on PFI contract and other project finance borrowings and under IAS39 these must be valued at current market value. There was a £1.7m favourable (2008/9: £12.1m adverse) change in the market value of these swaps in the year. Revaluation of these swaps can lead to large accounting gains and losses but does not affect the long term profitability of the contract as the Group has matched its long term revenue and costs. IAS39 does allow these gains and losses to be taken directly to reserves as long as the actual cash flows remain in close correlation to those originally forecast. For the earlier PFI contracts planning delays rendered the interest rate swaps ineligible to be matched to the underlying loans and as a result changes in fair value are included in the profit and loss account. The Group has recently entered into additional interest rate swaps for the Cumbria PPP contract and loan financing. Interest rate swaps entered into after 31 March 2009 are considered to be effective at this time for hedge accounting purposes and the portion of any effective gain or loss is recognised directly in equity.

Taxation
The effective tax rate on underlying profit fell to 27% (2008/9: 29%). This was attributable to the split of the Group's profits and a lower than statutory rate in the Netherlands. The statutory rates of tax in the Netherlands, Belgium, the UK and Canada are 25.5%, 34%, 28% and 34% respectively. In Belgium the effective rate on landfill profits is higher as landfill tax is non deductible for corporation tax.

The exceptional tax credit of £5.2m in the current year relates to the release of provisions held in respect of earlier periods which have now been closed. This release has been recognised as exceptional on the grounds of materiality.

Financial Review

continued

The £18.4m exceptional tax charge in the prior year related to the withdrawal of industrial buildings allowances which were enacted in the Finance Act 2008. This principally relates to the non discounted value of tax relief that would have been available on the PFI infrastructure towards the end of the 25 year PFI contracts.

Earnings per share

Underlying earnings per share from continuing operations, which excludes the effect of exceptional items, decreased by 38% to 6.5 pence per share as a result of the profit decline and the dilution effect of the Rights Issue. The average number of shares included in the calculation has increased from 299.1m last year to 374.4m this year.

Basic earnings per share from continuing operations increased from 1.0 pence per share to 4.8 pence per share.

Discontinued Operations

The profits from discontinued operations of £19.5m relate to the sale of the Avondale joint venture in May 2009 and include the profits to date of sale of £0.3m and the profit on disposal of £19.2m. The sale also included contingent consideration of £3.0m which has been received during the second half of the year.

Dividend

The Group intends to pursue a progressive dividend policy within a range of 2 to 2.5 times cover in the medium term. Consistent with this policy, the Board has recommended a final dividend of 2.0 pence, making the full year dividend 3.0 pence, an increase of 76% on the total paid in respect of 2009 (1.7 pence as adjusted to reflect the bonus element of the Rights Issue).

Cash Flow and Net Debt

A summary of the cash flows in relation to core funding is shown below. All prior period comparatives have been amended to show discontinued operations separately.

The strong focus on cash management has resulted in an underlying free cash flow significantly improved on last year. Working capital levels have been tightly monitored during the year and kept at more normal levels.

The previously announced tighter controls on capital spend have resulted in lower replacement spend which, excluding the effect of timing of payments at last year end, has been maintained at 53% of depreciation compared to 96% in the prior year. Growth capital spend of £30m included Orgaworld tunnel composting facilities in Canada, initial spend on the Greenmills waste water and anaerobic digestion project in the Netherlands, processing of wood to biomass at the Foronex Bree facility, increased power capacity in Belgium and new recycling facilities in the UK.

Interest and tax payments included £7m (2008/9: £nil) relating to refinancing fees paid in relation to the April 2009 refinancing.

Summarised Group Cash Flow

	2010 £m	2009 £m	Difference £m
Trading profit	51	62	(11)
Depreciation & landfill provisions	51	44	7
EBITDA	102	106	(4)
Working capital movement and other	5	–	5
Net replacement capital expenditure	(28)	(43)	15
Interest & tax	(25)	(30)	5
Underlying free cash flow	54	33	21
Dividends / issue of shares	63	(14)	77
Net growth capital expenditure	(30)	(30)	–
Discontinued operations	20	1	19
Acquisitions	(9)	(25)	16
PFI funding & others	(6)	(3)	(3)
Net cash flow	92	(38)	130
Free cash flow conversion*	107%	55%	

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

The net proceeds from the Rights Issue of £67m have been used to repay a proportion of the Group's multicurrency term loan and revolving bank credit facility and the scheduled July repayment of £14m of the Group's Pricoa private placement. At 31 March 2010, the bank credit facility was 75% utilised.

The inflow of £20m from discontinued operations included £18m of cash consideration received from the sale of the UK landfill joint venture, £3m share of debt disposed of together with an outflow of £1m from the joint venture in the period to disposal.

The acquisition spend of £9m related to deferred consideration payable in respect of previous acquisitions in the Netherlands and the investment and subsequent short term funding in the UK organics joint venture in Scotland. The outflow in the prior period related principally to the Foronex acquisition in April 2008.

The net cash flow of £92m together with £8m on the translation into Sterling of the Group's Euro and Canadian Dollar denominated debt and £4m for unamortised loan fees has decreased core debt by £104m in the year.

Non recourse borrowings relating to PFI/PPP contracts and other project finance have increased from £118m to £134m principally due to the start up of the Cumbria PPP contract and the initial draw downs of debt.

Treasury

The Group's treasury policy is to use financial instruments with a spread of maturity dates and sources in order to reduce funding risk. Borrowings are drawn in the same currencies as the underlying investment to reduce cash and net translation exposures on exchange rate movements. No other currency hedging mechanisms are used. The Group maintains a significant proportion of its debt on fixed rates of interest in order to protect interest cover.

At 31 March 2010, the Group's principal financing was a €360m term loan and multicurrency revolving credit facility with six major banks entered into on 7 April 2009 and expiring in April 2012. At 31 March 2010, €58m of this facility had been prepaid and cancelled following the receipt of the proceeds of the Rights Issue and the sale of the Group's stake in Avondale Environmental Limited. The term loan of €212m equivalent was fully drawn in Euro and Canadian Dollars on three month interest periods. Some €15m equivalent was drawn as an ancillary facility in Sterling to provide a letter of credit to support the Group's future investment in the Cumbria PPP project. The remaining €75m represented committed funds available for drawing in Sterling, Euro or Canadian Dollars by way of a revolving credit facility on three days notice. Interest is based on LIBOR or EURIBOR for the relevant period.

The facility contains a requirement for interest rates to be hedged and this was met by the Group entering on 15 May 2009 into a two year fixed interest swap commencing on 9 July 2009 with a principal of €180m, underwritten at an effective interest rate of 1.74%. The definitions of the covenants of this facility exclude the results of PFI and other project companies and the results of joint ventures except where received in cash. The margin was fixed for the first six months and then varies on a ratchet fixed by the Debt:EBITDA ratio for the prior quarter on a rolling twelve month calculation. The financial covenants of this facility are principally the ratio of 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 2001 notes issued under the Group's Pricoa private placement of €52m carry fixed interest at 6.9% and have repayments due April 2011 (€18m) and September 2013 (€18m). The financial covenants of this facility are identical to those of the Group's bank financing outlined above.

The Group also has £25m of working capital facilities with various banks. Cashflows 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. As the Group currently holds 100% of the equity in its PFI/PPP companies, the net debt of £125m and the fair value of the interest rate swaps used to fix interest rates of £17m are fully consolidated in the Group balance sheet. The maximum which could be drawn down under these facilities at 31 March 2010 is £45m. The interest rates on these loans vary with one month LIBOR during the construction period and three month or six month LIBOR in the post-construction period. In order to provide a fixed price to the client local authority varying only with inflation, interest rates are fixed at between 6.20% and 7.58% with a weighted average of 6.55% by means of interest rate swaps at the time of contract inception.

The Group also has a 50% interest in a joint venture in Belgium which is funded by a non-recourse project funding facility of £25m of which £18m has been drawn at 31 March 2010. This loan is repayable over 11 years from 31 December 2011 and carries interest at a rate of 6.96%. The Group's 50% share of the drawn loan is disclosed in the financial statements.

Financial Review

continued

Insurance

The Group places all its insurance with leading insurance companies with sound financial credentials. For obligatory insurances, the policy is to obtain the necessary cover at competitive rates. For other areas, regular risk assessments are undertaken to identify and assess risks; where appropriate insurance is then used to mitigate these risks.

The level of cover put in place will depend on the nature of the risks and the cost and extent of cover available in the market. The majority of our insurances are renewed annually.

The Group uses international brokers to advise on risk management, appropriate insurers, cover levels and benchmarking.

Insurance requirements for our UK PFI/PPP contracts *are set out in the funding and project agreements.*

Retirement Benefits

The Group uses IAS19 – Employee Benefits to account for pensions. The pension charge for the year has increased to £10.2m (2009: £9.1m). Using assumptions laid down in IAS19 there was a net retirement benefit deficit of £4.9m (2009: £0.7m). This relates solely to the defined benefit section of our UK schemes. The defined benefit section of the UK scheme was closed to new members in September 2002 and new employees are now offered a defined contribution arrangement. The triennial valuation of the Group's UK defined benefit retirement scheme as at 5 April 2009 has recently been completed and the Group has agreed to fund the deficit over an eight year period with a payment of £1.8m per annum in the first two years and then increasing to £3.0m per annum. This payment profile will be reconsidered at the next valuation due in April 2012.

The Group participates in several multi-employer schemes in the Netherlands. These are accounted for as defined contribution plans as it is not possible to split the assets and liabilities of the schemes between participating companies and the Group has been informed by the schemes that it has no obligation to make additional contributions in the event that the schemes have an overall deficit.

The pension arrangements within our Belgian operations are considered to be defined contribution in nature.

Principal Risks and Uncertainties

and their mitigation

The Group's positioning in the recycling and energy recovery area of the waste hierarchy

The vision to be Europe's leading supplier of sustainable waste management solutions and its repositioning away from disposal by way of landfill and incineration of the more traditionally-focused waste companies brings risks to the successful exploitation of the significant opportunities the strategy entails.

The repositioning strategy into the recycling and energy recovery sector requires a significant commitment to capital expenditure for the further development of infrastructure to support sustainable waste management. Implicit in this is a commitment to complete capital projects on-time and on-budget. To mitigate against the risk of over-runs and over-spends in the capital programme much greater emphasis has been placed on project management skills across the Group. This has included the appointment of project management professionals, the use of dedicated project managers, the regular monitoring of project plans by senior management and the buying-in of external professional resource where appropriate.

The gaining of market share, the retention of customers as well as the reputation of the Group as a whole depends on the provision of appropriate, cost-effective and innovative schemes and facilities for the customers in the geographical areas in which the Group operates. The output from these facilities, secondary building materials, solid recovered fuel (SRF) and compost have to be of a sufficient quality to meet customers' needs. The Group has invested in quality certification technology to improve the quality of recyclate and the introduction of new sorting lines to meet this challenge. The monitoring of product quality is a continuous process in the business.

Volumes

The performance of our Industrial & Commercial (I&C) businesses are linked to the economic activity in the sectors we serve, in particular the construction sector. A significant proportion of the Group's I&C customer arrangements (in contrast to municipal arrangements) are annual price agreements without any customer commitments as to volumes. As a result the Group has little visibility as to future tonnages or revenues from such commercial arrangements. The volume of I&C waste received closely mirrors the I&C output in the geographical areas in which the Group's facilities are located. Unlike municipal waste, industrial projects, and therefore I&C waste volumes, are dependent on the availability of credit and underlying economic confidence. In the year ended 31 March 2010 the I&C sector accounted for approximately 30% of the Group's revenues and we are therefore exposed to fluctuations in this sector across our national markets. We mitigate this risk by diversifying our customer base where possible and by reducing costs.

Commodity prices

The sale of recyclable materials provides a significant source of income across the Group. As seen over the last two years, the level of global economic activity can have a dramatic effect on commodity prices and hence the value of these recyclables. Where the Group collects or processes segregated recyclable streams such as paper and cardboard, it endeavours to reduce the exposure to fluctuations in commodity prices by linking input prices directly to corresponding quoted commodity prices. Where the recyclables are recovered from residual waste streams their value is small compared to the costs of handling the stream, so is not separately identified in the overall price to the customer. However, the combined value of recyclables extracted from large volumes of residual waste can be significant and the impact of changing prices therefore becomes material. For certain streams, the Group seeks to limit exposure to fluctuations in commodity prices in the short to medium term by entering into agreements with off takers, however in the longer term fluctuations in the value of these streams have to be covered in the collection or gate fee to the waste producer.

Acquisitions

Acquisition of businesses in high growth markets is one of the elements of the Group's strategy. Although no major acquisitions have been made in the year the need to identify appropriate targets, perform high quality due diligence and successfully manage the integration of acquisitions remain key to the delivery of longer term business objectives. The Group continues to manage closely the integration of the Foronex acquisition in Belgium. The recent strategic review of this business forms part of the ongoing integration effort.

The risks mentioned above, plus uncertainties inherent in any acquisition, are mitigated by good market knowledge within the business at senior levels, the appropriate allocation of both internal and external resource in due diligence and the use of experienced staff in integration planning and the ongoing management of acquired businesses.

Environmental legislation

The waste management industry is subject to extensive government regulation. EU, Dutch, Belgian, UK and Canadian laws and regulations have a substantial impact on the Group's business, as well as providing significant opportunities. A large number of complex laws, rules, orders, court decisions and interpretations govern landfill taxes, green energy subsidies, environmental protection, health, safety, land use, transportation and related matters. This is further complicated by the rapid rate of change in legislation resulting from the increased profile of environmental issues. Changes in the legislation or its interpretation can have a significant and far reaching impact on markets. The Group endeavours to mitigate this risk by employing high quality management in each of our divisions to influence the evolving legislative framework.

Principal Risks and Uncertainties

and their mitigation

We therefore actively lobby for our interests at European, national and regional levels through trade associations and federations.

SHE (safety, health, environmental) compliance

Whilst the Group is subject to the same health and safety and employment law as other companies, the potential impacts for those involved in waste management are higher than for most other industry sectors. Waste management is acknowledged to be one of the highest risk industries with fatal and serious accident rates at least as high as those in construction, agriculture and other sectors with known elevated risk profiles.

Shanks' employees are the Group's most important and valuable asset and their health and safety is paramount so while there is no obligation on companies to publicly declare accidents and incidents suffered by its employees the Group firmly believes it must make clear and unambiguous statements to all stakeholders, internal and external, of the standards it expects and the extent to which they are attained. As a result the Group sets out its accident record in the Corporate Responsibility section of this Report. Since reporting commenced in 2001/02 the trend has been one of almost continuous improvement which is testament to the considerable management resource to ensure the highest health and safety practices are imposed and maintained.

Virtually all operating sites need to hold local licences, permits and other permissions to operate and compliance with these are monitored by various regulatory agencies. In the event of non-compliance Shanks may receive notices from local authorities or other regulatory agencies specifying actions to be taken and the associated timescales to remediate non-compliance. If Shanks fails to carry out the specified actions the relevant agencies have the power to revoke such licences, permits and permissions.

Waste management companies with poor compliance records or those which have attracted public or political concern will find it more difficult to obtain and renew local permissions than businesses with a more positive image. Maintaining the highest environmental standards is also important to ensure continuing acceptance of operations by host communities and to satisfy customers. Details of how the Group monitors and controls environmental compliance are given in the Corporate Responsibility section of this Report.

Foreign exchange

With the majority of the Group's business being conducted in Europe the Group is at risk of adverse movements in foreign exchange rates. The Group's exposure to exchange rate movements is governed by the Board approved Treasury Policy.

The Group's refinancing in April 2009 was arranged with UK, Dutch and Belgian banks and are multi-currency facilities. Borrowings are drawn, so far as possible, in the same currencies as the underlying investment to reduce net translation exposure on exchange rate movements.

Under the Group's financing arrangements the covenants are all measured at average rates so the risk of breaching the covenant as a result of exchange movements has therefore been eliminated.

However, the Group's strategy is to leave income risk unhedged. In the year ended 31 March 2010 foreign exchange movements contributed £2.7m towards the Group's underlying profit before tax but adverse movements in exchange rates could have a negative impact on translations of the results of the Group's overseas subsidiaries into Sterling.

Corporate Responsibility

Sustainable and responsible

Waste and resources companies operate under strict environmental regulation. Each of the Group's sites has permits and permissions which regulate how they operate, from the waste types they can accept, to emissions and the nature of the treatment, recovery and other activities allowed. Failure to comply with these permissions can result in enforcement action, prosecution and restrictions on operations. Companies which repeatedly breach their permissions may face difficulty gaining new permits, or varying those already held, to take advantage of new technologies and opportunities.

As sustainability and carbon become increasingly high profile, failure to deliver sustainable waste management may limit the Group's ability to grow. One of the Group's key strategic objectives is to develop our infrastructure further to support sustainable waste management and conversion of waste to renewable energy. Increasingly Shanks' customers are demanding more than simple waste management services. Underpinning these demands are concerns relating to climate change and a need to comply with EU and national waste policy, which in turn are driving greater recycling and recovery and a growing realisation that commercial requirements and environmental considerations are mutual and support each other.

Targeting corporate responsibility

In its 2009 Corporate Responsibility (CR) Report the Group set itself nine qualitative objectives in areas from carbon measurement and employee opinion to a review of its corporate responsibility policy. Progress against these objectives is reported on in Shanks 2010 CR Report, available on the Group's website as are three key, long term corporate responsibility objectives that have been developed. These objectives will run over the next five years and are targeted at those corporate responsibility issues the Board believes are most critical:

- Group recycling and recovery rate;
- Potential carbon avoidance Shanks facilitates by its activities; and
- The core employee wellbeing indicator of accident rate.

• Recycling and recovery rate

To achieve a more sustainable future, society needs to move towards greater use of recycling and recovery technologies. Shanks has already made significant progress towards its strategy of supporting sustainable waste and resource management, as demonstrated by the Group's high recycling and recovery rate. However, there are Group wide differences with rates in the Netherlands and Belgium being higher than those exhibited by the UK operations, reflecting the relative progress towards sustainable waste management within these countries. The Group is using its European experience to support its UK business in driving up recycling and recovery rates.

To target progress towards sustainability through higher recycling and recovery rates the following key corporate responsibility objective has been set:

Shanks Group commits to increasing its recycling and recovery rate to more than 80% of the total waste handled by its sites by the end of March 2015.

• Carbon avoidance

Companies can seek to affect their carbon impact by reducing their emissions for example by energy use efficiencies, or by using more sustainable energy sources and resources such as purchasing renewable energy or a greater use of recycled materials in products.

Waste and resource management companies can assist in carbon avoidance through facilitating the use of alternative fuels and materials. Producing items containing recycled materials reduces the amount of carbon emitted compared with the use of virgin materials and using a fuel derived from waste rather than a fossil fuel likewise reduces carbon impact. In addition, some waste management processes actually produce renewable energy, such as electricity generation from anaerobic digestion.

However, it is often the case that the technologies which provide a greater benefit are also those with a higher energy need. Recycling waste consumes more energy than disposing of it to landfill, even though landfills produce methane which has a significant greenhouse effect. It is in the relative balance between energy use and carbon avoidance that a benefit should be measured.

Corporate Responsibility

continued

Carbon avoidance has also been set as a key corporate responsibility objective. This comprises both the benefits Shanks helps others achieve through the use of our waste derived fuel as well as the direct reductions in our own operations from initiatives such as energy efficiencies. To promote this the following key corporate responsibility objective has been set:

Shanks Group commits to increasing its potential carbon avoidance to in excess of 800,000 tonnes by the end of March 2015.

• Employee wellbeing

Measures of employee wellbeing include hard indicators, such as accident rates, sickness absence rates and training provision, the details of which are included in the Shanks 2010 CR Report. The Group is however moving to include more broad based measures of wellbeing such as employee motivation and satisfaction. Employee satisfaction surveys have recently been conducted in the UK, Belgian and Dutch businesses and actions plans developed to improve overall satisfaction levels.

The most basic indicator of employee wellbeing however must be a workplace free, so far as is practical, of physical harm. The Group has had considerable success in reducing its accident rate and in the past ten years has nearly halved its more serious employee accident rate. However, this is an area where continuous improvement is sought and the following key corporate responsibility objective has been set:

Shanks Group is committed to reducing its employee RIDDOR (more serious) accident rate by 25%, based on its accident data reported in 2010, by the end of March 2015.

The environment

All Shanks Group operations have environmental management systems aimed at compliance and maximising the benefits of resource recovery. The Group aims to foster constructive relationships with its regulators and its success in this may be measured by the low level of enforcement action taken against its operating companies.

	Fine (£k)	Details
Netherlands	35.5	Breach of permit regarding fire protection system
Netherlands	9.8	Insufficient precautionary measures resulting in an employee injury
Belgium	9.6	Non-compliance in relation to dust nuisance (mainly relating to periods prior to Shanks' ownership)
UK	None	
Canada	None	

The framework for waste and resource management in Europe is set by policy, the waste hierarchy and targets within these for recycling and recovery. Shanks Group policy is to align itself with the waste hierarchy, to increase its recycling and recovery rates and move towards more sustainable waste management methods. One obvious measure of progress towards this aim is the rate at which the Group recycles or recovers the wastes it manages.

Overall Recycling and Recovery Rate	
Netherlands	86%
Belgium	68%
United Kingdom	43%
Canada	78%
Group	74%

Fuller details of our environmental and carbon performance may be found in the Shanks 2010 CR Report.

Shanks Group RIDDOR accident rate per 100,000 employees (Reporting of Injuries, Diseases and Dangerous Occurrence Regulations)

People, employee wellbeing and health and safety

Shanks is a diverse and widespread Group with more than 4,000 employees located at in excess of 120 sites. With this geographical spread and diverse structure Shanks relies heavily on the competence and motivation of its employees. At its most basic level employee wellbeing means not harming employees and is a health and safety issue. Shanks has always been aware that it operates in a potentially high risk sector and has reported publicly on its accident performance for more than nineteen years.

At a more sophisticated level, issues such as employee communication, dignity, diversity, business ethics and company culture are all part of employee wellbeing. Further information and performance data on wellbeing is reported in the Shanks 2010 CR Report.

All of the Group's employment and training policies are compliant with relevant employment legislation and regulatory obligations. The Group is an equal opportunities employer and full and fair consideration is given to applications from, and the continuing employment, career

development and training of disabled people. A culture of two way communications is actively promoted and trade unions, works councils and other employee groups are involved wherever appropriate. At a Group level the approach taken is clearly outlined in the corporate responsibility policy which is available on the website.

Wider community

Waste and resources operations can, no matter what their benefit to the environment, be seen at best as an unpopular necessity. Everyone accepts the need, but not always on their own doorstep. Virtually all environmental permission systems have a statutory duty to consider local issues and companies which do not foster good relations will find the gaining of new, or revision and maintenance of current, permissions at best difficult.

Shanks has an open door policy and encourages visits from local communities, customers and other interested persons. Open days are held at some sites, while at others education centres have been established. Formal liaison groups are encouraged at high-profile sites and engagement with local political systems is a direct duty of operational management.

The Group cannot rely on its regulators and internal monitoring systems completely when assessing the potential impacts of its operations and it is essential that local community concerns are accounted for. As a result, complaint and comment response systems have been established at all Group sites. Trends in complaints are tracked centrally with the aim of addressing any issues before they either come to the regulator's attention or start to impact significantly on company image and reputation. Further details and examples of Shanks wider community activities can be found in the Shanks 2010 CR Report.

Shanks 2010 Corporate Responsibility Report

Since the late 1980's Shanks has produced publicly available reports on corporate responsibility issues, such as health and safety and the environment. Since 2009 Shanks has produced a full corporate responsibility annual report. This report has been produced in the three main languages of Shanks operations and is available on the Group's website at www.shanksplc.co.uk

Board of Directors

ADRIAN AUER, BA, MBA, ACT

Chairman

Adrian joined the Board in 2005 and was appointed Chairman in July 2006. He chairs the Nomination Committee and is also a member of the Remuneration Committee. Adrian is also Chairman of Readymix plc, a Non-executive Director of Electrocomponents plc and the Senior Independent Director of Umeco plc. Previously he has held the position of Finance Director in a number of major companies, notably in the building materials and construction sectors, as well as senior finance positions with BP and ICI. He is also Chairman of Addaction, Britain's largest specialist drug and alcohol treatment charity.

STEPHEN RILEY, B ENG, PHD

Non-executive Director

Stephen was appointed to the Board in March 2007 and is a member of the Audit, Remuneration and Nomination Committees. He is currently an Executive Director with International Power plc having joined that business in 1985. Stephen has extensive operational experience in the power industry having held senior positions in the UK and Australia.

CHRIS SURCH, B.COM (ACC), ACA

Group Finance Director

Chris joined the Board in May 2009 as Group Finance Director. Following an early career with PricewaterhouseCoopers he joined TI Group plc in 1995 where he held a number of audit and finance roles. Following the merger of TI Group with Smiths Group plc in December 2000 he went on to hold further senior finance roles, most recently as Finance Director of their Specialty Engineering division.

TOM DRURY, MA

Group Chief Executive

Tom joined the Company as Group Chief Executive Designate in September 2007 and was appointed Group Chief Executive in October of that year. Following an early career with Unilever and PricewaterhouseCoopers he went on to a distinguished career with United Utilities plc, being appointed a main Board Director in 2005. In 1996 he was appointed Managing Director of a new commercial enterprise, Vertex, which grew to become the second largest firm in the UK's business process outsourcing sector until the sale of that business in March 2007 to US private equity.

ERIC van AMERONGEN

Senior Independent Director

Eric was appointed to the Board in February 2007 and sits on the Audit, Remuneration and Nomination Committees. In July 2007 he was appointed Chairman of the Remuneration Committee and Senior Independent Director. He was until January 2008 a Non-executive Director of Corus Group plc, a position he held for seven years. Eric has wide ranging European business experience and holds a number of Non-executive and advisory positions.

PETER JOHNSON, BA, ACA

Non-executive Director

Peter joined the Board in May 2005 and is the Chairman of the Audit Committee and also sits on the Remuneration and Nomination Committees. Peter is a chartered accountant and a Non-executive Director of Oriel Securities Limited. He was Finance Director of Taylor Wimpey plc from 2002 until October 2008. Previously he has held a number of senior positions in the Financial Services sector including those of Group Finance Director of Henderson plc, Chief Financial Officer for Pearl Assurance and Finance Director of Norwich Union Life.

Directors' Report

The Directors present their Annual Report together with the audited financial statements for the year ended 31 March 2010.

Directors

The composition of the Board of Directors at the date of this Report is shown on the previous pages together with their biographical details. Mr A Auer, Mr T Drury, Mr E van Amerongen, Mr P Johnson and Dr S Riley all served on the Board throughout the financial year under review. Mr C Surch was appointed Group Finance Director on 1 May 2009, succeeding Mr F Welham who left the Board on 27 April 2009 and the Company on 31 May 2009. Mr A Auer, Mr E van Amerongen, Mr P Johnson and Dr S Riley will be offering themselves for annual re-election at the Company's AGM to be held on 22 July 2010 in accordance with the Company's Articles of Association. The Board commends to shareholders the re-election of these Directors, all of whom they regard as possessing the requisite skills and attributes to continue making significant contributions in their respective roles. Details of Directors' interests are shown in the Remuneration Report.

Principal Activities and Business Review

Shanks Group plc is one of Europe's largest independent waste and resource management companies, with operations in the Netherlands, Belgium, the UK, France and Canada providing sustainable solutions to waste and environmental obligations. The Group has more than a hundred facilities handling more than seven million tonnes of waste a year, of which in excess of 70% is recycled or recovered. Group activities range from mechanical biological treatment and anaerobic digestion to recycling and waste collection operations.

The preceding sections of this Annual Report including the Chairman's Statement, Chief Executive's Statement, Market Overview, Business Review, Financial Review, Principal Risks and Corporate Responsibility sections refer to the objectives and strategy of the Group, its competition and the markets in which the Group operates, the principal risks and uncertainties facing the Group, a review of the development and performance of the business for the year ended 31 March 2010, the financial position of the Group as at the financial year end, key performance indicators and likely future developments of the business. Together with the Corporate Governance section, the Remuneration Report and Statement of Directors' Responsibilities the information referred to above fulfills the requirements of the business review provisions in section 417 of the Companies Act 2006 and is incorporated by reference into, and shall be deemed to form part of, this Report together with the other information referred to in this Directors' Report.

Acquisitions and Disposals

There were no acquisitions during the year (2009: £10.4m) nor any disposals (2009: £Nil). Investments in and disposals of interests in joint venture agreements during the year are described in notes 14 and 15 of the financial statements. These include a £1.6m investment in a joint venture agreement with Energen Biogas to develop a new anaerobic digestion facility in Scotland and the disposal of a joint venture interest in the Avondale landfill business in the UK for a consideration of up to £27m.

Research and Development

The Group spent £Nil (2009: £Nil) on research and development during the year ended 31 March 2010.

Results and Dividends

The Group's Consolidated Income Statement appears on page 62 and note 2 to the financial statements shows the contribution to revenue and profits made by the different segments of the Group's business. The Group's profit for the year amounted to £37.6m (2009: £6.4m).

The Directors recommend a final dividend of 2.0p (2009: nil) per share be paid on 6 August 2010 to ordinary shareholders on the register of members at close of business on 9 July 2010. This dividend, if approved by shareholders, together with the interim dividend of 1.0p (2009: 1.7p) per share already paid on 15 January 2010, will make a total dividend for the year of 3.0p per share (2009: 1.7p).

Statement of Going Concern

After making enquiries the Directors have formed the view, at the time of approving the financial statements, that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future and that the Group's business is a going concern. For this reason the Directors continue to adopt the going concern basis in preparing the financial statements.

Notifiable Interests

As at 19 May 2010 the Company had been notified of the following direct and indirect interests in voting rights equal to or exceeding 3% of the ordinary share capital of the Company:

	Number of shares	Percentage
Schroders plc	56,884,927	14.34
Legal & General Group plc	13,991,584	3.52
Norges Bank	13,112,449	3.30

Share Capital

At an extraordinary general meeting of shareholders held on 8 June 2009, the Company's authorised share capital was increased by the creation of an additional 100,000,000 ordinary shares of 10p each in connection with a 2 for 3 Rights Issue of 158,679,867 ordinary shares at a price of 45p per share, details of which were set out in the prospectus published by the Company on 21 May 2009. During the year ended 31 March 2010 no ordinary shares were issued other than those issued in respect of the Rights Issue and the exercise of options under the Company's share option schemes, details of which are given in note 6 to the financial statements. As at 31 March 2010 and as at the date of this Report the authorised ordinary share capital was and is £45,000,000, consisting of 450,000,000 ordinary shares of 10p each. As at 31 March 2010 and as at the date of this Report there were 396,791,273

ordinary shares in issue. The principal rights and obligations attaching to the ordinary shares are as follows:

- Dividend rights – holders of the Company's ordinary shares may, by ordinary resolution, declare dividends but may not declare dividends in excess of the amount recommended by the Directors. The Directors may also pay interim dividends. No dividend may be paid other than out of profits available for distribution. Unless the terms of issue of any share otherwise provide, dividends may be declared or paid in any currency and all dividends shall be declared and paid according to the amounts paid up on the share in respect of which the dividend is paid and dividends shall be apportioned and paid pro-rata according to the amounts paid up on a share during any portion of the period in respect of which the dividend is paid. Payment or satisfaction of a dividend may be made wholly or partly by distribution of specific assets, including fully paid shares or debentures of any other company. Such action must be directed by the general meeting which declared the dividend, by ordinary resolution, and upon the recommendation of the Directors. The Directors may deduct from any dividend payable to a member all sums of money (if any) payable by such member to the Company in respect of ordinary shares of the Company. The Directors may withhold payment of all or any part of any dividends payable in respect of the Company's shares from a person with a 0.25% interest (as defined in the Articles of Association) if such person has been served with a restriction notice (as defined in the Articles) after failure to provide the Company with information concerning interests in those shares required to be provided under the Companies Acts.

- Voting rights – voting at any general meeting is by a show of hands unless a poll is duly demanded. On a show of hands every shareholder who is present in person at a general meeting (and every proxy appointed by a shareholder and present at a general meeting) has one vote regardless of the number of shares held by the shareholder (or represented by the proxy). On a poll, every shareholder who is present in person or by proxy has one vote for every share held by that shareholder (the deadline for exercising voting rights by proxy is set out in the form of proxy). A poll may be demanded by any of the following: (a) the chairman of the meeting; (b) at least five shareholders entitled to vote and present in person or by proxy at the meeting; (c) any shareholder or shareholders present in person or by proxy and representing in the aggregate not less than one-tenth of the total voting rights of all shareholders entitled to attend and vote at the meeting; or (d) any shareholder or shareholders present in person or by proxy and holding shares conferring a right to attend and vote at the meeting on which there have been paid up sums in the aggregate equal to not less than one-tenth of the total sum paid up on all the shares conferring that right. In the case of joint holders of an ordinary share, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members. No shareholder shall be entitled to vote at any general meeting in respect of any share held by him or her if any call or other sum then payable by him or her in respect of that share remains unpaid or if a shareholder has been served with a restriction notice (as defined in the Articles) after failure to provide the Company with information concerning interests in those shares required to be provided under the Companies Acts. The Company is not aware of any agreements between holders of shares that may result in restrictions on voting rights.

- Return of capital – in the event of the liquidation of the Company, after payment of all liabilities and deductions taking priority, the balance of assets available for distribution will be distributed among the holders of ordinary shares according to the amounts paid up on the shares held by them. A liquidator may with the sanction of a special resolution of the shareholders and any other sanction required by the Companies Acts, divide among the shareholders in kind the whole or any part of the Company's assets. Alternatively, a liquidator may, upon the adoption of a special resolution of the shareholders, vest the assets in whole or in part in trustees upon such trusts for the benefit of shareholders, but no shareholder is compelled to accept any assets upon which there is any liability.

Restrictions on the Holding or Transfer of Shares

There are no restrictions under the Company's Memorandum or Articles of Association that restrict the rights of members to hold or transfer the Company's shares. However, certain restrictions on the transfer of the Company's shares may from time to time be imposed by laws and regulations (such as insider dealing laws) and pursuant to the Listing Rules of the Financial Services Authority whereby certain employees and the Directors require the approval of the Company to deal in the Company's shares. The Company is not aware of any agreements between holders of its shares that may result in restrictions on the transfer of securities.

Control Rights Under Employee Share Schemes

The Company operates a number of employee share schemes. Under one of those schemes, ordinary shares may be held by trustees on behalf of employees. Employees are not entitled to exercise directly any voting or other control rights in respect of any shares held by such trustees and the trustees have full discretion to vote or abstain from voting at general meetings of the Company in respect of such shares.

Appointment and Replacement of Directors

The Company shall appoint (disregarding alternate directors) not less than two Directors. The appointment and replacement of Directors may be made as follows:

- the Company's members may by ordinary resolution appoint any person who is willing to act to be a Director;

Directors' Report

continued

- the Board may appoint any person who is willing to act to be a Director. Any Director so appointed shall hold office only until the next AGM and shall then be eligible for election;

- each Executive Director shall retire from office at the third AGM after the AGM at which he or she was last elected but he or she may be reappointed by ordinary resolution if eligible and willing;

- each Non-executive Director shall retire from office at every AGM but he or she may be reappointed by ordinary resolution if eligible and willing;

- the Company may by special resolution remove any Director before the expiration of his or her period of office or may, by ordinary resolution, remove a Director where special notice has been given and the necessary statutory procedures are complied with; and

- there are a number of other grounds on which a Director's office may cease, namely voluntary resignation, where all the other Directors (being at least three in number) request his or her resignation, where he or she suffers mental incapacity, compounds with his or her creditors, is declared bankrupt or is prohibited by law from being a Director.

Powers of Directors

The Articles of Association of the Company provide that the business of the Company shall be managed by the Board which may exercise all the powers of the Company, whether relating to the management of the business of the Company or not. This power is subject to any limitations imposed on the Company by legislation. It is also limited by the provisions of the Memorandum and Articles of Association of the Company and by any directions given by special resolution of the members of the Company which are applicable on the date that any power is exercised. Specific provisions relevant to the exercise of power by the Directors include the following:

- Pre-emptive rights and new issues of shares - while holders of ordinary shares have no pre-emptive rights under the Articles of Association, the ability of the Directors to cause the Company to issue shares, securities convertible into shares or rights to shares, otherwise than pursuant to an employee share scheme, is restricted. Under the Companies Acts, the directors of a company are, with certain exceptions, unable to allot any equity securities without express authorisation, which may be contained in a company's articles of association or given by its shareholders in general meeting, but which in either event cannot last for more than five years. Under the Companies Acts, the Company may also not allot shares for cash (otherwise than pursuant to an employee share scheme) without first making an offer to existing shareholders to allot such shares to them on the same or more favourable terms in proportion to their respective shareholdings, unless this requirement is waived by a special resolution of the Company's shareholders. The Company received authority at the last AGM to allot shares for cash on a non pre-emptive basis up to a maximum nominal amount of £1,983,498.30. This authority lasts until the earlier of the AGM of the Company in 2010 or 30 September 2010 and was additional to a similar authority received by the Company in connection with the Rights Issue which expired at the last AGM.

- Repurchase of shares - subject to authorisation by shareholder resolution, the Company may purchase all or any of its own shares in accordance with the Companies Acts and the Listing Rules. Any shares which have been bought back may be held as treasury shares or, if not so held, must be cancelled immediately upon completion of the purchase, thereby reducing the amount of the Company's issued share capital. The Company received authority at the last AGM to purchase up to 39,669,966 ordinary shares. This authority lasts until the earlier of the AGM of the Company in 2010 or 23 January 2011.

- Borrowing powers - the Directors are empowered to exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of the Company's assets, subject to the limitation that the aggregate amount of all net external borrowings of the Group outstanding at any time shall not exceed an amount equal to three times the aggregate of the Group's adjusted capital and reserves calculated in the manner prescribed in the Articles of Association, unless sanctioned by an ordinary resolution of the Company's shareholders.

Amendment to Company's Articles

The Company may alter its Articles of Association by special resolution passed at a general meeting.

Corporate Governance

The Board is fully committed to high standards of corporate governance. Details relating to the Company's compliance with the Combined Code on Corporate Governance for the financial year are given in the Corporate Governance and Remuneration Reports on pages 50 to 59. These sections contain details of Directors' service contracts and further information on the appointment of Directors and the responsibilities of the Board. Subject to the provisions of the Companies Acts, the Articles of Association and directions given by special resolution, the business of the Company is managed by the Board, which may exercise all the powers of the Company.

Corporate Responsibility

Information on Corporate Responsibility matters including the environment, employment policies, health and safety and community relations are set out on pages 41 to 43. Shanks Group plc is a constituent member of the FTSE4Good index series, designed to measure the performance of companies that meet globally recognised corporate responsibility standards. An updated Group Corporate Responsibility Policy was approved by the Board in February 2010 and is available on the Group website as is the Shanks Group Corporate Responsibilty Report.

Charitable and Political Donations

During the financial year donations made by the Group for charitable purposes amounted to £2,000 (2009: £550). In the UK, through the Landfill Communities Fund, the Group has also supported local environmental and social projects in areas around its remaining landfill sites. This Fund aims to offset some of the negative impacts of residing near to such sites by enabling operators to channel a proportion of their landfill tax liability to not-for-profit organisations to undertake projects such as disused land restoration, public park maintenance and habitat conservation. During the financial year over £550,000 was applied for these purposes. In addition, staff at individual Group businesses have organised various fund raising events to support local and national charities. No donations were made by the Group for political purposes during the financial year (2009: £Nil).

Payment of Suppliers

The Company does not currently subscribe to any code or standard on payment practice. It is the Company's policy, however, to settle terms of payment with suppliers when agreeing the terms of each transaction, to ensure that suppliers are made aware of the terms of payment and to abide by the terms of payment. The amount owed to trade creditors at the year end in proportion to the amounts invoiced by suppliers during the year, expressed as a number of days, was 66 days (2009: 68 days) for the Group and was 33 days (2009: 34 days) for the Company.

Change of Control - Significant Agreements

The Group's principal financing instrument at 31 March 2010, a multicurrency €360m term loan and revolving credit facility with six major banks, contains an option for those banks to declare by notice that all sums outstanding under that agreement are repayable immediately in the event of a change of control of the Company. Any such notice may take effect no earlier than thirty days from the change of control and, if exercised at 31 March 2010, would have required the repayment of £194.4m in principal and interest.

The 2001 notes issued under the Group's private placement contain an option for the noteholders to enforce prepayment between thirty days and sixty days from a change of control of outstanding principal and interest which would have amounted in total at 31 March 2010 to £32.6m. In addition, a make-whole payment amounting to £4.4m which is not provided for in these financial statements would be payable to private placement noteholders based on treasury yields at 31 March 2010.

In addition, the rules of the Company's employee share plans provide that awards and options may vest and become exercisable on a change of control of the Company.

Persons with Whom the Company has Essential Contractual and Other Arrangements

The Company's largest customers for its products and services include local authorities and municipalities. In the UK these include, notably, long term integrated waste management contracts with the East London Waste Authority, Dumfries and Galloway, Argyll & Bute and Cumbria Councils. Under these contracts the Group is responsible for managing the municipal wastes and recyclables collected by the local authority or their subcontractors. In The Netherlands, the Group's hazardous waste business has long term contracts with the oil and gas industry and is a major supplier of cleaning services to the petrochemical industry. The Netherlands business also has a number of long term source segregated organic contracts with municipalities and provinces. In Belgium there are a number of municipal waste collection contracts, the largest being for the city of Liege under a ten year contract which was renewed in 2005. In addition, the Foronex business in Belgium has a small number of long-term wood supply agreements with biomass burning renewable energy producing plants.

Disclosure of Information to the Company's Auditors

Each of the Company's Directors in office as at the date of this report confirms that, so far as he is aware, there is no relevant audit information in connection with preparing their report of which the Company's auditors are unaware. Each Director has taken all steps which he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the auditors are aware of that information.

Annual General Meeting

Notice of the AGM of the Company to be held at the offices of the Royal Bank of Scotland, 250 Bishopsgate, London, EC2M 4AA on Thursday 22 July 2010 at 11.00am will be made available to shareholders, together with a form of proxy, and will also be available on the website at www.shanksplc.co.uk.

Resolutions will be proposed to receive the 2010 Report and Accounts, approve the 2010 Remuneration Report, re-elect the Chairman and Non-executive Directors, re-appoint PricewaterhouseCoopers LLP as auditors of the Company and authorise the Directors to determine the auditors' remuneration. Shareholders will also be asked to renew the general authority of the Directors to issue shares, together with the authority to disapply pre-emption rights and authorise the Company to make purchases of its own shares. A resolution will also be proposed to authorise the Company to call a general meeting on not less than fourteen clear days notice. Finally, a resolution will be proposed to delete provisions of the Company's Memorandum and adopt new Articles of Association for the Company to take account of recent changes in the law, including provisions enacted by the Companies Act 2006.

The Directors consider that all the resolutions to be proposed at the AGM to be held on 22 July 2010 are in the best interests of the Company and its shareholders as a whole and they recommend unanimously that all shareholders vote in favour of the resolutions, as they intend to do in respect of their own shareholdings.

By order of the Board

P. Griffin-Smith

Philip Griffin-Smith
Company Secretary
20 May 2010

Corporate Governance

Combined Code

The Group is committed to achieving high standards of corporate governance and integrity and exemplary ethical standards in all its business dealings. This statement, together with the Remuneration Report on pages 54 to 59, explains how the Group has applied the provisions of the Combined Code on Corporate Governance published by the Financial Reporting Council and most recently updated in June 2008. The Board considers that it has complied with Section 1 of the Combined Code in all material respects throughout the year. The Group has also complied with the Financial Reporting Council Guidance on Audit Committees issued in October 2008 and the Financial Services Authority's revisions to the Listing Rules and Disclosure & Transparency Rules issued in June 2008.

The Board of Directors

The Board currently comprises the Chairman, a further three independent Non-executive Directors, the Group Chief Executive and Group Finance Director. The Chairman has primary responsibility for running the Board and the Group Chief Executive is responsible for the operations of the Group and for the development of strategic plans and initiatives for consideration by the Board. The division of responsibilities between the Chairman and the Group Chief Executive has been clearly established, set out in writing and agreed by the Board.

The Non-executive Directors bring a wide range of experience to the Group and are considered by the Board to be independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement. The Non-executive Directors make a significant contribution to the functioning of the Board, thereby ensuring that no one individual or group dominates the decision making process. Non-executive Directors are not eligible to participate in any of the Company's share option or pension schemes. The Chairman also meets periodically with the other Non-executive Directors without the presence of the Executive Directors.

The Combined Code also recommends that the Board appoints one of its independent Non-executive Directors to be the Senior Independent Director. This Director is available to shareholders should they have concerns which contact through the normal channels of Chairman, Group Chief Executive or Group Finance Director has failed to resolve or for which such contact is inappropriate. During the year this role was again fulfilled by Mr E van Amerongen.

The Board meets regularly, having met eighteen times during the year, four of which were held by telephone conference. In addition, separate strategic discussions take place. Several meetings are held at subsidiary company locations in the Netherlands, Belgium and the UK where local operations are reviewed and site inspections made. In line with the requirement of sound corporate governance, there is a formal schedule of matters reserved specifically for the Board's decision. These include approval of financial statements, strategic policy, acquisitions and disposals, capital projects over defined limits, annual plans and new borrowing facilities.

The Board operates under agreed terms of reference, which together with those of its Committees are documented formally and updated as necessary. The Board is provided with appropriate information in a timely manner to enable it to effectively discharge its duties. All Directors have access to the Company Secretary whose role includes ensuring that Board procedures and regulations are followed. In addition, Directors are entitled, if necessary, to seek independent professional advice in the furtherance of their duties at the Company's expense.

Performance evaluation of the Board, its Committees and individual Directors during the year was again undertaken through the mechanism of formalised self assessment questionnaires. The performance evaluation of the Chairman was undertaken by the Non-executive Directors, led by the Senior Independent Director. Consistent with the Board's commitment to continuously evaluate its performance, progress against a number of specific priorities was monitored during the year. These included strategic investment in and growth of the UK business, a review of corporate communications and the development of the senior management team below Board level.

In light of the recommendations of the Walker Report the Board will keep under regular review their assessment as whether or not to engage the services of external consultants for future evaluations.

Any new Director appointed to the Board is subject to election by shareholders at the first opportunity after their appointment. In accordance with the Company's Articles of Association Non-executive Directors are also required to stand for re-election on an annual basis and Executive Directors, every three years. Non-executive Directors are appointed initially for a three year term.

On appointment, Directors are given an introduction to the Group's operations, including visits to principal sites and meetings with operational management. Specific training requirements of Directors are met either directly or by the Company through legal/regulatory updates. During the year, at the Non-executive Directors request, a presentation to the full Board was arranged which focused on the current and latest technological innovations in waste management processes. Non-executive Directors also have access to PricewaterhouseCoopers' Non-executive database and course programme. Board succession planning is kept under review by the Nomination Committee.

As at the date of this Report, indemnities are in force between the Company and each of its Directors under which the Company has agreed to indemnify each Director, to the extent permitted by law, in respect of certain liabilities incurred as a result of carrying out his role as a Director of the Company. The Directors are also indemnified against the costs of defending any criminal or civil proceedings or any claim by the Company or a regulator as they are incurred provided that where the defence is unsuccessful the Director must repay those defence costs to the Company. The indemnities are qualifying third party indemnity provisions for the purposes of the Companies Act

2006. In respect of those liabilities for which the Directors may not be indemnified, the Company maintained a Directors' and Officers' liability insurance policy throughout the financial year and has renewed that policy.

The Companies Act 2006 introduced a statutory duty on Directors to avoid conflicts of interest and shareholders approved a resolution at the 2008 AGM giving Directors authority to approve situations involving any such conflicts and to allow conflicts of interest to be dealt with by the Board. All Directors are required to notify the Company on an ongoing basis of their other commitments and through the Company Secretary there are procedures for ensuring that the Board's powers for authorising directors' conflicts of interest are operated effectively.

The table below details the number of formal Board and Committee meetings held in the year and the attendance of each Director. In addition, the Board held a one day strategy meeting with senior management in attendance. There was also regular communication between the Non-executive Directors without the presence of the Executive Directors. Private meetings between the Audit Committee and the external auditors were also held without the presence of the Executive Directors.

Director	Group Board*	Audit Committee	Remuneration Committee	Nomination Committee
A Auer	18 (18)	n/a	7 (7)	2 (2)
T Drury	18 (18)	n/a	n/a	n/a
P Johnson	18 (18)	3 (3)	7 (7)	2 (2)
S Riley	17 (18)	3 (3)	7 (7)	2 (2)
C Surch	16 (16)	n/a	n/a	n/a
E van Amerongen	13 (18)#	2 (3)	5 (7)	1 (2)

* Inclusive of two meetings specifically convened to conclude the 2009 Rights Issue and four regarding the approach made to the Board for the Company, discussions on which were terminated and announced to the Stock Exchange on 9 March 2010.

\# Mr van Amerongen's attendance during the year was impacted primarily by illness and also unavoidable clashes of additional short notice Board meetings with scheduled meetings of other companies of which he is a director. In all cases the Chairman sought Mr van Amerongen's views prior to those meetings and also reported back to him any Board decisions reached.

Figures in brackets indicate maximum number of meetings during the year in which each Director was a Board/Committee member.

Audit Committee

The Audit Committee, which met three times in the year, is formally constituted with written terms of reference which are available on the Group's website. The Committee is comprised solely of Non-executive Directors; Mr P Johnson, Dr S Riley and Mr E van Amerongen. Mr P Johnson, who continues to have current and relevant financial experience under Combined Code requirements, chaired the Committee throughout the year. The external auditors, the Chairman and the Executive Directors are regularly invited to attend meetings and the Committee has access to the external auditors' advice without the presence of the Executive Directors. The Audit Committee has the authority to examine any matters relating to the financial affairs of the Group. This includes the appointment, terms of engagement, objectivity and independence of the external auditors, the nature and scope of the audit, reviews of the interim and annual financial statements, internal control procedures, accounting policies, adherence with accounting standards and such other related functions as the Board may require. The Committee also considers and reviews other risk management and control documentation, including the Group's policy on 'whistleblowing' and security reporting procedures. During the year the Committee continued to strengthen risk management with more formalised processes including the rotational attendance of Managing Directors to present their country risk control plans.

Specified non-audit services may be provided by the external auditor subject to a competitive bid process other than in situations where it is determined by the Group Finance Director that the work is closely related to the audit or when a significant benefit can be obtained from work previously conducted by the external auditor. Whilst the Group Finance Director may approve any new engagement up to the value of £25,000, anything in excess requires Audit Committee approval up to an agreed annual aggregate limit of 75% of the prior year audit fee. In exceptional circumstances this limit may be exceeded with the approval of the Board. In determining whether or not to engage the external auditor to provide any non-audit services consideration will be given to whether this would create a threat to their independence. Similarly the external auditor will not be permitted to undertake any advocacy role for the Group such that their objectivity may be compromised. Similarly the external auditor may not provide services involving the preparation of accounting records or financial statements, the design, implementation and operation of financial information systems, actuarial and internal control functions or the management of internal audits.

During the year the performance of the external auditors was formally reviewed and as part of the planned rotation process a new Engagement Partner has been identified to lead the 2011 audit. A resolution proposing the re-appointment of PricewaterhouseCoopers LLP as Group auditors will be put to shareholders at the forthcoming AGM.

Remuneration Committee

The Remuneration Committee, which met seven times in the year, is formally constituted with written terms of reference which are available on the Group's website. The Committee is comprised solely of Non-executive Directors; Mr E van Amerongen, Mr A Auer, Mr P Johnson and Dr S Riley. The Committee has been chaired since July 2007 by Mr E van Amerongen and determines the Company's policy on remuneration and on a specific package for each of the Executive Directors. It also determines the terms on which the Long Term Incentive Plan and the Save As You Earn share options are awarded to employees.

Corporate Governance

continued

The Committee also determines the remuneration of the Group's senior management and that of the Chairman. It recommends the remuneration of the Non-executive Directors for determination by the Board. In exercising its responsibilities the Committee has access to professional advice, both internally and externally, and may consult the Group Chief Executive about its proposals. The Remuneration Report on pages 54 to 59 contains particulars of Directors' remuneration and interests in the Company's shares.

Nomination Committee

The Nomination Committee is chaired by Mr A Auer and is comprised solely of Non-executive Directors; Mr E van Amerongen, Mr P Johnson and Dr S Riley. The Committee is formally constituted with written terms of reference which are available on the Group's website. It met twice during the year and is responsible for making recommendations to the Board on the appointment of Directors and succession planning. During the year the Committee reviewed organisation and resourcing plans for the purpose of providing assurance that appropriate processes were in place to ensure a sufficient supply of competent executive and senior management in the Netherlands, Belgium and the UK. It keeps under review the structure, composition and balance of skills of the Board. Using the services of an external executive search consultant the recommendation of the Nomination Committee of the appointment of Mr C Surch as Group Finance Director was accepted by the Board, leading to his appointment on 1 May 2009.

Pensions

The assets of both the final salary and money purchase schemes in the UK are held separately from those of the Group. These are invested by independent professional investment managers and cannot be invested directly in the Company. There are three trustees appointed by the Company and two member nominated trustees. Senior employees in Belgium are provided with defined contribution pension benefits. In the Netherlands, employees participate in compulsory collective transport industry wide pension schemes, or equivalent schemes, which provide benefits up to a certain level of pay. Senior employees in the Netherlands earning in excess of the maximum level of pay allowed for within the compulsory pension schemes also participate in a defined contribution arrangement for the excess amount.

Investor Relations

The Company has an active investor relations programme, with designated members of the Board regularly meeting institutional investors, analysts, press and other parties. The Board obtains feedback from its joint brokers, RBS Hoare Govett and Investec on the views of institutional shareholders and the Chairman attends meetings with major shareholders whose views are communicated to the Board as a whole. Detailed shareholder and market comment in particular is reported to the full Board after results announcements. During the year close shareholder consultation was necessitated by the 2009 Rights Issue and approach for the Company by private equity in December 2009. An Investor Day event is being planned for later in the year to further develop the investor relations programme. The Group also communicates with private and institutional investors through its AGM. The Group's website www.shanksplc.co.uk provides additional information for shareholders and the general public.

Risk Management

The Board has overall responsibility for the Group's system of internal control and risk management. In compliance with Principle C.2 of the Combined Code on Corporate Governance it has established a continuous process in relation to the identification, evaluation and management of the significant risks faced by the Group. This process has been in place for the financial period ending March 2010 and to the date of approval of this Report and is in accordance with the Revised Guidance for Directors on the Combined Code (Turnbull Report).

The objectives of the risk management process are to identify, assess and control the most serious risks facing the Group. The main risks affecting the Group are set out in the Principal Risks section of this Annual Report on pages 39 and 40. The main elements of the risk management process are as follows:

- The schedule of matters reserved for the Board, and its adherence, ensures that all significant factors affecting Group strategy, structure and financing are properly managed by the Directors.

- The Group risk management framework ensures that each business annually assesses the risks it faces and its monitoring and control of those risks. The output of this process is a summary of all significant strategic, operational, financial and compliance risks, mitigating controls and the action plans necessary to reduce risks to a level deemed appropriate by the Board. These are reviewed by both country management and the Board to ensure the appropriateness of the risks identified and the controls and action plans reported.

The risk management framework is constantly evolving and in addition to the improvements noted in last year's Annual Report the following developments have been implemented this year to further embed risk management processes into the day-to-day management of the business:

- Quarterly reporting to the Board by each country on the specific measures being taken to control the most important risks from a Group perspective.

- The Managing Director of each country making an annual presentation to the Audit Committee on how the significant risks are being mitigated in his business.

- An annual self assessment by each business of the scope and quality of its risk management process and system of internal control with subsequent review by both the Risk Management and Internal Audit function and the Board.

Risk management is also embedded in the major decision-making processes involved in delivering the Group's strategy, specifically in relation to investment projects and infrastructure development and acquisitions. It is also embedded in the day-to-day management of operations including health, safety and environmental compliance where there is regular monitoring, auditing and reporting of procedures and controls.

Internal control responsibility

The system of internal control is based on a continuous process of identifying, evaluating and managing risks and include the risk management processes outlined above. The Board has overall responsibility for the Group's system of internal control and for reviewing its effectiveness. The Board recognises that internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can therefore only provide reasonable and not absolute assurance against material misstatements, losses and the breach of laws and regulations.

Annual assessment of the effectiveness of the system of internal control

In addition to the Board's ongoing internal control monitoring process it has also conducted an annual review of the effectiveness of the Group's system of internal control in compliance with Provision C.2.1 of the Combined Code. This review covered all material controls including financial, operational and compliance controls and risk management systems. Specifically, the Board's review consisted of the following elements:

- Consideration of changes in the risk environment and the Group's ability to respond to these through its review of business risk registers, controls and improvement action plans.
- Consideration of quarterly risk reporting by business management.
- Review of the annual certification by country management that appropriate internal controls are in place following assessment by the Risk Management and Internal Audit function.
- Review of reports by Internal Audit and external auditors.

Continuous process for the monitoring of the system of internal control

Regular features of the Group's internal control system which contribute towards its continuous monitoring are as follows:

- A comprehensive planning and budgeting exercise. Performance is measured monthly against plan and prior year results and explanations sought for significant variances to provide early warning of potential additional risk factors.
- A clear management structure including clear limits of authority, updated regularly, over items such as capital expenditure, pricing strategy and contract authorisation.
- Monthly meetings of the Group's most senior managers and Executive Directors to discuss performance and plans.
- Monthly visits by the Executive Directors to key operating locations to attend local board or management meetings.
- Appointment and retention of appropriately experienced and qualified staff to help achieve business objectives.
- An annual risk-based internal audit plan approved by the Audit Committee. Audits are performed under the guidance of the Risk Management & Internal Audit Manager with findings discussed at business unit board meetings. Summaries of audit findings and the status of action plans to remedy significant failings are discussed at Group Board and Audit Committee meetings on a regular basis.
- A range of quality assurance and environmental management systems in use across the Group. Where appropriate these are independently certified to internationally recognised standards including ISO 9001 and ISO 14001 and subject to regular independent auditing.
- Regular meetings of the Audit Committee, comprising Non-executive Directors, to consider all key aspects of the risk management and internal control systems.

Where weaknesses in the internal control system have been identified through the monitoring processes outlined above, plans for strengthening them are put in place and action plans regularly monitored until complete. The Board confirms that no material weaknesses were identified during the year and therefore no remedial action is required in relation to them.

Financial reporting

In addition to the general risk management and internal control processes described above the Group has also implemented internal controls specific to the financial reporting process and the preparation of the annual financial statements. The main control aspects are as follows:

- Formal written financial policies and procedures applicable to all business units.
- A detailed reporting calendar including the submission of detailed monthly accounts for each business unit in addition to the year-end and half year-end reporting process.
- Detailed management review to Board level of both monthly management accounts and year-end and half year-end accounts.
- Bi-annual certification by country Managing Directors and Finance Directors and Executive Directors on compliance with appropriate policies and the accuracy of financial information.

Remuneration Report

Remuneration Policy

The principal objectives of the Remuneration Committee, which is chaired by Mr E van Amerongen and comprises the Non-executive Directors, are to attract, retain and motivate high quality senior management with a competitive package of incentives and awards linked to performance and the interests of shareholders. The Committee seeks to ensure that the Executive Directors are fairly rewarded taking into account all elements of their remuneration package in the light of the Group's performance.

The Committee has appointed Deloitte LLP to provide independent market information and advice relating to executive remuneration and benefits. Deloitte LLP are considered to be independent as they provide only very limited other services to the Group.

As described below, a significant proportion of potential total remuneration is performance related and is built around annual and longer term incentives. For Directors achieving median performance, performance related pay would represent approximately 40% of total remuneration. If performance were such that the maximum award available under each incentive scheme was paid, performance related pay would represent approximately 70% of total remuneration.

Basic Salary

The basic salary element is determined primarily by reference to external data which takes into account the Executive Director's duties and responsibilities. Basic salary is generally reviewed on an annual basis or following a significant change in responsibilities. In recognition of their performance, the importance of retention and market comparison of Executive Director remuneration, the Committee awarded pay increases with effect from 1 April 2010. Mr T Drury's basic salary was increased from £390,000 to £420,000 per annum and that of Mr C. Surch from £250,000 to £275,000 per annum.

Annual Cash Bonuses

Annual cash bonuses for Executive Directors are paid at the discretion of the Remuneration Committee as a percentage of base salary dependent upon corporate financial performance compared to target and achievement of personal objectives.

For the year to 31 March 2010 having considered previously the advice of remuneration consultants and consulted with shareholders, a minimum 10% of salary was payable for "threshold" corporate financial performance, representing 90% of budget. A total of 25% and 20% of salary was payable to the Group Chief Executive and Group Finance Director respectively for achievement of 2009/10 budget whilst a maximum 75% and 50% respectively would be payable for outperformance of budget. Together with the retained 25% component for achievement of personal objectives, which included a cash target element based on underlying free cash flow as a percentage of trading profit, the maximum aggregate bonus potential for the positions of Group Chief Executive and Group Finance Director were 100% and 75% respectively, having been reduced from 125% and 100% in the previous year.

Minimum threshold performance of the corporate financial component was exceeded for 2009/10 equating to a pro-rated entitlement of 19.4% and 16.3% of base salary for Mr T Drury and Mr C Surch respectively. Together with achievement of personal objectives relating to 18.8% of base salary for both Directors, the Remuneration Committee determined that total bonuses of 38.2% and 35.1% be awarded to Mr T Drury and Mr C Surch respectively. A proportion of these payments equivalent to 35.2% and 30.3% of salary based on forecast financial performance and an assessment of personal objectives was paid to Mr T Drury and Mr C Surch respectively at the end of March 2010, subject to a strict clawback mechanism in the event of potential overpayment. The outstanding proportion of bonus now due will be paid in June 2010.

Given the ongoing difficulty in predicting financial performance and forecasting earnings in the current economic climate the Remuneration Committee have determined to operate a similar but more stretching bonus plan for 2010/11 based on the achievement of Full Potential Plan targets. The Full Potential Plan represents a stretch of approximately 13% on profit before tax. For the corporate financial performance element 25% of base salary will be paid as a bonus for achievement of budget, with up to 75% payable for achievement of the Full Potential Plan. Together with a 25% component for achievement of personal objectives, including an underlying free cash flow target element, the maximum aggregate bonus potential for both Executive Directors is 100%. The Remuneration Committee will continue to review these arrangements for future years.

Long Term Incentive Plan

Under the Long Term Incentive Plan (LTIP) Executive Directors and senior employees may be granted an award annually, the vesting of which is subject to the attainment of performance conditions measured over a three year period. Awards are in the form of Shanks Group plc shares. The maximum value in any financial year is limited to 100% of basic salary as at the date of grant and is calculated on the Company's share price at that time.

For awards up to and including those made in 2008, two performance conditions have been applied. The first performance condition was based on Total Shareholder Return (TSR), where the Company's TSR achieved during the three year performance period is measured against the TSR achieved by those companies that constituted the FTSE Support Services Sector immediately before the date of grant of an award. An award will only vest in full if the Company's TSR results in it being ranked in the upper quartile of the companies in the comparator group where the company with the highest TSR is ranked first. If the TSR of the Company results in a median position in the comparator group, then 25% of the award will vest. Vesting above the median position is on a sliding scale. If the Company's TSR for the performance period results in a position below the median then the award will lapse.

The second performance condition is based on Earnings per Share (EPS) and for an award to vest, the average growth in the Company's underlying EPS calculated on a consistent basis must exceed the growth in the Retail Price Index over the same period by at least nine percentage points. Having reviewed this performance condition and in light of market conditions at the time the Remuneration Committee increased this to twelve percentage points for those grants awarded during the financial year 2008/09.

The Remuneration Committee decided to amend the performance conditions for LTIP awards in 2009, adopting a single TSR condition as the best measure of performance. As such the Company's TSR performance will be compared to the TSR of the FTSE Support Services Sector with awards only vesting to the extent the Committee is satisfied that the Company's TSR performance reflects underlying performance of the Company. Reflecting a lowering of the share price and investor views on this topic, the Committee also decided to reduce award levels in 2009, the quantum of awards for Executive Directors being limited to 50% of basic salary (compared to 100% of salary in 2008). None of the awards will vest if the Company's TSR is ranked below median. Subject to the underlying performance of the Company, awards with an initial value at grant of 25% of salary will vest at median performance with the balance vesting in full for upper quartile performance. Awards will vest on a straight line basis between median and upper quartile. The Remuneration Committee have determined to re-apply the 100% of basic salary limit for awards in 2010 and retain the TSR performance condition with 25% vesting for median performance.

During the year and pursuant to the 2009 Rights Issue a standard HM Revenue & Customs (HMRC) formula was used to make fair adjustment to the number of outstanding LTIP awards. The Committee also confirmed that as only one of the relevant two performance conditions for the financial year ended 31 March 2009 had been achieved, none of the awards granted in 2006 would vest. The Committee determined the same result for those LTIPs granted in 2007.

The Shanks Group plc Employee Share Trust has been established for the purpose of granting awards under the LTIP and to hold shares in the Company either purchased in the market or new shares subscribed for, with funds provided by the Company or its subsidiaries. As at 31 March 2010 the Employee Share Trust did not hold any of the Company's shares.

The graph shows the Total Shareholder Return of the Company and that of the FTSE Support Services Sector Index over the five year period to 31 March 2010. This Index has been selected as it is a broad equity index of which Shanks Group plc is a constituent member.

Remuneration Report

continued

Share Option Schemes

The Remuneration Committee believes that share ownership by employees encourages the matching of long term interests between employees and shareholders. All UK employees including Executive Directors may participate in a HMRC approved Savings Related Share Option Scheme (SRSOS). Former Executive Directors and senior employees were also able to participate in an Executive Share Option Scheme (ESOS) at the discretion of the Remuneration Committee. However, grants of options under the ESOS were discontinued in August 2005 when this scheme was replaced by the LTIP. Neither of the current Executive Directors hold awards under the ESOS.

During the year and pursuant to the 2009 Rights Issue a standard HMRC formula was used to make fair adjustment to the number of subsisting options under the SRSOS and ESOS. An amendment was also made to the rules of both schemes, to remove an outdated provision to obtain an additional "fair and reasonable" opinion from the auditors with regard to the above mentioned adjustment.

Under the terms of the SRSOS options may be granted during the ten year period to July 2015 to acquire up to 10% of the issued equity share capital of the Company, including options granted under the ESOS and LTIP. Options are granted at the higher of the nominal value of an ordinary 10p share and an amount determined by the Remuneration Committee being not less than 80% of the market value. Employees held options over nearly 1.3 million shares under the SRSOS as at 31 March 2010.

Directors' Service Contracts and Notice Periods

The Remuneration Committee has agreed that the policy with regard to the notice period for Executive Directors is one year. Accordingly, Mr T Drury has a rolling service contract dated 3 September 2007 which requires one year's notice from the Company. The service contract of Mr C Surch dated 27 April 2009 has the same provisions save that until 1 November 2009 a mutual six month notice period applied.

In the event of early termination, the Remuneration Committee considers what compensation should be paid taking into account the circumstances of the particular case. As reported last year Mr F Welham stepped down from the Board as Group Finance Director on 27 April 2009. He left the Company on 31 May 2009 and subsequently received a termination payment of £43,175 inclusive of payments in lieu of pension and life assurance entitlements. No bonus payment was made in addition to that already earned for the 2008/09 financial year as disclosed in last year's Remuneration Report. Though also contractually entitled to twelve months salary in lieu of notice, the Committee phased payments monthly and mitigated these costs by the net income earned by Mr F Welham from alternative employment, resulting in a phased payment of £158,452, thereby mitigating the contractual entitlement by circa 40%. Outstanding ESOS and SAYE options, in accordance with scheme rules, remained exercisable for six months but were not exercised and have now lapsed as have both his 2007 and 2008 LTIP awards.

The Non-executive Directors do not have service contracts as their terms of engagement are governed by letters of appointment. During the year, letters of appointment for both Mr E van Amerongen and Dr S Riley were renewed for a further three year term.

	Date of original appointment	Date of current re-appointment	Expiry date	Unexpired term at date of this report
A Auer	16 May 2005	16 May 2008	16 May 2011	12 months
P Johnson	16 May 2005	16 May 2008	16 May 2011	12 months
E van Amerongen	9 Feb 2007	9 Feb 2010	9 Feb 2013	32 months
S Riley	29 March 2007	29 March 2010	29 March 2013	34 months

With effect from 1 April 2010 the Board determined to increase the fees of Mr P Johnson and Dr S Riley by circa 5% to £42,000 per annum and £37,000 per annum respectively in recognition of the additional time requirement of Non-executives and their continuing independent contribution, their fees not having been reviewed by the Board since 2007.

External Appointments

The Remuneration Committee acknowledges that Executive Directors may be invited to become Non-executive Directors of other quoted companies which have no business relationship with the Group and that these duties can broaden their experience and knowledge to the benefit of the Company. Executive Directors are limited to holding one such position and the policy is that fees may be retained by the Director, reflecting the personal risk assumed in such appointments. No external appointments were held by the Executive Directors during the year.

Directors' Interests in Ordinary Shares

The Directors' interests in the ordinary shares of the Company both during the year and at 20 May 2010 were as follows:

	As at 1 April 2009 or date of appointment if later	As at 31 March 2010 and 20 May 2010 or date of leaving if earlier
A Auer	20,000	33,333*
T Drury	35,000	58,333*
P Johnson	1,585	2,641*
S Riley	–	–
C Surch (appointed 1 May 2009)	–	83,333
E van Amerongen	–	–
F Welham (left 27 April 2009)	63,119	63,119

* In accordance with the Directors' intentions stated in the Prospectus dated 21 May 2009, each Director took up his rights to subscribe for new shares under the Rights Issue (2 shares offered for every 3 held at a price of 45p per share). The increases shown are due solely to these transactions.

The auditors are required to report on the information contained in the remaining section of the Remuneration Report.

Directors' Remuneration

	Basic salary/ fees £000	Performance related bonus £000	Other emoluments(i) £000	2010 Total £000	2009 Total £000
Chairman					
A Auer	110	–	–	110	108
Executive Directors					
T Drury	390	149	124	663	715
C Surch (appointed 1 May 2009)	229	80	65	374	–
F Welham (left 27 April 2009)(ii)	21	–	4	25	405
Non-executive Directors					
P Johnson	40	–	–	40	40
S Riley	35	–	–	35	35
E van Amerongen (iii)	53	–	–	53	40
Total	878	229	193	1,300	1,343

Notes

(i) Other emoluments for Mr T Drury, Mr C Surch and Mr F Welham include such items as a car allowance and medical insurance which are not pensionable. In the case of Mr F Welham this also included a Company contribution of £1,953 to the Defined Contribution section of the Shanks Group Pension Scheme. Other emoluments for Mr T Drury and Mr C Surch include a cash element, paid in lieu of pension scheme contributions, equating to 25% and 20% of salary respectively. All of these items are non pensionable.

(ii) Following his departure from the Board on 27 April 2009, Mr F Welham received a salary of £31,857 inclusive of £10,399 of holiday pay for the period until he left the Company on 31 May 2009. He also received a termination payment of £43,175 and a mitigated payment in lieu of 12 months notice of £158,452. In addition the Company made available £15,000 worth of outplacement support and a £2,000 contribution to legal costs incurred in connection with his departure.

(iii) Mr E van Amerongen's fee of €60,000 per annum is stated in sterling above at an exchange rate of £1: €1.1275 (2009: £1: €1.2152).

(iv) The Non-executive Directors do not participate in the annual bonus plan and do not receive any pension contributions from the Group.

Remuneration Report

continued

Directors' Pension Benefits

Mr F Welham is a deferred member of the Final Salary (Defined Benefit) section of the Shanks Group Pension Scheme, which is a funded scheme, approved by HMRC. Pension benefits are capped at the notional HMRC earnings cap, which is reviewed annually. For the year to 31 March 2010 the notional cap was £123,600. Under the terms of this scheme participating members have; at retirement, and subject to length of service, a pension of up to two thirds of basic salary; an employee contribution of 7% of basic salary; a lump sum death in service benefit of four times basic salary; and a spouse's pension on death.

The following table shows the movement in Directors' pension benefit during the year:

	Age at 31.03.10	Increase in accrued pension during the year (ii)	Increase in accrued pension during the year net of inflation (ii)	Accrued pension at 31.03.10 (iii)	Transfer value at 31.03.10 of pension benefits accrued at 31.03.10 (iv)	Transfer value at 31.03.09 of pension benefits accrued at 31.03.09 (iv)	Increase in transfer value less Directors' contributions	Transfer value of increase in accrued pension during the year net of inflation less Directors' contributions (v)	Directors' contributions
		£000 pa	£000 pa	£000	£000	£000	£000	£000	£000
F Welham	45	3	1	37	532	414	117	7	1

Notes

(i) This schedule sets out the disclosures in respect of benefits accrued in the Shanks Group Pension Scheme only under both the Stock Exchange Listing requirements and the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 requirements. It does not include benefits accrued in the Senior Executive scheme or any other Company sponsored arrangement.

(ii) The increase in accrued pension during the year represents the difference between the total accrued pension at the end of the year and the equivalent amount at the beginning of the year.

(iii) Mr Welham ceased to be an active member of the scheme on 31 May 2009. The pension entitlement shown is that which would be paid annually on retirement based on service to his date of leaving.

(iv) Following the change in transfer value regulations with effect from 1 October 2008 the transfer values as at 31 March 2009 and 31 March 2010 have been calculated in accordance with regulations 7 to 7E of the Occupational Pension Schemes (Transfer Value) Regulations 1996. It has been calculated taking account of market conditions and the age at these dates.

(v) The increase in transfer value has been calculated taking into account market conditions and the Director's age at 31 March 2009 and 31 March 2010.

Directors' Interests in Share Options

The following Directors held options to subscribe for ordinary shares under the Shanks Group Plc Savings Related Share Option Scheme:

	Date of Grant	Normal Exercise Dates from	Normal Exercise Dates to	Option price (pence) (i)	Number at 1 April 2009	Granted in year	Lapsed in year	Exercised in year	Number at 31 March 2010
T Drury	25.09.09	01.11.12	30.04.13	71.0	–	12,781	–	–	12,781
C Surch	25.09.09	01.11.12	30.04.13	71.0	–	12,781	–	–	12,781

Notes

(i) The option price is the price at which the option was granted. The price is set by the Remuneration Committee but is not less than 80% of the average market price of the shares over the last three dealing days immediately preceding the date of the invitation to subscribe.

Directors' Interests in Long Term Incentive Plan

The following Directors have been made notional allocations of shares under the Company's Long Term Incentive Plan:

	Outstanding awards at 31 March 2009 (i)	Awards made during the year	Awards lapsed during the year (ii)	Awards exercised during the year	Outstanding awards at 31 March 2010	Date of award	Share price on date of award (pence) (i)	Performance period end	Restricted period end
T Drury	188,775	–	188,775	–	–	28.09.07	185.14	31.03.10	28.09.10
	195,068	–	–	–	195,068	10.06.08	188.12	31.03.11	10.06.11
	–	250,000	–	–	250,000	10.07.09	68.50	31.03.12	10.07.12
C Surch	–	175,000	–	–	175,000	10.07.09	68.50	31.03.12	10.07.12

Notes

(i) The notional price and the number of shares of those awards made in 2007 and 2008 have been adjusted by the ratios 0.79459 and 1.2585 respectively to take into account the Rights Issue that completed on 8 June 2009.

(ii) The performance conditions relating to awards granted in 2007 under the Long Term Incentive Plan were not met at the end of the three year performance period and these awards lapsed on 31 March 2010.

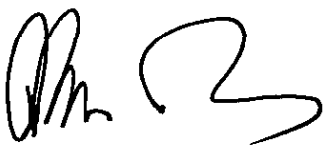
(iii) The performance conditions relating to the vesting of the awards are shown on pages 54 and 55.

The highest closing mid-market price of the ordinary shares of the Company during the year was 135.2p and the lowest closing mid-market price during the year was 48.47p (rebased). The mid-market price at the close of business on 31 March 2010 was 101p.

Other Interests

None of the Directors had an interest in the shares of any subsidiary undertaking of the Company or in any significant contracts of the Group.

By order of the Board



Eric van Amerongen
Chairman of the Remuneration Committee
20 May 2010

Statement of Directors' Responsibilities

In respect of the Annual Report, the Directors' Remuneration Report and the Financial Statements

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group and Parent Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Company and Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the Directors, whose names and functions are listed on pages 44 to 45 of the Annual Report 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;
- the Directors' 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;
- there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

By order of the Board

Philip Griffin-Smith
Company Secretary
20 May 2010

Shanks Group plc
Registered in Scotland no. SC077438

Independent Auditors' Report

to the members of Shanks Group plc

We have audited the financial statements of Shanks Group plc for the year ended 31 March 2010 which comprise the Consolidated Group and Parent Company Income Statements, the Consolidated Group and Parent Company Statements of Comprehensive Income, the Consolidated Group and Parent Company Balance Sheets, the Consolidated Group and Parent Company Statements of Changes in Equity, the Consolidated Group and Parent Company Statements of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 60, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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 the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2010 and of the Group's profit and the Parent Company's loss, and of the Group's and the Parent Company's cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 46, in relation to going concern; and
- the parts of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Christopher Burns (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Embankment Place, London
20 May 2010

Consolidated Income Statement

year ended 31 March 2010

	Note	2010 £m	2009 £m
Continuing operations			
Revenue	2	683.5	685.1
Cost of sales before amortisation of acquisition intangibles		(569.6)	(560.9)
Amortisation of acquisition intangibles	3,11	(3.9)	(3.8)
Total cost of sales		(573.5)	(564.7)
Gross profit		110.0	120.4
Administrative expenses before exceptional items		(62.8)	(62.5)
Exceptional items	3	(11.4)	1.3
Total administrative expenses		(74.2)	(61.2)
Operating profit	2,3,4	35.8	59.2
Interest payable		(29.3)	(28.5)
Interest receivable		11.4	10.7
Change in fair value of interest rate swaps		1.7	(12.1)
Net finance charges	7	(16.2)	(29.9)
Profit before tax	2	19.6	29.3
Tax before exceptional tax		(6.7)	(7.8)
Exceptional tax	3	5.2	(18.4)
Total tax	8	(1.5)	(26.2)
Profit for the year from continuing operations		18.1	3.1
Profit from discontinued operations	15	19.5	3.3
Profit for the year		37.6	6.4
Dividend per share*	9	3.0p	1.7p
Earnings per share from continuing operations*			
– basic	10	4.8p	1.0p
– diluted	10	4.8p	1.0p
Total earnings per share for the year*			
– basic	10	10.0p	2.1p
– diluted	10	10.0p	2.1p

* Comparative per share figures have been restated for the bonus element of the Rights Issue as described in note 25.

Consolidated Statement of Comprehensive Income

year ended 31 March 2010

	2010 £m	2009 £m
Profit for the year	37.6	6.4
Exchange (loss) gain on translation of foreign operations	(6.4)	35.0
Interest rate hedges	(4.5)	–
Actuarial loss on defined benefit pension schemes	(6.8)	(12.1)
Tax in respect of other comprehensive income items	3.2	3.4
Other comprehensive income for the year, net of tax	(14.5)	26.3
Total comprehensive income for the year	23.1	32.7

The notes on pages 70 to 107 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

at 31 March 2010

	Note	At 31 March 2010 £m	At 31 March 2009 £m
Non-current assets			
Intangible assets	11	299.7	314.7
Property, plant and equipment	12	383.8	388.2
Other investments and loans to joint ventures	13	6.1	2.5
Trade and other receivables	19	170.8	156.4
Deferred tax assets	16	18.3	12.6
		878.7	874.4
Current assets			
Inventories	17	9.9	10.4
Trade and other receivables	19	166.1	162.7
Current tax receivable		–	1.5
Cash and cash equivalents	20	51.3	27.0
		227.3	201.6
Total assets		1,106.0	1,076.0
Liabilities			
Non-current liabilities			
Borrowings	21	(380.2)	(420.6)
Other non-current liabilities	22	(20.4)	(18.0)
Deferred tax liabilities	16	(68.9)	(66.9)
Provisions	23	(33.1)	(32.3)
Retirement benefit obligations	24	(6.8)	(1.0)
		(509.4)	(538.8)
Current liabilities			
Borrowings	21	(9.5)	(30.7)
Trade and other payables	22	(195.6)	(191.7)
Current tax payable		(2.4)	(12.2)
Provisions	23	(3.9)	(3.0)
		(211.4)	(237.6)
Total liabilities		(720.8)	(776.4)
Net assets		385.2	299.6
Equity			
Share capital	25	39.7	23.8
Share premium		99.3	99.2
Exchange reserve		57.8	64.2
Retained earnings		188.4	112.4
Total equity		385.2	299.6

The notes on pages 70 to 107 are an integral part of these consolidated financial statements.

The Financial Statements on pages 62 to 107 were approved by the Board of Directors and authorised for issue on 20 May 2010.

They were signed on its behalf by:

A Auer
Chairman

C Surch
Group Finance Director

Consolidated Statement of Changes in Equity

year ended 31 March 2010

	Share capital £m	Share premium £m	Exchange reserve £m	Merger reserve £m	Retained earnings £m	Total equity £m
Balance at 1 April 2009	23.8	99.2	64.2	–	112.4	299.6
Profit for the year	–	–	–	–	37.6	37.6
Other comprehensive income	–	–	(6.4)	–	(8.1)	(14.5)
Total comprehensive income for the year	–	–	(6.4)	–	29.5	23.1
Proceeds from shares issued*	15.9	0.1	–	51.0	–	67.0
Transfer to retained earnings*	–	–	–	(51.0)	51.0	–
Share-based compensation	–	–	–	–	(0.5)	(0.5)
Dividends	–	–	–	–	(4.0)	(4.0)
Balance at 31 March 2010	39.7	99.3	57.8	–	188.4	385.2
Balance at 1 April 2008	23.7	97.4	29.2	–	129.8	280.1
Profit for the year	–	–	–	–	6.4	6.4
Other comprehensive income	–	–	35.0	–	(8.7)	26.3
Total comprehensive income for the year	–	–	35.0	–	(2.3)	32.7
Share-based compensation	–	–	–	–	(0.1)	(0.1)
Proceeds from shares issued	0.1	1.8	–	–	–	1.9
Dividends	–	–	–	–	(15.0)	(15.0)
Balance at 31 March 2009	23.8	99.2	64.2	–	112.4	299.6

* Relating to the Rights Issue completed in June 2009 as described in note 25.

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 70 to 107 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

year ended 31 March 2010

	Note	2010 £m	2009 £m
Net cash flow from:			
Continuing activities	26	89.3	86.2
Discontinued operations	26	(0.8)	5.0
Cash flows from operating activities		88.5	91.2
Investing activities			
Continuing operations:			
– Purchases of intangible assets		(0.4)	(0.5)
– Purchases of property, plant and equipment		(59.1)	(85.7)
– Disposals of property, plant and equipment		2.3	8.5
– Financial asset capital advances		(24.7)	(16.1)
– Financial asset capital repayments		17.1	10.2
– Acquisition of subsidiary and other businesses		(4.9)	(20.5)
– Income received from other investments		–	0.3
– Loans granted to joint ventures		(3.7)	–
Discontinued operations:			
– Disposal of joint venture		21.1	–
– Discontinued operations investing activities		(0.1)	(3.3)
Net cash used in investing activities		(52.4)	(107.1)
Financing activities			
Continuing operations:			
– Interest and loan fees paid		(28.8)	(25.7)
– Interest received		11.0	11.0
– Net proceeds from issue of shares		67.0	0.7
– Dividends paid		(4.0)	(15.0)
– (Decrease) increase in net borrowings		(50.3)	18.5
– Repayments of obligations under finance leases		(6.2)	(2.7)
Discontinued operations financing activities		(0.1)	(0.1)
Net cash used in financing activities		(11.4)	(13.3)
Net increase (decrease) in cash and cash equivalents		24.7	(29.2)
Effect of foreign exchange rate changes		(0.4)	3.0
Cash and cash equivalents at beginning of year		27.0	53.2
Cash and cash equivalents at end of year		51.3	27.0

The notes on pages 70 to 107 are an integral part of these consolidated financial statements.

Company Income Statement

year ended 31 March 2010

	Note	2010 £m	2009 £m
Continuing operations			
Administrative expenses before exceptional items		0.1	(3.2)
Administrative expenses – exceptional	3	(2.2)	–
Total administrative expenses		(2.1)	(3.2)
Other operating income (expense) – exchange		4.8	(18.8)
Operating profit (loss)	2,3,4	2.7	(22.0)
Interest payable		(22.6)	(28.1)
Interest receivable		9.0	11.0
Net finance charges	7	(13.6)	(17.1)
Income from shares in subsidiary undertakings		–	45.3
(Loss) profit before tax		(10.9)	6.2
Tax	8	5.7	6.4
(Loss) profit for the year		(5.2)	12.6

Company Statement of Comprehensive Income

year ended 31 March 2010

	Note	2010 £m	2009 £m
(Loss) profit for the year		(5.2)	12.6
Actuarial loss on defined benefit pension schemes	24	(6.8)	(12.1)
Interest rate hedges		(0.4)	–
Deferred tax in respect of other comprehensive income items		2.0	3.4
Other comprehensive expense for the year, net of tax		(5.2)	(8.7)
Total comprehensive (expense) income for the year		(10.4)	3.9

The notes on pages 70 to 107 are an integral part of these financial statements.

Company Balance Sheet

at 31 March 2010

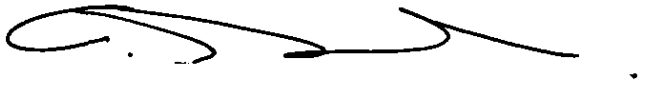
	Note	At 31 March 2010 £m	At 31 March 2009 £m
Non-current assets			
Property, plant and equipment	12	0.2	0.2
Investments in subsidiary undertakings	13	469.6	469.6
Deferred tax assets	16	2.2	0.5
		472.0	470.3
Current assets			
Trade and other receivables	19	257.2	274.9
Current tax receivable		6.1	6.0
Cash and cash equivalents	20	14.2	5.6
		277.5	286.5
Total assets		749.5	756.8
Liabilities			
Non-current liabilities			
Borrowings	21	(61.3)	(123.4)
Other non-current liabilities	22	(426.3)	(425.7)
Retirement benefit obligations	24	(6.8)	(1.0)
		(494.4)	(550.1)
Current liabilities			
Borrowings	21	(5.9)	(14.6)
Trade and other payables	22	(7.9)	(3.1)
Provisions	23	(2.6)	(2.4)
		(16.4)	(20.1)
Total liabilities		(510.8)	(570.2)
Net assets		238.7	186.6
Equity			
Share capital	25	39.7	23.8
Share premium		123.3	123.2
Retained earnings		75.7	39.6
Total equity		238.7	186.6

The notes on pages 70 to 107 are an integral part of these financial statements.

The Financial Statements on pages 66 to 107 were approved by the Board of Directors and authorised for issue on 20 May 2010.

They were signed on its behalf by:

A Auer
Chairman



C Surch
Group Finance Director

Company Statement of Changes in Equity

year ended 31 March 2010

	Share capital £m	Share premium £m	Merger reserve £m	Retained earnings £m	Total equity £m
Balance at 1 April 2009	23.8	123.2	–	39.6	186.6
Loss for the year	–	–	–	(5.2)	(5.2)
Other comprehensive expense	–	–	–	(5.2)	(5.2)
Total comprehensive expense for the year	–	–	–	(10.4)	(10.4)
Proceeds from shares issued*	15.9	0.1	51.0	–	67.0
Transfer to retained earnings*	–	–	(51.0)	51.0	–
Share-based compensation	–	–	–	(0.5)	(0.5)
Dividends	–	–	–	(4.0)	(4.0)
Balance at 31 March 2010	39.7	123.3	–	75.7	238.7
Balance at 1 April 2008	23.7	121.4	–	50.8	195.9
Profit for the year	–	–	–	12.6	12.6
Other comprehensive expense	–	–	–	(8.7)	(8.7)
Total comprehensive income for the year	–	–	–	3.9	3.9
Share-based compensation	–	–	–	(0.1)	(0.1)
Proceeds from shares issued	0.1	1.8	–	–	1.9
Dividends	–	–	–	(15.0)	(15.0)
Balance at 31 March 2009	23.8	123.2	–	39.6	186.6

* Relating to the Rights Issue completed in June 2009 as described in note 25.

The notes on pages 70 to 107 are an integral part of these financial statements.

Company Statement of Cash Flows

year ended 31 March 2010

	2010 £m	2009 £m
Net cash from operating activities		
Operating profit (loss)	2.7	(22.0)
Net decrease in provisions	(0.8)	(2.4)
Exchange (gain) loss	(4.8)	18.8
Share-based payments	(0.6)	0.8
Operating cash flows before movements in working capital	(3.5)	(4.8)
Decrease (increase) in receivables	17.7	(88.1)
Increase in payables	4.9	49.0
Cash generated by operations	19.1	(43.9)
Income taxes received	6.0	7.4
Net cash from operating activities	25.1	(36.5)
Investing activities		
Dividends received	–	45.3
Net cash from investing activities	–	45.3
Financing activities		
Interest and loan fees paid	(20.5)	(28.1)
Interest received	9.0	11.0
Net proceeds from issue of shares	67.0	0.7
Dividends paid	(4.0)	(15.0)
Decrease in net borrowings	(68.0)	(9.4)
Net cash flow used in financing activities	(16.5)	(40.8)
Net increase (decrease) in cash and cash equivalents	8.6	(32.0)
Cash and cash equivalents at beginning of year	5.6	37.6
Cash and cash equivalents at end of year	14.2	5.6

The notes on pages 70 to 107 are an integral part of these financial statements.

Notes to the Financial Statements

1 ACCOUNTING POLICIES – GROUP AND COMPANY

General information

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

Basis of preparation

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as 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 financial statements are prepared on the historical cost basis, except for derivative financial instruments, which are stated at fair value. The policies set out below have been consistently applied. The Group has applied all accounting standards and interpretations issued relevant to its operations and effective for accounting periods beginning on 1 April 2009.

The following new standards and amendments to standards, which are mandatory for the first time for the financial year beginning 1 April 2009, are relevant for the Group:

IAS 1 (revised), 'Presentation of financial statements', requires non-owner changes in equity to be shown in either one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The Group has elected to present two statements. Owner changes in equity are required to be shown in a statement of changes in equity.

IFRS 2 (amendment), 'Share-based payments – Vesting conditions and cancellations', clarifies that vesting conditions are service conditions and performance conditions only. Other features that are not vesting conditions are required to be included in the grant date fair value. The impact of this on the results presented has not been significant.

The following new standards and interpretations, which are mandatory for the first time for the financial year beginning 1 April 2009, are relevant but were already applied by the Group:

- IFRS 8, 'Operating segments'; and
- IAS 23, 'Borrowing Costs (revised)'.

The following amendments to standards and interpretations, which are mandatory for the first time for the financial year beginning 1 April 2009, are either not currently relevant or material for the Group:

- IAS 39 (amendment), 'Financial instruments: Recognition and measurements';
- IAS 39 and IFRS 7 (amendment), 'Reclassification of financial assets';
- IFRIC 13, 'Customer loyalty programmes';
- IFRIC 14, 'The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction';
- IFRIC 15, 'Agreements for the Construction of Real Estate';
- IFRIC 16, 'Hedges of a net investment in a foreign operation'; and
- IFRIC 18, 'Transfer of Assets from Customers'.

It is anticipated that the adoption of the following amendments to standards and interpretations in future periods which were also in issue but were not effective at the date of authorisation of these Financial Statements, will have no material impact on the results of the Group.

- IFRIC 17, 'Distributions of Non-cash Assets to Owners', effective for annual periods beginning on or after 1 July 2009;
- IAS 39 (Amendment), 'Financial Instruments: Recognition and Measurement – Eligible Hedged Items', effective for annual periods beginning on or after 1 July 2009;
- IFRS 1 (Revised), 'First-time Adoption of IFRS', effective for annual periods beginning on or after 1 July 2009;
- IFRS 2 (Amendment), 'Share-based Payment – Group Cash settled Share-based Payment Transactions', effective for annual periods commencing on or after 1 January 2010, subject to EU endorsement;
- IFRS 1 (Amendment), 'Additional Exemptions for First-time Adopters', effective for annual periods commencing on or after 1 January 2010, subject to EU endorsement;

- IAS 32 (Amendment), 'Classification of Rights Issues', effective for annual periods commencing on or after 1 February 2010;
- IFRIC 14 (Amendment), 'Prepayments of a Minimum Funding Requirement', effective for annual periods beginning on or after 1 January 2011, subject to EU endorsement;
- IFRIC 19, 'Extinguishing Financial Liabilities with Equity Instruments', effective for annual periods beginning on or after 1 July 2010, subject to EU endorsement;
- IAS 24 (Revised), 'Related Party Disclosures', effective for annual periods beginning on or after 1 January 2011, subject to EU endorsement; and
- IFRS 1 (Amendment), 'Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters', effective for annual periods beginning on or after 1 July 2010, subject to EU endorsement.

The preparation of financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. The most significant judgements made relate to assumptions concerning discount rates, future returns on assets and future contribution rates in connection with the Group's retirement benefit schemes (see note 24). In making these assumptions, the Group takes advice from qualified actuaries. Other significant judgements made relate to tax (see note 8), provisions (see note 23) and PFI contracts (see below).

Basis of consolidation

The consolidated financial statements incorporate the financial statements of Shanks Group plc and all its subsidiary undertakings (subsidiaries). Entities which are jointly controlled with another party or parties (joint ventures) are incorporated in the financial statements by proportional consolidation. The results of subsidiaries and joint ventures acquired or sold during the year are included in the consolidated financial statements up to, or from, the date control passes. Wholly owned subsidiary companies set up under PFI contracts are fully consolidated by the Group.

PFI contracts

The Group's PFI contracts are all Integrated Waste Management contracts. In these contracts, the existing Local Authority waste management services are operated by the Group from inception of the contract. The PFI contract requires the building of new infrastructure to add to that inherited from the previous service provider and all rights to the infrastructure pass to the Local Authority at the termination or expiry of the contract. The payments made to contractors for the construction of the infrastructure are accounted for as financial assets. The Group accounts for the service element as revenue and the repayment element is deducted from the financial asset. Interest receivable is added to the financial asset based on the rate implied in the contract payments. Reviews are undertaken regularly to ensure that the financial asset will be recovered over the contract life.

Borrowing costs relating to contract specific external borrowings are expensed in the income statement.

Bid costs are expensed in the income statement until the Group is appointed preferred bidder and there is a high probability that a contract will be awarded. Bid costs incurred after this point are capitalised within trade and other receivables. When the contract is awarded, the costs are included in the relevant financial asset.

Win fees are transferred to deferred income upon financial close and released to the income statement over the period of construction of the PFI facilities.

Revenue

Revenue represents the invoiced value of waste streams processed and other services provided including landfill tax but excluding sales taxes. Revenue is recognised when processing occurs or when the service is provided.

Exceptional items

Items are classified as exceptional and disclosed separately due to their size or incidence to enable a better understanding of performance. These include but are not limited to significant impairments and the profit or loss on disposals of properties.

Share-based payments

The fair value of options granted is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. Adjustments to the amounts expensed are only made in respect of non-market related factors.

Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier.

Notes to the Financial Statements

continued

1 ACCOUNTING POLICIES – GROUP AND COMPANY CONTINUED

Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Any impairment is charged immediately to the income statement and is not subsequently reversed.

Goodwill is allocated to cash generating units for the purpose of impairment testing. The allocation is made to those cash generating units or groups of cash generating units that are expected to benefit from the business combination in which the goodwill arose.

Goodwill arising on acquisitions prior to the date of transition to IFRS (31 March 2004) has been retained at the previous UK GAAP net book value following impairment tests. Goodwill written off to reserves under UK GAAP prior to 1998 has not been reinstated.

The profit or loss on disposal or closure of a business is calculated after taking into account any goodwill excluding amounts previously written off to reserves prior to 1998.

(ii) Landfill void

When landfill operations are acquired, landfill void is capitalised based on the fair value of the void acquired and is amortised over its estimated useful life on a void usage basis.

(iii) Other intangibles

Other intangible assets are capitalised on the basis of the fair value of the assets acquired or on the basis of costs incurred to purchase and bring the assets into use. These are amortised over the estimated useful life on a straight line basis as follows:

Computer software	1 to 5 years
Waste permits	5 to 20 years
Other	5 to 10 years

Property, plant and equipment

Property, plant and equipment except for freehold land is stated at cost less depreciation and provision for any impairment. Freehold land is not depreciated.

(i) Buildings, plant and machinery

Depreciation is provided on these assets to write off their cost by equal annual installments over the expected useful economic lives. The expected useful life of buildings is 25 to 50 years. Plant and machinery lives are:

Computer equipment	1 to 5 years
Mobile plant	5 years
Generation equipment	8 to 15 years
Heavy goods vehicles	5 to 10 years
Other items	3 to 20 years

(ii) Landfill sites

Site development costs including engineering works and the discounted cost of final site restoration are capitalised. These costs are written off over the operational life of each site based on the amount of void space consumed.

Impairment of assets

Assets other than goodwill are reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. If any such indication exists, the recoverable amount is estimated in order to determine the extent of any impairment loss. The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value. If the recoverable amount is estimated to be less than the carrying amount the asset is reduced to the recoverable amount. An impairment loss is recognised immediately as an operating expense.

Leased assets

(i) Finance leases

Where the Group has substantially all the risks and rewards of ownership of a leased asset, the lease is treated as a finance lease. Leased assets are included in property, plant and equipment at the total of the capital elements of the payments during the lease term and the corresponding obligation is included in payables. Depreciation is provided to write down the assets over the expected useful life or the lease term, which ever is the shorter.

(ii) Operating leases

All leases other than finance leases are treated as operating leases. Rentals paid under operating leases are charged to the income statement in the year to which they relate. The obligation to pay future rentals on operating leases is shown in note 28 to the accounts.

Inventories

Inventories are stated at the lower of cost and net realisable value and are measured on a first in first out basis.

Government grants and subsidies

Capital related government grants are released to the income statement evenly over the expected useful lives of the assets to which they relate. Revenue grants and subsidies are credited in the same period as the items to which they relate.

Unprocessed waste

The accrual or deferred income relating to unprocessed waste is calculated at the higher of sales value or processing cost. Where there is a significant delay between the acceptance of waste and its final disposal then profit may be recognised in advance of final disposal over the period of delay provided the outcome of the waste treatment process is certain.

Deferred consideration

Deferred consideration is provided for at the net present value (NPV) of the Group's expected cost or receipt at the date of acquisition or disposal. The likelihood of payment for deferred consideration conditional on meeting certain performance targets is considered on acquisition or disposal. Any differences between consideration accrued and consideration paid or received are charged or released to the income statement.

Site restoration provision

Full provision is made for the NPV of the Group's unavoidable costs in relation to restoration liabilities at its landfill sites and this value is capitalised and amortised over the useful life of the site. In addition the Group continues to provide for the NPV of intermediate restoration costs over the life of its landfill sites and mineral extraction sites, based on the quantity of waste deposited or mineral extracted in the year.

Aftercare provision

Provision is made for the NPV of post closure costs at the Group's landfill sites based on the quantity of waste deposited in the year. Similar costs incurred during the operating life of the sites are written off directly to the income statement and not charged to the provision.

Discounting

All long term provisions for deferred consideration, restoration, aftercare and onerous leases are calculated based on the NPV of estimated future costs. The effects of inflation and unwinding of the discount element on existing provisions are reflected within the financial statements as a finance charge. The real discount factor currently applied is 2%.

Retirement benefits

The Group accounts for pensions and similar benefits under IAS19 Employee Benefits. For defined benefit plans, obligations are measured at discounted present value whilst plan assets are recorded at market value. The operating and financing costs of the plans are recognised separately in the income statement and actuarial gains and losses are recognised in full through the statement of comprehensive income. Surpluses on defined benefit plans are recognised only to the extent that they are recoverable. Movements in irrecoverable surpluses are recognised immediately in the statement of comprehensive income.

Payments to defined contribution schemes are charged to the income statement as they become due. The Group participates in several multi-employer schemes in the Netherlands. These are accounted for as defined contribution plans as it is not possible to split the assets and liabilities of the schemes between participating companies, and the Group has been informed by the schemes that it has no obligation to make additional contributions in the event that the schemes have an overall deficit.

Notes to the Financial Statements

continued

1 ACCOUNTING POLICIES – GROUP AND COMPANY CONTINUED

Tax

(i) Current tax

Current tax payable is based on taxable profit for the year. Taxable profit differs from profit before tax in the income statement because it excludes items of income or expense that are taxable or deductible in other years or that are never taxable or deductible. The liability for current tax is calculated using tax rates that have been enacted, or substantially enacted, by the balance sheet date.

(ii) Deferred tax

Deferred tax is recognised in full where the carrying value of assets and liabilities in the financial statements is different to the corresponding tax bases used in the computation of taxable profits. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that the taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except where it relates to items charged or credited through the statement of comprehensive income or directly to reserves, when it is charged or credited there.

Foreign currencies

Foreign currency denominated assets and liabilities are translated into sterling at the year end exchange rate. Transactions and the results of overseas subsidiary undertakings and joint ventures in foreign currencies are translated at the average rate of exchange for the year and the resulting exchange differences are recognised in the Group's exchange reserve. Cumulative exchange differences are recognised in the income statement in the year in which an overseas subsidiary undertaking is disposed of. The Group applies the hedge accounting principles of IAS 39 Financial Instruments: Recognition and Measurement relating to net investment hedging to offset the exchange differences arising on foreign currency denominated borrowings with the translation of foreign operations. Net investment hedges are accounted for by recognising exchange rate movements in the exchange reserve, with any hedge ineffectiveness being charged to the income statement in the period the ineffectiveness arises.

Financial instruments

(i) Trade receivables

Trade receivables do not carry interest and are stated at their nominal value reduced by appropriate allowances for estimated irrecoverable amounts.

(ii) Financial assets relating to PFI contracts

Financial assets relating to PFI contracts are classified as loans and receivables and are initially recognised at the fair value of the consideration paid and subsequently amortised using the effective interest rate method.

(iii) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with a maturity of three months or less.

(iv) External borrowings

Interest bearing bank loans are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis to the income statement using the effective interest rate method and are added to the carrying amount of the borrowings to the extent that they are not settled in the period in which they arise.

(v) Trade payables

Trade payables on normal terms are not interest bearing and are stated at their nominal value.

(vi) Derivative financial instruments

As part of the Group's PFI contracts and loan facility requirements, the Group has a number of interest rate swaps. Swaps entered into before 31 March 2009 are measured at fair value at each reporting date with gains or losses between period ends being taken to finance charges in the income statement. Swaps entered into after 31 March 2009 are considered to be used for hedging purposes when it alters the risk profile of an underlying exposure of the Group in line with the Group's risk management policies and is in accordance with established guidelines, which require that the hedging relationship is documented at its inception, ensure that the derivative is highly effective in achieving its objective, and require that its effectiveness can be reliably measured. The portion of the gain or loss on the hedging instrument which is effective is recognised directly in equity while any ineffectiveness is recognised in the income statement. The gains or losses that are recognised directly in equity are transferred to the income statement in the same period in which the highly probable forecast transaction affects income, for example when the future interest payment is required.

(vii) Other receivables and other payables

Other receivables and other payables are measured at amortised cost using the effective interest rate method. Lease agreements in which the other party, as lessee, is regarded as the economic owner of the leased assets give rise to accounts receivable in the amount of the discounted future lease payments.

Contingent liabilities

The Company and certain subsidiaries have, in the normal course of business, given guarantees and performance bonds relating to the Group's contracts.

Dividends

Dividends are recognised as a liability in the Group's financial statements in the period in which the dividends are approved.

Segmental reporting

The Group's organisational structure reflects the national nature of markets in which it operates, with divisions in the Netherlands, Belgium, the United Kingdom and Canada.

Use of adjusted measures

Shanks Group plc believes that trading profit, underlying profit before tax, underlying profit after tax, underlying free cash flow and underlying earnings per share provide useful information on underlying trends to shareholders. These measures are used by Shanks for internal performance analysis and incentive compensation arrangements for employees. The terms 'trading profit', 'exceptional items' and 'adjusted' 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.

2 SEGMENTAL REPORTING

Management has determined the operating segments based on the reports reviewed by the Board of Directors and the executive committee. The Group operates in The Netherlands, Belgium, the United Kingdom and Canada. As discussed in the Business Review by country on pages 22 to 34 the waste markets are different in each member state of the European Union. As a result, the Group is organised and managed mainly by geographical location. Each geographical location can be analysed according to the following types of activity:

Solid Waste	Non-hazardous solid waste collections, transfer, recycling and treatment
Landfill and Power*	Landfill disposal (including contaminated soils) and power generation from landfill gas
Hazardous Waste	Industrial cleaning, hazardous waste transport, treatment (including contaminated soils) and disposal and contaminated land remediation
Organic Treatment	Anaerobic digestion and tunnel composting of source segregated organic waste streams
PFI Contracts	Long term United Kingdom municipal waste treatment contracts
Sand Quarry	Mineral extraction

* Belgium Landfill is viewed separately to Belgium Power. In addition to the waste activities detailed above we have small infrastructure and groundworks operations in Ghent in Belgium and Amersfoort in the Netherlands. Due to their small size the infrastructure and groundworks activities are reported as part of the Solid Waste activities.

The accounting policies of the reportable segments are the same as those described in note 1, except that pension expense for the United Kingdom is recognised and measured on the basis of cash payments to the pension plan. 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.

Notes to the Financial Statements

continued

2 SEGMENTAL REPORTING CONTINUED

Revenue		2010 £m	2009 £m
Netherlands	Solid Waste	217.8	225.6
	Hazardous Waste	127.8	124.3
	Organic Treatment	11.9	10.2
	Intra-segment revenue	(3.8)	(4.3)
		353.7	355.8
Belgium	Solid Waste	127.9	126.4
	Landfill	13.5	16.5
	Power	5.8	5.7
	Hazardous Waste	45.4	49.0
	Sand Quarry	3.1	3.2
	Intra-segment revenue	(19.3)	(21.0)
		176.4	179.8
United Kingdom	Solid Waste	65.3	72.6
	Landfill and Power	6.1	4.9
	Hazardous Waste	5.9	20.1
	PFI Contracts	69.4	48.8
		146.7	146.4
Canada	Organic Treatment	8.2	4.7
Inter-segment revenue		(1.5)	(1.6)
Total revenue from continuing operations		683.5	685.1
Group		671.7	674.2
Share of joint ventures		11.8	10.9
Total revenue from continuing operations		683.5	685.1
Total revenue from discontinued operations		1.5	11.4
Total revenue		685.0	696.5

Segment Results		2010 £m	2009 £m
Trading Profit			
Netherlands	Solid Waste	24.2	31.6
	Hazardous Waste	14.5	15.4
	Organic Treatment	2.0	1.7
	Country Central Services	(4.0)	(3.8)
		36.7	44.9
Belgium	Solid Waste	4.7	8.0
	Landfill	5.0	6.0
	Power	4.1	4.0
	Hazardous Waste	3.5	4.7
	Sand Quarry	0.7	1.2
	Country Central Services	(4.0)	(4.4)
		14.0	19.5
United Kingdom	Solid Waste	5.5	6.3
	Landfill and Power	0.9	0.9
	Hazardous Waste	0.9	1.7
	PFI Contracts	2.4	(0.4)
	PFI Bid Team	(2.4)	(2.1)
	Country Central Services	(5.2)	(5.4)
		2.1	1.0
Canada	Organic Treatment	1.9	1.2
Group Central Services		(3.6)	(4.9)
Total trading profit		51.1	61.7
Amortisation of acquisition intangibles		(3.9)	(3.8)
Exceptional items		(11.4)	1.3
		(15.3)	(2.5)
Total operating profit from continuing operations		35.8	59.2
Group		34.8	58.0
Share of joint ventures		1.0	1.2
Total operating profit		35.8	59.2
Finance charges			
	Interest payable	(29.3)	(28.5)
	Interest receivable	11.4	10.7
	Change in fair value of interest rate swaps	1.7	(12.1)
Net finance charges		(16.2)	(29.9)
Profit before tax for the year		19.6	29.3

The Company operates solely in the United Kingdom providing Central Services and is measured at profit before tax.

Notes to the Financial Statements

continued

2 SEGMENTAL REPORTING CONTINUED

Net assets		2010 £m	2009 £m
Netherlands	Gross non-current assets	501.1	523.9
	Gross current assets	77.3	84.1
	Gross liabilities	(121.0)	(120.7)
	Net operating assets	457.4	487.3
Belgium	Gross non-current assets	115.3	113.1
	Gross current assets	48.9	53.4
	Gross liabilities	(74.6)	(80.7)
	Net operating assets	89.6	85.8
United Kingdom	Gross non-current assets	213.0	205.6
	Gross current assets	45.8	34.1
	Gross liabilities	(48.1)	(37.4)
	Net operating assets	210.7	202.3
Canada	Gross non-current assets	31.0	19.0
	Gross current assets	3.2	1.1
	Gross liabilities	(1.3)	(1.1)
	Net operating assets	32.9	19.0
Group Central Services	Gross non-current assets	–	0.2
	Gross current assets	0.8	0.4
	Gross liabilities	(14.8)	(6.1)
	Net operating liabilities	(14.0)	(5.5)
Total	Gross non-current assets	860.4	861.8
	Gross current assets	176.0	173.1
	Gross liabilities	(259.8)	(246.0)
Net operating assets		776.6	788.9
Current tax		(2.4)	(10.7)
Deferred tax		(50.6)	(54.3)
Net debt		(338.4)	(424.3)
Net assets		385.2	299.6

Other disclosures		2010 £m	2009 £m
Netherlands	Capital expenditure	32.8	33.9
	Depreciation	31.2	28.5
	Amortisation of intangibles	4.6	4.4
Belgium	Capital expenditure	22.8	34.8
	Depreciation	14.7	13.2
	Amortisation of intangibles	0.2	0.2
United Kingdom	Capital expenditure	5.6	7.8
	Depreciation	2.8	3.9
	Amortisation of intangibles	0.7	0.8
Canada	Capital expenditure	8.9	11.2
	Depreciation	0.6	0.3
	Amortisation of intangibles	0.1	0.1
Total	Capital expenditure	70.1	87.7
	Depreciation	49.3	45.9
	Amortisation of intangibles	5.6	5.5

3 RECONCILIATION OF UNDERLYING INFORMATION AND EXCEPTIONAL ITEMS

Non-trading and exceptional items in operating profit	2010 £m	2009 £m
Restructuring charge	1.9	2.0
Profit on disposal of properties	–	(3.3)
Dumfries and Galloway PFI contract	6.7	–
Exceptional professional fees	2.7	–
Other non-trading one off items	0.1	–
Total non trading and exceptional items in operating profit	11.4	1.3
Amortisation of acquisition intangibles	3.9	3.8
Total non trading and exceptional items in operating profit	15.3	2.5

A restructuring charge of £1.9m has been made for the exit of the loss making Animal Bedding business of Foronex. In view of the continuing losses on the Dumfries and Galloway PFI operating contract a one off non cash provision of £6.7m has been made which is primarily allocated to the financial asset. Professional fees of £2.7m (Company £2.2m) have been incurred as a result of the unsolicited approach made by the Carlyle Group. In addition a number of relatively small one off adjustments relating to non-trading items have been made. The net of these is a £0.1m charge.

Operating profit to trading profit	2010 £m	2009 £m
Operating profit from continuing operations	35.8	59.2
Non trading and exceptional items	15.3	2.5
Trading profit	51.1	61.7

EBITDA	Note	2010 £m	2009 £m
Operating profit from continuing operations	26	35.8	59.2
Amortisation of intangible assets	26	5.9	5.5
Depreciation of property, plant and equipment	26	50.1	44.6
Non trading and exceptional items		15.3	2.5
Exceptional depreciation and amortisation	11,12	(1.1)	–
Amortisation of acquisition intangibles	11	(3.9)	(3.8)
Non-exceptional gains on property, plant and equipment		(0.6)	(2.0)
Non cash landfill related expense		0.6	0.3
Underlying EBITDA		102.1	106.3

Underlying profit before tax to profit before tax	2010 £m	2009 £m
Profit before tax	19.6	29.3
Non trading and exceptional items	15.3	2.5
Change in fair value of interest rate swaps	(1.7)	12.1
Underlying profit before tax	33.2	43.9

Underlying profit after tax to profit after tax	2010 £m	2009 £m
Profit after tax	18.1	3.1
Non trading and exceptional items, net of tax	12.6	0.9
Change in fair value of interest rate swaps, net of tax	(1.3)	8.7
Exceptional tax	(5.2)	18.4
Underlying profit after tax	24.2	31.1

Notes to the Financial Statements

continued

4 PROFIT FOR THE YEAR

Profit for the year is stated after charging (crediting):

	Group*		Company	
	2010 £m	2009 £m	2010 £m	2009 £m
Staff costs (see note 5)	175.8	167.5	2.5	2.4
Depreciation of property, plant and equipment				
– Owned assets	44.8	40.0	–	–
– Held under finance leases	4.5	4.6	–	–
Amortisation of intangible assets (charged to cost of sales)	5.6	5.5	–	–
Repairs and maintenance expenditure on property, plant and equipment	44.6	41.6	–	–
Net profit on disposal of property, plant and equipment	(0.6)	(2.0)	–	–
Non trading and exceptional items as described in note 3	15.3	2.5	2.2	–
Trade receivables impairment	1.3	1.9	–	–
Government grants	(0.1)	(0.1)	–	–
Operating lease costs:				
– Minimum lease payments	17.0	20.2	0.1	0.1
– Less sublease rental income	(0.6)	(0.1)	–	–
	16.4	20.1	0.1	0.1
Represented by:				
– Operating lease rentals – Land and buildings	6.2	6.0	0.1	0.1
– Operating lease rentals – Plant and machinery	10.2	14.1	–	–
	16.4	20.1	0.1	0.1
Auditors' remuneration:				
– Audit of parent company and consolidated accounts	0.1	0.1	0.1	0.1
– Audit of subsidiaries pursuant to legislation	0.5	0.5	–	0.1
– Tax services	0.2	0.5	0.2	0.5
– Other	0.1	0.4	0.1	0.2
Total payments to auditors	0.9	1.5	0.4	0.9

* Information given excludes that of discontinued operations which is disclosed in note 15.

At 31 March 2010 the amount due to PricewaterhouseCoopers LLP for fees not yet invoiced was £0.1m.

5 EMPLOYEES

	2010 Number	2009 Number
The average number of persons employed by the Group during the year was as follows:		
Netherlands	2,236	2,295
Belgium	1,169	1,245
United Kingdom	801	964
Canada	18	12
Group Central Services	15	15
	4,239	4,531

	2010 £m	2009 £m
The total remuneration of all employees comprised:		
Wages and salaries costs	139.6	133.4
Employer's social security costs	26.6	24.2
Share options granted to directors and employees	(0.6)	0.8
Employer's pension costs (see note 24)	10.2	9.1
	175.8	167.5

The disclosure above relates to the Group. The average number of persons employed by the Company was 15 (2009: 15), with the related wages and salaries costs, employer's social security costs and employer's pension costs amounting to £2.2m (2009: £2.0m), £0.2m (2009: £0.2m) and £0.1m (2009: £0.2m) respectively.

Notes to the Financial Statements

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6 SHARE-BASED PAYMENTS

Group and Company

As described in the Remuneration Report, the Group issues equity-settled share-based payments under a Savings Related Share Option Scheme (SRSOS), an Executive Share Option Scheme (ESOS) and a Long Term Incentive Plan (LTIP) for senior management.

Outstanding options

	SRSOS		ESOS		LTIP
	Options Number	Weighted average exercise price pence	Options Number	Weighted average exercise price pence	Options Number
Outstanding at 31 March 2008	683,461	117p	500,000	141p	1,968,900
Granted during the year	275,063	177p	–	–	933,750
Forfeited during the year	(93,200)	166p	–	–	–
Expired during the year	(51,633)	110p	(20,000)	144p	(266,750)
Exercised during the year	(238,422)	89p	(313,000)	144p	(540,000)
Outstanding at 31 March 2009	575,269	149p	167,000	135p	2,095,900
Re-basement due to Rights Issue	148,707	(29p)	43,166	(28p)	541,749
Granted during the year*	1,056,962	71p	–	–	1,422,500
Forfeited during the year*	(251,837)	135p	–	–	(9,438)
Expired during the year*	(163,743)	100p	(50,339)	100p	(745,087)
Exercised during the year*	(91,605)	73p	–	–	–
Outstanding at 31 March 2010	1,273,753	82p	159,827	110p	3,305,624
Exercisable at 31 March 2010	94,212	113p	159,827	110p	
Exercisable at 31 March 2009	193,356	102p	167,000	135p	
At 31 March 2010:					
Range of price per share		71p to 148p		91p to 114p	
Weighted average remaining contractual life		2-3 years		nil years	1-2 years

*All information is given as if the Rights Issue occurred on 1 April 2009 to enable comparison.

Fair value of options granted during the year

	SRSOS		LTIP	
Valuation model	2010 Black-Scholes	2009 Black-Scholes	2010 Binomial	2009 Binomial
Weighted average fair value	32p	50p	38p	116p
Weighted average share price	98p	205p	68p	237p
Weighted average exercise price	71p	177p	–	–
Expected volatility	41%	27%	40%	26%
Expected life	3 years	3 years	3 years	3 years
Risk-free interest rate	1.9%	4.3%	2.3%	5.3%
Dividend yield	4.0%	2.8%	4.0%	–
Expected dividends	–	–	–	2.0p/4.2p
Correlation	–	–	31%	31%

Expected volatility was determined by calculating the historical volatility of the Company's share price over three, five and seven years prior to the date of grant. The risk-free interest rate is based on the term structure of UK Government zero coupon bonds. The expected life used in the models has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

Credit for the year

The Group and the Company recognised total income of £0.6m (2009: charge of £0.8m) relating to equity-settled share-based payments.

7 FINANCE CHARGES

	Group		Company	
	2010 £m	2009 £m	2010 £m	2009 £m
Interest payable:				
Interest payable on borrowings wholly repayable within five years	14.8	17.5	5.2	7.5
Interest payable on other borrowings	8.6	7.8	15.8	20.1
Share of interest of joint ventures	0.1	0.3	–	–
Unwinding of discount on long term landfill liabilities	1.3	1.1	–	–
Unwinding of discount on deferred consideration payable	0.8	1.3	–	–
Amortisation of bank fees	3.7	0.5	1.6	0.5
Total interest payable	29.3	28.5	22.6	28.1
Interest receivable:				
Interest receivable on financial assets relating to PFI contracts	(9.7)	(9.0)	–	–
Unwinding of discount on deferred consideration receivable	(0.4)	–	–	–
Other interest receivable	(1.3)	(1.7)	(9.0)	(11.0)
Total interest receivable	(11.4)	(10.7)	(9.0)	(11.0)
Change in fair value of interest rate swaps	(1.7)	12.1	–	–
Net finance charges	16.2	29.9	13.6	17.1

8 TAX

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

		Group		Company	
		2010 £m	2009 £m	2010 £m	2009 £m
Current tax:	UK corporation tax at 28% (2009: 28%)				
	– Current year	0.2	1.9	(4.9)	(5.5)
	– Prior year	0.2	(1.5)	(1.1)	(2.6)
	Double tax relief	–	(2.9)	–	–
	Overseas tax				
	– Current year	8.4	12.8	–	–
	– Prior year	(3.5)	(1.4)	–	–
	Exceptional	(5.2)	–	–	–
Total current tax		0.1	8.9	(6.0)	(8.1)
Deferred tax (see note 16)					
– Current year		1.0	(1.1)	0.2	1.0
– Prior year		0.4	–	0.1	0.7
– Exceptional		–	18.4	–	–
Total deferred tax		1.4	17.3	0.3	1.7
Total tax charge (credit) for the year		1.5	26.2	(5.7)	(6.4)

The exceptional tax credit of £5.2m relates to a release of provisions in respect of prior year tax matters.

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8 TAX CONTINUED

As a result of changes enacted in the Finance Act 2008 there will be a phased withdrawal of industrial buildings allowances over a period of 4 years. This resulted in an £18.4 million exceptional tax charge in the year ended 31 March 2009. This principally relates to the non-discounted value of tax relief that would have been available on the PFI infrastructure towards the end of the 25 year PFI contracts.

The tax assessed for the year is lower than the United Kingdom standard rate of tax of 28% (2009: higher than 28%). The differences are explained below:

	Group		Company	
	2010 £m	2009 £m	2010 £m	2009 £m
Total profit before tax	19.6	29.3	(10.9)	6.2
Tax charge (credit) based on UK tax rate	5.5	8.2	(3.0)	1.7
Effects of:				
Adjustment to tax charge in respect of prior periods	(2.9)	(2.9)	(1.0)	(1.9)
Profits taxed at overseas tax rates	0.2	1.0	–	–
Non-taxable/non-deductible items	1.2	(0.5)	(1.7)	(7.8)
Unrecognised tax losses	2.4	1.5	–	1.5
Withdrawal of industrial buildings allowances	–	18.4	–	–
Other	0.3	0.5	–	0.1
Exceptional	(5.2)	–	–	–
Total tax charge (credit) for the year	1.5	26.2	(5.7)	(6.4)

The Group has, in addition to the amount charged to the income statement, deferred tax relating to retirement benefit obligations, interest rate swaps and share-based payments amounting to £3.2m that has been credited (2009: £3.8m) directly to equity. The Company, in addition to the amount charged to the income statement, has deferred tax relating to retirement benefit obligations, interest rate swaps and share-based payments amounting to £2.0m that has been credited (2009: £3.8m) directly to equity.

9 DIVIDENDS

	Group and Company	
	2010 £m	2009 £m
Amounts recognised as distributions to equity holders in the year:		
Final dividend paid for the year ended 31 March 2009 of nil per share (2008: 4.2p; 3.4p after adjustment for the Rights Issue as described in note 25)	–	10.0
Interim dividend paid for the year ended 31 March 2010 of 1.0p per share (2009: 2.1p; 1.7p after adjustment for the Rights Issue as described in note 25)	4.0	5.0
	4.0	15.0
Proposed final dividend for the year ended 31 March 2010 of 2.0p per share (2009: nil)	7.9	–

10 EARNINGS PER SHARE

	Group	
	2010	2009*
Number of shares		
Weighted average number of ordinary shares for basic earnings per share	374.4m	299.1m
Effect of share options in issue	0.3m	0.1m
Weighted average number of ordinary shares for diluted earnings per share	374.7m	299.2m
Calculation of basic and underlying basic earnings per share		
Earnings for basic earnings per share being profit for the year (£m)	18.1	3.1
Change in fair value of interest rate swaps (net of tax) (£m)	(1.3)	8.7
Amortisation of acquisition intangibles (net of tax) (£m)	2.9	2.8
Exceptional restructuring (net of tax) (£m)	–	1.4
Exceptional profit on disposal of properties (net of tax) (£m)	–	(3.3)
Other exceptional items (net of tax) (£m)	9.7	–
Exceptional tax charge (£m)	(5.2)	18.4
Earnings for underlying basic earnings per share (£m)	24.2	31.1
Basic earnings per share	4.8p	1.0p
Underlying earnings per share (see note below)	6.5p	10.4p
Calculation of diluted earnings per share		
Earnings for basic earnings per share being profit for the year (£m)	18.1	3.1
Effect of dilutive potential ordinary shares (£m)	–	–
Earnings for diluted earnings per share (£m)	18.1	3.1
Diluted earnings per share	4.8p	1.0p
Total earnings per share		
Basic and diluted earnings per share for continuing operations	4.8p	1.0p
Basic and diluted earnings per share for discontinued operations	5.2p	1.1p
Total basic and diluted earnings per share	10.0p	2.1p

* The average number of shares is adjusted in the prior period for the impact of the Rights Issue as described in note 25. The bonus factor used was 1.2585.

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. Changes in the fair values of interest rate swaps that the Group is required to enter into in relation to its earlier PFI arrangements are considered to be exceptional items.

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11 INTANGIBLE ASSETS

Group	Goodwill £m	Landfill void £m	Other £m	Total £m
Cost				
At 31 March 2008	225.8	23.9	34.5	284.2
On acquisition of businesses	2.8	–	1.6	4.4
Additions	–	–	0.5	0.5
Disposals	–	–	(0.5)	(0.5)
Exchange	35.3	3.9	4.6	43.8
At 31 March 2009	263.9	27.8	40.7	332.4
On acquisition of Joint Venture	1.6	–	–	1.6
Additions	–	–	0.5	0.5
Exchange	(9.5)	(1.0)	(1.0)	(11.5)
At 31 March 2010	256.0	26.8	40.2	323.0
Accumulated impairment/amortisation				
At 31 March 2008	–	2.6	7.9	10.5
Amortisation charge for the year	–	1.4	4.1	5.5
Disposals	–	–	(0.5)	(0.5)
Exchange	–	0.6	1.6	2.2
At 31 March 2009	–	4.6	13.1	17.7
Amortisation charge for the year	–	1.5	4.1	5.6
Impairment charge	–	–	0.3	0.3
Exchange	–	(0.2)	(0.1)	(0.3)
At 31 March 2010	–	5.9	17.4	23.3
Net book value				
At 31 March 2010	256.0	20.9	22.8	299.7
At 31 March 2009	263.9	23.2	27.6	314.7
At 31 March 2008	225.8	21.3	26.6	273.7

Of the total £5.6m (2009: £5.5m) amortisation charge for the year, £3.9m (2009: £3.8m) related to intangible assets arising on acquisition.

Goodwill impairment

Impairment testing is carried out at cash generating unit (CGU) level on an annual basis. A segment level summary of the goodwill allocation is presented below.

	2010 £m	2009 £m
Netherlands	224.5	232.9
Belgium	18.6	19.6
United Kingdom	12.9	11.4
	256.0	263.9

The Group estimates the recoverable amount of a CGU using a value in use model by projecting cashflows for the next five years from the five year plan with a terminal value using a growth rate all discounted at the Group's estimated average cost of capital. In circumstances where this is considered inappropriate, such as for landfill sites, projected cashflows may be estimated over much longer periods of up to 25 years. The post-tax discount rate used is based on the Group's weighted average cost of capital (WACC) of 8%. As most CGUs have integrated operations across large parts of the Group this is considered appropriate for all parts of the business. The Group WACC is equivalent to a pre-tax discount rate of approximately 11%. The growth rate is 2% and does not exceed the long term average growth.

Management determined the five year plan based on past performance and its expectation of market development. In each case the valuations indicate sufficient headroom such that a reasonably possible change to key assumptions is unlikely to result in an impairment of the related goodwill.

Where the impairment test indicates that the recoverable value of the unit is close to or below its carrying value, it is reperformed using a pre-tax discount rate and pre-tax cash flows in order to determine if an impairment exists and to establish its magnitude.

Other intangible assets impairment

Other intangible assets include site or waste permits, customer lists and other acquired intangible assets as well as computer software. During the year the intangible associated with the acquisition of part of the Solid Waste division in Belgium was considered impaired when the decision to exit that part was made.

12 PROPERTY, PLANT AND EQUIPMENT

Group	Land and buildings £m	Landfill sites £m	Plant and machinery £m	Total £m
Cost				
At 31 March 2008	179.9	56.7	392.5	629.1
On acquisition of businesses	2.5	–	12.7	15.2
Additions	28.9	5.3	53.5	87.7
Disposals	(2.5)	(0.1)	(20.4)	(23.0)
Exchange	29.7	5.9	67.6	103.2
At 31 March 2009	238.5	67.8	505.9	812.2
Additions	30.0	1.0	39.1	70.1
Acquired with acquisition of businesses	–	–	0.1	0.1
Transfers	8.6	0.4	(9.0)	–
Reclassification to financial assets	–	–	(3.7)	(3.7)
On disposal of businesses	–	(14.2)	(2.5)	(16.7)
Disposals	(1.9)	–	(15.9)	(17.8)
Exchange	(4.2)	(1.9)	(19.9)	(26.0)
At 31 March 2010	271.0	53.1	494.1	818.2
Accumulated depreciation				
At 31 March 2008	49.5	42.5	249.6	341.6
Depreciation charge for the year	7.1	2.1	36.7	45.9
Disposals	(1.4)	(0.1)	(18.4)	(19.9)
Exchange	8.6	5.3	42.5	56.4
At 31 March 2009	63.8	49.8	310.4	424.0
Depreciation charge for the year	8.7	0.9	39.7	49.3
Transfers	1.0	–	(1.0)	–
Impairment	–	–	0.8	0.8
On disposal of businesses	–	(5.6)	(0.7)	(6.3)
Disposals	(1.9)	–	(14.2)	(16.1)
Exchange	(2.7)	(1.8)	(12.8)	(17.3)
At 31 March 2010	68.9	43.3	322.2	434.4
Net book value				
At 31 March 2010	202.1	9.8	171.9	383.8
At 31 March 2009	174.7	18.0	195.5	388.2
At 31 March 2008	130.4	14.2	142.9	287.5

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12 PROPERTY, PLANT AND EQUIPMENT CONTINUED

Included in plant and machinery are assets held under finance leases with a net book value of £13.4m (2009: £16.7m) and assets under construction of £14.2m.

Depreciation expense of £46.7m (2009: £44.5m) has been charged in cost of sales and £2.6m (2009: £1.4m) in administrative expenses.

The reclassification to financial assets relates to a plant and machinery asset built by Shanks in Belgium which on completion became a financial asset.

The impairment of plant and machinery relates to assets written down to fair value, less costs to sell, associated with part of the Solid Waste division in Belgium.

Company	Land and buildings £m	Plant and machinery £m	Total £m
Cost			
At 31 March 2008	0.1	0.5	0.6
Additions	–	0.1	0.1
Disposals	–	(0.2)	(0.2)
At 31 March 2009 and 31 March 2010	0.1	0.4	0.5
Accumulated depreciation			
At 31 March 2008	–	0.4	0.4
Disposals	–	(0.1)	(0.1)
At 31 March 2009 and 31 March 2010	–	0.3	0.3
Net book value			
At 31 March 2010	0.1	0.1	0.2
At 31 March 2009	0.1	0.1	0.2
At 31 March 2008	0.1	0.1	0.2

13 INVESTMENTS

	Group			Company
	Loans to joint ventures £m	Other unlisted investments £m	Total £m	Investments in subsidiary undertakings £m
At 31 March 2008	–	1.6	1.6	469.6
Additions	0.9	0.2	1.1	–
Repayments or disposals	–	(0.3)	(0.3)	–
Provision movement	–	(0.1)	(0.1)	–
Exchange	–	0.2	0.2	–
At 31 March 2009	0.9	1.6	2.5	469.6
Additions	3.7	0.2	3.9	–
Provision movement	–	(0.1)	(0.1)	–
Exchange	(0.1)	(0.1)	(0.2)	–
At 31 March 2010	4.5	1.6	6.1	469.6

Details of subsidiary undertakings and joint ventures are shown on page 107 and form part of these financial statements.

In relation to the Group's interest in joint ventures, the assets, liabilities, income and expenses are shown below:

	2010 £m	2009 £m
Non-current assets	19.8	23.8
Current assets	12.5	6.3
Current liabilities	(9.7)	(8.1)
Non-current liabilities	(12.5)	(10.7)
Net assets	10.1	11.3
Income	11.8	10.9
Expenses	(10.9)	(9.8)
Profit before tax	0.9	1.1
Tax	(0.3)	(0.3)
Share of profit after tax for the year from continuing joint ventures	0.6	0.8
Share of profit from discontinued joint ventures	0.3	3.3

The joint ventures have no significant contingent liabilities to which the Group is exposed nor has the Group any significant contingent liabilities in relation to its interest in joint ventures.

On 14 May 2009 the Group completed the sale of the 50% holding in Avondale Environmental Limited. During the year to 31 March 2009 Avondale Environmental Limited made a pre-tax profit of £4.6m with net assets of £6.0m (see note 15).

On 1 October 2009 the Group acquired 25% of the share capital of Energen Biogas Limited in Scotland and an option over a further 25% (see note 14).

The share of capital commitments of the joint ventures is shown in note 27.

14 BUSINESS COMBINATIONS

On 1 October 2009 the Group acquired 25% of the share capital of Energen Biogas Limited in Scotland and an option over a further 25%. Total consideration includes the cash paid for the option and the Group has consolidated the company as a 50% Joint Venture. Energen Biogas is developing and will operate a 60,000 tonne per year Anaerobic Digestion plant capable of generating enough renewable electricity to power up to 3,000 homes. From acquisition to 31 March 2010 Energen Biogas has not contributed to revenue or profit after tax as it is still in the construction phase of the plant. The aggregate book value of the assets and liabilities acquired and the fair value to the Group were as follows:

Net assets acquired:	Book value £m	Fair value adjustment £m	Fair value £m
Property, plant and equipment	0.1	–	0.1
Trade and other payables	(0.1)	–	(0.1)
Net assets acquired	–	–	–
Goodwill			1.6
			1.6

Satisfied by:	£m
Cash consideration paid, including costs	1.6
Net debt acquired	–
Cash outflow on acquisition	1.6

For acquisitions completed in the year ended 31 March 2009 there have been no amendments to the provisional fair values disclosed last year.

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15 DISCONTINUED OPERATIONS

On 14 May 2009, the Group completed the sale of the 50% holding in Avondale Environmental Limited for a consideration of £15m payable on completion, £3m deferred for twelve months, £6m payable over the next seven years and £3m contingent on planning approval for an increase in the landfill void. Since completion planning has been approved and the contingent consideration is included in the profit on disposal calculation. The results of the business are presented in this financial information as a discontinued operation.

Financial information relating to Avondale for the period to the date of disposal is set out below. The income statement and cash flow statement distinguish discontinued operations from continuing operations.

Income statement information

	2010 £m	2009 £m
Revenue	1.5	11.4
Cost of sales	(0.8)	(6.4)
Gross profit	0.7	5.0
Administrative expenses	(0.4)	(0.3)
Operating profit	0.3	4.7
Finance charges	–	(0.1)
Profit before tax	0.3	4.6
Tax	–	(1.3)
Profit from discontinued operations	0.3	3.3

Profit is stated after charging:	2010 £m	2009 £m
Staff costs – wages and salaries	–	0.4
Depreciation of property, plant and equipment	0.2	1.3
Repairs and maintenance expenditure on property, plant and equipment	–	0.2
Operating lease minimum lease payments for plant and machinery	–	0.1

Net assets disposed

	£m
Property, plant and equipment	10.4
Inventories	0.1
Trade and other receivables	2.4
Trade and other payables	(1.7)
Provisions	(0.6)
Tax	(1.2)
Borrowings	(3.4)
Net assets disposed	6.0

	£m
Total consideration, net of costs	25.2
Net assets disposed	(6.0)
Profit on disposal	19.2

	£m
Cash consideration received, net of costs	17.7
Net debt disposed of	3.4
Cash inflow on disposal	21.1

16 DEFERRED TAX

Deferred tax is provided in full on temporary differences under the liability method using applicable local tax rates. Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the balances net.

Group	Retirement benefit schemes £m	Tax losses £m	Interest rate swaps £m	Capital allowances £m	Other timing differences £m	Total £m
At 31 March 2008	(1.6)	10.3	1.0	(35.8)	(9.3)	(35.4)
Acquisitions	–	2.4	–	–	(2.2)	0.2
(Charge) credit to income statement	(1.5)	3.4	3.4	(20.1)	(2.5)	(17.3)
Credit to equity	3.4	–	–	–	0.4	3.8
Exchange	–	0.5	–	(4.0)	(2.1)	(5.6)
At 31 March 2009	0.3	16.6	4.4	(59.9)	(15.7)	(54.3)
Disposals	–	–	–	0.3	0.2	0.5
(Charge) credit to income statement	(0.3)	2.3	(0.4)	0.4	(3.4)	(1.4)
Credit to equity	1.9	–	1.3	–	–	3.2
Exchange	–	(0.1)	–	1.0	0.5	1.4
At 31 March 2010	1.9	18.8	5.3	(58.2)	(18.4)	(50.6)
Deferred tax assets	1.9	7.4	5.3	(0.8)	4.5	18.3
Deferred tax liabilities	–	11.4	–	(57.4)	(22.9)	(68.9)
At 31 March 2010	1.9	18.8	5.3	(58.2)	(18.4)	(50.6)
Deferred tax assets	0.3	6.1	4.4	(1.9)	3.7	12.6
Deferred tax liabilities	–	10.5	–	(58.0)	(19.4)	(66.9)
At 31 March 2009	0.3	16.6	4.4	(59.9)	(15.7)	(54.3)

As at 31 March 2010, the Group has unused trading losses (tax effect) of £26.4m (2009: £22.9m) available for offset against future profits. A deferred tax asset has been recognised in respect of £18.8m (2009: £16.6m) of such losses. No deferred tax asset has been recognised in respect of the remaining £7.6m (2009: £6.3m) due to the unpredictability of future profit streams. Tax losses may be carried forward.

No liability has been recognised on the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries because the Group is in a position to control the timing and method of the reversal of these differences and it is probable that such differences will not give rise to a tax liability in the foreseeable future.

Company	Retirement benefit schemes £m	Interest rate swaps £m	Other timing differences £m	Total £m
At 31 March 2008	(1.6)	–	–	(1.6)
Charge to income statement	(1.5)	–	(0.2)	(1.7)
Credit to equity	3.4	–	0.4	3.8
At 31 March 2009	0.3	–	0.2	0.5
Charge to income statement	(0.3)	–	–	(0.3)
Credit to equity	1.9	0.1	–	2.0
At 31 March 2010	1.9	0.1	0.2	2.2

As at 31 March 2010, the Company has unused tax trading losses (tax effect) of £4.7m (2009: £5.8m) available for offset against future profits. No deferred tax asset has been recognised in respect of the losses due to the unpredictability of future profit streams. Tax losses may be carried forward.

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17 INVENTORIES

	Group	
	2010 £m	2009 £m
Raw materials and consumables	8.3	9.4
Work in progress	0.5	0.5
Finished goods	1.1	0.5
	9.9	10.4

18 FINANCIAL INSTRUMENTS

Carrying value and fair value of financial assets and financial liabilities

		Group Carrying value		Company Carrying value	
Financial assets	Note	2010 £m	2009 £m	2010 £m	2009 £m
Loans and receivables:					
Financial assets	19	176.1	164.8	–	–
Trade and other receivables	19	160.8	154.3	257.2	274.9
Cash and cash equivalents	20	51.3	27.0	14.2	5.6
		388.2	346.1	271.4	280.5

The Group considers that the fair value of financial assets is not materially different to their carrying value.

		Group				Company			
		Carrying value		Fair value		Carrying value		Fair value	
Financial liabilities	Note	2010 £m	2009 £m	2010 £m	2009 £m	2010 £m	2009 £m	2010 £m	2009 £m
Loans and payables:									
Bank overdrafts and short term loans	21	–	6.7	–	6.7	5.9	–	5.9	–
Bank loans	21	325.9	365.8	325.9	365.8	60.9	123.4	60.9	123.4
Senior notes	21	32.0	47.8	34.1	50.7	–	14.6	–	14.8
Finance lease obligations	21	13.1	15.4	13.1	15.4	–	–	–	–
Trade and other payables	22	216.0	209.7	216.0	209.7	434.2	428.8	434.2	428.8
Derivative financial instruments:									
Interest rate swaps	21	18.7	15.6	18.7	15.6	0.4	–	0.4	–
		605.7	661.0	607.8	663.9	501.4	566.8	501.4	567.0

The fair value of the senior notes is measured by discounting the future cash flows at the market interest rate set by swaps with an equivalent interest pattern. The fair value of interest rate swaps is measured by reference to the cost of foreclosing the swap position at the year end. The fair value of the senior notes and the swaps are measured by reference to observable market interest rate information as no similar instrument is available due to the specific profiles of the loans. They are considered to be level two in the fair value hierarchy. None of the change in fair value of interest rate swaps is attributable to changes in the Group's credit risk.

Risk management

The Group is exposed to market risk (interest rate risk and foreign exchange risk), liquidity risk and credit risk. Group Treasury is charged with managing and controlling risk relating to the financing and liquidity of the Group under policies approved by the Board of Directors. Group Treasury does not enter into speculative transactions.

Interest rate risk

The Group has reduced its exposure to interest rate risk during the year by entering into a two year interest rate swap fixing a substantial part of the Group's core borrowings. The senior notes remain at fixed rates. The debt relating to project finance non-recourse borrowings is at floating rates and the Group has entered into interest rate swaps as a condition of the related debt. The interest rate swaps represent a hedge of the interest cash flows. The interest rate swaps entered into after 31 March 2009 are accounted for under IAS 39 hedge accounting with changes in the fair value of interest rate swaps being recognised directly in reserves as they are effective hedges. Any other outstanding interest rate swaps have not previously been allocated as hedges by the Group and are therefore classified as held for trading in accordance with IAS 39. The swaps are presented in non-current liabilities together with the related long term borrowings since the Group believes this best reflects the commercial reality of the instruments.

Changes in interest rates could have a significant impact on banking covenants relating to interest cover and on the interest charge in the income statement. The Group manages this risk by fixing the interest rates on a proportion of its total borrowings. In order to measure the risk, borrowings and the expected interest cost for the year are forecast on a quarterly basis and scenarios run using management's expectations of a reasonably possible change in interest rates.

Interest expense volatility remained within acceptable limits throughout the year. The Group's exposure is significantly reduced.

The weighted average effective interest rates at the balance sheet dates were as follows:

	2010			2009		
Group	Floating rate £m	Fixed rate £m	Weighted average interest rate %	Floating rate £m	Fixed rate £m	Weighted average interest rate %
Financial assets:						
Financial assets relating to PFI contracts	–	176.1	5.8	–	164.8	5.6
Cash and cash equivalents	22.6	–	0.2	15.0	–	–
Short term deposits	28.7	–	0.5	12.0	–	0.8
Financial liabilities:						
Bank overdrafts and short term loans	2.4	–	3.1	6.7	–	2.5
Senior notes	–	32.0	6.9	–	47.8	6.9
Bank loans	323.5	–	2.7	365.8	–	2.3
Interest rate swaps	(307.2)	307.2	5.4	(119.6)	119.6	6.6

Excluded from the analysis above is £13.1m (2009: £15.4m) of amounts payable under finance leases as set out in note 21, which are subject to fixed rates of interest. In addition, trade and other receivables and payables have been excluded as they are not interest bearing.

The average term for short-term deposits is no more than seven days.

For the Company, there were £11.9m short term deposits (2009: nil) at an effective interest rate of 0.4%. The effective interest rate on the Company's cash and cash equivalents was nil% (2009: nil). The weighted average effective interest rates relating to the Company were nil% (2009: nil) for Euro bank overdrafts and 4.2% (2009: 1.96%) for bank loans. In 2009 the company had senior notes at an interest rate of 6.9%. Interest on inter-company loan balances are charged at rates of between 0% and 12% (2009: 0% and 12%).

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18 FINANCIAL INSTRUMENTS CONTINUED

Derivative financial instruments – interest rate swaps
The notional principal amount of the outstanding interest rate swap contracts at 31 March 2010 was £307.2m (2009: £119.6m). The expiry dates of the contracts range from 9 July 2011 (earliest) to 30 September 2032 (latest).

Interest rate sensitivity (assuming all other variables remain constant):

	2010		2009	
	Income sensitivity £m	Equity sensitivity £m	Income sensitivity £m	Equity sensitivity £m
1% increase in interest rates				
Derivatives	1.3	9.8	1.2	10.7
Non derivatives	(3.0)	(3.0)	(3.3)	(3.3)
	(1.7)	6.8	(2.1)	7.4
1% decrease in interest rates				
Derivatives	(1.3)	(10.9)	(1.2)	(11.7)
Non derivatives	3.0	3.0	3.3	3.3
	1.7	(7.9)	2.1	(8.4)

The interest rate sensitivity is taken to occur from 31 March 2009 and so the change in the fair value of the swaps is shown as an equity sensitivity which results in an increase of £8.5m (2009: £9.5m) for a 1% increase in interest rate and a decrease of £9.6m (2009: £10.5m) for a 1% decrease in rates.

Foreign exchange risk
The Group operates in Europe and Canada and is exposed to foreign exchange risk for movements between the Euro, Canadian Dollar and Sterling. The majority of the Group's subsidiaries conduct their business in their respective functional currencies; therefore there is limited transaction risk. Foreign exchange risk arises mainly from net investments in foreign operations. This exposure is reduced by funding the investments as far as possible with borrowings in the same currency. The Group applies hedge accounting principles to net investments in foreign operations and the related borrowings.

The Group has designated the carrying value of Euro borrowings of £62.4m (2009: £122.0m) (fair value of £62.4m (2009: £122.2m)) as a net investment hedge of the Group's investments denominated in Euros. The hedge was 100% effective (2009: 100%) for the year ended 31 March 2010 and as a result the related exchange gain of £4.8m (2009: loss £17.3m) on translation of the borrowings into Sterling has been recognised in the exchange reserve.

Foreign exchange rate sensitivity (assuming all other variables remain constant):
The following table details how the Group's income and equity would increase if there were a 10% increase in the respective currency against Sterling. A 10% decrease would have an equal and opposite effect.

	2010		2009	
	Income sensitivity £m	Equity sensitivity £m	Income sensitivity £m	Equity sensitivity £m
10% increase in foreign exchange rates against sterling				
Euro	3.2	19.2	3.5	13.9
Canadian dollar	–	0.3	–	0.3
	3.2	19.5	3.5	14.2

Liquidity risk
Liquidity risk is the risk that the Group does not have sufficient financial resources to meet its obligations as they fall due. As well as term borrowing under a syndicated loan facility, the Group maintains uncommitted lending facilities with a range of banks for working capital purposes. The Group manages liquidity risk by monitoring forecast cash flows to ensure that facility draw-downs are arranged as necessary and an adequate level of headroom is maintained. The Group's exposure to, and the way it manages liquidity risk has not changed from the previous year.

Undrawn committed borrowing facilities:

	Core		Project Finance		Total Group	
Group	2010 £m	2009 £m	2010 £m	2009 £m	2010 £m	2009 £m
Expiring within one year	–	–	–	–	–	–
Expiring between one and two years	–	6.9	–	–	–	6.9
Expiring in more than two years	66.9	–	48.6	3.0	115.5	3.0
	66.9	6.9	48.6	3.0	115.5	9.9

In addition, the Group had access to £25.2m (2009: £25.5m) of undrawn uncommitted working capital facilities.

As at 31 March 2010, the Company had undrawn committed borrowing facilities at floating rates of £66.9m expiring in between two and five years (2009: £6.9m in between one and two years).

Maturity profile of non-current borrowings:

	Group		Company	
	2010 £m	2009 £m	2010 £m	2009 £m
Between one and two years	34.0	250.3	–	123.4
Between two years and five years	236.4	55.2	61.3	–
Over five years	109.8	115.1	–	–
	380.2	420.6	61.3	123.4

Security of borrowing facilities
The Group's principal bank loans are unsecured but are subject to cross guarantees within the Group, excluding the PFI companies (see note 29). Each PFI company has loan facilities which are secured by fixed and floating charges on the future cash flows of PFI contracts.

Credit risk
Credit risk is the risk of financial loss where counterparties are not able to meet their obligations.

Surplus cash, when not used to repay borrowings, is placed on deposit with banks and money market funds in accordance with a policy that specifies the minimum acceptable credit rating and the maximum exposure to each counterparty. At 31 March 2010 the amount of credit risk totalled £51.3m (2009: £27.0m).

Credit risk on derivatives where the fair value is positive is closely monitored to ensure that it remains within the limits set for each counterparty. At 31 March 2010 the credit risk was £nil (2009: £nil).

Trade and other receivables comprise mainly amounts due from customers for services performed. Management consider that the exposure to any single customer is not significant and that where credit quality is in doubt, adequate provision has been made for probable losses. At 31 March 2010 the credit risk amounted to £160.8m (2009: £154.3m). The Group does not hold any collateral as security.

The financial assets relating to PFI contracts are recoverable from the future revenues relating to the PFI contracts. Management consider that as the counterparties for the future revenues are UK local authorities or councils, there is minimal credit risk. At 31 March 2010, the credit risk was £176.1m (2009: £164.8m).

Capital risk management
The Group maintains a group funding strategy to ensure that the Group maintains an appropriate debt to equity ratio as well as an appropriate debt maturity profile. The strategy is based on the requirements of the Company's Articles of Association, which state that debt should be limited to three times the level of capital and reserves.

The Group's funding strategy has not changed from the previous year.

The Group has to comply with a number of banking covenants which are set out in the agreements for bank loans and senior notes. There are financial covenants which are measured using the performance of the Core Group, excluding PFI companies, and relate to interest cover, the ratio of debt to EBITDA and the net worth of the Group. There are other restrictions in the loan documentation concerning acquisitions, disposals, security and other issues. The Group has complied with its banking covenants.

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19 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2010 £m	2009 £m	2010 £m	2009 £m
Non-current assets:				
Financial assets	164.4	154.8	–	–
Deferred consideration	4.3	–	–	–
Other receivables	2.1	1.6	–	–
	170.8	156.4	–	–
Current assets:				
Trade receivables	131.1	137.3	–	–
Provision for impairment of receivables	(4.6)	(5.3)	–	–
Trade receivables – net	126.5	132.0	–	–
Amounts owed by subsidiary undertakings	–	–	256.4	269.2
Financial assets	11.7	10.0	–	–
Deferred consideration	3.9	–	–	–
Other receivables	9.8	9.6	0.7	5.5
Prepayments and accrued income	14.2	11.1	0.1	0.2
	166.1	162.7	257.2	274.9

Movement in the provision for impairment of receivables:

	Group	
	2010 £m	2009 £m
At 1 April	5.3	4.4
Charged to income statement	1.3	1.9
On acquisition of business	–	0.6
Utilised	(1.8)	(2.2)
Exchange	(0.2)	0.6
At 31 March	4.6	5.3

Ageing of trade receivables that are past due but not impaired:

	Group	
	2010 £m	2009 £m
Neither impaired nor past due	93.1	65.5
Not impaired but overdue by less than 3 months	30.9	63.5
Not impaired but overdue by between 3 and 6 months	2.4	2.5
Not impaired but overdue by more than 6 months	0.1	0.5
Impaired	4.6	5.3
Impairment provision	(4.6)	(5.3)
	126.5	132.0

The carrying amounts of trade and other receivables are denominated in the following currencies:

	Group		Company	
	2010 £m	2009 £m	2010 £m	2009 £m
Sterling	211.5	188.9	126.3	132.8
Euro	122.2	129.1	130.9	141.5
Canadian Dollar	3.2	1.1	–	0.6
	336.9	319.1	257.2	274.9

20 CASH AND CASH EQUIVALENTS

	Group		Company	
	2010 £m	2009 £m	2010 £m	2009 £m
Cash at bank and in hand	22.6	15.0	2.3	5.6
Short term deposits	28.7	12.0	11.9	–
	51.3	27.0	14.2	5.6

The carrying amounts of cash and of cash equivalents are denominated in the following currencies:

	Group		Company	
	2010 £m	2009 £m	2010 £m	2009 £m
Sterling	13.8	5.2	12.0	5.6
Euro	33.4	20.6	–	–
Canadian Dollar	4.1	1.2	2.2	–
	51.3	27.0	14.2	5.6

21 BORROWINGS

	Group		Company	
	2010 £m	2009 £m	2010 £m	2009 £m
Current borrowings:				
Bank overdrafts and short term loans	–	6.7	5.9	–
Senior notes	–	14.6	–	14.6
Bank loans	5.3	4.2	–	–
Finance lease obligations	4.2	5.2	–	–
	9.5	30.7	5.9	14.6
Non-current borrowings:				
Senior notes	32.0	33.2	–	–
Bank loans	320.6	361.6	60.9	123.4
Interest rate swaps	18.7	15.6	0.4	–
Finance lease obligations	8.9	10.2	–	–
	380.2	420.6	61.3	123.4

Notes to the Financial Statements

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21 BORROWINGS CONTINUED

The carrying amounts of borrowings are denominated in the following currencies:

	Group		Company	
	2010 £m	2009 £m	2010 £m	2009 £m
Sterling	142.4	151.7	5.6	16.0
Euro	215.3	281.9	61.6	122.0
Canadian Dollar	32.0	17.7	–	–
	389.7	451.3	67.2	138.0

The Group's finance lease liabilities are payable as follows:

	2010			2009		
Group	Minimum lease payments £m	Interest £m	Principal £m	Minimum lease payments £m	Interest £m	Principal £m
Less than one year	4.8	(0.6)	4.2	6.0	(0.8)	5.2
Between one and five years	9.4	(1.3)	8.1	10.0	(1.2)	8.8
More than five years	1.0	(0.2)	0.8	1.7	(0.3)	1.4
	15.2	(2.1)	13.1	17.7	(2.3)	15.4

The Group has an option to purchase leased assets at the end of the lease term. There are no restrictions imposed by lessors to take out other debt or leases.

22 TRADE AND OTHER PAYABLES AND OTHER NON-CURRENT LIABILITIES

	Group		Company	
	2010 £m	2009 £m	2010 £m	2009 £m
Current liabilities:				
Trade payables	87.5	92.7	0.4	0.6
Other tax and social security payable	17.7	15.6	0.2	0.1
Other payables	9.9	9.0	0.2	0.2
Accruals and deferred income	61.5	53.8	7.1	2.2
Deferred consideration	2.8	5.7	–	–
Unprocessed waste	15.9	14.8	–	–
Government grants	0.3	0.1	–	–
	195.6	191.7	7.9	3.1
Non-current liabilities:				
Amounts owed to group undertakings	–	–	426.3	425.7
Deferred consideration	17.4	17.8	–	–
Government grants	–	0.2	–	–
Other payables	3.0	–	–	–
	20.4	18.0	426.3	425.7

The carrying amounts of trade and other payables and other non-current liabilities are denominated in the following currencies:

	Group		Company	
	2010 £m	2009 £m	2010 £m	2009 £m
Sterling	47.9	34.5	152.3	139.9
Euro	166.8	174.1	281.9	288.9
Canadian Dollar	1.3	1.1	–	–
	216.0	209.7	434.2	428.8

23 PROVISIONS

	Group			Company
	Site restoration and aftercare £m	Other £m	Total £m	Other £m
At 31 March 2009	28.4	6.9	35.3	2.4
Provided – cost of sales	1.1	–	1.1	–
Released – cost of sales	–	(0.5)	(0.5)	–
Provided – administrative expenses	–	4.0	4.0	0.4
Finance charges – unwinding of discount	1.1	–	1.1	–
Disposal of business	(0.6)	–	(0.6)	–
Utilised	(0.2)	(2.3)	(2.5)	(0.2)
Exchange	(0.8)	(0.1)	(0.9)	–
At 31 March 2010	29.0	8.0	37.0	2.6
Current	0.6	3.3	3.9	2.6
Non-current	28.4	4.7	33.1	–
At 31 March 2010	29.0	8.0	37.0	2.6
Current	0.4	2.6	3.0	2.4
Non-current	28.0	4.3	32.3	–
At 31 March 2009	28.4	6.9	35.3	2.4

Site restoration

Site restoration provision as at 31 March 2010 relates 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.

An element of the closing provision relates to costs of £0.6m that are expected to be paid next year. The remaining part of the provision relates to restoration costs that are expected to be paid over a period of up to twenty five years from today. These costs 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 thirty years from closure of the relevant landfill site.

Other

Other provisions principally cover onerous leases, warranties and indemnities. The net present value of the rental on vacant leasehold properties has been provided in full. These payments will be made over the next five years. Under the terms of the agreements for the disposal of the United Kingdom landfill and power and other United Kingdom operations, the Company has given a number of warranties and indemnities to the purchasers which may give rise to payments.

Notes to the Financial Statements

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24 RETIREMENT BENEFIT SCHEMES

	Group	
Retirement benefit costs	2010 £m	2009 £m
UK defined contribution schemes	0.4	0.6
UK funded defined benefit schemes	0.6	1.0
Overseas pension schemes	9.2	7.5
Total pension cost	10.2	9.1

United Kingdom

The Group and Company's principal pension scheme is the Shanks Group Pension Scheme which covers eligible United Kingdom employees and has both funded defined benefit and defined contribution sections. The Group also has two other small funded defined benefit schemes, which are included in the defined benefit disclosures below. Pension costs for the defined benefit section are determined by an independent qualified actuary on the basis of triennial valuations using the projected unit method.

Assumptions

The most recent actuarial valuation of the principal funded defined benefit pension scheme operated by the Group dated 5 April 2009 has been updated by independent qualified actuaries to take account of the requirements of IAS 19 Employee Benefits in order to assess the liabilities of these schemes at 31 March 2010. The main assumptions were as follows:

	2010 % p.a.	2009 % p.a.
Discount rate	5.6	6.6
Future salary growth	4.6	4.0
Rate of increase in pensions payment (fixed 3%)	3.0	3.0
Rate of increase in pensions payment (cap 5%)	3.4	2.9
Rate of increase in pensions payment (cap 2.5%)	2.2	2.1
Rate of price inflation	3.6	3.0

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements. The assumptions are that a member currently aged 65 will live on average for a further 22 years if they are male and for a further 24 years if they are female. For a member who retires in 2025 at age 65 the assumptions are that they will live on average for around a further 24 years after retirement if they are male or for a further 26 years after retirement if they are female.

The assumptions used by the independent qualified actuaries are the best estimates chosen from a range of possible actuarial assumptions.

Income statement

		2010 £m	2009 £m
Operating profit	Current service cost	0.6	1.0
Other finance items			
	Interest charge on scheme liabilities	5.7	6.0
	Expected return on scheme assets	(5.7)	(6.9)
		–	(0.9)
Net pension cost before tax		0.6	0.1

Statement of comprehensive income

	2010 £m	2009 £m
Gain (loss) on actual return less expected return on scheme assets	16.9	(16.5)
Experience (losses) gains arising on scheme liabilities	(0.9)	0.1
(Loss) gain arising on changes in assumptions underlying the present value of the scheme liabilities	(22.8)	4.3
Actuarial loss	(6.8)	(12.1)

Cumulative actuarial gains and losses recognised in the statement of comprehensive income since 1 April 2004 are losses of £2.9m (2009: gains £3.9m).

History of experience gains and losses

	2010	2009	2008	2007	2006
Market value of scheme assets (£m)	106.9	86.3	97.4	98.4	94.1
Present value of scheme liabilities (£m)	(113.7)	(87.3)	(88.0)	(106.8)	(104.4)
(Deficit) surplus in the schemes (£m)	(6.8)	(1.0)	9.4	(8.4)	(10.3)
Experience adjustments arising on scheme assets (£m)	16.9	(16.5)	(7.6)	(0.8)	11.7
% of scheme assets	15.8%	19.1%	7.8%	0.8%	12.4%
Experience adjustments arising on scheme liabilities (£m)	(0.9)	0.1	0.3	1.5	–
% of scheme liabilities	0.8%	0.1%	0.3%	1.4%	–

Notes to the Financial Statements

continued

24 RETIREMENT BENEFIT SCHEMES CONTINUED

Balance Sheet

The aggregate fair values of the assets in the Group's defined benefit schemes, the aggregate net pension liabilities and their expected weighted average long term rates of return are set out below:

	Expected long term rate of return		Net pension fund		Plan assets as % of total assets	
	2010 % p.a.	2009 % p.a.	2010 £m	2009 £m	2010 %	2009 %
Equities	8.5	8.5	63.3	50.1	59.2	58.1
Fixed Interest Gilts	4.5	4.0	10.6	24.6	9.8	28.4
Index linked Gilts	4.1	4.0	17.3	10.9	16.3	12.7
Corporate bonds	5.5	5.0	10.7	0.4	10.0	0.5
Cash	4.5	4.3	5.0	0.3	4.7	0.3
Total market value of assets			106.9	86.3	100.0	100.0
Present value of scheme liabilities			(113.7)	(87.3)		
Net deficit in the schemes			(6.8)	(1.0)		
Related deferred tax asset			1.9	0.3		
Net pension liability			(4.9)	(0.7)		

The overall expected rate of return on scheme assets is 6.9% (2009: 6.6%) and is a weighted average of the expected rates of return on each asset class. The Group employs a building block approach in determining the long term rate of return on pension plan assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed long term rate of return on each asset class is set out above. The overall expected rate of return is then derived by aggregating the expected return for each asset class over the actual asset allocation for the schemes as at 31 March 2010.

At 31 March 2010 the IAS 19 net retirement deficit was £6.8m (2009: £1.0m). The amount of the deficit varies if the main financial assumptions change, particularly the discount rate. If the discount rate increased or decreased by 0.25%, the IAS19 asset would increase or decrease by circa £5.0m.

Movement in scheme assets during the year

	2010 £m	2009 £m
At 1 April	86.3	97.4
Expected return on plan assets	5.7	6.9
Actual return less expected return on plan assets	16.9	(16.5)
Employer contributions	1.6	1.8
Member contributions	0.3	0.4
Benefits paid	(3.9)	(3.7)
At 31 March	106.9	86.3

Movement in scheme liabilities during the year

	2010 £m	2009 £m
At 1 April	(87.3)	(88.0)
Current service cost	(0.6)	(1.0)
Interest cost on plan liabilities	(5.7)	(6.0)
Experience (loss) gains	(0.9)	0.1
Changes in assumptions	(22.8)	4.3
Member contributions	(0.3)	(0.4)
Benefits paid	3.9	3.7
At 31 March	(113.7)	(87.3)

The estimated contributions expected to be paid to the schemes in the year ending 31 March 2011 are £2.6m.

Overseas

In the Netherlands, employees are members of either a multi-employer pension scheme or other similar externally funded schemes. These schemes are treated as defined contribution plans as it is not possible to separately identify the Group's share of the assets and liabilities of those schemes. The Group has been informed by the schemes that it has no obligation to make additional contributions in the event that the schemes have an overall deficit. In Belgium, the Group operates small defined contribution schemes. The total cost in the year for overseas pensions was £9.2m (2009: £7.5m).

25 CALLED UP SHARE CAPITAL

Group and Company	2010 £m	2009 £m
Authorised 450 million (2009: 350 million) ordinary shares of 10p each	45.0	35.0
Allotted, called up and fully paid 397 million (2009: 238 million) ordinary shares of 10p each	39.7	23.8

The Company raised £66.9m (net of expenses) by way of a 2 for 3 Rights Issue of 158,679,867 Rights Issue Shares at a price of 45p per Rights Issue Share. The bonus factor used in all calculations was 1.2585.

During the year 91,605 (2009: 1,091,422) ordinary shares were allotted following the exercise of options under the Savings Related Share Option Schemes for an aggregate consideration of £66,897 (2009: £662,289). Further disclosures relating to share-based payments are set out in note 6.

Notes to the Financial Statements

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26 NOTES TO THE CASH FLOW STATEMENT

Group	2010 £m	2009 £m
Continuing operations		
Operating profit from continuing operations	35.8	59.2
Amortisation of intangible assets	5.9	5.5
Depreciation of property, plant and equipment	50.1	44.6
Exceptional gain on disposal of property, plant and equipment	–	(3.3)
Non-exceptional gain on disposal of property, plant and equipment	(0.6)	(2.0)
Net increase (decrease) in provisions	1.1	(4.4)
Share-based payments	(0.6)	0.8
Operating cash flows before movement in working capital	91.7	100.4
Increase in inventories	–	(2.6)
(Increase) decrease in receivables	(5.1)	18.6
Increase (decrease) in payables	9.9	(15.5)
Cash generated by operations	96.5	100.9
Income taxes paid	(7.2)	(14.7)
Net cash from operating activities – continuing operations	89.3	86.2

Group	2010 £m	2009 £m
Discontinued operations		
Operating profit	0.3	4.7
Depreciation of property, plant and equipment	0.2	1.3
Net decrease in provisions	–	(0.6)
Operating cash flows before movement in working capital	0.5	5.4
(Increase) decrease in receivables	(0.1)	0.3
(Decrease) increase in payables	(1.1)	0.4
Cash generated by operations	(0.7)	6.1
Income taxes paid	(0.1)	(1.1)
Net cash from operating activities – discontinued operations	(0.8)	5.0

Consolidated movement in net debt

	2010 £m	2009 £m
Net increase (decrease) in cash and cash equivalents	24.7	(29.2)
Decrease (increase) in borrowings and finance leases	52.0	(18.3)
Amortisation of loan fees	(3.7)	(0.5)
Capitalisation of loan fees	7.4	–
Exchange gain (loss)	8.6	(37.5)
Change in fair value of interest rate swaps	(3.1)	(12.1)
Movement in net debt	85.9	(97.6)
Net debt at beginning of year	(424.3)	(326.7)
Net debt at end of year	(338.4)	(424.3)

Analysis of net debt

	At 31 March 2010 £m	At 31 March 2009 £m
Cash and cash equivalents	51.3	27.0
Current borrowings	(9.5)	(30.7)
Non-current borrowings	(380.2)	(420.6)
Total Group net debt	(338.4)	(424.3)

	At 31 March 2010 £m	At 31 March 2009 £m
Core Business net debt	(185.6)	(290.0)
PFI companies and other project finance non recourse net debt	(134.1)	(118.7)
Total Group net debt before fair value of interest rate swaps	(319.7)	(408.7)
Fair value of interest rate swaps	(18.7)	(15.6)
Total Group net debt	(338.4)	(424.3)

27 CAPITAL COMMITMENTS

Group	2010 £m	2009 £m
Contracts placed for future capital expenditure on financial assets	39.6	1.8
Contracts placed for future capital expenditure on property, plant and equipment	12.8	26.6
Share of joint venture future capital expenditure	2.9	7.4

The Company had no capital commitments at 31 March 2010 (2009: £Nil).

28 FINANCIAL COMMITMENTS

Group	2010 £m	2009 £m
Commitments under non-cancellable operating leases expiring:		
Within one year	10.1	7.4
Later than one year and less than five years	29.0	32.5
After five years	57.1	52.4
	96.2	92.3
Future minimum lease payments expected to be received under non-cancellable sub-leases	(0.6)	(0.6)
	95.6	91.7

The Company has commitments under non-cancellable leases of £0.5m expiring between two and five years (2009: £0.5m).

Notes to the Financial Statements

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29 CONTINGENT LIABILITIES

Group and Company

Under the terms of the sale agreement with Terra Firma for the disposal of the Group's UK landfill and power operations, the Group has given a number of indemnities and warranties relating to the disposed operations.

Provision is made for the Directors' best estimate of all known legal 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.

The Company and certain subsidiaries have, in the normal course of business, given guarantees and performance bonds relating to the Group's contracts. In addition the Company has contingent liabilities in respect of both VAT and HM Revenue & Customs group payment arrangements of £2.1m (2009: £0.2m).

The Company has given guarantees in respect of the Group's and subsidiary undertakings' bank borrowing facilities totalling £37.5m (2009: £29.2m).

Joint Ventures

The Group's joint ventures have no significant contingent liabilities.

30 RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries

A list of the Company's principal subsidiaries is set out in note 31. Transactions with subsidiaries relate to interest on intercompany loans and management charges. Net interest expense was £7.0m (2009: £10.9m) and management charges received were £3.8m (2009: £2.1m). Total outstanding balances are listed in notes 19 and 22.

Remuneration of key management personnel

Key management comprises the Board of Directors and the managing directors of the country operations. The disclosures required by the Companies Act 2006 and those specified by the Financial Services Authority relating to Directors' remuneration (including pension benefits and incentive plans), interests in shares, share options and other interests, are set out within the Remuneration Report on pages 54 to 59, and form part of these financial statements. The aggregate emoluments paid to the country managing directors was £984,000.

31 SUBSIDIARY UNDERTAKINGS AND JOINT VENTURES

Subsidiary undertakings at 31 March 2010

The Company held, through wholly owned subsidiaries, 100% of the issued share capital of the following principal trading subsidiaries (unless otherwise stated) all of which operate in the waste management sector and have been consolidated in the Group's financial statements.

	Country of incorporation
Principal Group subsidiary undertakings	
Shanks Nederland B.V.	Netherlands
Icova B.V.	Netherlands
BV van Vliet Groep Milieu-dienstverleners	Netherlands
Vliko B.V.	Netherlands
Klok Containers B.V.	Netherlands
Transportbedrijf van Vliet B.V. "Contrans"	Netherlands
Afvalstoffen Terminal Moerdijk B.V. "ATM"	Netherlands
Reym B.V.	Netherlands
Smink Beheer B.V.	Netherlands
Orgaworld B.V. (82%)	Netherlands
Shanks s.a.	Belgium
Shanks Hainaut s.a.	Belgium
Shanks Liège-Luxembourg s.a.	Belgium
Shanks Bruxelles s.a.	Belgium
Shanks Vlaanderen n.v.	Belgium
Shanks Transport n.v.	Belgium
Foronex n.v.	Belgium
Shanks Waste Management Limited	UK
Orgaworld Canada Ltd	Canada
Subsidiary undertakings holding PFI contracts	
Shanks Argyll & Bute Limited	UK
ELWA Limited	UK
Shanks Dumfries and Galloway Limited	UK
Shanks Cumbria Limited	UK

Joint Ventures at 31 March 2010

The Company held, through wholly owned subsidiaries, the following interests in material joint venture companies, all of which operate as waste management companies. The Group's share of profits and gross assets and liabilities have been incorporated in the Group's financial statements:

	% Group holding	Most recent year end	Country of incorporation
Caird Bardon Limited	50%	31 December 2009	UK
Energen Biogas Limited	50%	28 February 2009	UK
Geohess (U.K.) Limited	50%	31 December 2009	UK
Vare Holdings SPRL	50%	31 December 2009	Belgium
Silvamo n.v.	50%	31 December 2009	Belgium
Marpos n.v.	45%	31 December 2009	Belgium

Consolidated Five Year Financial Summary

at 31 March

	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
Consolidated income statement					
Revenue	683.5	685.1	553.0	500.1	435.7
Trading profit from continuing operations[1]	51.1	61.7	51.9	44.4	36.6
Finance charges – interest	(12.1)	(14.9)	(8.3)	(5.7)	(4.1)
Finance charges – other	(5.8)	(2.9)	(2.6)	(1.2)	(0.7)
Profit from continuing operations before exceptional items and tax (Underlying Profit)	33.2	43.9	41.0	37.5	31.8
Amortisation of acquisition intangibles	(3.9)	(3.8)	(2.5)	(1.1)	–
Exceptional items	(9.7)	(10.8)	(1.0)	6.9	(3.7)
Profit before tax from continuing operations	19.6	29.3	37.5	43.3	28.1
Tax	(6.7)	(7.8)	(11.9)	(14.0)	(9.8)
Exceptional Tax	5.2	(18.4)	–	–	–
Profit after tax from continuing operations	18.1	3.1	25.6	29.3	18.3
Profit after tax from discontinued operations	19.5	3.3	2.7	2.0	12.1
Profit for the year	37.6	6.4	28.3	31.3	30.4
Consolidated balance sheet					
Non-current assets	878.7	874.4	726.6	561.8	466.0
Other assets less liabilities	(155.1)	(150.5)	(119.8)	(80.7)	(68.6)
Net debt	(338.4)	(424.3)	(326.7)	(257.4)	(188.8)
Net assets	385.2	299.6	280.1	223.7	208.6
Share capital and share premium	139.0	123.0	121.1	117.5	117.2
Reserves	246.2	176.6	159.0	106.2	91.4
Total equity	385.2	299.6	280.1	223.7	208.6
Financial ratios					
Underlying basic earnings per share[2]	6.5p	10.4p	9.3p	8.6p	7.1p
Basic earnings per share[2]	4.8p	1.0p	8.6p	9.9p	6.2p
Dividends per share[2]	3.0p	1.7p	4.9p	4.7p	4.5p

[1] Trading profit from continuing operations is stated before exceptional items and amortisation of acquisition intangibles.

[2] As adjusted for the Rights Issue as described in note 25.

Shareholder Information

Analysis of shareholders as at 31 March 2010

	Holders	%	Shares held	%
Private shareholders	2,466	62.9	13,723,737	3.5
Corporate shareholders	1,455	37.1	383,067,536	96.5
	3,921	100.0	396,791,273	100.0

Size of shareholding	Holders	%	Shares held	%
1 – 5,000	2,596	66.2	5,292,871	1.3
5,001 – 25,000	851	21.7	9,036,824	2.3
25,001 – 50,000	123	3.1	4,555,091	1.1
50,001 – 100,000	90	2.3	6,617,516	1.7
100,001 – 250,000	77	2.0	12,603,929	3.2
250,001 – 500,000	48	1.2	16,703,954	4.2
over 500,000	136	3.5	341,981,088	86.2
	3,921	100.0	396,791,273	100.0

Registrar services

Administrative enquiries concerning shareholdings in the Company should be made to the Registrar, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZZ. Computershare can also be contacted by telephone on 0870 707 1290. Shareholders can also manage their holding online by registering at www.computershare.com/investor.

Shareholders who do not currently have their dividends paid directly to a bank or building society account and who wish to do so should complete a mandate form obtainable from Computershare. Tax vouchers are sent to the shareholder's registered address under this arrangement, unless requested otherwise. Shareholders are strongly encouraged to receive their cash dividends by direct transfer as this ensures dividends are credited promptly and efficiently.

Electronic Shareholder Communication

Following the introduction of new legislation shareholders may elect to receive future shareholder documents and information by email or via the Company's website. This is intended to help the environment by reducing paper and transport as well as enabling the Company to save on administration, printing and postage costs.

The Shanks Group plc website contains copies of our financial reports, corporate news and other shareholder information. Shareholder information will be made available by way of publication on the website. Shareholders have the following options:

- Option A. Receive email notification that documents and information are available on the Shanks Group plc website. You may register for this option by registering your email address at www.etreeuk.com/shanksplc. (You will require your SRN or Shareholder Reference Number which can be found on either your Share Certificate or recent Dividend Certificate/ Tax Voucher.) If you choose this option, we will plant a tree under the Woodland Trust's "tree for all" campaign.
- Option B. Receive all documents and information by post.
- Option C. Receive notification by post that documents and information are available on the Shanks Group plc website (including the Annual Report).

You may change your mind as to how you receive your shareholder information at any time by notifying Computershare. You may also request a hard copy of a particular document at any time from the Company.

Low cost share dealing service

A low cost, execution only share-dealing service for the purchase and sale of Shanks Group plc shares is available from Natwest Stockbrokers. Natwest Stockbrokers is authorised and regulated by the Financial Services Authority and is a member of the London Stock Exchange. Natwest Stockbrokers, Premier Place, 2 ½ Devonshire Square, London, EC2M 4BA. Telephone: 0808 208 4433.

Shareholder Information

continued

Shareholder warning – unsolicited mail

In recent years many companies have become aware that their shareholders have received unsolicited telephone calls or correspondence concerning investment matters. These are typically from overseas based 'brokers' who target UK shareholders offering to sell them what often turns out to be worthless or high risk shares in US or UK investments. They can be very persistent and extremely persuasive. It is not just the novice investor that has been duped in this way; many of the victims had been successfully investing for several years. Shareholders are advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports.

If you receive any unsolicited investment advice:

- make sure you get the correct name of the person and organisation and make a record of any information they give you;
- check that they are properly authorised by the FSA before getting involved. You can check at www.fsa.gov.uk/register;
- the FSA also maintains on its website a list of unauthorised overseas firms who are targeting, or have targeted UK investors. Any approach from such an organisation should be reported to the FSA so that this list can be kept up to date and any other appropriate action can be considered. If you deal with an unauthorised firm, you would not be eligible to receive payment under the Financial Services Compensation Scheme. The FSA can be contacted by completing an online form at www.fsa.gov.uk/pages/doing/regulated/law/alerts/form.shtml or if you do not have internet access, by telephone on 0300 500 5000; and
- inform our Registrars on 0870 707 1290.

Details of any sharedealing facilities that the Company endorses will be included in Company mailings. More detailed information on this or similar activity can be found on the FSA website www.moneymadeclear.fsa.gov.uk.

Share price information

On 31 March 2010, the middle market price of Shanks Group plc ordinary 10 pence shares was 101 pence per share, having varied during the year between a low of 48.47 pence (rebased) and a high of 135.2 pence. Share price information on Shanks Group plc is widely available in the financial press and on financial websites. The ISIN ("International Securities Identification Number") code for the Company's ordinary shares is GB0007995243 and the SEDOL ("Stock Exchange Official Daily List") number is 0799524.

ShareGift

If shareholders have only a small number of shares whose value makes it uneconomic to sell, they may wish to consider donating them to the charity ShareGift (registered charity no. 1052686). Further information may be obtained from their website at www.sharegift.org or by calling 020 7930 3737.

Company Websites

The Shanks Group plc website, containing Company details, financial information and current news can be found at www.shanksplc.co.uk. The website for Shanks companies within Belgium can be found at www.shanks.be, that for the Netherlands at www.shanks.nl, that for the United Kingdom at www.shanks.co.uk and that for Canada at www.orgaworld.ca.

Financial calendar

7 July 2010	Ex-dividend date for final 2010 dividend
9 July 2010	Record date for final 2010 dividend
22 July 2010	Annual General Meeting
6 August 2010	Payment of final 2010 dividend
November 2010	Announcement of interim results and dividends
January 2011	Payment of interim dividend
31 March 2011	2011 financial year ends
May 2011	Announcement of 2011 results and dividend recommendation

For updates to the calendar during the year, please visit our website.

Company Information

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Philip Griffin-Smith, FCIS

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PricewaterhouseCoopers LLP

Principal Bankers
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Fortis Bank s.a.
HSBC Bank plc
ING bank n.v.
Rabobank International
The Royal Bank of Scotland plc

Financial Advisers
Greenhill & Co International LLP

Solicitors
Ashurst LLP
Dickson Minto W.S.

Financial Public Relations Advisers
Tulchan Communications Group

Corporate Brokers
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Shanks Group.

Shanks Group.
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